

MONTHLY REPORT OF THE DEUTSCHE BUNDESBANK

JANUARY 1962

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Unless otherwise indicated, the data given in this Report relate, up to end-December 1959, to the area of the Federal Republic not including the Saarland, but including Berlin (West), and, as from January 1960, to the area of the Federal Republic including the Saarland and Berlin (West)

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The Economic Situation in the Federal Republic of Germany in the Winter of 1961/62

Money and Credit

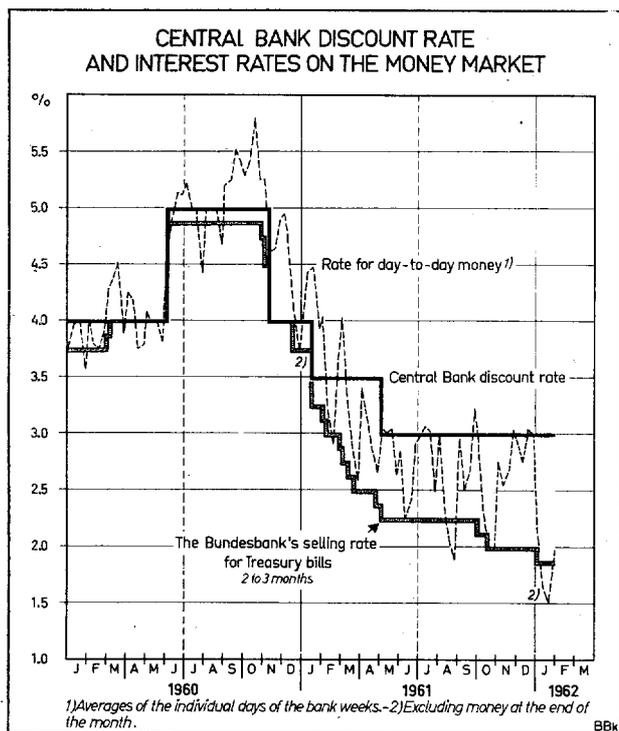
Money Market and Bank Liquidity

The money market, and in lesser degree bank liquidity as well, were subject of late to clearly marked fluctuations. Towards the end of last year they showed considerable strain, mainly under the influence of certain seasonal factors; but in January there followed an even greater relaxation, also mainly due to seasonal circumstances, and on the money market it was accompanied by an exceptional glut which did not decrease until the end of the month. The day-to-day money rate, in which the fluctuations of the money market are usually reflected with special clarity, stood on the daily average for December (even if the end-of-month rate lying between $4\frac{1}{2}\%$ and 5% is not counted) at almost 3% , against $2\frac{3}{4}\%$ in November and $2\frac{1}{4}\%$ in October; in January on the other hand it averaged slightly over $1\frac{3}{4}\%$ and on some days, especially about the middle of the month, it dropped to as low as 1% . This moreover was only a matter of nominal rates, since even at these the offerings met with little demand. It was not until the turn of the month, i. e., as a result of the new minimum reserve

period, that the market situation returned to normal and the rate for day-to-day money correspondingly rose.

By comparison, the banks' liquidity reserves, or to be more precise their holdings of cash, balances at the Bundesbank, money-market paper and short-term foreign balances and investments, varied only slightly, although in the composition of the assets there occurred during recent months (mainly on window-dressing grounds) a number of substantial shifts, which were of course for the most part cancelled out in the course of time. At the end of October the banks' liquid assets in the sense defined above had amounted to about DM 20.1 billion; at the end of November and the end of December they stood at roughly DM 20.5 billion, and for the end of January they may be estimated at around DM 20.8 billion. No doubt the increase roughly corresponded, in percentage terms, to the rise in liabilities. The relative constancy already shown by the banks' liquidity in the third quarter, as stated in the Monthly Report for October, thus persisted in the following months because the pattern of the market factors determining the state of liquidity continued to be relatively balanced, apart from certain seasonal fluctuations, being at all events much more balanced than in the first half of 1961, when the tendencies to greater liquidity had clearly predominated.

As to details however there was a notable change inasmuch as two factors, which had strained bank liquidity during the autumn months, have of late again affected it favourably. They are the course of foreign payments, so far as these involved the banks, and the cash transactions of the central public authorities. If one combines the changes in the Bundesbank's gold and exchange holdings and in the other banks' short-term foreign balances and investments, and disregards those foreign exchange outgoings which left bank liquidity unaffected, for the period since November a net result is obtained which meant for the banks an addition to their liquidity. This net total may be put for November at well over DM 300 million, and for December at more than DM 100 million; in January also it was probably between DM 100 and 300 million. By comparison



with the three preceding months (from August to October), when bank liquidity had been burdened through foreign payments to the extent of about DM 1.2 billion, this meant a noteworthy reversal; as to the causes, further details can be found in the chapter on Foreign Trade and the Balance of Payments. This addition to liquidity did not however nearly approach that in the first seven months of 1961 when, mainly because of speculative capital movements, liquid resources totalling DM 7.8 billion had accrued to the banks; and it remains to be seen whether temporary influences were not a factor.

In the last months of 1961 moreover, unlike the preceding period, the *movement in the central public authorities' cash position* no longer took liquidity from the banks but in some measure even put it into them. The Federal Government, which at the end of the third quarter of 1961 had still had a credit balance of DM 1.2 billion at the Bundesbank, drew the whole of this money off in the following quarter and towards the close of the year moreover took a cash advance of DM 160 million there. True, only a fraction of the Central Bank money thus used went into internal circulation, because towards the close of the year the Federal Government again made considerable foreign payments. Even so the amount which went into internal circulation (and so at least tended to improve bank liquidity) may be put at upwards of DM 350 million, whereas in the previous quarter the Federal budget's cash transactions had taken money away from the banks to the extent of some DM 550 million (against as much as DM 5.25 billion in the first two quarters, if the development aid loan and the proceeds of sale of Volkswagen shares are included). The Länder and the Equalisation of Burdens Fund also drew out on balance some DM 400 million from their Bundesbank balances in the fourth quarter of 1961, mainly owing to end-of-year payments, and did so almost solely in favour of domestic recipients, so that for the first time in a lengthy period bank liquidity was notably expanded through the central public authorities' cash transactions not only in a month of relatively poor tax revenues but in a full quarter, whereas previously such transactions had affected it in an exceptionally contractive sense. This clearly reflects the far-reaching change which has taken place during the past half-year in the Federal budget in particular. In January however the public authorities' net position in relation to the Bundesbank again considerably improved, as usual in that month, because tax revenues were relatively large in accordance with the seasonal trend, whereas expenditure — as usual

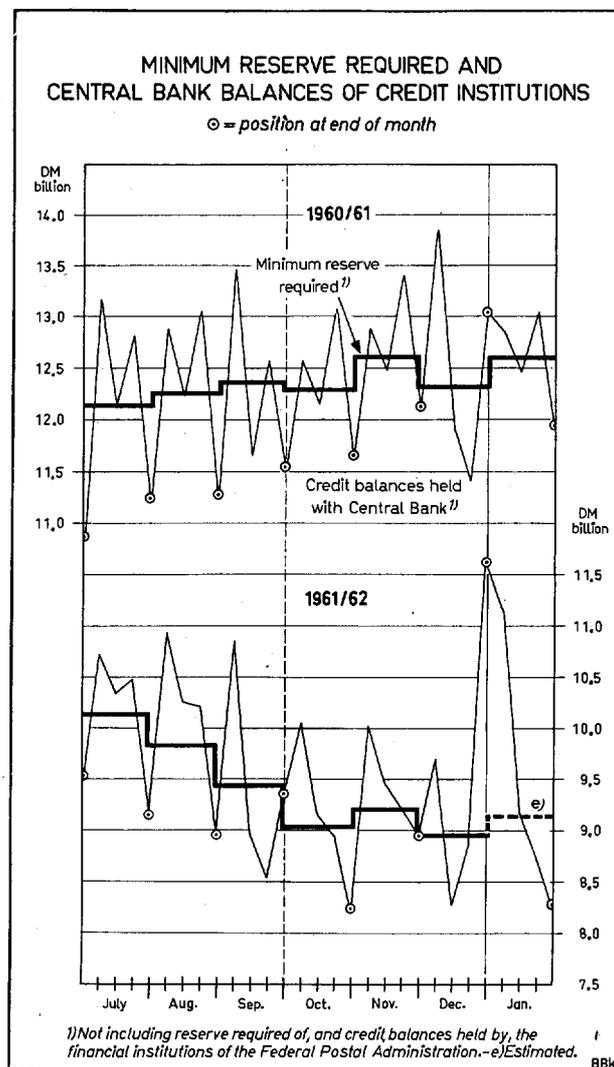
at the start of a new financial year — remained within relatively narrow limits. At the end of the month the Bundesbank deposits of the Federal Government, Länder and Equalisation of Burdens Fund again amounted to DM 4.0 billion, against DM 3.5 billion at the end of 1961 (the cash advances taken by the Federal Government at that time having been deducted). The tendencies to greater liquidity which might result from possible use of such balances must accordingly not be under-estimated; but they will doubtless be offset through the fact that foreign payments will continue to be an important element among the current financial year's public expenditure, so that any cash deficits will not to their full extent increase bank liquidity.

A further highly important factor in the movement of bank liquidity during recent months was the variations in the *note and coin circulation*, which as usual were very considerable about the turn of the year. In the course of the third quarter the average daily circulation of notes and coin had already risen above the second quarter's level by about DM 940 million. In the fourth quarter it rose by roughly a further DM 750 million, the increase being as usual interrupted only in November; at a daily average of DM 23.7 billion in December (at its seasonal peak) it was higher than in September last year by about DM 1.4 billion, and higher than in December 1960 by DM 2.4 billion, while at the close of the year it was actually above its end-of-1960 level by DM 2.65 billion. Bank liquidity was in each case correspondingly reduced, which shows what demands the banks' liquidity may face solely through growth of the note and coin circulation (as entailed, in some degree, by any economic expansion), and to what extent because of this factor alone — quite apart from the similar factor consisting in the increase of minimum reserve requirements as bank liabilities rise — the banks would have to resort to Central Bank assistance if neither the balance-of-payments situation nor a reduction of public Central Bank balances formed an equally strong counterweight. After the turn of the year the note and coin circulation then declined again as usual. On 24 January, at the bottom of the decline, it amounted to only DM 20.7 billion against DM 24.5 billion when the year began; but on the daily average for that period it was also lower by DM 1.4 billion than in the corresponding period of the previous month, although higher by DM 2.1 billion than in the first 24 days of January 1961.

These wide fluctuations in the note and coin circulation largely explain why the money market also presented a quite variable picture in December and

January, although the other factors determining liquidity exerted a certain equalising effect. There was however a further factor, namely the banks' effort on grounds of *window-dressing* to present, as usual, a particularly large holding of Central Bank balances at the close of the year. The fulfilment of the banks' minimum reserve requirement was therefore largely concentrated on the last part of December, particularly on the last day of that month, while during the first part of it the reserve requirement (contrary to the usual practice) remained unfulfilled or was only just satisfied. In December, therefore, the money market at first appeared relatively liquid, but the strain in its later course was all the greater, since money was offered only in small quantities but was in many quarters in demand. The uncertainty with regard to planning, which resulted from demand being thus concentrated temporarily, was further increased by the fact that outflows from public accounts started this time relatively late. In these circumstances the banks' minimum reserves in December inevitably showed surpluses which were greater than usual, amounting to DM 370 million against about DM 190 million in December 1960, and that of course further tightened the money market.

All this contributed towards making the backswing of the pendulum in January greater than usual. Besides the steep fall in the note and coin circulation some pressure on the market was induced, immediately after the turn of the year, by the large Central Bank balances which the banks had accumulated at the end of the year for window-dressing purposes (to which balances, as already stated, this or that amount to be described as "involuntary" may have been added at the last minute), with the result of producing in the market the above-mentioned glut, especially since the demand for money at the same time abruptly declined. As late as 25 January the month's prospective reserve requirement, according to the state of actual balances between the beginning of the month and that date, was over-fulfilled by nearly three-quarters of a billion DM, so that money continued to be offered. Consequently day-to-day money at times cost little more than 1%, and at 2½% even in the last days of the month it could still be had more cheaply than rediscount credit. It may be that because of this disparity between supply and demand the minimum reserves for January will again show a substantial excess over the amount required. Nevertheless at the close of the month, owing to the effort to compensate for as much as possible of the over-fulfilment during its first part, the reserve balances were down to a level falling short



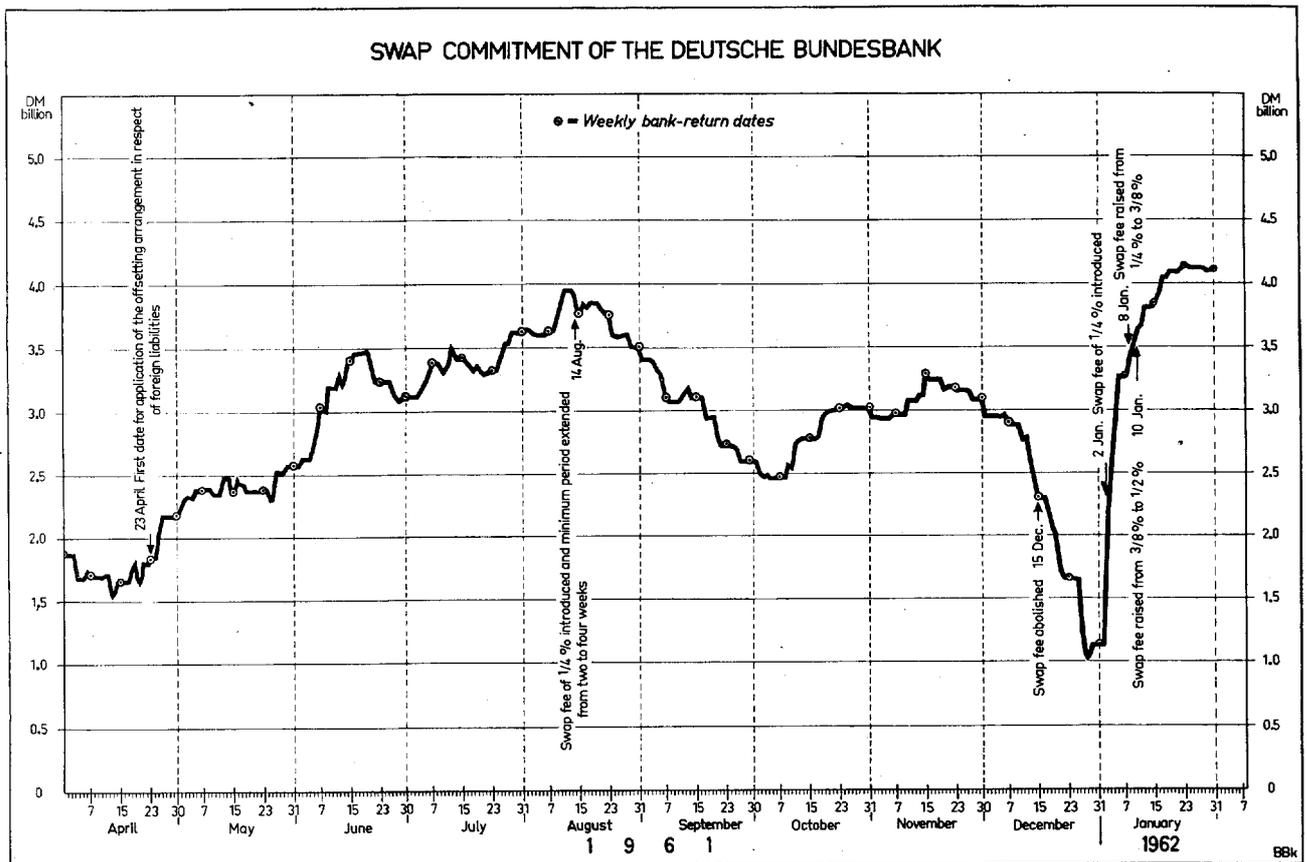
by nearly DM 1 billion of the reserve requirement to be expected for February. At the start of the new month the banks accordingly tried to replenish their reserve accounts, so that the market again became tighter for the time being.

During the period under report the great fluctuations in the money market, and the banks' effort to show the greatest possible cash liquidity at the end of the year, resulted above all in very abrupt changes in the banks' short-term foreign balances and investments which have for some time formed an important element in their total liquid reserves but, at least so far as they are nostro balances, do not meet the requirements which are made on liquid assets for purposes of window-dressing. The banks therefore recalled short-term foreign assets on a substantial scale at the annual balance-sheet date, and converted them into balances at the Central Bank. The arrangements required for this purpose as regards timing of maturities had already been made weeks beforehand.

Especially after 15 December, the last of the four dates which underlay the calculation of the December minimum reserve requirement (and hence also the "offsetting" of foreign liabilities by foreign assets), and on which date it was consequently still advantageous to hold large "offsettable" foreign assets, the amount repatriated was very large. At about DM 2.1 billion at the end of the month the banks' assets resulting from money exports (not including the Reconstruction Loan Corporation's temporary investment of proceeds from the development aid loan) were accordingly smaller by roughly DM 2 billion than at the end of November, and smaller by some DM 2.5 billion than at the end of August, their peak for last year. The fact moreover that the Bundesbank, because of the rapid reduction of its swap engagement in connection with the banks' money exports, in the second half of December temporarily dropped the charge for concluding swaps, which had been reintroduced in August 1961, did not discernibly slow down the process, just as the slight raising of money rates observable towards the close of the year on the New York and London money markets did not noticeably retard it.

In January, when window-dressing considerations did no longer govern the form of holding liquidity

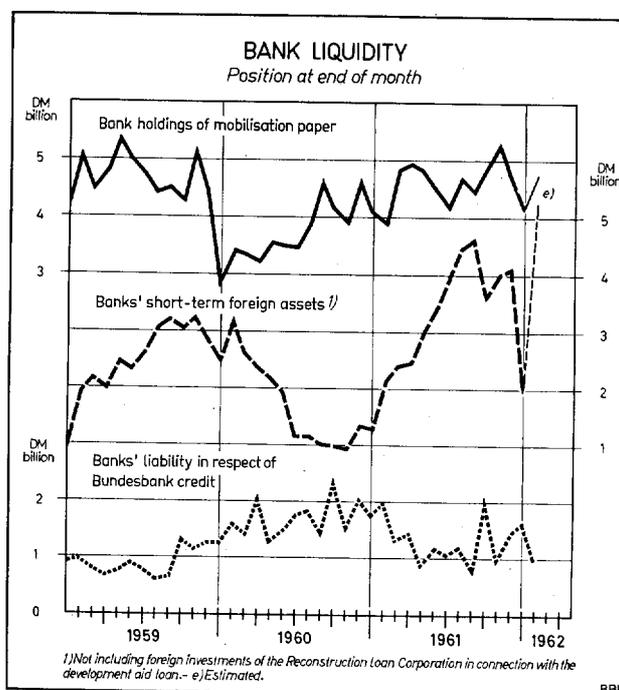
reserves, and when moreover the money market was as already mentioned in a state of definite glut, the pendulum swung back just as far. Immediately after the turn of the year there began a great outflow of bank funds seeking employment abroad, if only because the banks were trying, on the two dates yet to be taken into account for calculating the January minimum reserve requirement (namely 7 and 15 January), to take advantage as much as possible of the opportunities for "offsetting" in connection with the calculating of the reserve required for foreign liabilities. Conforming to this movement, the Bundesbank on 2 January reintroduced the swap charge of $\frac{1}{4}\%$ and shortly afterwards raised it in two stages to $\frac{3}{8}\%$ and to $\frac{1}{2}\%$. The inducement to export money remained, however, strong enough to cause the replenishing of the banks' short-term foreign balances and investments to make further considerable progress until towards the end of January. According to the returns (weekly since the start of this year) concerning the banks' foreign position their short-term foreign assets were by 7 January already up again almost to the level at which they had stood at the end of November; and on 23 January, the last date for which figures are available, they were above their end-November level by as much as about DM 1.1



billion. At nearly DM 5.3 billion the banks' short-term foreign balances and investments were actually greater by some hundreds of millions of DM than at their statistically discernible peak at the end of August 1961. On the same date (with the inclusion of the Reconstruction Loan Corporation's foreign investments and of the short-term lendings to foreigners) they also exceeded by as much as about DM 2 billion the short-term foreign liabilities of the institutions reporting their foreign position, whereas on 31 December 1961 they had fallen short by about the same amount of such short-term foreign liabilities.

On the other hand, as the opposite graph shows, the Bundesbank's *open-market operations* reflected the fluctuations of the money market and of the arrangements made with regard to liquidity to a much smaller extent. The chief reason was that the holding of liquidity reserves running for relatively short periods has been largely shifted to foreign assets, because the yield on these is higher than the rates for short-term money-market paper of German issuers, which rates were greatly reduced in the course of last year, and in January this year were lowered by a further $\frac{1}{8}\%$ by way of adjustment to the rapid increase of liquidity in the market. At present therefore the money market's fluctuations are chiefly reflected in the holding of foreign assets and — in contrast to earlier times — only to a small extent in the circulation of money-market paper, more particularly of mobilisation paper. At all events in December of last year German investors' holding of mobilisation paper declined by only DM 560 million while, as mentioned, foreign balances and investments amounting to about DM 2 billion were repatriated. Similarly in January, regardless of the great abundance of money, such holding only rose by a total of fully DM 300 million, while in the same period the banks' foreign assets increased by an estimated DM 3.1 billion. The fact that at about DM 5.2 billion the amount of mobilisation paper sold to domestic takers still was lower by some DM 940 million, at the end of January, than at last year's peak at the end of October 1961 also shows that the prominence of foreign investments among the total liquidity held by the banks is evidently connected with the declining tendency in their holding of domestic money-market paper.

The *accommodation obtained at the Bundesbank* also remained relatively little affected by the fluctuations of the money market and of bank liquidity, at least as measured by the movement in earlier years. At the end of December 1961 the domestic and foreign bills rediscounted and the loans obtained against



securities at the Bundesbank totalled about DM 1.6 billion; thus — contrary to the tendency usual in previous years — their total was only slightly greater than that of DM 1.4 billion at the end of November last year, after indeed having temporarily fallen to not quite DM 1 billion in October. It fell short appreciably of the DM 2.0 billion reached at the end of September last year. Nor does the banks' liability in respect of Bundesbank credit present a materially different picture if the movement of the daily averages for the individual months (DM 1.4 to 1.5 billion in September and October, DM 1.1 billion in November and DM 1.5 billion in December of last year) is considered. In January the Bundesbank assistance greatly declined, however, under the influence of excess supplies in the money market. At the end of the month it amounted to only DM 924 million, and on the daily average for the month it was DM 1.1 billion. The chief reason for the banks' restraint in borrowing at the Bundesbank was that for some time the costs of rediscounting have been relatively high by comparison with the yields obtainable on foreign investments, or as compared with domestic money-market rates, and that consequently when money is required funds are by preference withdrawn from abroad, or else procured on the domestic money market or through the resale of open-market paper. Apart from this however the fact that the rediscounting of bills at the Bundesbank even at times of such pronounced tightness as the end of the year no longer exceeds DM 1.5 billion (whereas for example it had amounted to al-

most DM 5 billion in the spring of 1951, with a balance-sheet total only a fraction of the present one) of course also clearly shows how far the last decade's flood of liquidity due to surpluses on the balance of payments has made the banking system for the time being independent of the Central Bank's liquidity assistance.

During the last few months *minimum reserve policy* was only a comparatively unimportant factor in the course of the money market and of changes in the banking system's free liquidity reserves. After the general lowering of minimum reserve ratios in respect of domestic liabilities, with effect from 1 October 1961, by a further 5 per cent of their October 1959 level the reserve ratios — up to the time when the minimum reserves in respect of foreign liabilities were revised with effect from 1 February 1962 — were lowered only once, in December of last year. At that time the ratios for sight and time liabilities to residents were lowered by a further 5 per cent of what they had been in October 1959, being thus brought down again to the level of that month, which had formed the starting point for the rises in the subsequent restrictive period. The ratios for savings deposits, which on the lowering of the reserve ratios for October 1961 had already been brought down to that level, remained in view of this unchanged. In consequence of this further reduction the reserve requirement for credit institutions (other than the Postal Cheque and Postal Savings Bank Offices) declined from DM 9.21 billion in November to approximately DM 9.0 billion, whereas between October and November, mainly under the influence of growth in the reserve-carrying liabilities, it had risen by almost the same amount. In January it would however seem to have risen again to an estimated DM 9.1 or 9.2 billion, since if only because of seasonal factors at the dates — 23 and 31 December as well as 7 and 15 January — governing calculation of the January reserve requirement the liabilities carrying that requirement were probably greater than on the preceding four bank return dates.

A certain reduction of the required reserve will on the other hand become effective in February. With effect from 1 February this year, under a decision adopted by the Central Bank Council on 25 January, the reserve ratios in respect of the banks' reserve-carrying liabilities to non-residents, which ratios previously corresponded to the legally permissible maxima of 30 per cent for sight liabilities, 20 per cent for time liabilities and 10 per cent for savings deposits, were reduced to the level of the ratios applying to

domestic liabilities; consequently from 1 February onwards they amount, according to the reserve class to which the credit institution subject to the reserve obligation belongs, and according to whether it is located at a place where there is or is not a Bundesbank office, to between 7 and 13 per cent for sight liabilities, between 6 and 9 per cent for time liabilities, and between 5 and 6 per cent for savings deposits. As estimated according to the total amount (both "offset" and not "offset" through short-term foreign assets) of the banks' normally reserve-carrying foreign liabilities in December last year, and according to the "degree of offsetting" at that time, this measure will result in lowering the required reserve by some DM 150 million. It must be borne in mind, however, that the current "growth-induced" rise in the required reserve (even though this rise will presumably be relatively small in February) will counteract the reduction of the ratios. Incidentally a fact to be taken into account in any assessment of the effect produced by the latest lowering of reserve ratios on the minimum reserve to be maintained by individual institutions is that by December as much as roughly two-thirds of the normally reserve-carrying foreign liabilities had been "offset", that is to say were in fact exempt from the minimum reserve requirement, and that among the liabilities not yet "offset" there was a predominance of time liabilities, in the case of which the reserve ratio had at any rate been only 20 per cent.

In addition the Central Bank Council abolished the reserve against the increment in the banks' liabilities in respect of customers' availments of credits opened at institutions abroad. Together with a number of other drastic measures of credit policy this reserve had been introduced by decision of 2 June 1960; it related to the addition to such liabilities over and above their level on 31 May 1960, this addition being subjected to the maximum ratios allowed by law for the minimum reserve, whereas the amount of such liabilities accumulated up to that date had not been subjected to the minimum reserve obligation. Now the decision of 25 January this year has reintroduced, for customers' availments of credits opened at institutions abroad, the rule which had existed before July 1960 — that is to say, the total amount of such liabilities is again fully exempt from the minimum reserve requirement. The effect of this decision on the required minimum reserve may be put at about DM 60 million.

By the recent reductions of minimum reserves the Bundesbank does not aim, as in the case of the earlier lowerings of reserve ratios, at furthering the credit in-

stitutions' liquidity. The aim is rather to renormalise minimum reserve holding; with a view to removing the hardships entailed by the special ratios, this had always been an aim of the Bundesbank, but had hitherto had to be postponed on balance-of-payments grounds. The more severe regulations concerning minimum reserves in respect of foreign liabilities had been made at the time in order to check, so far as possible, the heavy inflow of foreign money. At that time the Bundesbank had expressed the hope that this would be a merely temporary arrangement, the more so since the Bundesbank was aware that it would entail hardships for certain groups of banks. The change which has meanwhile taken place in the balance-of-payments situation, not least through the flattening out or (in the case of money-market rates) the actual reversal of the interest differential in relation to foreign countries, makes it now seem justifiable to terminate the special minimum reserve regulations applying to foreign liabilities. The facility for "offsetting" normally reserve-carrying foreign liabilities against specified short-term foreign assets of the banks, a facility which the Central Bank Council had introduced with effect from 1 May 1961, nevertheless remains open to the banks. In other words the minimum reserve provisions will continue to exert an inducement to export money, although after the lowering of the reserve ratios this inducement will no longer be so strong as before.

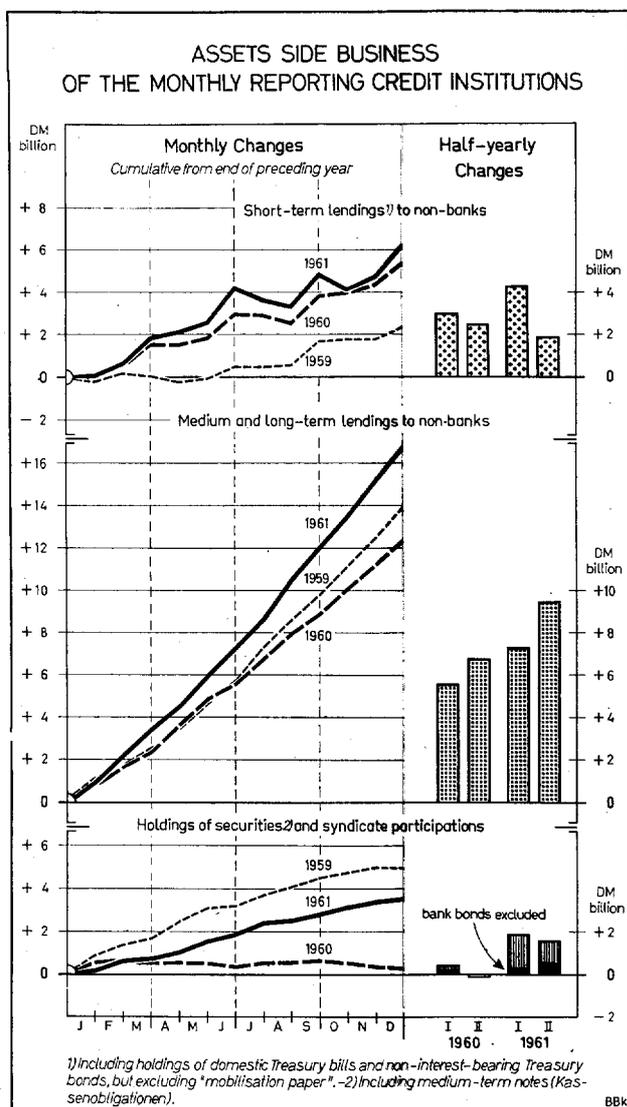
Banks' Lendings and Investments

The expansion of the banks' lendings and investments went further in the last quarter of 1961. The total credit and security commitment incurred by the banks rendering returns for the monthly statistics towards their non-bank customers increased between the end of September and the end of December last year by about DM 6.25 billion to the present level of DM 171 billion. In the previous quarter it had risen by DM 5.75 billion, and in the last quarters of 1959 and 1960 by roughly DM 5.2 and 4.9 billion respectively. The difference by comparison with the corresponding period a year earlier would be still greater if one added to the taking of securities issued by non-banks the change in the banks' holdings of bonds issued by credit institutions. During recent months in fact, unlike a year previously, the banks have taken bank bonds from the issuing institutions on a quite substantial scale. In our statistics regarding credit expansion, these transactions are recorded among the lendings of the issuing institutions.

The renewed increase in borrowing from German banks was accompanied by borrowers' increasing abandonment of foreign sources of credit. In 1960 trade and industry's statistically recorded taking of *direct* credits and loans abroad had by itself amounted to almost DM 0.9 billion; in 1961 it was at first still considerable, amounting to something over DM 500 million both in the first and in the second quarter and to about DM 375 million in the third. These figures do not allow for shifts in the terms of payment, which operated in the same direction. In the fourth quarter of 1961 trade and industry on the contrary repaid direct borrowings abroad to the net extent of around DM 350 million; the terms of payment actually showed from the middle of the year onwards a clear swing, in the credit relations with foreign countries, in the direction of repayment of borrowings. To a certain extent therefore the increase of the "domestic" demand for credit is due to the fact that the supply of credit from abroad is no longer of practical importance, but that funds are on the contrary being diverted to repay liabilities to foreigners. We shall revert to these processes in our Monetary Analysis at the end of this chapter.

By way of contrast to the movement in the total volume of credit *the banks' short-term lendings to business and private customers* rose in the fourth quarter of 1961 by much less than a year earlier. Their increase amounted in the quarter under report — with, indeed, quite large fluctuations in the individual months — to DM 1.14 billion as against DM 1.76 billion in the corresponding period of 1960; thus the tendency already observable in the third quarter has continued. One reason may have been that in the last months of 1961 the major public authorities' cash transactions were no longer tending to contract the economy's liquidity as they had been doing, in particular, on a very large scale in the first half of the year as well as in the corresponding period a year before. No doubt however a further factor of appreciable importance was the effort by borrowers, after a long period when on grounds of the interest payable they preferred borrowing for shorter periods, now to take additional credit so far as possible in longer-term forms and also — in many cases — to consolidate short-term bank liabilities.

This is also indicated by the continued substantial increase in the *banks' medium and long-term lendings to business and private customers*, which is the more remarkable since industry has of late procured large sums in the issue market and the amount of loans taken outside the banks against borrower's note is not



likely to have become any smaller. The longer-term bank lendings to business and private customers increased in the fourth quarter of 1961 by DM 3.88 billion; their expansion was thus somewhat smaller than that of DM 3.93 billion in the previous quarter, but exceeded the amount in the comparable period of the previous year by more than DM 1 billion. The rise by comparison with a year earlier was almost entirely due to the greater increase in long-term lendings. These mainly comprise mortgage loans granted by issuing institutions and savings banks. The out-payments of mortgage loans to borrowers by savings banks, central giro institutions and other real-estate credit institutions for housing purposes (the remaining out-payments of mortgage loans are not statistically recorded as such, but undoubtedly fall far short of the out-payments for house-building) amounted in the quarter under report to DM 1.83 billion; at this level they were greater by DM 340 million than in the corresponding period of

1960. Besides this however the commercial banks, where the financing of industry is prominent, enlarged the volume of their long-term lendings to business and private customers by a greater amount in the last part of 1961 than a year previously. According to the statistics for the individual groups of banks, at present available only up to the end of November, the commercial banks have since the middle of the year (that is the time from which the shift of emphasis to longer-term lending dates) increased their long-term loans to business and private customers (running for 4 years or more) by over DM 600 million, that is by twice as much as between July and November 1960. At the credit institutions with special functions the total amount of long-term lendings to business and private customers rose during the same period by DM 435 million, as compared with roughly DM 215 million in the corresponding period of 1960. Of this amount some DM 90 million represented loans to foreign business enterprises.

The credit extended at short, medium and long term to public authorities was shown by the banks at the end of December 1961 nearly DM 1.1 billion higher than at the end of September. This increase was greater than in the corresponding period of earlier years, mainly due to the fact that the banks' short-term lendings to public authorities (including their holdings of domestic Treasury bills and non-interest-bearing Treasury bonds, but not of mobilisation paper) rose in the quarter under report by DM 215 million, whereas in the two previous years it had declined during that period. Short-term advances, which usually show highly irregular movements, accounted for about DM 120 million; to the extent of the remaining DM 95 million the banks enlarged their holdings of such Treasury bills and non-interest-bearing Treasury bonds the taking of which by the banks (as contrasted with the acquiring of mobilisation paper) represents a grant of credit to the issuers concerned. The longer-term lendings to public borrowers rose in the quarter under report by about DM 880 million, against something over DM 800 million in the previous quarter and upwards of DM 700 million in the last quarter of 1960. The figure for recent months, however, included considerable amounts of medium and long-term bank lendings to foreign Governments (granted mostly by the Reconstruction Loan Corporation) in connection with development aid; if they are disregarded, there remains for the expansion of longer-term bank lendings to domestic public authorities in the quarter under report an amount of about DM 560 million, as compared with not quite DM 620 million in the pre-

The Credit Institutions' Business on the Assets and Liabilities Sides *)

in millions of DM

Items	1960		1961							Position at end of month
	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr. ^{P)}	Oct.	Nov.	Dec. ^{P)}	
Lendings to Non-Banks and Security Holdings	Increase (+) or decrease (—)									
Short-term lendings to										
Business and private customers	+1,188	+1,758 ⁴⁾	+1,853	+2,280	+1,022 ⁴⁾	+1,137	— 807	+ 510	+1,434	47,280
Public authorities	— 114	— 56 ⁴⁾	+ 228	+ 127	— 197	+ 121	+ 79	— 43	+ 85	687
Medium and long-term lendings to										
Business and private customers	+2,681	+2,796 ⁴⁾	+2,517	+3,168	+3,928	+3,875	+1,223	+1,363	+1,289	89,609
Public authorities	+ 613	+ 706 ⁴⁾	+ 944	+ 703	+ 813	+ 882	+ 350	+ 249	+ 283	23,770
Treasury bills and non-interest-bearing Treasury bonds										
of German issuers	+ 511	— 170	+ 660	— 689	+ 414	— 589	+ 465	— 553	— 501	5,419
among which:										
Mobilisation paper ¹⁾	(+ 698)	(— 58)	(+ 836)	(— 711)	(+ 664)	(— 683)	(+ 416)	(— 609)	(— 490)	(4,234)
of foreign issuers	— 26	+ 65	+ 734	— 20	+ 143	— 41	— 36	+ 22	— 27	1,195
Securities and syndicate participations										
among which: Bank bonds ²⁾	+ 258	— 342	+ 839	+1,093	+ 951	+ 691	+ 366	+ 285	+ 40	22,279
	(+ 172)	(— 122)	(+ 725)	(+ 865)	(+ 527)	(+ 558)	(+ 311)	(+ 154)	(+ 93)	(14,154)
Bank Deposits and other Liabilities										
Sight deposits of										
Business and private customers	— 132	+2,304	—2,033	+1,908	+ 903 ⁴⁾	+3,686 ⁴⁾	+1,172 ⁴⁾	+ 500	+2,014 ⁴⁾	32,058
Public authorities	— 127	+ 698	— 553	+ 221	+ 131	+ 826	— 337	+ 491	+ 672	4,444
Time deposits of										
Business and private customers	+ 183	+ 77	+ 603	— 255	— 327	— 40 ⁴⁾	+ 328	— 252	— 116 ⁴⁾	11,895
Public authorities	+ 30	+ 189	+ 344	+ 952	+ 239	— 202	— 159	+ 99	— 142	9,535
Savings deposits of										
Business and private customers	+1,413	+2,748	+2,228	+1,069	+1,014	+2,218	+ 727	— 27	+1,518	55,791
Public authorities	+ 101	+ 296	+ 225	+ 102	+ 152	+ 302	+ 29	+ 92	+ 181	4,633
Monies and loans taken from non-banks										
among which:										
at notice or fixed period of 6 months and over	+1,048 ⁴⁾	+ 800 ⁴⁾	+1,565 ⁴⁾	+1,034	+1,172 ⁴⁾	+1,007	+ 203	+ 279	+ 525	38,083
Circulation of bank bonds ^{2) 3)}	(+1,038 ⁴⁾	(+ 760 ⁴⁾	(+1,503 ⁴⁾	(+1,078)	(+1,188)	(+1,059)	(+ 248)	(+ 289)	(+ 522)	(37,481)
	+1,078	+ 777	+1,888	+1,472	+1,068	+1,562	+ 551	+ 477	+ 534	35,282

*) According to the credit institutions' monthly balance-sheet statistics. The data include claims and liabilities in respect of German and foreign non-banks. —
¹⁾ I. e., Federal Treasury bills and non-interest-bearing Treasury bonds resulting from exchange for a corresponding partial amount of the Bundesbank's equalisation claim, the taking over of which paper by the banks does not involve any additional granting of credit to non-banks. —²⁾ Including bonded loans of the Equalisation of Burdens Fund issued with the commitment of the Equalisation of Burdens Bank, which in the securities statistics — contrary to the practice applied in this table — are counted among public loan issues. —³⁾ Excluding bonds of own issues held by credit institutions. —⁴⁾ Statistically adjusted. —
^{P)} Provisional.

vious quarter and roughly DM 600 million in the fourth quarter of 1960.

The banks' holdings of securities and syndicate participations, including securities issued by banks, rose in the last three months of the past year by just on DM 700 million; this rise was smaller than in any of the three preceding quarters, in each of which the banks had taken securities amounting to between DM 840 million and DM 1.1 billion; but it continued to contrast clearly with the movement in the last quarter of 1960, when the holdings had been reduced by about DM 350 million. The reason for the slowing in comparison with previous quarters lay in the fact that at the end of the year, as usual, the banks showed restraint in taking new securities, the more so since their liquidity was relatively strained in December; at all events their holdings increased in that month by only the small margin of DM 40 million. Of the above-

mentioned roughly DM 700 million by which the banks increased their total investment in securities during the quarter under report, the greater part once again comprised bank bonds. The holdings of mortgage and communal bonds, as well as of bonds (including medium-term notes) issued by specialised credit institutions, rose by about DM 560 million between the end of September and the end of December last year to roughly DM 14.2 billion. At this level they accounted for nearly two-thirds of the banks' total holding of securities and syndicate participations. On the other hand, in harmony with the smallness of new issues of such paper, the holdings of public issuers' bonds and medium-term notes increased by only about DM 75 million, an increase of nearly DM 160 million in medium-term notes having against it a decrease by about DM 85 million in bonds of the Federal Government, of its Special Funds and of the Länder. The

holdings of marketable dividend-bearing securities were shown by the banks at the end of the period under report at a total of DM 2.21 billion, being nearly DM 40 million lower than at the end of September; on the other hand their syndicate participations, mainly representing unsold residues of security issues in respect of which the subscription or application period was still running on the balance-sheet date, rose during the quarter under report by more than DM 80 million.

The Banks' Liabilities-side Business

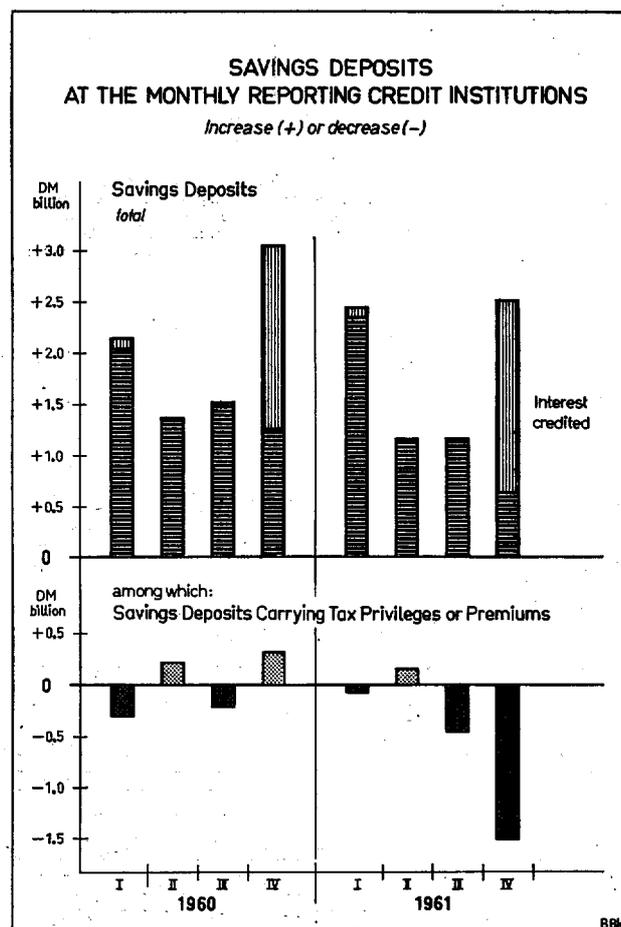
The banks' liabilities-side business was during the quarter under report clearly influenced by the fact that at the turn of the year the amount of liquidity held by trade and industry is usually very large, often being deliberately increased for window-dressing reasons. Accordingly the short-term liabilities became prominent if only for seasonal reasons. A fact tending to produce a like effect was that at the end of the year the blocking period for a particularly large amount of savings deposits carrying tax concessions expired, and that part of the monies in question for a time went to sight accounts.

Consequently the *sight deposits* held by non-banks at the credit institutions rendering monthly returns increased during the quarter under report by an exceptionally large amount, namely by about DM 4.5 billion¹⁾ — most of it in December — as against something over DM 1 billion in the previous quarter and about DM 3.0 billion in the corresponding period of the year before. As already indicated, this was due to the movement in sight deposits of business and private customers (see the table on page 11). Apart from the reasons previously mentioned a further fact contributing to the increase of such deposits was that in the last quarter of 1961 the central public authorities on balance put money into internal circulation, and did not withdraw it as they had done in the comparable periods.

On the other hand during the last quarter of 1961 the *time deposits* of non-banks decreased by not quite DM 0.25 billion¹⁾, after having already declined in the third quarter by DM 90 million; in the previous year they had risen both in the fourth and in the third quarters (by about DM 270 and 210 million respectively). The greater part (about DM 200 million) of the decline during the quarter under report took place in public authorities' time deposits, which had grown very

rapidly in the earlier course of 1961. The fall in private time deposits by the balance of DM 40 million remained within relatively narrow limits as compared with their contraction by a total of almost DM 600 million in the second and third quarters of 1961.

The increase in *savings deposits* has of late been relatively small. The total amount of such deposits increased between the end of September and the end of December 1961 by only something over DM 2.5 billion, against more than DM 3 billion in the corresponding period of 1960 and upwards of DM 2.5 billion in the last quarter of 1959. At the same time the interest credited (mostly in December) has risen from year to year, rising to almost DM 1.9 billion in December 1961 as against nearly DM 1.8 billion in December 1960 and DM 1.1 billion in 1959. The excesses of in-payments on savings accounts accordingly amounted in the last quarter of 1961 to slightly over DM 0.6 billion; they were thus only about half as great as in the corresponding period of the two previous years. Since the savings deposits of business enterprises and public authorities — contrary to the movement in the total amount of such deposits — grew in the quarter under report somewhat faster than in the periods com-



¹⁾ After elimination of a statistically induced addition, explained by the fact that the rules governing returns rendered for the banking statistics by credit institutions with affiliated, juridically dependent, building and loan associations were amended with effect from 31 December 1961.

pared, therefore, the slackening was entirely in the savings deposits of private households.

As already mentioned, that slackening is mainly explained by the expiry of the blocking period for a particularly large amount of savings deposits carrying tax concessions, and to the change (frequently observed in that connection) of the form in which the monies previously held on savings accounts are invested. Of late for instance, as will be explained in the section dealing with security markets, the proportion of securities placed with private takers has been surprisingly great. In December alone the total amount of savings carrying tax privileges declined by almost DM 1.1 billion, to a residual amount of only about DM 160 million, after having already been reduced in November by roughly DM 860 million and in October by just under DM 100 million; thus in the fourth quarter of 1961 the total decrease amounted to over DM 2 billion. Against it there was new blocking of savings deposits, with a view to obtaining the governmental savings premium, to the extent of roughly half a billion DM; accordingly the total amount of savings deposits favoured by governmental measures declined by more than DM 1.5 billion, whereas in the fourth quarter of 1960 it had risen by DM 300 million. The savings deposits carrying tax concessions and released at the end of last year constitute the residue — very substantial, it is true — of the savings deposited under savings agreements subject to a blocking period of between three and four years, or, to be more precise, of the monies accumulated since the end of 1957 under instalment savings agreements in the years 1958—60, in which connection it must be borne in mind that the last date on which *instalment* savings agreements could be concluded with the benefit of tax privileges was the end of 1957. The balance of tax-privileged savings deposits still amounting at the end of December last year to about DM 160 million results from the agreements concluded between January 1955 and October 1956, under other legal provisions, subject to blocking for 7 or 10 years.

The *proceeds received by credit institutions with security-issuing rights from sale of their bonds* amounted in the last three months of 1961 to a total of DM 1.56 billion, as compared with DM 1.07 billion in the previous quarter and DM 0.78 billion in the last quarter of 1960. If one deducts the banks' purchases from the total placings, there remains for sales to non-banks in the quarter under report an amount of something over DM 1 billion; this is almost twice as great as that of about DM 540 million in the previous quarter, and also exceeds the proceeds (about DM 900

million) obtained in the corresponding period of the previous year.

The *taking of monies and loans from non-banks* continued at a high level. In the quarter under report it amounted to about DM 1 billion, against nearly DM 1.2 billion in the previous quarter and DM 0.8 billion in the fourth quarter of 1960. The greater part as usual comprised loans provided by public authorities and intended for transmission to serve specified capital purposes, especially house-building. It is known that some of these monies are lent out at a very early stage, especially when a favourable budget situation is enjoyed by the lenders — the most important of whom are in this connection the Länder.

Security Markets

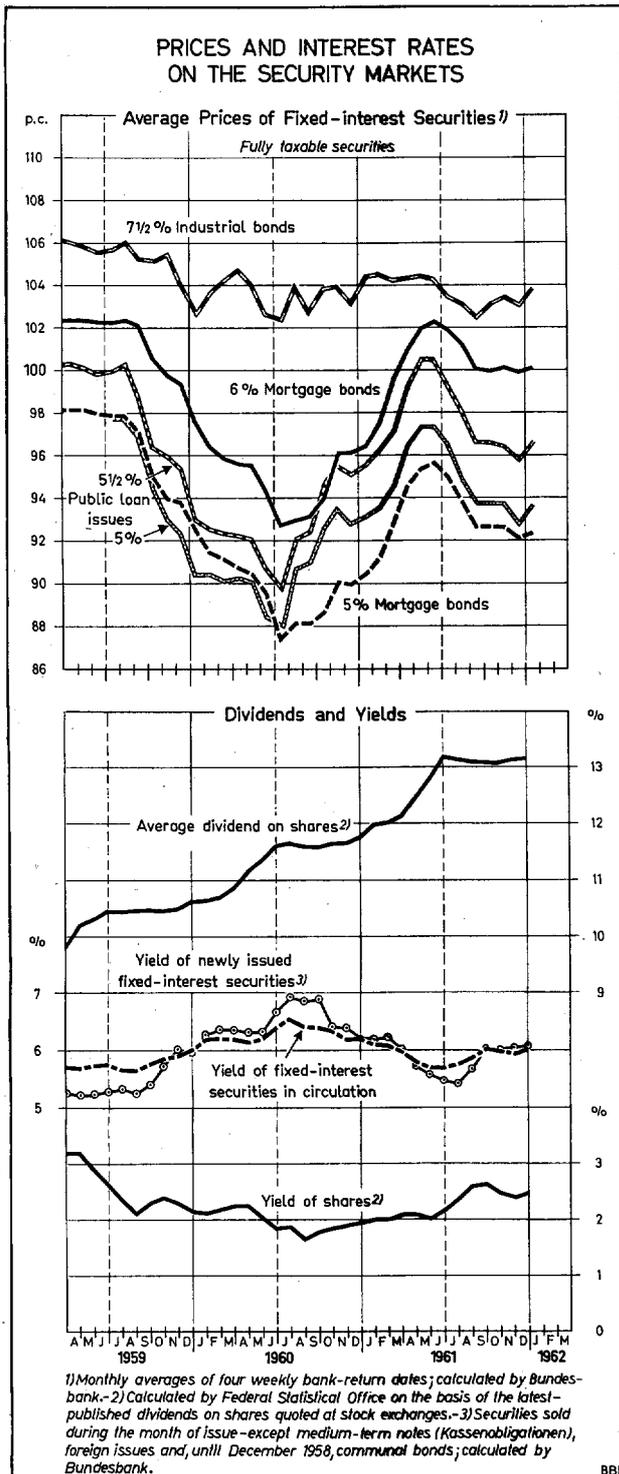
On the *bond market* the consolidation, which began in October after the serious setbacks in the third quarter of last year, has since made further progress. In particular the loans with which the "occasional issuers" (i. e., issuers other than real-estate credit institutions) reappeared in the last months of the year, after an interval lasting several months, met with a good reception. The first-comer was the loan which was issued in November by the Industrial Credit Bank at 6% nominal interest and at a price of 99 ³/₄, and which met with such keen demand that it was already fully placed on the first day, while the price promptly rose to par. Three further 6% loans totalling DM 315 million, and offered in December by various "occasional" issuers, also encountered a similarly favourable market even though their issue price had been fixed at par. The incoming subscriptions amounted in some cases to several times the quotas available to the underwriting banks, so that severe scaling down became necessary, and in the subsequent unofficial dealings the prices for the bonds in question rose after only a short time by up to a full point or more. Nevertheless the terms mentioned, namely 6% nominal interest and an issue price of par, were retained in the case of the four further loans totalling DM 410 million which were issued in January (including a DM 210 million loan for the German Federal Railways), so that these issues also were easily placed.

In these circumstances it was of course inevitable that the prices for older issues were somewhat impaired because of these relatively attractive terms for the newly issued loans, just as the securities of the real-estate credit institutions were not unaffected by the new competition. Both the older issues which had been introduced on the stock exchange and the mortgage and communal bonds newly appearing had for a

time to be marked down slightly in price by comparison with the level of quotations which they had attained in the course of October. In particular the low-interest securities in the course of November and December suffered price falls by up to one point and in some cases even more, while the securities bearing higher interest rates were better maintained, but also felt the pull of the new issues. Not until January were the previously handicapped sections of the market

also favoured by the more propitious wind which has been blowing in the bond market since October or November. Quotations began to rise again to such an extent as not only to make good most of the price falls which had occurred during the last weeks of the old year but, in addition, in many cases to cause appreciable profits on prices as compared with the October level. For the real-estate credit institutions' new bonds also the issue prices were put up again, or the rates of bonus paid to reselling banks were cut. A further fact indicating the trend in this category was that the 5½% mortgage and communal bonds were again found more attractive, particularly since the issuing institutions cut down the sale of the 6% bonds because their lending business on this basis was becoming more difficult, so that a certain shortage of such securities began to make itself felt. Consequently the net selling price for 5½% mortgage and communal bonds rose again, at 95½ per cent reaching a higher level at the end of January than it had held in mid-October of the previous year.

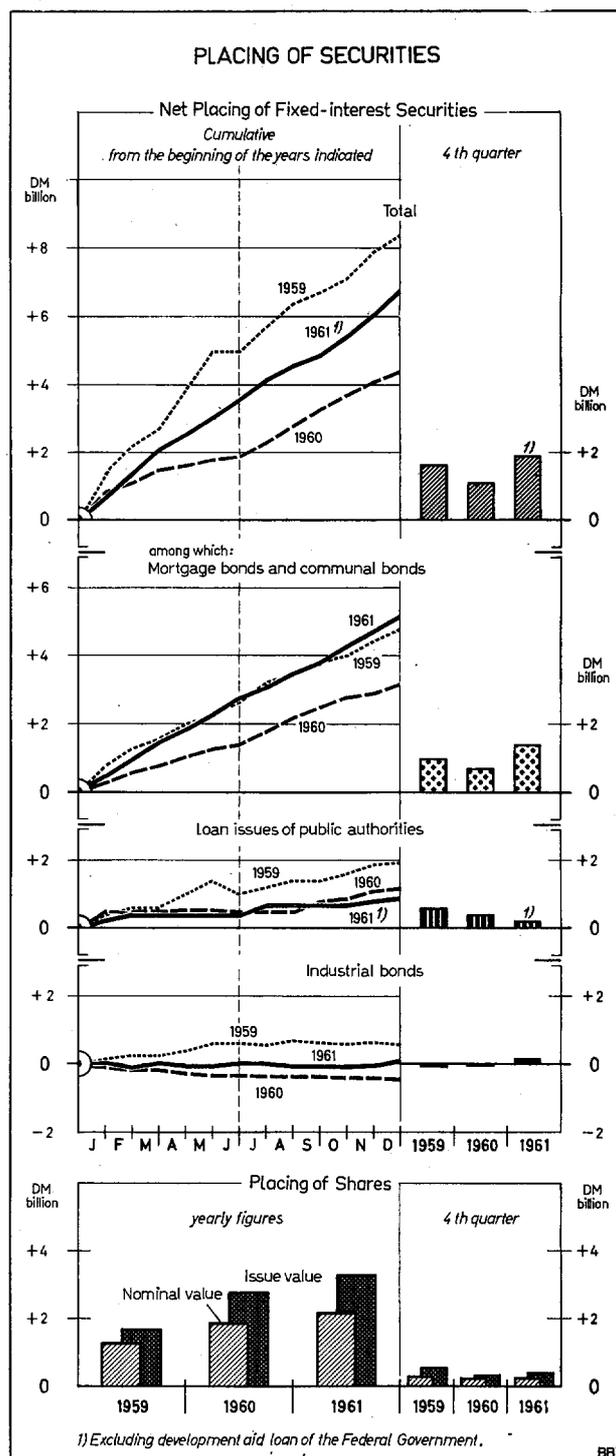
The basis for this gradual easing of the market appears to have been primarily a change in expectations regarding interest rates. When the widely feared further increase of world political tensions failed to materialise, and when the foreign selling pressure (which will be discussed below) declined — no doubt due in some measure to that cause — the view seems to have increasingly gained ground that the renewed upward movement apparent in the rate of interest on capital since the middle of last year had reached its peak, at the level of over 6% attained in October, and that consequently at least no further losses on price were to be expected for the future. The readiness in these circumstances to enter the bond market produced effects all the greater because, it would appear, investable funds are abundantly available. During the period when the market was once again dominated by investors' wait-and-see attitude, large sums no doubt accumulated which would normally have been put into the bond market. Gratifying as was the renewed increase in the net acquisition of securities by German buyers during 1961 (in absolute amount, and with the inclusion of shares — at market value — as well as of the development aid loan, it reached roughly DM 11.4 billion as against something over DM 7.0 billion in the previous year and DM 10.7 billion in 1959), such acquisition accounted for only some 19 per cent of total domestic wealth formation against over 23 per cent in 1959. In other words total domestic wealth formation grew faster, in comparison with 1959, than the placings of



securities. When it is further borne in mind that for some time shares have no longer been found so attractive as in earlier years, because the speculative expectations regarding them have been notably deflated and considerations of yield are consequently coming more into their own again, it is moreover only natural that the increase of demand for securities applies primarily to those bearing fixed interest rates. In point of fact the weakness of the share markets recently appears in some measure to have favoured the recovery of the bond markets. Another fact which during the period under report doubtless strongly influenced the amount of funds available for investment was that at the close of the year the potential investors received substantial interest and redemption payments on old investments and that, as already mentioned, in both of the last two months of the year, but especially in December, considerable amounts of previously blocked savings deposits carrying tax concessions became free. The amount of savings deposits thus released was put, on a previous page, at over DM 2 billion for the fourth quarter of 1961. The interest and redemption payments are more difficult to ascertain, but one would hardly be far wrong in putting them at a figure of the order of DM 1 billion. It may be assumed that a substantial part of these monies sought investment in the bond market, or will seek it later.

It was doubtless due to this that the growth of demand recently apparent on the bond market came not from credit institutions, as it has done in most earlier phases of recovery, but from non-banks, and among these, in particular, from private individuals. In the fourth quarter, just as in those preceding it, the banks again acquired domestic bonds on a considerable scale; at about DM 665 million net, however, their purchases were not equal to those effected in the three previous quarters, in each of which they had averaged roughly DM 840 million. In the individual months of the quarter a continuous decrease of such purchases was actually evident. These, after having reached nearly DM 400 million in October, amounted to DM 270 million in November; and in December, for the first time in a year, the holdings again showed a decrease — although only a small one. As against this the net purchases of fixed-interest securities by "German non-banks" increased from DM 215 million in October to DM 340 million in November and about DM 750 million in December. Thus in the whole quarter they amounted to about DM 1.3 billion, and were accordingly roughly twice as great as the purchases by banks. What proportion

private individuals had in them cannot be precisely determined. But from the breakdown of the figures for placings of the bonds newly issued in recent months — due acknowledgment is to be made here to the underwriting banks for their reporting — it may be concluded that the amount must have been considerable. Thus for instance out of the Federal Postal Administration's DM 105 million loan, issued at the beginning of December, more than one-half was directly taken by pri-



vate subscribers; in the case of the DM 150 million loan issued in the same month by a large industrial company the participation of private security takers appears to have been even greater, and at least similar results were reported in respect of the other loans issued during recent weeks. Foreigners on the other hand again sold German fixed-interest securities on balance during the fourth quarter. Such sales however amounted to only just on DM 90 million net, against over DM 210 million in the previous quarter. They have moreover continuously decreased since August, and in December they were actually replaced for the first time by net purchases, although these were only small at DM 3 million.

The increasing readiness of German investors to invest was however also accompanied by notably greater recourse to the market, and this naturally checked the influence exerted on quotations and interest rates by the increase of demand. According to our securities statistics the issues of new fixed-interest securities amounted in October 1961 to DM 529 million, in November to DM 546 million and in December to DM 860 million. Altogether therefore new issues came on to the market in the fourth quarter to the extent of DM 1.94 billion, against DM 1.89 billion in the previous quarter and DM 1.43 billion in the corresponding period of 1960. Even more clearly than in the figures for issues the greater recourse to the bond

Placing of Securities
in millions of DM

Period	Bonds of German issuers						Loans of foreign issuers	Fixed-interest-bearing securities, total	Shares	Fixed-interest-bearing securities and shares, total
	Mortgage bonds	Communal bonds	Bonds of specialised credit institutions	Industrial bonds	Public loan issues	Other bonds				
Gross placing										
1960 1st qtr.	625.5	258.8	257.6	27.5	572.3	—	44.8	1,786.5	645.4	2,431.9
2nd qtr.	452.6	194.1	109.4	—	33.3	—	—	789.4	560.9	1,350.3
3rd qtr.	718.2	405.8	63.9	—	341.8	3.0	—	1,532.7	407.2	1,939.9
4th qtr.	547.1	261.2	70.2	—	385.2	—	—	1,263.7	291.0	1,554.7
1961 1st qtr.	878.6	737.2	304.4	119.6	1,333.8 ¹⁾	—	—	3,373.6 ¹⁾	687.4	4,061.0
2nd qtr.	905.9	686.2	253.4	50.0	310.3 ¹⁾	25.3	—	2,231.1 ¹⁾	421.5	2,652.6
3rd qtr.	864.2	541.9	135.1	—	257.1 ¹⁾	28.7	12.0	1,839.0 ¹⁾	789.4	2,628.4
4th qtr.	992.8	540.0	208.3	150.0	240.0 ¹⁾	46.0	—	2,177.1 ¹⁾	294.1	2,471.2
October	338.0	224.1	53.0	—	5.9 ¹⁾	4.0	—	625.0 ¹⁾	100.1	725.1
November	239.4	160.6	83.5	—	129.4 ¹⁾	42.0	—	654.9 ¹⁾	68.0	722.9
December	415.4	155.3	71.8	150.0	104.7 ¹⁾	—	—	897.2 ¹⁾	126.0	1,023.2
Redemption										
1960 1st qtr.	33.2	42.3	47.9	142.3	57.0	—	—	322.7	—	322.7
2nd qtr.	19.6	41.8	20.5	208.9	60.8	0.1	—	351.7	—	351.7
3rd qtr.	31.3	30.8	24.7	21.9	14.7	0.0	—	123.4	—	123.4
4th qtr.	31.9	61.6	42.9	30.8	17.9	3.5	—	188.6	—	188.6
1961 1st qtr.	30.7	104.6	86.3	115.2	38.4	—	—	375.2	—	375.2
2nd qtr.	89.8	189.9	114.0	31.0	7.1	0.1	—	431.9	—	431.9
3rd qtr.	140.9	247.5	90.4	58.7	15.0	2.0	—	554.5	—	554.5
4th qtr.	77.9	99.3	43.1	14.2	32.7	3.6	—	270.8	—	270.8
October	29.0	24.1	16.6	3.1	0.1	3.5	—	76.4	—	76.4
November	27.4	18.7	8.0	0.3	0.1	—	—	54.5	—	54.5
December	21.5	56.5	18.5	10.8	32.5	0.1	—	139.9	—	139.9
Net placing ²⁾										
1960 1st qtr.	592.3	216.5	209.7	—114.8	515.3	—	44.8	1,463.8	645.4	2,109.2
2nd qtr.	433.0	152.3	88.9	—208.9	—27.5	—0.1	—	437.7	560.9	998.6
3rd qtr.	686.9	375.0	39.2	—21.9	327.1	3.0	—	1,409.3	407.2	1,816.5
4th qtr.	515.2	199.6	27.3	—30.8	367.3	—3.5	—	1,075.1	291.0	1,366.1
1961 1st qtr.	847.9	632.6	218.1	4.4	1,295.4	—	—	2,998.4	687.4	3,685.8
2nd qtr.	816.1	496.3	139.4	19.0	303.2	25.2	—	1,799.2	421.5	2,220.7
3rd qtr.	723.3	294.4	44.7	—58.7	242.1	26.7	12.0	1,284.5	789.4	2,073.9
4th qtr.	914.9	440.7	165.2	135.8	207.3	42.4	—	1,906.3	294.1	2,200.4
October	309.0	200.0	36.4	—3.1	5.8	0.5	—	548.6	100.1	648.7
November	212.0	141.9	75.5	—0.3	129.3	42.0	—	600.4	68.0	668.4
December	393.9	98.8	53.3	139.2	72.2	—0.1	—	757.3	126.0	883.3

¹⁾ Including 5 % Loan of the Federal Republic of Germany (development aid) in the following amounts: DM 857.9 million in the first quarter of 1961; DM 310.3 million in the second quarter of 1961; DM 7.1 million in the third quarter of 1961; DM 0.9 million in the fourth quarter of 1961; DM 0.6 million in October 1961; DM 0.2 million in November 1961; DM 0.1 million in December 1961. — ²⁾ I. e., gross placing less redemption; the minus sign indicates an excess of redemption over the amount of securities newly placed during the period indicated.

market is reflected in those for placings. The gross placings of fixed-interest securities amounted in the fourth quarter to DM 2.18 billion, against DM 1.83 and 1.92 billion respectively in the two preceding quarters and DM 1.26 billion in the last quarter of 1960, although these figures do not include the development aid loan, which was mainly subscribed in the first half of 1961¹⁾. Of the total placings the issues by real-estate credit institutions accounted for DM 1.53 billion, or more than two-thirds. This was more than the amount in the previous quarter (DM 1.41 billion); but the sales of securities issued by real-estate credit institutions fell slightly short of the amounts for the first two quarters of 1961, namely about DM 1.6 billion in each case. The bulk of the real-estate credit institutions' sales during the period under report were as usual those of mortgage bonds, these having reached their highest total for any quarter to date at nearly DM 1 billion. How far this expansion of sales was due to last year's extremely keen demand for long-term loans for house-building cannot be determined in detail. It is true that in the last quarter of 1961, at DM 920 million, the amount of mortgage loans promised by real-estate credit institutions was again substantial; it shows however a considerable decrease by comparison with the two previous quarters, in each of which it had reached DM 1.24 billion. On the other hand the out-payments of mortgage loans to borrowers increased at a faster rate. They amounted in the period under report to over DM 1 billion as compared with about DM 770 million in the previous quarter and DM 690 million in the corresponding period of 1960. Because of the recent acceleration in the outflow of loan monies the total amount of loans promised but not yet paid out has declined of late, after having grown for a long time without interruption; it has indeed fallen to DM 3.95 billion. As regards the remaining issuers, these also succeeded during the period under report in placing more bonds than before. Altogether their placings amounted to over DM 640 million against DM 425 million in the previous quarter; in this connection it must be borne in mind that the total sales in the third quarter include the Federal Railways' DM 250 million 5% loan issued at the beginning of July, the partial failure of which caused the "occasional" issuers at the time to refrain for the moment from larger issues.

¹⁾ The differences from the figures for issues are mainly explained by the fact that, because of the procedure used for selling them (namely current sales instead of placing through bank syndicates), the sale of bank bonds issued by real-estate credit institutions is usually spread over a relatively long period, so that issue and placing as a rule diverge in point of time.

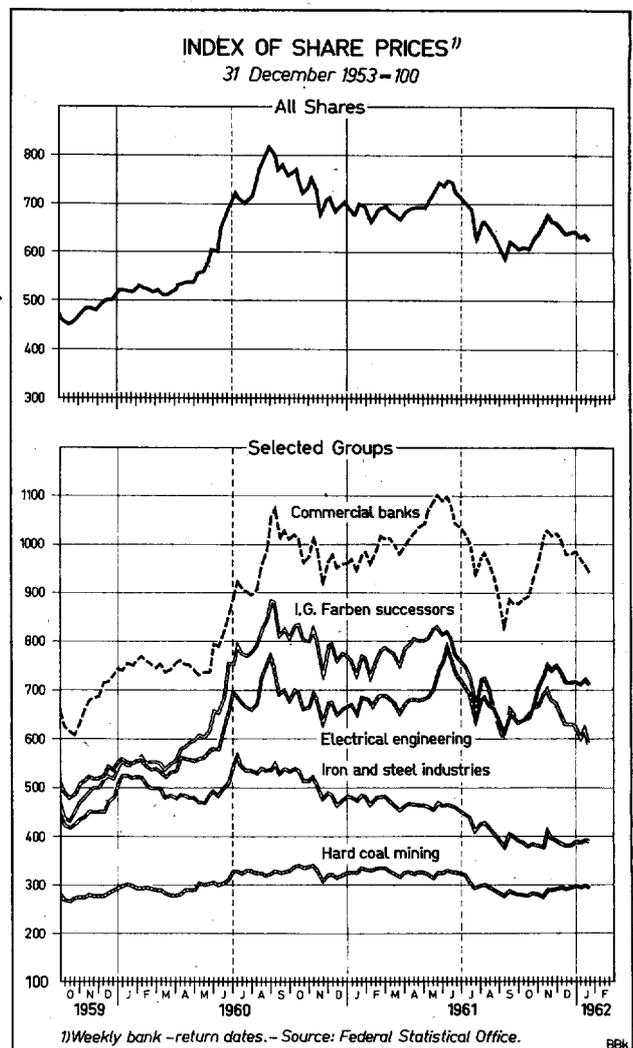
In January also the placings of new fixed-interest securities seem likely, so far as can yet be seen, to have reached a respectable level. Apart from the above-mentioned four loans totalling DM 410 million, medium-term notes amounting to over DM 100 million have been placed during this month. On the assumption that the placing of new mortgage and communal bonds was roughly at the level of the monthly average for the last quarter the total placings of fixed-interest securities would amount to roughly DM 1 billion. The fact that the easing of the market was nevertheless not interrupted indicates clearly how much its absorptive capacity has grown owing to the gradual overcoming of investors' attitude of caution towards fixed-interest securities.

The experiences, gained in very favourable seasonal circumstances, must not however lead to the erroneous assumption that the market would certainly be able even over a relatively long period to absorb issues by "occasional" issuers of equal, let alone greater amount. It is therefore all the more welcome for the sake of the market's further recovery that the flooding of the market with bonds of public authorities, as feared in certain quarters some time ago, is in all probability not to be expected. As is shown in more detail in the chapter on Public Finances, the Länder will this year not be obliged to resort to the capital market; the Saarland's DM 75 million loan, which is about to be issued, will accordingly be the only loan issued by a Land in 1962. But a fact of even greater importance is that the Federal Government, despite the renewed sharp rise in its expenditure, will not need to borrow in the capital market to the extent which had been expected with some anxiety in certain quarters in the light of earlier news about the framing of this year's budget. The Federal Finance Minister himself has stated that, if the Cabinet's draft budget is adopted, the total borrowing may be estimated at DM 1.8 billion (including DM 500 million for debt redemption at the Bundesbank), and that of this amount he proposes to procure only DM 1 billion in the form of bonded loans. A condition for this is, however, that the Länder shall contribute DM 1.74 billion to help the Federal Government in squaring its budget, which in view of the prospective course of their budgets they will probably be able to do in some measure, without having to draw on their present large reserves. At all events it is desirable, in the interests of the capital market, that the Länder shall meet the Federal Government's wish, and that the legislative bodies not only refrain from worsening the Cabinet's draft for the 1962 Federal budget, but rather reduce the

estimated demand for credit by cutting down various expenditure items — an object which should at all events also be kept in mind in executing the budget.

It might also contribute greatly to the capital market's recovery if the demands made on it by real-estate credit institutions did not continue to grow, but were if anything reduced. In particular the borrowing of monies to finance house-building could be reduced without detriment to the economy as a whole, especially since according to the data now available the planned volume of house-building is again likely in the current year to be in excess of the available capacities. The public authorities, and in particular the Länder, would seem in this connection to have far-reaching opportunities, since their loans of capital for house-building in large measure are pacemakers for the real-estate credit institutions' market borrowing, and since in particular the interest subsidies which have for some years been granted on a rising scale relieve a large category of house-builders from the need to show proper consideration for the overall state of the market when framing their capital requirements. To that extent the interest subsidies have greatly contributed towards causing the level of German interest rates for capital to remain relatively high up till now, at all events higher than in many other countries which are comparable in economic terms.

On the *share market* prices, after a temporary vigorous recovery in October and November, again declined in the further course of the period under review. The index of quotations, calculated by the Federal Statistical Office on the basis 31 December 1953 = 100, rose from about 612 at the beginning of October to 684 on 15 November. By mid-December it was down again to 643, and by the end of January it had declined with some fluctuations to about 630. It was thus back again at about its average October level, although some 40 points above its previous low point for the year in September. In individual sections of the market there were however some more or less marked divergences from the overall trend. Thus for example shares of the Farben successors have since October lost about 10% of their quotation, whereas electrical engineering, public utility and coal and steel shares (the latter no doubt mainly because of their high yield) showed considerable net gains in price. Special gains were moreover also shown during recent weeks by brewery shares, which were for a time in quite keen demand on the formation of an investment fund specialising in shares of the beverage industry.



One reason for the tendency to weakness which the share market again showed during recent months, at least as a whole, would seem to be that the assessment of cyclical trends is less optimistic than it was up till last summer. Although the figures for production, sales and employment so far show no falling off, yet in view of the persistent cost increases and the growth of competition observable in many industries the prospects of rising profits, and hence of larger dividend payments or greater additions to capital and reserves, are beginning to become smaller. A further consequence (important for the share market) of the calming of economic activity is that with the narrowing of profit margins the scope available to enterprises for self-financing is contracting. It already appears that many companies have consequently been forced to resort to the capital market more than before, if they wish to maintain their volume of investment. The recently published plans for increases of capital by various major companies clearly indicate that substantial new issues are to be expected on the share market too. As

earlier experience has shown, however, prospective capital increases in periods of uncertainty have often been found to operate as adverse factors. This is especially the case when — for the purpose of making the raising of capital “cheaper” — prices relatively far above par are fixed for subscription rights, or when company managements arrange to have placed at their free disposal so-called “disposable shares”, the mere existence of which naturally impairs the prospects for quotation of the securities in question, since it must be expected that if prices move favourably such shares will be thrown on to the market. In part however the downward pressure now observable on the share market is also due to the increased attraction exerted on speculatively minded people by the bond market and by the prospects of price-gains assumed to exist there.

On the other hand the state of the share market has improved during recent months inasmuch as foreigners are again showing a stronger interest in German dividend-bearing securities. According to our statistics of capital transactions the purchases by foreign investors on the German share market amounted in the past quarter to DM 319 million, against DM 276 million in the previous quarter, or DM 76 million if two special transactions totalling DM 200 million are eliminated¹). At the same time the individual months show a clearly rising tendency. How strong the influence of foreigners' buying was in the whole of 1961 is shown by the fact that, when their net purchases on the home market are set against German buyers' purchases of foreign dividend-bearing securities (after elimination of the special transactions just mentioned), there remained in 1961 a surplus of about DM 930 million, whereas in the previous year German net purchases abroad had conversely been the greater by roughly DM 40 million. On the other hand no great importance attached during the quarter under report to the purchases of shares by banks. During that quarter indeed, in accordance with the German public's generally small readiness to invest, the banks bought domestic dividend-bearing securities (including syndicate participations) to the net extent of only DM 24 million, against DM 65 million and something over DM 200 million in the two preceding quarters respectively. Thus the banks' holding of dividend-bearing securities, always relatively small, has risen to DM 2.75 billion.

At DM 294 million in the period under report the money taken from the market by new issues was small

in amount by comparison with the average of over DM 600 million for the three preceding quarters. At sale value the placings of shares reached DM 390 million as compared with DM 1.06 billion in the previous quarter. Thus in the whole of 1961 new shares were placed to a total par value of DM 2.19 billion, against DM 1.9 billion in the previous year. Reckoned at issue prices the amount of capital provided in the share market during 1961 actually reached nearly DM 3.3 billion, that is over half a billion DM more than in 1960.

Monetary Analysis for the Second Half of 1961

By way of summarising and supplementing the foregoing statements we shall now continue the “Monetary Analysis”, last published in the Monthly Report for July 1961, in which we from time to time discuss the most important monetary trends from the special point of view of how they have influenced the “volume of money”. In its delimitation the statistical material here presented partly differs from the data in the preceding section of this Report. First, the basis taken here is not the monthly banking statistics, which relate solely to the banks other than the Bundesbank, but the “Consolidated Condition Statement for the Credit Institutions *including* the Deutsche Bundesbank”, since to a certain extent (namely in so far as they are effected with non-banks) the Bundesbank's assets-side and liabilities-side transactions also exert a direct influence on the volume of money and its composition, although within the total this influence is only small, as is natural in view of the great extent to which a modern Central Bank is divorced from direct dealings with non-banks. In the following analysis of the banking system's assets and liabilities-side transactions the “domestic business” is moreover clearly distinguished from the “foreign business”, because what primarily matters here is analysis of the movement in the domestic volume of money. Further information about methods and definitions used in this analysis can incidentally be taken from the notes to the following table, in which the data most important for the analysis have been as usual specially collated in accordance with the progress of the investigation.

The *expansion of bank lendings to domestic non-banks*, which has always been the most important expansive factor affecting the volume of money, gained further in importance during the second half of 1961. In that period it amounted to nearly DM 12.2 billion, being thus greater than in any previous compared period; it substantially exceeded the expansion (not quite DM 9 billion in 1960 and about DM 10.7 bil-

¹) See the Monthly Report of the Deutsche Bundesbank, Vol. 13, No. 10, October 1961, page 19.

Money Supply *)

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

Items	Yearly figures			Year	Quarterly figures				July to December
	1959	1960	1961 P)		1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	
I. Bank lendings to German non-banks, total	+18,096	+17,307	+23,934	1959	+2,682	+4,761	+5,500	+5,153	+10,653
				1960	+4,068	+4,260	+3,998	+4,981	+8,979
				1961	+5,242	+6,523	+6,586	+5,583 P)	+12,169 P)
(1) Short-term lendings (including holdings of domestic Treasury bills and non-interest-bearing Treasury bonds but excluding "mobilisation paper" 1)), total	+ 3,003	+ 5,512	+ 7,356	1959	— 171	+1,243	+ 994	+ 937	+ 1,931
				1960	+1,462	+1,387	+ 850	+1,813	+ 2,663
				1961	+1,817	+2,752	+1,643	+1,144 P)	+ 2,787 P)
of which:				1959	+ 12	+ 498	+1,173	+ 633	+ 1,806
Credit institutions (except Bundesbank)	+ 2,316	+ 5,447	+ 6,158	1960	+1,577	+1,432	+ 871	+1,567	+ 2,438
				1961	+1,893	+2,400	+ 591	+1,274 P)	+ 1,865 P)
Bundesbank 2)	+ 687	+ 65	+ 1,198	1959	— 183	+ 745	— 179	+ 304	+ 125
				1960	— 115	— 45	— 21	+ 246	+ 225
				1961	— 76	+ 352	+1,052	— 130	+ 922
among which:				1959	(—)	(—)	(+ 514)	(+ 35)	(+ 549)
Special credits to Fed. Govt. for meeting its obligations to I.M.F., I.B.R.D. and European Fund 3)	(+ 549)	(+ 177)	(+ 1,321)	1960	(+ 37)	(+ 89)	(+ 4)	(+ 47)	(+ 51)
				1961	(+ 181)	(+ 362)	(+1,070)	(— 292)	(+ 778)
(2) Medium and long-term lendings to German non-banks	+13,479	+11,743	+15,673	1959	+2,374	+3,069	+4,026	+4,010	+ 8,036
				1960	+2,307	+2,973	+3,075	+3,388	+ 6,463
				1961	+3,275	+3,574	+4,517	+4,307 P)	+ 8,824 P)
(3) Holdings of German securities and syndicate participations (except bank bonds 4))	+ 1,614	+ 52	+ 905	1959	+ 479	+ 449	+ 480	+ 206	+ 686
				1960	+ 299	— 100	+ 73	— 220	+ 147
				1961	+ 150	+ 197	+ 426	+ 132 P)	+ 558 P)
II. Formation of monetary capital at credit institutions out of domestic sources, total	+15,187	+16,170	+18,454	1959	+3,378	+2,728	+3,486	+5,595	+ 9,081
				1960	+3,928	+3,172	+3,916	+5,154	+ 9,070
				1961	+6,526	+4,136	+3,213	+4,579 P)	+ 7,792 P)
(1) Residents' savings deposits 5)	+ 8,146	+ 7,960	+ 7,199	1959	+2,223	+1,650	+1,661	+2,612	+ 4,273
				1960	+2,115	+1,359	+1,456	+3,030	+ 4,486
				1961	+2,422	+1,139	+1,153	+2,485 P)	+ 3,638 P)
(2) Residents' time deposits, total	+ 1,678	+ 1,040	+ 1,319	1959	+ 119	+ 32	+ 641	+ 886	+ 1,527
among which:				1960	+ 628	— 188	+ 352	+ 248	+ 600
at notice or fixed period of 6 months or more	(+ 1,549)	(+ 794)	(+ 1,690) P)	1961	+ 994	+ 693	— 132	— 236 P)	— 368 P)
(3) German bank bonds in circulation (except those held by credit institutions 6))	+ 2,744	+ 3,118	+ 3,321	1959	(+ 336)	(+ 404)	(+ 237)	(+ 572)	(+ 809)
				1960	(+ 364)	(+ 370)	(+ 211)	(— 151)	(+ 609)
				1961	(+1,026)	(+1,003)	(— 472)	(+ 133) P)	(— 339) P)
(4) Montes and loans taken from German non-banks at longer term	+ 1,246	+ 2,636	+ 4,882	1959	+ 846	+ 506	+ 637	+ 755	+ 1,392
				1960	+ 710	+ 600	+ 907	+ 901	+ 1,808
				1961	+1,154	+ 624	+ 541	+1,002 P)	+ 1,543 P)
(5) Capital and reserves	+ 1,373	+ 1,416	+ 1,733 P)	1959	— 174	+ 159	+ 218	+1,043	+ 1,261
				1960	+ 84	+ 854	+ 996	+ 702	+ 1,698
				1961	+1,489	+1,088	+1,240	+1,065 P)	+ 2,305 P)
III. Net claims on foreign countries 7) (Bundesbank and other banks)	— 261	+ 6,269	+ 427	1959	—1,527	+ 157	+ 8	+1,101	+ 1,109
				1960	+ 313	+1,992	+2,466	+1,498	+ 3,964
				1961	+3,276 11)	— 844 12)	—1,506	— 499 P)	— 2,005 P)
note: Influx of funds (+) into the "economy" due to foreign exchange transactions 8)	(+ 5,699)	(+ 9,541)	(+ 7,816)	1959	(+1,202)	(+1,142)	(+1,528)	(+1,827)	(+ 3,355)
				1960	(+1,612)	(+2,698)	(+2,713)	(+2,518)	(+ 5,231)
				1961	(+3,972)	(+3,147)	(+ 454)	(+ 243) P)	(+ 697) P)
IV. Note and coin circulation 9) and sight deposits of German non-banks (except German public authorities' Central Bank deposits)	+ 4,685	+ 3,408	+ 7,474	1959	— 405	+1,705	+1,319	+2,066	+ 3,385
				1960	—1,272	+1,349	+ 639	+2,692	+ 3,331
				1961	—1,624	+2,494	+2,018	+4,586 P)	+ 6,604 P)
of which:				1959	+ 87	+ 406	+ 554	+ 382	+ 936
Note and coin circulation 9)	+ 1,429	+ 1,428	+ 2,365	1960	+ 121	+ 506	+ 975	+ 174	+ 801
				1961	+ 809	+ 484	+ 823	+ 249 P)	+ 1,072 P)
Sight deposits	+ 3,256	+ 1,980	+ 5,109	1959	— 492	+1,299	+ 765	+1,684	+ 2,449
				1960	—1,393	+ 843	— 336	+2,866	+ 2,530
				1961	—2,433	+2,010	+1,195	+4,337 P)	+ 5,532 P)
V. Central Bank deposits of German public authorities 10) as well as mobilisation paper sold to such authorities	— 2,686	+ 2,304	+ 1,025	1959	—2,337	— 370	— 14	— 65	— 79
				1960	+ 839	+ 745	+1,025	— 305	+ 720
				1961	+2,877	+1,103	—1,364	—1,591	+ 2,955
VI. Residents' time deposits at notice or fixed period of less than 6 months	+ 129	+ 246	— 371 P)	1959	— 217	— 372	+ 404	+ 314	+ 718
				1960	+ 264	— 558	+ 141	+ 399	+ 540
				1961	— 32	— 310	+ 340	— 369 P)	— 29 P)

*) The data in this survey relate to the area of the Federal Republic (up to December 1959 not including the Saarland) including Berlin (West). They are based on the "Consolidated Condition Statement for the Credit Institutions including the Deutsche Bundesbank" (see Table I 1 of the Statistical Section). Apart from the "consolidation" of the figures for the credit institutions and those for the Bundesbank, one peculiarity for the purpose of this table lies in the fact that assets and liabilities in respect of foreign countries — except for DM notes and coins and bank bonds held by foreigners, which cannot be ascertained — have been summed up in one overall net total and are, therefore, not contained in any of the other items. — 1) I. e., Federal Treasury bills and non-interest-bearing Treasury bonds deriving from exchange for a corresponding partial amount of the Bundesbank's equalisation claim, the taking of which paper by the banks does not represent any additional granting of credit to non-banks. — 2) Apart from the special credits to the Federal Government listed below, this item mainly contains the cash advances granted as book credits by the Bundesbank to public authorities, and the credits granted by the taking into the Bundesbank's portfolio of Treasury bills and non-interest-bearing Treasury bonds (other than mobilisation paper). — 3) These credits granted in accordance with Art. 20 par. (1) item 2 of the Bundesbank Law involve the taking of foreign exchange from the Bundesbank and in so far do not directly affect the domestic circulation of money. — 4) Banks' holdings of other banks' bonds do not represent any immediate granting of credit to non-banks but form part of inter-bank indebtedness. — 5) Amounts credited as currency conversion compensation for expelled persons or as compensation for holders of old savings are taken into account only in so far as covering claims on the Equalisation of Burdens Fund were redeemed. — 6) Set off against the credit institutions' holdings of their own and other banks' bonds; bonds issued under the compensation scheme for holders of old savings are taken into account only in so far as covering claims on the Equalisation of Burdens Fund were redeemed. — 7) Including I.B.R.D. bonds taken by Bundesbank. — 8) Change in banks' net claims on foreign countries after elimination of public authorities' net foreign payments as well as the Bundesbank's interest income on its foreign investments and other transactions on the Bundesbank's own account such as, e.g., that mentioned in footnote 12). — 9) Excluding the credit institutions' cash holdings, but including DM notes and coins held abroad. — 10) 1961 including deposits of the E.R.P. special fund. — 11) After elimination of the Bundesbank's loss resulting from revaluation. — 12) The decline in net claims on foreign countries is exclusively due to the Bundesbank's acquisition of roughly DM 3.1 billion of claims on the Federal Government in respect of post-war economic aid. — P) Partly estimated. — P) Provisional.

lion in 1959) during the second halves of each of the two preceding years. A certain influence — although not a decisive influence — was indeed produced in that connection by the Bundesbank's special credits, which the Federal Government took (in accordance with Article 20, paragraph 1, item 2 of the Bundesbank Law) in order to meet its obligations towards international organisations, and which consequently did not directly enlarge the domestic money circulation but led to a corresponding loss of foreign exchange by the Bundesbank. As the result of substantial DM drawings on the International Monetary Fund such credits showed the particularly large increase of over DM 750 million in the second half of 1961, against DM 50 and 550 million respectively in the second halves of the two previous years. But even excluding the Bundesbank's special credits, as well as its other lendings to non-banks (which lendings, despite the taking of a cash advance by the Federal Government at the close of the year, continued to be kept within very narrow limits), the domestic credit expansion at banks was greater than in the earlier compared periods. It amounted in the second half of 1961 to DM 11.25 billion, against only about DM 8.75 billion in the corresponding period of 1960 and over DM 10.5 billion in that of 1959. The reason lay in the greatly accelerated growth of medium and long-term lendings, while the expansion in the amount of short-term credit extended by the banks was relatively slow; at all events it fell considerably short of that in the corresponding period of the previous year. In addition the banks' commitment in securities issued by domestic non-banks increased during the half-year under report, whereas in the second half of 1960 it had declined under pressure of the restrictive measures.

By way of contrast to the credit expansion the *monetary capital formation from domestic sources*, which tends to contract the monetary wealth components forming the volume of money, no longer increased in the second half of the past year, whereas in the first half of 1961 it had attained a particularly large size. From the end of June to the end of December 1961 it amounted to altogether DM 7.8 billion, as compared with nearly DM 10.7 billion in the first half of 1961 and about DM 9.1 billion in the second halves of both 1959 and 1960. One reason for the slackening is that during the past months, because of the withdrawal from savings accounts of released deposits carrying tax privileges, savings deposits were increasing more slowly than in the earlier compared periods; a full account of this was given on a previous page. Apart from this the total time deposits of

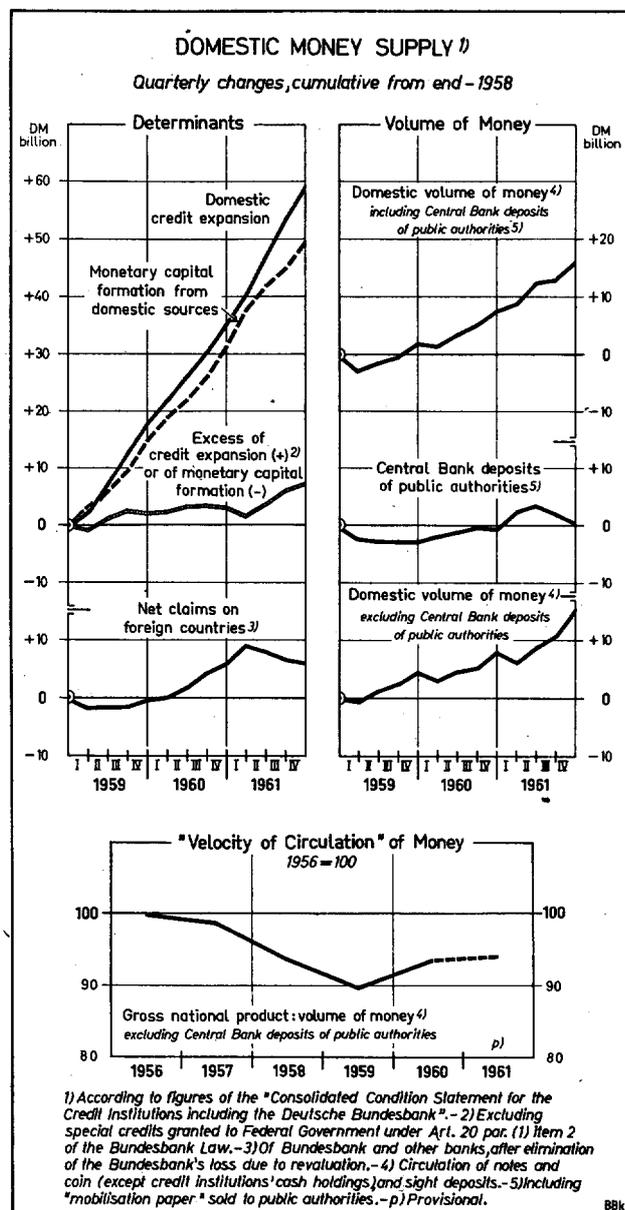
domestic non-banks declined in the period under report by nearly DM 400 million, whereas they had grown in the second half of 1960 by DM 600 million and in the last two quarters of 1959 by over DM 1.5 billion. In addition the circulation of bank bonds (less the part placed with domestic banks) has since mid-1961 on the whole — although not in the last quarter in isolation — increased by less than in the corresponding period of 1960. Only in the case of the "monies and loans taken from German non-banks at longer term" and in that of the banks' formation of capital and reserves were the earlier figures exceeded, as the table shows. A certain effect was produced in that connection by the "investment in another manner", effected in August and September of last year in accordance with Article 17 of the Bundesbank Law, of a large part of the proceeds from the sale of Volkswagen shares which had originally been all concentrated at the Bundesbank; such investment, so far as it was not effected in money-market paper or in medium-term notes of the Reconstruction Loan Corporation, led to an increase by DM 300 million in the monies taken at longer term¹).

On striking the *balance between the "internal" credit expansion and the monetary capital formation from domestic sources* one finds a substantial excess of credit expansion; evidently the "internal" creation of money has gained in importance of late, this being mainly in replacement of the external expansive factors, which — as will be shown in detail — have materially declined in significance. A comparison of the *total credit expansion* with the *monetary capital formation* according to the figures in the preceding table would however provide a distorted reflection of the banks' net money creation in domestic business because, as mentioned above, during the period under report an especially large part of the lending represented special credits granted by the Bundesbank to the Federal Government with a view to the effecting of specified foreign payments; that is to say, credits which immediately lead to a corresponding withdrawal of foreign exchange from the Bundesbank, and which therefore are not simply comparable with the other bank lendings, which directly expand domestic demand. If one accordingly leaves them out of account in the comparison here made between the new provision of funds for domestic circulation and the simultaneous immobilisation of money at the banks, one finds that for the second half of 1961 the expansion of the volume of money due to these processes amounted to

¹) Further details regarding the "investment in another manner" of the monies in question were given in the Monthly Report of the Deutsche Bundesbank, Vol. 13, No. 10, October 1961, page 7.

about DM 3.6 billion; in the second half of 1960 on the other hand the "internal" credit expansion and monetary capital formation had been roughly in balance, and in the second half of 1959 the credit expansion had exceeded the monetary capital formation by about DM 1 billion.

As already indicated, these movements are closely connected with the change in the external influences on the movement of the domestic money supply. The net claim of the banks and Bundesbank on foreign countries, which ultimately reflects all the banks' foreign exchange purchases and sales in dealings with domestic non-bank customers (including public authorities), decreased in the second half of 1961 by about DM 2 billion, after having already declined on balance by DM 0.8 billion in the second quarter of this year, although solely owing to premature repayment of German post-war debts. If in this case also the foreign exchange acquired by the Federal Government through the taking of special credits at the Bundesbank is eliminated, the taking of foreign exchange from the banking system in a manner directly reducing the liquidity margin of the "economy" and the public authorities is limited to not quite DM 1.25 billion; reversely, there had been net foreign exchange sales to the banks and the Bundesbank to the extent of roughly DM 4 billion in the second half of 1960 and about DM 1.6 billion in the corresponding period of 1959. This decrease in the net claim on foreign countries was however also due to foreign payments made by the central public authorities out of their Bundesbank accounts. If in fact one adds these authorities' foreign payments (as well as some transactions of the Bundesbank which were neutral in their effect on the domestic money supply) to the changes in the net claim, one finds a further rise instead of a fall. This means that the money holdings not representing public authorities' Central Bank balances, that is in particular those of "the economy", continued to be increased through the foreign exchange transactions, although in much lesser degree than during the earlier compared periods. The enlarging effect exerted by the foreign exchange transactions on the expansion of the mainly "private" volume of money may accordingly be estimated at only just on DM 0.7 billion in the second half of 1961 as against more than DM 7 billion in the first half of 1961, nearly DM 5.25 billion in the second half of 1960 and almost DM 3.4 billion in the last two quarters of 1959. The restraint shown in borrowing abroad, the greater repayment of foreign borrowings and the reversal in the terms of payment were among the causes of this slackening.



Under the influence of the processes described (as well as of some "other" influences which cannot be more precisely allocated in the statistics) the volume of money rose vigorously in the period under report. Altogether the domestic money holdings (that is the note and coin circulation less cash held by the banks, and sight deposits of domestic non-banks including the Central Bank deposits of public authorities) increased in the second half of 1961 by not quite DM 4 billion, as compared with about DM 3.2 or 3.3 billion in the corresponding period of the two previous years. If to these money holdings one also added the shorter-term time deposits as well as the mobilisation paper held by public authorities one would, however, find an increase by altogether DM 3.6 billion in the

half-year under report, against one of DM 4.6 billion in the second half of 1960 and one of DM 4.0 billion in the corresponding period of 1959. On the whole therefore the volume of money in its widest definition (already including, in part, some holdings of "quasi-money") has risen of late less rapidly than in the compared periods of the two previous years, in which connection the very different movement of shorter-term time deposits in those compared periods (— DM 30 million in 1961 as against + DM 540 million to + DM 720 million in 1960 and 1959) was of crucial importance.

Apart from this there have been marked shifts within the volume of money inasmuch as the money holdings maintained by public authorities at the Bundesbank or employed in mobilisation paper have on the whole no longer grown (as they had done to a considerable extent in earlier compared periods, especially in the first half of 1961), but have on the contrary greatly declined. The decline amounted in the period under report to nearly DM 3 billion (as against an increase by almost DM 4 billion in the first half of 1961, and one by not quite DM 750 million in the

second half of 1960), thus exceeding by several hundred million DM the amount of the foreign payments made to the debit of those accounts; to this extent, therefore, monies from the Bundesbank accounts of public authorities went into internal circulation.

Accordingly the money holdings in the hands of business and private customers, as well as those kept by public authorities outside the Bundesbank, rose in the period under report considerably faster than in the corresponding periods of earlier years, rising in fact by DM 6.6 billion as against only about DM 3.3 to 3.4 billion in the corresponding periods of 1960 and 1959. In its narrow definition — largely typifying the liquid claims of the private sector — the volume of money has thus considerably increased of late, although (if the year 1961 is considered as a whole) it evidently did not increase faster than the national product. In other words the velocity of circulation of the "private" volume of money, statistically found through dividing the national product by the money holdings, has remained about the same (see also the presentation in the graph), whereas in 1960, with only slight expansion of the "volume of money", it had temporarily risen.

Public Finances

The Central Public Authorities

After the large surpluses which had occurred, especially in the first half of 1961, the cash position of the central public authorities showed clear deterioration in recent months. Expenditure rose much more than seasonally, and the increase in tax revenues notably slackened. There was special deterioration in the finances of the Federal Government, whereas those of the Länder continued their tendency towards cash surpluses, although in the fourth quarter of 1961 — largely owing to substantial end-of-year payments — they also showed deficits. The Länder still have very large cash holdings, while the Federal Government during the last quarter almost completely used up the balances accumulated in the first half of 1961, and at the close of the financial year took a book credit at the Bundesbank. Here it must be borne in mind, however, that in the course of the financial year the Federal Government incurred certain extra-budgetary expenditure, besides anticipating 1962 payments, and substantially reduced its short-term debt. For the whole year there is on the Federal budget a cash surplus of about DM 320 million, whereas in the previous year there had been a cash deficit of over DM

1.3 billion. This result is however far from being as favourable as that of the Länder, which with allowance for debt redemption amounting to more than DM 500 million in 1961 showed a cash surplus of around DM 1.7 billion as against roughly DM 1.5 billion in 1960. Among the central authorities the Equalisation of Burdens Fund was the only one to have a cash deficit last year, the reason being that it continues to try by borrowing to clear off its liabilities more quickly than would be possible on the basis of its receipts, which are independent of the business cycle and tend rather to decline. At about DM 170 million, however, the deficit was relatively small.

Tax Revenues

The reasons for the improvement which the cash results of the Federal Government and the Länder showed in the 1961 financial year lie exclusively in the steep rise of tax revenues. Altogether in that year more than DM 66 billion accrued from taxes of the Federal Government and Länder against not quite DM 57 billion in 1960. At something over DM 9 billion the additional receipts exceeded those in 1960 by about DM 1 billion. Thus in percentage terms the

growth did become somewhat slower, although at about 16 per cent (against 17 per cent in 1960 and 12 per cent in 1959) it was again at a rate greater than that of the national product, which — reckoned at current prices — rose by roughly 10 per cent (against 12 per cent in 1960). Last year there was a more than proportionate rise particularly in the yield of the Income Taxes; this exceeded the 1960 yield by almost 22 per cent, the result being that its ratio to total tax revenues rose to roughly 45 per cent (against not quite 40 per cent in 1959) and that the Länder were again the chief beneficiaries of the increase in revenues. Some 45 per cent of the total additional receipts went to the Länder, whose share of the total yield accordingly rose to about 37 per cent as compared with some 34 per cent in 1959.

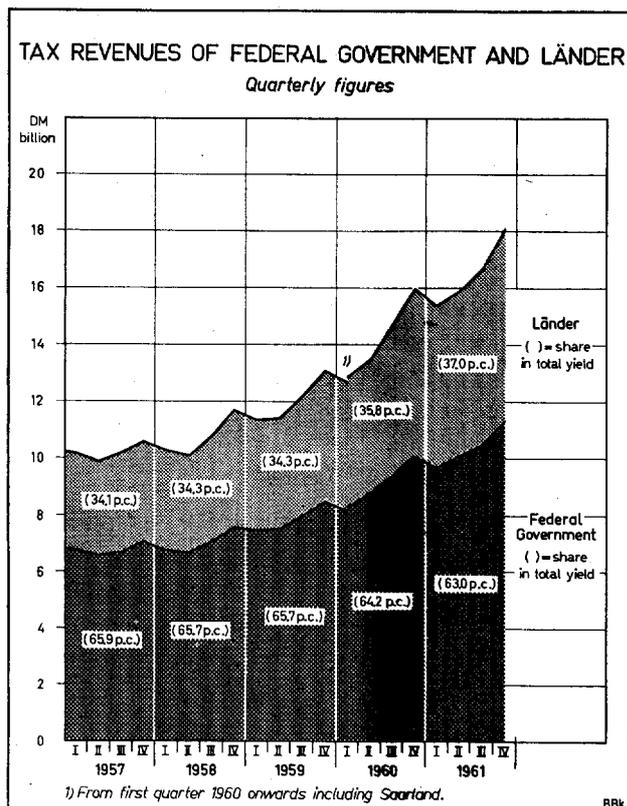
As already mentioned, however, the growth of receipts became slower in the course of 1961. The yearly rate of growth declined from 19.8 per cent in the first quarter to 18.1 per cent in the second, 14.2 per cent in the third and 13.5 per cent in the fourth quarters of 1961; in terms of absolute amount as well the additional receipts in comparison with the corresponding quarter of the previous year were no longer so great, at DM 2.15 billion in the fourth quarter, as in the first, when they had amounted to DM 2.55 billion. The reasons for the slowing of the rise have already been indicated in these columns last October; they

are not only cyclical, but also connected with the method of assessment and with tax law. Assessment methods have however recently impaired the accrual of tax receipts less than in previous months, since towards the end of 1961 the relatively rapid course of assessment for 1960 began to produce its effect. In December, for the first time in months, the proceeds of the Assessed Income Tax again showed an increased annual rate of growth — a fact the importance of which, on a longer view, must not of course be over-estimated. It may further be mentioned that the yield of some Excise Duties such as the Tobacco Tax, and above all that of the Customs, grew very vigorously in the fourth quarter. In the case of Customs, where the rise in receipts by comparison with a year earlier was 35 per cent, this was no doubt largely due to their anticipation, since it may be assumed that in view of the tariff increases as from 1 January 1962 certain imports affected by them were speeded up.

The Federal Finances

The Federal budget showed in the fourth quarter of 1961 a deficit of DM 1,187 million against DM 334 million in the previous quarter, whereas in the first half-year there had still been surpluses amounting to DM 1,845 million. In December alone, despite the major tax payment, receipts fell short of expenditure by some DM 580 million. The reason lay in end-of-year payments. Under their influence the expenditure reached DM 5.37 billion, against DM 3.94 billion in November and DM 3.74 billion in October, although some of the end-of-year payments were actually effected only at the beginning of the new financial year, this causing the cash surplus in January this time to remain smaller (at slightly over half a billion DM) than a year earlier.

For the whole 1961 financial year, which for the first time coincided with the calendar year, the Federal finances showed a cash surplus of around DM 320 million as already mentioned. This is the amount by which the ordinary receipts in 1961 exceeded the cash expenditure during that year, excluding expenditure on debt redemption; it is not a matter of the receipts and expenditure entered in account for that year as they are shown in the Federal budget accounts. These accounts will probably also include the payments made in January this year for account of 1961, so that the official result for 1961 (which is to be expected only in some months' time) will be less favourable than the cash account confined strictly to the calendar year 1961. The improvement by some DM 1.68 billion which occurred according to that account by comparison



with 1960 was due to the extremely sharp rise in cash receipts. This rise totalled DM 4.4 billion and, since the tax revenues were up by about DM 5 billion, it would have been considerably greater still if the rest of the current revenues had not been well below the level — magnified by special receipts — of a year previously. On the other hand the cash expenditure rose by about DM 2.7 billion, or not quite 7 per cent. This comparison does not however fully reflect the longer-term tendencies of the rise in expenditure, since the level of expenditure in the previous year, when two financial years ended (in March and in December), was much affected by closing payments.

The actual cash result of the year 1961, like that for earlier years, was considerably more favourable than that forecast in the budget. It may be remembered that this latter had included borrowing authorisations to the extent of over DM 1.5 billion, of which — after deduction of debt repayments — roughly DM 1.25 billion were intended for covering the cash deficit. In fact

the Federal Government's indebtedness was reduced in 1961 by DM 348 million. At DM 160 million the book credits taken from the Bundesbank were more than twice as great as at the end of 1960; the Federal Government however redeemed other market debts, especially in the money market, on a greater scale. Further details about the movement in the various kinds of debt, as well as in cash holdings, during the past year can be seen from the following table.

In 1961, unlike the previous year, receipts greater than those entered in the budget were not the decisive factor in the improvement of the result. Tax revenues were greater by only just on DM 400 million than the amounts budgeted on the basis of estimates made in February last year; and the total current receipts (that is tax revenues plus administrative receipts and income from property) exceeded the estimated amount by only around DM 550 million, or 1.3 per cent. The decisive factor was rather that the expenditure appropriations were not fully attained; at about DM 43.3

Federal Finances on a Cash Basis *)
in millions of DM

	1960		1961					
	Total	among which: December	Total	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	among which: December
I. Cash Transactions								
(1) Income	39,291	4,345	43,651	10,426	10,440	10,915	11,870	4,791
(2) Outgo	40,649	5,400	43,327	8,611	10,410	11,249	13,057	5,374
(3) Surplus (+) or deficit (—)	—1,358	—1,055	+ 324	+1,815	+ 30	— 334	—1,187	— 583
II. Financing								
(1) Increase (+) or decrease (—) in cash resources	— 204	— 980	+ 77	+1,598	+ 60	— 486	—1,095	— 486
(a) at the Bundesbank	— 204	— 980	— 8	+1,598	— 2	— 424	—1,180	— 571
(b) other	—	—	+ 85	—	+ 62	— 62	+ 85	+ 85
(2) Borrowing (—) or credit repayment (+)	—1,040	— 78	+ 348	+ 218	— 4	+ 188	— 54	+ 76
(a) Book credits by Bundesbank	+ 167	— 78	— 82	+ 78	—	—	— 160	— 160
(b) Money-market paper	— 585	—	+ 473	+ 140	+ 57	+ 170	+ 106	+ 82
(c) Loan issues ¹⁾ and medium-term notes (Kassenobligationen)	— 622	—	+ 19	—	+ 1	+ 18	—	+ 2
(d) Bank lendings	—	—	— 62	—	— 62	—	—	—
(3) Amounts credited in respect of coinage(—)	— 93	— 16	— 94	— 24	— 19	— 25	— 26	— 10
(4) Balance of clearing transactions with Equalisation of Burdens Fund ²⁾	— 21	+ 19	— 7	+ 23	— 7	— 11	— 12	— 11
Total 1 to 4	—1,358	—1,055	+ 324	+1,815	+ 30	— 334	—1,187	— 583
Note:								
III. Payments to international institutions financed by way of special credits granted by Bundesbank (not contained in the amounts under I, 2 and II, 2)	176	26	1,322	181	363	1,070	— 292	—
IV. Internal cash transactions								
Receipts from internal circulation	39,112	4,326	43,521	10,414	10,416	10,903	11,788	4,789
Out-payments to domestic recipients ³⁾	36,289	4,854	39,128	7,947	9,185	10,127	11,869	4,954

*) The cash transactions recorded in this table concern in-payments on, and out-payments from, the Federal accounts at the Deutsche Bundesbank (excluding Special Funds). Cash income and outgo deviate from the results of the Federal Government's financial statistics primarily because they are recorded not at the time they are entered in the budgetary accounts but at the time of the actual receipt or out-payment, and because the incurring of debt is eliminated from the income, and the expenditure on debt redemption (including repurchase of bonds) from the outgo. — ¹⁾ Excluding development aid loan. — ²⁾ Resulting from the transfer of Equalisation of Burdens levies received on the account of the Federal Chief Cash Office (Bundeshauptkasse). — ³⁾ Total expenditure after deduction of foreign payments and of other funds not flowed back into internal circulation.

billion the cash expenditure fell short by nearly DM 1.1 billion of the total contemplated in the budget (apart from offsetting items), even though the cash expenditure also contained payments made in excess of and outside the budget (in particular some DM 500 million to clear off liabilities to the Bundesbank which had arisen when the latter prematurely repaid external debts of the Federal Government¹⁾). The differences as against the budget appropriations which arose in the individual categories of expenditure cannot yet be accurately ascertained. It is however already clear that the defence budget appropriations were fully exhausted, whereas in most earlier years they had not been entirely spent. On the other hand the expenditure for certain social purposes fell short of the appropriations, especially that on children's allowance, for which much less has so far had to be provided than had been assumed when the amending law was promulgated at the middle of last year, the reason being that apparently not all beneficiaries have yet submitted applications; some important items of capital expenditure, especially on roadmaking, also remained below the appropriations.

The *Federal budget estimates* for the 1962 financial year, adopted by the Cabinet on 24 January this year, show receipts and expenditure at some DM 53.5 billion each as against about DM 48.1 billion in the budget for 1961; the increase thus amounts to roughly DM 5.4 billion. In the budget for the current year the "offsetting" items, which appear in equal amount among both receipts and expenditure, stand at only about DM 1.9 billion against over DM 3.4 billion in the previous year, this being due to the fact that this year they are practically confined to the yield of the levies for the Equalisation of Burdens Fund, whereas in the budget for 1961 there were also the proceeds — estimated at DM 1.5 billion, although reduced to DM 1.2 billion later — of the development aid loan. Thus for the current year the Federal receipts and expenditure have been put at approximately DM 51.7 billion, i. e. nearly DM 7 billion higher than last year.

Of the estimated total receipts of about DM 51.7 billion, some DM 45.6 billion are expected from taxes against about DM 41.1 billion last year. If this figure is attained, the increase by comparison with the actual 1961 tax revenues of DM 41.49 billion will amount to DM 4.15 billion, or roughly 10 per cent. The rise estimated for 1962 would fall short of last year's increase — amounting to some DM 5 billion or 14 per cent — in tax revenues; this is concluded mainly from the fact that the growth-rate of the nominal national product for 1962 is estimated at only around 7.5 per

cent, whereas for 1961 it was nearly 10 per cent. Of the roughly DM 6 billion of receipts estimated to accrue over and above tax revenues, approximately DM 2.4 billion are expected in the shape of other ordinary receipts (administrative items and income from assets); this amount is greater by about DM 400 million than in the budget for 1961. Among further ordinary receipts the "contribution by the Länder", entered at DM 1.74 billion, may be mentioned. It represents a new feature among the Federal revenue estimates and is intended to allow for the fact that the financial position of the Länder has shown a much more favourable trend in recent years than that of the Federal Government, because in percentage terms the Länder received a larger share of the rise in tax revenues than this latter, while their expenditure commitments are growing more slowly than those of the Federal Government, chiefly because the latter has to bear the burden of the appreciably rising expenditure on defence. Finally the Cabinet draft budget for 1962 provides for DM 1.8 billion of "extraordinary" receipts, that is receipts to be procured through borrowing. Here it must be borne in mind that the estimated amount includes DM 241 million of expenditure on debt redemption and DM 207 million to clear off deficits of earlier years, such clearing of deficits likewise resulting in reducing total debt. Accordingly the net borrowing contemplated in the Cabinet draft amounts to only DM 1.35 billion. What form it is to take, if required, is not yet certain. The Federal Finance Minister has announced that he intends to borrow some DM 1 billion in the bond market, and to keep as small as possible the incurring of short and medium-term debt through the issue of Treasury bills, non-interest-bearing Treasury bonds and medium-term notes (*Kassenobligationen*). Still, as already shown in the section dealing with security markets, the bonded-loan requirement which would arise if the actual run of the budget essentially corresponded to the Cabinet draft will be smaller than was feared some time ago.

Further details concerning the expenditure appropriations, and the change in them as against the previous year, can be seen from the table. On adding together the individual items, at DM 52.4 billion the total expenditure exceeds by about DM 1.2 billion the above-mentioned amount of Federal expenditure, that is DM 51.2 billion if debt repayment is omitted. The difference is explained by the fact that the amount of DM 51.2 billion already allows for the sums spent during the past financial year in anticipation of the new one, as well as for the "overall cut" in expenditure which is contemplated on the same lines as in earlier years. Expenditure was effected in advance to the

¹⁾ See the Monthly Report of the Deutsche Bundesbank, Vol. 13, No. 7, July 1961, pages 24/25.

*Important Items of the Federal Budget Estimates
for 1961 and 1962
in millions of DM*

	1961	1962	1962 More (+) or less (-) than 1961
	Budget as voted	Budget as drafted by Cabinet	
I. Current Receipts ¹⁾			
(1) Tax revenues	41,107	45,647	+4,540
(a) Federal taxes	30,642	33,688	+3,046
(b) Federal share in income tax yield	10,465	11,959	+1,494
(2) Contribution by the Länder	—	1,740	+1,740
(3) Other receipts	2,001	2,392	+ 391
Total I	43,108	49,779	+6,671
II. Expenditure ¹⁾			
(1) Expenditure on defence, total	12,445	16,461	+4,016
(a) on own forces	11,185	15,000	+3,815
(b) on defence aid and defence-induced costs	553	652	+ 99
(c) on emergency planning, civilian protection and air raid precautions	707	809	+ 102
(2) Expenditure on civil account, total among which:	32,492	35,932	+3,440
(a) Social charges	14,344 ²⁾	14,712	+ 368
(b) Federal aid to Berlin	1,107	1,553	+ 446
(c) "Green Plan"	1,550	2,060	+ 510
(d) to Federal Railways	931 ³⁾	1,327	+ 396
(e) Federal highways	2,132	2,372	+ 240
(3) Total 1 + 2	44,937	52,393	+7,456
(4) Reductions, total	525	1,182	+ 657
(a) Anticipation in 1961	.	562	.
(b) Overall cut	.	620	.
(5) Total II (3 less 4)	44,412	51,211	+6,799
III. Cash Deficit (I less II)	-1,304	-1,432	- 128⁵⁾
IV. Financing by means of			
(1) Borrowing			
(a) Gross borrowing	1,533	1,800	+ 267
(b) Redemption and repurchase of instruments of indebtedness	289 ³⁾	448 ⁴⁾	+ 159
(c) Net borrowing (a less b)	1,244	1,352	+ 108
(2) Amounts credited in respect of coinage	60	80	+ 20
(3) Total IV (1c + 2)	1,304	1,432	+ 128
Note:			
Official budget figures			
(1) Total receipts (I + IV, 1a + 2)	44,701	51,659	+6,958
(2) Total expenditure (II + IV, 1b)	44,701	51,659	+6,958
(3) Offsetting items among which:	3,448	1,881	-1,567
Development aid loan	(1,500)	(—)	(-1,500)
(4) Overall budget (1 or 2 + 3) of which:	48,149	53,540	+5,391
(a) Ordinary budget	45,116	51,740	+6,624
(b) Extraordinary budget	3,033	1,800	-1,233
¹⁾ Excluding offsetting items. — ²⁾ Account being taken of the additional amounts apportioned to these expenditure items. — ³⁾ Among which, DM 154 million for covering the 1959/60 fiscal year's deficit. — ⁴⁾ Among which, DM 207 million for covering deficits which had arisen in the fiscal years 1960 and 1961. — ⁵⁾ — = increase in deficit.			

extent of about DM 560 million; the "overall cut", which is to apply to all commitments not fixed by law, is estimated at DM 620 million. Together therefore these items amount to roughly DM 1.2 billion. The

increase of the current year's estimated cash expenditure of DM 51.2 billion, after these deductions and excluding debt redemption, amounts to about DM 6.8 billion in comparison with the budget for 1961 and to roughly DM 8 billion in comparison with the cash results for that year. The increase of budgeted expenditure is especially great on defence. For the country's own forces DM 15 billion (+ DM 3.8 billion) are provided, while allowance must be made for the fact that payments have already been made in advance on that account. With the inclusion of the expenditure on civil defence (emergency planning and air raid precautions), and on other defence costs (which also include certain grants in aid for other NATO countries), the defence expenditure in the wider sense amounts — at nearly DM 16.5 billion — to roughly 32 per cent of the total to be spent. The civil expenditure appropriations have also been much increased, namely by about DM 3.4 billion without allowance for the overall reduction. Special mention should be made of the increase in allocations for the "Green Plan", in Federal aid for Berlin, in the allocations for the Federal Railways, for social purposes and for Federal highways.

Finances of the Länder

In the fourth quarter of 1961 the budgets of the Länder showed cash deficits for the first time in two and a half years, although — as already mentioned — exceptional payments were an important factor. For all the Länder together moreover, according to the data available, the excess of expenditure can hardly have been greater than DM 90 million. In fact the decrease in balances of the Länder at the Bundesbank amounted to DM 260 million, while their market indebtedness declined by about DM 170 million. If the Länder's liquid assets not held at the Bundesbank remained unchanged (there are no data on this subject), their net cash position would accordingly have deteriorated in the fourth quarter by the amount stated. Altogether however, despite the DM 260 million decrease mentioned, the balances held by Länder at the Bundesbank at the end of December 1961 still amounted to about DM 3.6 billion against roughly DM 2.6 billion at the end of December 1960.

The deficit in the fourth quarter stands in sharp contrast to the first three quarters' surpluses, which amounted to DM 1.8 billion if reckoned by the same method as the deficit for the fourth quarter. The fact that the Länder showed in the first three quarters of 1961 a surplus much greater than the fourth quarter's deficit is also confirmed by their financial statistics, now available, for the period from January to Sep-

Public Indebtedness*)

in millions of DM

	End-of-month position								
	1959	1960				1961			
	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec. ^{pe)}
I. Borrowers									
(1) Public budgets in the narrower sense									
(a) Federal Government									
(i) For overall budget	1,512	2,427	2,337	2,346	2,553	2,335	2,339	2,151	2,205
(ii) Special credits for payments to international institutions ¹⁾	1,211	1,248	1,336	1,340	1,387	1,495 ¹¹⁾	1,858	2,928	2,636
(iii) Development aid loan	—	—	—	—	—	858	1,168	1,175	1,176
(b) Equalisation of Burdens Fund	1,313	1,357	1,353	1,403	1,490	1,638	1,640	1,635	1,680
(c) Länder	4,521	4,467	4,441	4,371	4,348	4,348	4,202	3,988	3,820
(d) Local authorities	9,150	9,650 ⁴⁾	9,950	10,220	10,660	10,930	11,200	11,600	12,000
Total budgets									
including special credits (a, ii) and	17,707	19,149	19,417	19,680	20,438	21,604	22,407	23,477	23,517
excluding development aid loan (a, iii)	16,496	17,901	18,081	18,340	19,051	19,251	19,381	19,374	19,705
(2) Federal Railways and Federal Postal Administration									
(a) Federal Railways	4,767	4,831	5,085 ¹⁰⁾	5,185	5,292	5,777	5,916	6,161	6,430
(b) Federal Postal Administration	3,978	4,153	4,204	4,343	4,586	4,794	5,036	5,243	5,490
Federal enterprises, total	8,745	8,984	9,289	9,528	9,878	10,571	10,952	11,404	11,920
Total (1 + 2)									
including special credits (1a, ii) and	26,452	28,133	28,706	29,208	30,316	32,175	33,359	34,881	35,437
excluding development aid loan (1a, iii)	25,241	26,885	27,370	27,868	28,929	29,822	30,333	30,778	31,625
II. Categories of Debt									
(1) Book credits of Bundesbank									
(a) Taken under general credit ceilings	245	149	—	—	78	—	—	—	163
(b) Special credits to Fed. Gov't for payments to international institutions ¹⁾	1,211	1,248	1,336	1,340	1,387	1,495 ¹¹⁾	1,858	2,928	2,636
(2) Direct lendings of credit institutions ²⁾	13,370	14,028	14,524	14,720	15,169	15,798	16,200	16,438	16,820
(3) Money-market paper ³⁾	2,144	2,512	2,606	2,377	2,388	2,082	2,062	2,069	2,066
(4) Medium-term notes (Kassenobligationen)	1,002	1,005	1,037	1,068	1,305	1,327	1,327	1,327	1,462
(5) Bonded loans ⁴⁾	5,242	5,747	5,686	6,002	6,153	7,439	7,751	7,967	8,040
among which: development aid loan	(—)	(—)	(—)	(—)	(—)	(858)	(1,168)	(1,175)	(1,176)
(6) All other debt ⁵⁾	3,238	3,444	3,517	3,701	3,836	4,034	4,161	4,152	4,250
Total (1 to 6)	26,452	28,133	28,706	29,208	30,316	32,175	33,359	34,881	35,437
III. Creditors									
(1) Bundesbank ⁶⁾	1,536	1,452	1,377	1,355	1,601	1,525	1,877	2,929	2,799
(2) Credit institutions, total	18,881	19,808	20,058	19,940	19,987	20,572	21,034	21,353	21,890
(a) Direct lendings ²⁾	13,370	14,028	14,524	14,720	15,169	15,798	16,200	16,438	16,820
(b) Holdings of money-market paper	1,548	1,815	1,794	1,607	1,495	1,319	1,341	1,091	1,185
(c) Holdings of medium-term notes ⁷⁾	936	884	787	724	611	563	600	704	880
(d) Holdings of bonded loans and interest-bearing Treasury bonds ⁷⁾	3,027	3,081	2,953	2,889	2,712	2,892	2,893	3,120	3,005
(3) Non-banks ⁸⁾	6,035	6,873	7,271	7,913	8,728	10,078	10,448	10,599	10,748
Total (1 to 3)	26,452	28,133	28,706	29,208	30,316	32,175	33,359	34,881	35,437

* The data relate to post-currency-reform indebtedness inside the country and do not take account of mutual indebtedness between the authorities mentioned. —
¹⁾ International Monetary Fund, International Bank for Reconstruction and Development and European Fund. — ²⁾ Except lendings by the Equalisation of Burdens Bank to the Equalisation of Burdens Fund resulting from the passing-on of loans granted under Art. 7 (f), Income Tax Law, and of the proceeds of bonded loans and medium-term notes issued by that Bank (comprised in items II 6 or 4 and 5); also excluding loans granted to local authorities out of public funds (amount estimated); this, as well as the elimination of credits granted to other German and foreign public authorities, explains the deviations from the figures shown in Table III A 1 of the Statistical Section. — ³⁾ Treasury bills, non-interest-bearing Treasury bonds, tax credit certificates and trade bills of the Federal Railways; excluding paper deriving from the conversion of equalisation claims. — ⁴⁾ Including interest-bearing Treasury bonds; less bonds in the issuers' own portfolios. — ⁵⁾ Chiefly loans from private institutional investors. — ⁶⁾ Book credits and Bundesbank's holdings of money-market paper and bonded loans. — ⁷⁾ Including holdings of loans and medium-term notes of the Equalisation of Burdens Bank (amounts estimated); this explains the deviations from the figures shown in Table III A 2 of the Statistical Section. — ⁸⁾ Public authorities, private parties and foreign countries (ascertained as difference). — ⁹⁾ Including DM 120 million due to inclusion of the Saarland. — ¹⁰⁾ From June 1960 onwards including the Saarland. — ¹¹⁾ Allowance having been made for decrease by DM 73 million due to the DM revaluation. — ^{pe)} Partly estimated.

Länder Finances
in millions of DM

tember of last year. According to these the Länder in that period had surpluses amounting to fully DM 1.5 billion. The difference of about DM 260 million from the surplus shown by the cash account is primarily due to the fact that in the financial statistics the expenditure is recorded at the time of its entry in account, which frequently does not coincide with that of the cash outgoing. The Länder's expenditure shown in the financial statistics was greater than in the corresponding period of the previous year by about DM 2.5 billion, or nearly 11 per cent. Special contributions to that increase were made by the expenditure on personnel (+ DM 1 billion), the current allocations to local authorities (+ DM 500 million) and the capital expenditure on the Länder's own projects (+ DM 325 million). A further point to mention is that at DM 4.3 billion the grants and loans given by the Länder to promote private investment activity, especially in house-building, were as great as in the first three quarters of 1960, or (if the loans contained therein for development aid purposes are deducted) were down by only about DM 200 million. This is remarkable inasmuch as the loans made available by the other central authorities for financing them were down to less than one-half, falling from about DM 1.1 billion to around DM 0.5 billion; thus the Länder largely made good this decline through use of their own resources. The reason why the surpluses of the Länder were considerably greater than a year previously despite this marked expansion of expenditure was that the receipts increased by much more still. At DM 17.75 billion in the three quarters mentioned the tax revenues of the Länder were above their level for the corresponding period a year earlier by about DM 3.2 billion, or roughly 22 per cent. Despite the above-mentioned decrease in the capital development loans granted by other central authorities, therefore, the Länder had total receipts amounting to about DM 26.9 billion as against some DM 23.8 billion in the first three quarters of 1960.

In the last quarter of 1961 the Länder evidently spent even more than before. Their tax revenues were in fact above the level of a year previously by some DM 900 million. Since the Länder as a whole nevertheless showed, as already mentioned, a cash deficit of DM 90 million (in the fourth quarter of 1960 they had a surplus of roughly DM 350 million), their expenditure must accordingly have been greater by an estimated DM 1.25 to 1.5 billion than in the fourth quarter of 1960. The extent to which anticipation of the next year's expenditure was a factor here is not known.

	Jan. to Sep.		Change 1961 against 1960	Note: Budget estimates ⁴⁾	
	1960	1961		1961 ⁵⁾	1962
I. According to Länder financial statistics¹⁾:					
(1) Total income	23,834	26,894	+3,060	34,700	41,000
among which:					
(a) Tax revenues ²⁾	14,561	17,755	+3,194	22,400	27,900
(b) Federal grants	3,356	3,621	+ 265	4,900	5,600
(c) Loans from public authorities ³⁾	1,079	501	- 578	800	700
(2) Total outgo	22,871	25,364	+2,493	35,350	40,800
among which:					
(a) Expenditure on personnel	7,975	8,936	+ 961	12,500	13,500
(b) Current allocations to local authorities	1,914	2,405	+ 491	3,500	4,800
(c) Capital expenditure	5,899	6,221	+ 322	8,400	10,500
Own capital projects	(1,613)	(1,937)	(+ 324)	(2,400)	(2,800)
Loans and grants	(4,286)	(4,284)	(- 2)	(6,000)	(7,700)
(3) Surplus (+) or deficit (-)	+ 963	+1,530	+ 567	- 650	+ 200
II. Change in net cash position:					
Increase (+) or decrease (-)					
(1) in credit market indebtedness	- 149	- 360	- 211		
(2) in credit balances with Bundesbank	+1,090	+1,320	+ 230		
(3) in funds employed elsewhere	- 56	+ 112 ⁶⁾	+ 168		
Balance (2 plus 3 less 1)	+1,183	+1,792	+ 609		
¹⁾ The incurring of debt and withdrawals from the reserves have been eliminated from the income and, correspondingly, debt redemption and allocations to reserves from the outgo; as far as possible the outgo has been attributed to the periods of actual expenditure. — ²⁾ Taxes of the Länder (including share in income tax yield). — ³⁾ Net amount after deduction of redemption payments. — ⁴⁾ According to the plans; for some Länder partial data have been estimated. — ⁵⁾ With the exception of Bavaria not including supplementary estimates. — ⁶⁾ Partly estimated.					

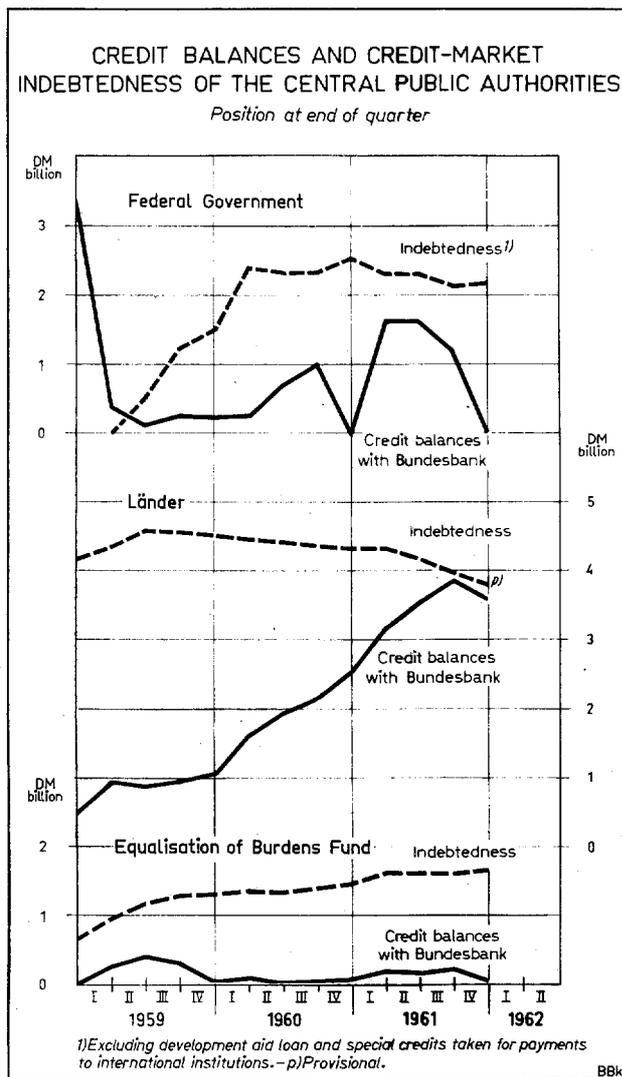
In the whole of the year 1961 (for which the financial statistics are not yet to hand) the cash position of the Länder improved, despite the deficits in the fourth quarter, by about DM 1.7 billion against some DM 1.5 billion in 1960. It is true that the rise in the balances kept by Länder at the Bundesbank became somewhat slower, amounting to about DM 1.1 billion against nearly DM 1.5 billion a year before; but their balances at credit institutions, after a slight reduction in 1960, evidently rose again last year to the level of the quotas (totalling about DM 700 million) permitted to the Länder for such balances. In addition the Länder reduced their total market indebtedness in 1961 by DM 530 million, or by much more than the 1960 reduction of DM 170 million. At the end of 1961 their market indebtedness incurred since the currency reform amounted to about DM 3.8

billion. It was thus greater than that of the Federal Government, namely DM 2.2 billion; here however it must be borne in mind that the Federal Government has to service much larger amounts of debts incurred prior to or in connection with the currency reform, and that at the time in question it had virtually no further cash holdings available — whereas the Länder, as already mentioned, had liquid assets of about DM 3.6 billion at the Bundesbank alone apart from their funds employed elsewhere.

In the majority of the Länder the budgets for 1962 have already been passed. In accordance with the provisions of budget law the receipts and expenditure are in balance — with the exception of one Land; some budgets however contain cash surpluses, which are to be used for repaying debts or forming reserves, while some contain cash deficits, to finance which there is provision for borrowing or for drawing on reserves. Surpluses in that sense appear especially in the cases of Bavaria, Baden-Württemberg and North Rhine-Westphalia, while deficits appear for Lower Saxony,

Hesse, Berlin and the Saarland. On this basis the net surplus for the Länder as a whole works out at not quite DM 200 million. Against the intended borrowing of about DM 500 million there is about the same amount provided for repayments, while against the contemplated reserve formation to the extent of about DM 500 million there is to be drawing of over DM 300 million on reserves. The draft budgets of last autumn¹⁾ on the other hand (in so far as they were known at that time) showed surpluses of much greater amount. The change is due to the fact that in the final budgets of some Länder the expenditure appropriations were further increased, and that consequently either the borrowing authorisations were raised or the amounts appropriated for allocation to reserves were reduced.

For the current year, unlike the budgets for 1961, the tax revenues of the Länder are put very high. The estimates total about DM 27.9 billion, at which level they are greater by some DM 3.4 billion (or nearly 14 per cent) than the actual 1961 receipts; thus they roughly correspond to the amount which results from the overall estimate of tax revenues made for the Länder by the Federal Finance Minister last October. For the individual Länder, however, the estimates differ from the average increase by more than would seem to be justified by the differences in their taxable capacity. The total receipts (including administrative receipts, Federal grants and loans, and income on assets) are put at DM 41 billion; that is more by some DM 4 billion than the actual receipts in 1961, and more by about DM 7.7 billion than those in 1960. While despite this great increase of their receipts in 1962 by comparison with previous years the Länder expect their financial position to deteriorate, this is due to the very substantial increase of the expenditure appropriations. At about DM 40.8 billion gross (that is including the expenditure to be financed out of grants and loans from other authorities) the total expenditure has been put DM 5.5 billion higher for 1962 than for 1961. A specially important factor here is the increase in appropriations for financial equalisation payments to local authorities, as well as for expenditure on personnel. For capital expenditure also considerably more funds have been provided; at DM 10.5 billion the appropriations for such expenditure are greater than in the 1961 budgets by DM 2.1 billion. In certain cases it is professedly a matter of programmes the execution of which will take some years. Accordingly it remains to be seen whether the



¹⁾ See the Monthly Report of the Deutsche Bundesbank, Vol. 13, No. 10, October 1961, page 26.

actual capital expenditure in 1962 will reach the estimated amount.

Equalisation of Burdens Fund

The finances of the Equalisation of Burdens Fund were characterised in the period under report by large out-payments which this time, just as in past years, were mostly made in December. Although DM 100 million were made available to the Fund by the Federal Government as advance payment for 1962, the Fund showed in the last quarter of 1961 a cash deficit of nearly DM 200 million, whereas in the previous quarter it had had a surplus of DM 77 million and in the first half-year a deficit of DM 44 million. To finance the deficit the Fund drew to the extent of some DM 160 million on its cash reserves, which at the end of September last year had amounted to about DM 260 million and consequently declined to around DM 100 million. In addition by way of anticipating a DM 112 million medium-term note issue which had been planned some time before but was effected only at the beginning of January 1962, by which issue the residue of its previous year's borrowing authorisation was to be used up, the Fund in December — when the Federal Government's above-mentioned advance payment was not yet a certainty — took at the Equalisation of Burdens Bank a DM 50 million short-term credit, which was repaid at the beginning of January out of the proceeds of the medium-term notes.

In the Equalisation of Burdens Fund's Economic and Finance Plan for 1952, now available, the expenditure is put DM 305 million higher than the ordinary receipts. This is more by DM 140 million than the actual 1961 excess of expenditure; to cover it the Fund has been granted authority to borrow DM 300 million. Since however some DM 115 million of old debts fall due this year, the net borrowing will amount to only just on DM 200 million even if the authorisation is fully used, so that if the Fund's expenditure equals the appropriations it will be obliged to use the roughly DM 100 million of cash reserves which it still had at the end of 1961. The receipts for 1962 have been assumed to be roughly equal to those which accrued in 1961. By way of conforming to the trend which has been in evidence for years, the current yield of the Equalisation of Burdens levies has once again been estimated lower, but the amount entered for advance composition payments has been raised to DM 405 million, as against the roughly DM 270 million actually received in 1961. This raising is based on expectation that the lowering of the discount rate from 8% to 6½% with effect from 1 April 1962 will provide a strong incentive for advance composition payments,

Receipts and Expenditure of the Equalisation of Burdens Fund in millions of DM

	1961 actual figures P)	1962 plan	Change 1962 against 1961.
I. Ordinary Receipts ¹⁾ , total	3,782	3,763	— 19
(1) Equalisation of Burdens levies	2,024	2,040	+ 16
(a) Current levies	1,755	1,635	— 120
(b) Composition payments	269	405	+ 136
(2) Grants from Federal Government and Länder	1,250	1,295	+ 45
(3) Other receipts ²⁾	508	428	— 80
II. Expenditure ³⁾ , total	3,932	4,068	+ 136
(1) Compensation payments among which: Basic Compensation	1,852	1,951	+ 99
1,164	1,223	+ 59	
(2) Maintenance Assistance	1,003	1,075	+ 72
(3) Integration Assistance	908	817	— 91
(4) Credit repayment to Federal Government	37	70	+ 33
(5) Interest and administrative costs	132	155	+ 23
III. Deficit (I less II) Transitory items ⁴⁾	— 150	— 305	— 155 ⁵⁾
— 15	—	+ 15	
IV. Cash Deficit financed by means of	— 165	— 305	— 140 ⁶⁾
(1) Cash resources ⁷⁾	— 17	120 ⁷⁾	+ 137
(2) Borrowing	189	185	— 4
(a) Gross borrowing	200	300	+ 100
(b) Repayment	11	115	+ 104
(3) Clearing with Fed. Govt. ⁸⁾	— 7	—	+ 7

Source: Federal Equalisation Office (I to III) and Deutsche Bundesbank (IV). — ¹⁾ Not including receipts from credit market resources. — ²⁾ Chiefly interest and redemption payments on previously granted loans. — ³⁾ Excluding expenditure on redemption of credit market indebtedness and on price-support. — ⁴⁾ Mainly resulting from time-lags between actual cash receipts or expenditure and the respective book entries. — ⁵⁾ Minus sign indicates an addition to cash resources. — ⁶⁾ Resulting from the channelling of the Equalisation of Burdens levies through the account of the Federal Chief Cash Office (Bundeshauptkasse). — ⁷⁾ The amount of disposable cash resources may change yet after the final close of the 1961 accounts; the appropriation for Basic Compensation will be raised or lowered correspondingly. — ⁸⁾ = increase in deficit. — P) Provisional.

just as was observed prior to the lowering from 10% to 8% in 1956. The total expenditure, other than debt repayment, has been estimated at over DM 4 billion; thus it exceeds last year's actual out-payments by some DM 140 million. The additional expenditure has above all been budgeted for compensation payments and maintenance assistance, whereas in integration assistance certain cuts have been made.

Other Public Budgets

Local Finances

In the case of the local authorities the growth of tax revenues slowed down in recent months more than in that of the Federal Government and the Länder. In the third quarter of 1961 (the last period for which data are available) the additional receipts by comparison with the corresponding period a year previously declined to DM 167 million, i. e. 7.5 per cent only, whereas in the previous quarter they had amounted to DM 280 million, i. e. 14 per cent. The chief reason

Public Finances
in millions of DM

	1960				1961							
	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	Sep. ¹⁰⁾	Oct.	Nov.	Dec. ¹⁰⁾
Deposits of Public Budgets with the Bundesbank¹⁾												
Total	2,019	2,725	3,265	2,739	5,061	5,406	5,362	3,766	5,362	4,736	4,071	3,766
Federal Government ²⁾	261	710	1,033	39	1,637	1,635	1,211	31	1,211	981	602	31
Equalisation of Burdens Fund	75	26	46	80	303	181	241	77	241	85	319	77
NATO Powers ³⁾	0	0	0	0	12	—	—	—	—	—	—	—
Länder	1,654	1,956	2,159	2,565	3,187	3,551	3,885	3,625	3,885	3,655	3,123	3,625
Local authorities and social insurance institutions	29	33	27	55	22	39	25	33	25	15	27	33
Deposits of Public Authorities with Credit Institutions³⁾												
Total	14,386	14,687	14,690	15,873	15,889	17,165	17,685	18,612	17,685	17,219	17,901	18,612
Sight deposits	3,202	3,249	3,121	3,819	3,266	3,488	3,617	4,444	3,617	3,281	3,772	4,444
Time deposits	7,928	7,983	8,013	8,202	8,546	9,498	9,737	9,535	9,737	9,578	9,677	9,535
Savings deposits	3,256	3,455	3,556	3,852	4,077	4,179	4,331	4,633	4,331	4,360	4,452	4,633
Indebtedness of Public Budgets¹⁾												
Domestic credit-market indebtedness⁴⁾												
Total	19,149	19,417	19,680	20,438	21,604	22,407	23,477	23,517 ^{P)}	23,477	·	·	23,517 ^{P)}
Federal Government	3,675	3,673	3,686	3,940	4,688	5,365	6,254	6,017	6,254	6,282	5,940	6,017
Equalisation of Burdens Fund	1,357	1,353	1,403	1,490	1,638	1,640	1,635	1,680	1,635	1,633	1,633	1,680
Länder ⁵⁾	4,467	4,441	4,371	4,348	4,348	4,202	3,988	3,820	3,988	·	·	3,820
Local authorities ⁵⁾	9,650	9,950	10,220	10,660	10,930	11,200	11,600	12,000	11,600	·	·	12,000
Equalisation claims												
Total	20,608	20,564	20,620	20,552	20,563	20,499	20,517	20,407	20,517	20,517	20,517	20,407
Federal Government	11,109	11,116	11,172	11,164	11,175	11,167	11,185	11,142	11,185	11,185	11,185	11,142
Länder	9,499	9,448	9,448	9,388	9,388	9,332	9,332	9,265	9,332	9,332	9,332	9,265
Covering claims (Equalisation of Burdens Fund)	2,231	·	·	2,163	·	·	·	·	·	·	·	·
External indebtedness												
Federal Government	6,660	6,624	6,826	6,856	6,535	6,053	5,977	·	5,977	·	·	·
Länder	162	162	161	164	157	157	156	·	156	·	·	·
Indebtedness of Public Enterprises¹⁾												
Domestic credit-market indebtedness⁴⁾												
Federal Railways ⁶⁾	4,831	5,085	5,185	5,292	5,777	5,916	6,161	6,430 ^{P)}	6,161	6,323	6,418	6,430 ^{P)}
Federal Postal Administration	4,153	4,204	4,343	4,586	4,794	5,036	5,243	5,490	5,243	5,251	5,313	5,490
Receipts from Taxes and Levies												
Tax receipts of Federal Government and Länder												
Total	12,895	13,477	14,653	15,966	15,448	15,919	16,733	18,120 ^{P)}	7,272	4,683	4,925 ^{P)}	8,513 ^{P)}
among which:												
Income Taxes ⁷⁾	5,326	5,567	6,388	7,140	6,904	7,083	7,630	8,107	4,334	1,479	1,406	5,222
Turnover Tax	3,846	3,947	4,019	4,336	4,320	4,356	4,459	4,727	1,463	1,553	1,601	1,572
Excise and Customs Duties	2,599	2,856	3,077	3,253	2,962	3,207	3,370	3,805	1,142	1,231	1,264	1,310
Equalisation of Burdens Levies	542	517	414	551	505	505	459	555	41	87	395	73
Local Taxes	2,171	2,325	2,479	2,662	2,506	2,620	2,659	·	·	·	·	·
Federal Budget												
Cash income	8,931	9,558	10,021	10,782	10,426	10,440	10,915	11,870	4,286	3,530	3,549	4,791
Cash outgo	9,859	9,029	9,717	12,045	8,611	10,410	11,249	13,057	3,620	3,740	3,943	5,374
Cash surplus (+) or deficit (—)	— 928	+ 529	+ 304	— 1,263	+ 1,815	+ 30	— 334	— 1,187	+ 666	— 210	— 394	— 583
Equalisation of Burdens Fund												
Cash income ⁸⁾	872	869	829	1,094	839	858	863	1,014	169	157	595	262
Cash outgo ⁸⁾	865	939	874	1,125	866	875	786	1,212	271	316	356	540
Cash surplus (+) or deficit (—)	+ 7	— 70	— 45	— 31	— 27	— 17	+ 77	— 198	— 102	— 159	+ 239	— 278
Workers' and Employees' Pension Insurance Funds												
Contribution receipts	3,146	3,172	3,481	3,654	3,563	3,653	3,825	4,224 ^{P)}	1,249	1,335	1,297	1,592 ^{P)}
Pension payments	3,516	3,522	3,543	3,597	3,783	3,815	3,881	3,906	1,301	1,292	1,304	1,309
Unemployment Insurance Fund⁹⁾												
Receipts	505	468	535	582	497	561	400	108	47	22	19	67
Expenditure	508	224	189	205	404	220	195	230	64	67	65	98

For data for previous months and for explanatory remarks see Tables under VI (Public Finances) in the Statistical Section of this and previous Monthly Reports.

¹⁾ Position at end of quarter or month. — ²⁾ Until 1st quarter 1960 including the guarantee cover account, which in the Return of the Deutsche Bundesbank is shown under "Liabilities in respect of foreign business". — ³⁾ In so far only as fed from Federal resources. — ⁴⁾ Besides the deposits of the above-mentioned budgets also comprising the deposits of the Federal Railways and the Federal Postal Administration, of other public enterprises (in so far as they have no legal personality of their own), and of Allied agencies. — ⁵⁾ Post-currency-reform indebtedness; excluding own bonds in portfolio. — ⁶⁾ Partly estimated. — ⁷⁾ From June 1960 onwards including Saarland. — ⁸⁾ Wages tax, assessed income tax, corporation tax and capital yield tax. — ⁹⁾ Credits and debits to the account kept by the Federal Equalisation of Burdens Office with the Bundesbank, less transactions involving changes in indebtedness. — ¹⁰⁾ Federal Institution for Labour Exchanges and Unemployment Insurance. — ¹¹⁾ Months with comparable tax maturities. — ^{P)} Provisional.

is that the Tax Amendment Law of July 1961 raised the exemption limit for Trade Tax from DM 2,400 to DM 7,200 with effect from 1 January 1961; the advance payments were accordingly reduced and, moreover, in many cases the taxes paid in excess during the first half-year were refunded. This was however largely cancelled out through the fact that in the course of last year, as already mentioned in another connection, the Länder substantially raised their allocations to local authorities. Consequently the total receipts of local authorities again grew considerably during recent months. Hardly smaller, however, was the increase in their expenditure. In particular their capital expenditure continued to show a steep rise, partly because of the increase in building costs. At DM 1.72 billion in the third quarter the expenditure on buildings alone was greater than that of a year before by about DM 200 million, and the granting of loans for local authorities' enterprises and for housing by some DM 100 million; the current expenditure also tended further to increase.

Market borrowing by local authorities still remained considerable in the last quarter of 1961. According to provisional figures the increase of their indebtedness in that quarter, at about DM 400 million, was as great as in the previous quarter, whereas the rise in the whole of the first half-year had amounted to about DM 540 million. Their indebtedness has reached about DM 12 billion, while that of the Federal Government, the Equalisation of Burdens Fund and the Länder together amounted at the end of 1961 to just under DM 8 billion. True, in the case of the local authorities also, regarded as a whole, the borrowing has against it large financial reserves in the form of cash holdings, reserve funds, and unexpended loan proceeds. Apart from the fact that there are wide differences between the positions of individual local authorities, the monies borrowed have in many cases not yet been spent. In the structure of the local authorities' indebtedness there was only slight change last year. The greater part (roughly DM 9.6 billion) of the total amount borrowed and outstanding at the end of last year continued to consist of loans granted by banks, mainly by savings banks and their central institutions; approximately a further DM 2.1 billion represented lendings of private institutional investors, and DM 335 million were bonded loans. At the beginning of the new year the circulation of local authorities' bonds increased by DM 90 million owing to the City of Munich's issue, whereas in 1961 it had slightly declined as the result of repayments.

As regards the future course of the local authorities' finances, a further slackening of the rise in the proceeds of taxation is to be expected. Apart from the cyclical factors, special account must be taken here of the effect produced by last year's amendment of the Trade Tax Law. On the other hand, however, the financial adjustment as between the Länder and local authorities is to be further improved in favour of these latter; in a number of Länder the proportion in which the local authorities share in the total yield of Länder taxes, or in the proceeds of the Income Taxes, has been raised with effect from 1 January this year; in some cases the local authorities are also receiving a larger part of the proceeds of the Motor Vehicles Tax. Besides this an increase may be expected in the allocations, some of them earmarked, which the Länder make to local authorities. Altogether, at all events, the Länder in their budgets for 1962 have estimated nearly DM 5 billion for general and special allocations to local authorities (not including allocations for investment purposes), this being DM 1.3 billion more than in the 1961 budgets and DM 2.1 billion more than was actually transferred in 1960. The local authorities' expenditure will of course continue to grow, the more so since their capital expenditure is still rapidly expanding. In these circumstances a decrease of the net borrowing requirement can be expected only in so far as the local authorities draw on their financial reserves, which have grown considerably in the last few years.

Pension and Unemployment Insurance

The surpluses of the social *pension insurance funds* (other than the miners') rose sharply in the fourth quarter of last year, mainly for seasonal reasons; according to the available partial data they amounted to some DM 800 million against about DM 360 million in the previous quarter. The main reason lay in the rise (largely seasonal, as already mentioned) of contribution incomes. Besides this the Federal Government for the first time at the end of December paid DM 116 million to the insurance institutions as interest on the DM 2.1 billion of registered book debt allotted to them in the previous year in settlement of their claims under Article 90 of the Federal Law on War Victims' Pensions. On the other hand the expenditure on pensions grew only slightly by comparison with the previous quarter, although at about DM 3.9 billion it was considerably greater than in the fourth quarter of 1960.

For the year 1961 as a whole the surpluses of the two institutions (for workers' and employees' insurance) may be estimated at about DM 1.8 billion, against something less than DM 1.4 billion in 1960

and around DM 860 million in 1959. Thus the increase of the surpluses has become slower than in 1960. At the same time the contribution income grew by about DM 1.8 billion, or 13.5 per cent, and the interest receipts by an estimated DM 175 million. The greater part of this increase was however absorbed through the rise in pension expenditure. At about DM 1.25 billion this rise was comparatively great, although the proportions in which the pensions were raised — new ones by 5 per cent and “existing” ones by 5.4 per cent — were lower than in 1960. The number of pensioners has however risen again; evidently the Law concerning Pensions of Refugees and of Beneficiaries Abroad, promulgated in 1960, was still strongly affecting the expenditure in 1961.

With effect from 1 January 1962 a further pension increase came into force. In accordance with the movement in the basis for determination for that year, the pensions newly arising in 1962 are fixed at a level higher by 6.6 per cent than in the previous year; the “existing” pensions — in accordance with the raising of the basis of determination from 1960 to 1961 —

*Receipts and Expenditure
of the Pension Insurance Institutions
and the Unemployment Insurance Fund
in billions of DM*

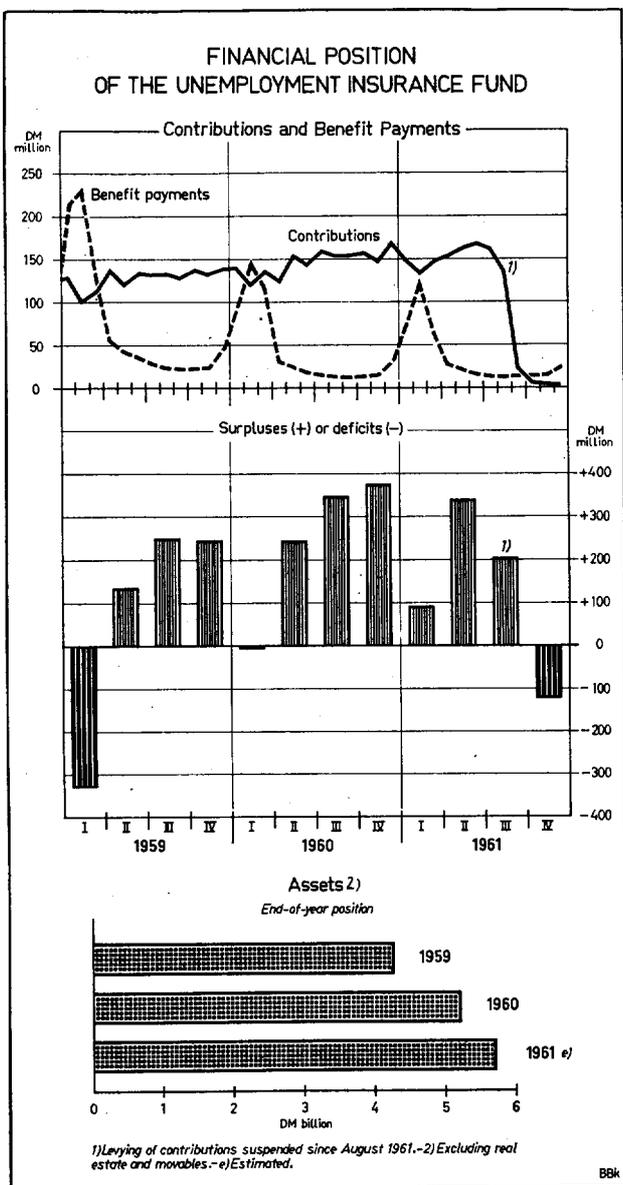
Period	Receipts			Expenditure		Surplus (+) or deficit (-)
	Total	among which:		Total	among which: Pensions and benefit payments	
		Contributions	Federal Gov't payments			
I. Pension Insurance Institutions (except Miners' Insurance)						
1958 total	15.46	10.88	3.97	14.55	12.17	+ 0.91
1959 total	16.64	11.80	4.20	15.78	13.17	+ 0.86
1960 total ¹⁾	18.64	13.45	4.46	17.25	14.21	+ 1.39
1961 total ²⁾	...	15.26	...	...	15.44	...
1960 1st qtr.	4.38	3.15	1.12	4.17	3.52	+ 0.21
2nd qtr.	4.48	3.17	1.10	4.28	3.53	+ 0.20
3rd qtr.	4.76	3.48	1.10	4.39	3.55	+ 0.37
4th qtr.	5.02	3.65	1.14	4.41	3.61	+ 0.61
1961 1st qtr.	4.84	3.56	1.14	4.51	3.79	+ 0.33
2nd qtr.	4.97	3.65	1.14	4.67	3.83	+ 0.30
3rd qtr.	5.17	3.83	1.14	4.81	3.90	+ 0.36
4th qtr. ²⁾	...	4.22	...	...	3.92	...
II. Unemployment Insurance Fund						
1958 total	1.69	1.44	0.02	1.75	1.14	- 0.06
1959 total	1.79	1.55	0.01	1.49	0.89	+ 0.30
1960 total	2.09	1.77	0.01	1.13	0.55	+ 0.96
1961 total	1.57	1.26	0.00	1.05	0.45	+ 0.52
1960 1st qtr.	0.51	0.40	0.01	0.51	0.36	- 0.00
2nd qtr.	0.47	0.42	0.00	0.23	0.08	+ 0.24
3rd qtr.	0.53	0.47	0.00	0.19	0.05	+ 0.34
4th qtr.	0.58	0.48	0.00	0.20	0.06	+ 0.38
1961 1st qtr.	0.50	0.43	0.00	0.41	0.26	+ 0.09
2nd qtr.	0.56	0.49	0.00	0.22	0.07	+ 0.34
3rd qtr.	0.40	0.32	0.00	0.19	0.05	+ 0.21
4th qtr.	0.11	0.02	0.00	0.23	0.07	- 0.12

Source: Federal Ministry for Labour and Social Order or Federal Institution for Labour Exchanges and Unemployment Insurance, respectively. — ¹⁾ From 1960 onwards including Saarland figures. — ²⁾ Provisional.

are fixed 5 per cent higher. Just as in the previous year, the consequent rise in pension expenditure will be made greater through the expected further increase in the number of pensions awarded. On the other hand the contribution incomes, which form the most important source of receipts for the pension insurance funds, will hardly continue to grow as much as in 1961 because the rise in wages and salaries is likely to become appreciably slower. Whether in these circumstances the insurance institutions' surpluses will this year reach last year's size is uncertain; in the light of the tendencies at present visible a slight decrease is rather probable. From 1963 onwards, as stated six months ago in these Reports¹⁾, a considerable decrease in the surpluses must be expected if the “existing” pensions continue to be adjusted with one year's time-lag to the rise in the general basis of determination. This basis already rose in 1962 by 6.6 per cent because, apart from the relatively moderate increase of wages and salaries in 1958 and 1959, it reflects the great increase shown by these in 1960. In the subsequent years, when the movement of the basis for determination will be increasingly affected by the very large wage and salary increases made in 1960 and 1961, its rise will become much greater still. Should the further upward movement of wages and salaries flatten out in accordance with the course of the business cycle and productivity, there will come to be as between the pension expenditure and the contribution incomes a growing discrepancy, which may lead to a rapid decrease of the surpluses. Consequently the increase of the assets is likely to become much slower. Last year the growth was particularly great, it is true, because — apart from the relatively large surplus — the above-mentioned debt register claims of DM 2.1 billion on the Federal Government were added; the assets accordingly rose from about DM 14.3 billion at the end of 1960 to over DM 18 billion at the end of 1961.

Because of the suspension of contributions with effect from 1 August last year *unemployment insurance* showed in the fourth quarter, for the first time in a considerable period, a deficit which amounted to about DM 120 million. The Fund's receipts were practically limited to investment income, and to small transfers of arrears of contributions for earlier months, while the expenditure rose slightly for seasonal reasons. For the first quarter of 1962 a still larger deficit is to be expected, because benefit payments reach their peak in the winter months and the suspension of contributions, originally timed to terminate at the end of Jan-

¹⁾ See the Monthly Report of the Deutsche Bundesbank, Vol. 13, No. 7, July 1961, page 31.



uary 1962, was prolonged for two months by a Federal Government order. This will correspondingly reduce the Unemployment Insurance Fund's reserves, which (excluding real property) amounted on 30 September 1961 to DM 5.8 billion. The rate of contribution to be collected from April onwards will be 1.4 per cent of the wage or salary as against 2 per cent before the suspension. As from that month, therefore, a certain accumulation of assets on account of unemployment insurance will begin; it remains to be seen whether by the end of this year that accumulation will fully offset the deficit arising in its first three months. Still, even if it does not, the assets of the Fund will remain considerable.

Federal Railways and Federal Postal Administration

In the case of the two major Federal enterprises, the Federal Railways and the Federal Postal Adminis-

tration, the ratio between receipts and expenditure showed relatively great deterioration in the course of 1961. Since at the same time their total capital expenditure was enlarged, their need for borrowing substantially exceeded that in the previous year.

As to the *Federal Railways* the operating receipts in the autumn months (the latest figures relate to October 1961) were, in accordance with the seasonal tendency, greater than in the previous months; but at only DM 94 million or 3.5 per cent in the months from July to October the increase by comparison with a year previously was relatively small. Especially small was the rise (by about DM 36 million, or 2 per cent) in the earnings from goods traffic, which are so important to the Railways and in which the altered state of activity in the basic industries made itself clearly felt. As against this the faster rise of receipts from passenger traffic, where some fares had been raised in the autumn of 1960, did not produce any great effect because those receipts account for only 30 per cent of total operating receipts. The operating expenditure grew by DM 236 million (or over 9 per cent), that is by much more than the receipts; the expenditure on personnel alone rising by DM 192 million, or almost 12 per cent.

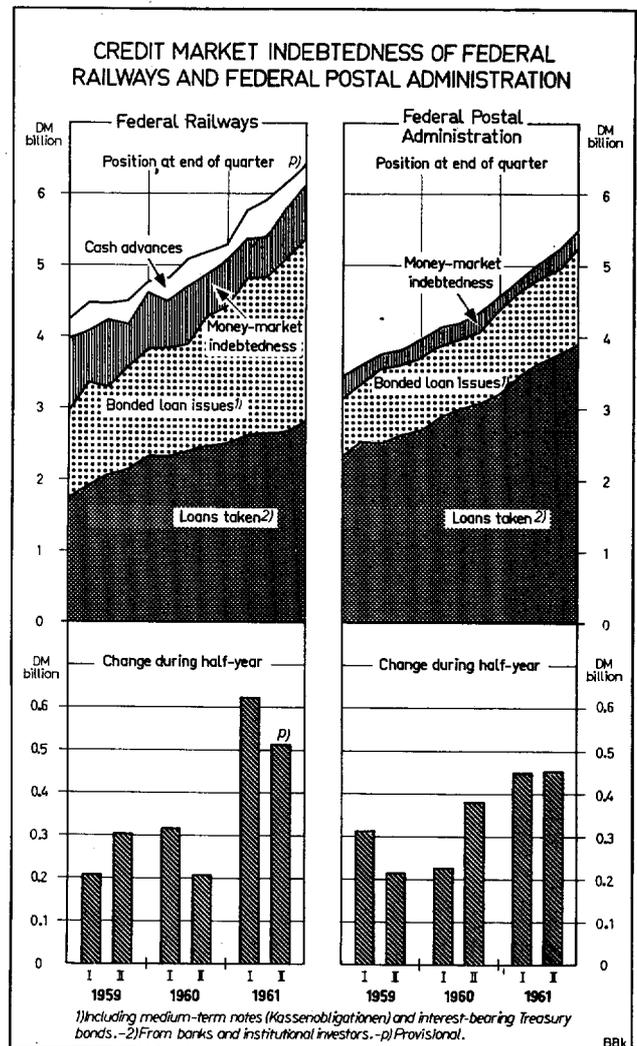
Receipts and Expenditure of the Federal Railways in millions of DM

	1960		1961		Change 1961 against 1960	
	1st half	July/Oct.	1st half	July/Oct.	1st half	July/Oct.
I. Operational Account						
(1) Operational receipts	3,604	2,663	3,738	2,757	+134	+ 94
among which:						
from goods traffic	2,348	1,658	2,393	1,694	+ 45	+ 36
(2) Operational expenditure	3,544	2,573	3,845	2,809	+301	+236
among which:						
Expenditure on personnel	2,339	1,656	2,607	1,848	+268	+192
(3) Balance (1 less 2)	+ 60	+ 90	-107	- 52	-167	-142
(4) Federal grants	—	—	223	148	+223	+148
(5) Surplus on operational account (3 plus 4)	+ 60	+ 90	+116	+ 96	+ 56	+ 6
II. Profit and Loss Account						
(1) Total earnings ¹⁾	192	180	267	197	+ 75	+ 17
among which:						
Reimbursement by Federal Government of non-operational charges	132	90	151	101	+ 19	+ 11
(2) Expenditure	326	209	355	237	+ 29	+ 28
(3) Loss (1 less 2)	-134	- 29	- 88	- 40	+ 46	- 11
					Improvement (+), deterioration (-)	

¹⁾ Including item I (5).

Since mid-1961 the grants allowed by the Federal Government since the start of 1961 have been virtually all needed to cover this difference, whereas in the first half-year they had resulted in increasing the surpluses on operating account. As moreover these grants have merely taken the place of the Federal loans formerly granted, the gap in the capital account at the same time greatly widened, the more so since the capital expenditure rose considerably in the course of last year. During 1961 the Federal Railways therefore borrowed on a growing scale. In the third quarter their market indebtedness rose by DM 245 million, against DM 99 million in the corresponding quarter of 1960, and in the fourth quarter by a further DM 270 million as against DM 107 million; in the whole of 1961 it rose by upwards of DM 1.1 billion, or more than twice as much as in 1960. Over one-half of this amount was procured through issue of bonds (DM 500 million) and medium-term notes (DM 88 million); a further DM 145 million came from the increase in the circulation of non-interest-bearing Treasury bonds, and most of the rest from loans obtained against borrower's notes from banks and private institutional investors. At the end of January the DM 210 million bonded loan announced last year was issued. The proceeds of the January issue were in the first place largely applied to repayment of short-term debts, that is of Treasury bills and of cash advances which had been taken at the Deutsche Verkehrs-Kredit-Bank (the German Transport Credit Bank).

Until the autumn of 1961 the *Federal Postal Administration* still showed surpluses on its operating account, although these have been much smaller than in 1960. At DM 37 million in the third quarter of 1961 the surplus was only about half as great as in the corresponding period of 1960. At the same time the receipts showed a relatively large rise, although the annual rate of growth dropped from 10.5 per cent in the first quarter to 8.8 per cent in the third. The additional receipts were however not enough to cover the very large rise in spending. The expenditure on personnel alone in the third quarter of 1961 was above the level of a year earlier by about DM 100 million or 11 per cent; the total expenditure was above the corresponding level by roughly DM 150 million, or around 12 per cent. In 1961, unlike the previous year, the operating account surpluses achieved between January and September (about DM 74 million) were not enough to square the profit and loss account. This in fact showed a loss of DM 72 million; and on the whole year too it is likely to show a loss, whereas in 1960 a profit of DM 71 million was obtained. Full



data are so far not available regarding last year's capital expenditure. Yet at nearly DM 400 million as recorded in the first three quarters the Postal Administration's fresh capital investment (which is considerably smaller than the cash expenditure) was greater than in the corresponding period of 1960 by about DM 110 million, or more than a third. In the whole of 1961 it must have amounted to at least DM 800 million, against about DM 650 million in 1960.

In these circumstances the Postal Administration's market indebtedness rose very considerably. In the third quarter it did so by DM 207 million, and in the fourth by DM 247 million. For the whole of 1961 the addition to indebtedness was over DM 900 million, against some DM 600 million in 1960. More than two-thirds of the 1961 amount, in fact DM 670 million, was taken in the form of bank loans. In addition the Postal Administration last year, in December, issued a 6% DM 105 million bonded loan. A further DM 140 million was procured, in roughly equal parts, through issues of medium-term notes and of non-interest-bearing Treasury bonds.

Production and Markets

The signs of a gradual easing of the cyclical situation became stronger during the period under report, especially inasmuch as entrepreneur demand continued to decline. The main pointer to this was the course of orders reaching industry, which again showed a slight non-seasonal downward trend in the last months of the past year. Besides the continuing decrease of orders from abroad the main reason lay in the restraint of domestic demand for basic materials and capital goods; by comparison the renewed rise apparent for some time past in the inflow of orders to consumer goods industries, evidently reflecting the great expansion of ultimate sales last year, was less important.

In many industries, moreover, the order backlogs have now diminished so much that cuts in output became unavoidable, or seemed desirable for the sake of spreading out the orders in hand. Consequently the course of production has become more differentiated; alongside industries where output continues to rise there are others where it is falling. The total output of industry has therefore shown no further cyclical rise since the spring of 1961, but has remained approximately unchanged. Here however it must be borne in mind that the movement in those industries where order backlogs remained high or even continued to rise would certainly have been more favourable if the continuing labour shortage had not prevented greater expansion of output. In other words, in the expanding industries the movement was checked by the fact that the cuts in production made in the other sections have so far not correspondingly relieved the labour market; even in industries with declining output the fear that it may prove impossible to meet any subsequent demand for additional labour is causing dismissals to occur only in isolated cases, although this raises labour costs in relation to production. Consequently the labour market is still strained. True, the demand for additional labour is no longer anything like so keen as when efforts were nearly everywhere being made to increase production. But the boom period is still taking effect, inasmuch as the labour market as a whole continues to show a disparity between supply and demand. Thus at the end of the year, regardless of the opposite seasonal tendency, the number of vacancies reported at labour exchanges was still twice as great as that of the registered unemployed.

Hence the present state of production and employment certainly affords no cause to speak of any dangerous slackening of economic activity; the fact that

demand is no longer quite so strong as before, and that on an overall economic view the feverish using of personal and material production factors has been replaced by a more normal degree of utilisation, is on the contrary for many reasons to be welcomed. In particular this has improved the conditions for gradually stopping the rise of prices. The fact for instance that producers' prices of industrial products have hardly risen any more during recent months is no doubt largely due, apart from the direct repercussions of the DM revaluation, to the cooling of market conditions which has already made a good deal of progress in many sectors.

In any assessment of the present cyclical situation it must further be borne in mind that in some cases the weakening of demand is due only to temporary factors. This applies especially to the so-called stock-cycle influences, which in certain basic industries in particular are an important factor in the decrease of incoming orders. After a period of such vigorous upswing as that lying behind us it is moreover only in accordance with the law of natural growth that a certain slackening occurs by way of reaction. The contraction which has been taking place for some time in the inflow of orders to industry need, therefore, certainly not indicate a cumulative process of decline which ought to be promptly opposed by economic-policy countermeasures.

On the other hand the fact must not indeed be overlooked that certain developments, if they continued, might in the longer run lead to undesired impairment of economic activity. Attention may here be drawn in particular to the relatively sharp rise apparent for some time past in the level of domestic costs. A continuing increase in costs might in the first place affect the economy's international competitive position more strongly than might be accepted in the light of certain industries' structural dependence on the world market and perhaps also, on a longer view, in the light of the increasing development-aid obligations of the Federal Republic; just now at all events the level of costs in Germany is rising more than that in comparable countries. A persistent rise of costs might moreover so adversely affect the readiness of industry to invest that capital investment would decline by more than could be reconciled with a simple return of the cyclical situation to normal. The course of events in certain other industrial countries, where excessive cost increases during recent years were

evidently a material reason for the much regretted slowing or even stoppage of "growth", gives a clear warning in this respect.

It is from this point of view that regard should be paid, first, to the public authorities' demands which have for some time been growing more than in proportion to the increase of the national product, but above all also to the present wage and salary increases. True, gradual cost rises can be absorbed in the profit margin, up to a point, without undesirably impairing the propensity to invest; and a step-by-step reduction of profits, at least in those industries where the course of the business cycle to date has inflated them, would on grounds of income policy in particular likewise not be unwelcome. If however this process takes place very abruptly, with the wage and salary level rising much more than overall productivity grows, there is a danger that either prices will rise and the increase of incomes will pro tanto remain merely nominal, or else the profit margin will be so sharply narrowed as to cause enterprises to reduce investments at least where the marginal yield of capital is no longer in harmony with its additional cost. This danger is perhaps now even more acute than the former, since the passing on of rising costs in prices has become difficult in wide sectors of the economy. Persistently great cost increases might in other words lead to a reduction of capital investment, and this might in the long run be more serious in its effects on the level of employment than the effect which the rise of wages and salaries exerts on private consumption. In determining the course of overall purchasing power the general level of employment is in the long run not less decisive than the level of individual wages and salaries. It is therefore one of the conditions for maintaining an adequate level of economic activity, as well as one of those for avoiding cost-induced price rises, that the increase of nominal incomes shall not exceed the limits of what can be justified on overall economic grounds.

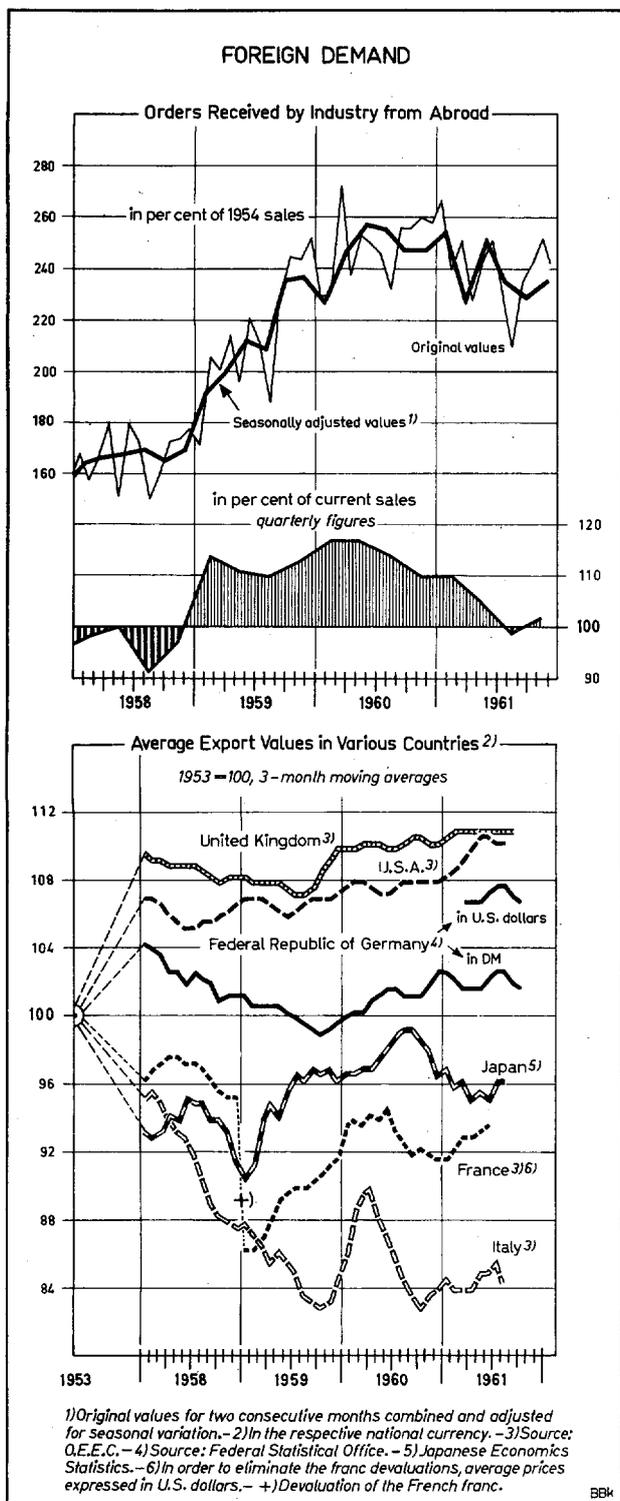
Demand

Foreign Demand

The *inflow of orders from abroad* to industry continued in the last months of 1961 to show a slight cyclical decline. It is true that in the fourth quarter, in accordance with the seasonal tendency, such inflow as measured by the original figures was greater by about 9 per cent than in the third; this increase was however smaller than in most other years, and in the fourth quarter the level was below that of a year earlier by 5 per cent. The main reason why the difference from

a year previously thus remained within somewhat narrower limits than during the third quarter, when it had been 8 per cent, was that on a cyclical view the incoming orders were relatively small in the fourth quarter of 1960 by comparison with the third quarter of that year. Contrary to the general tendency, the steel industry indeed showed a perceptible increase in the inflow of export orders in the fourth quarter. The steel rolling mills, which are its most important component, received such orders in the fourth quarter of 1961 to an extent greater by 18 per cent than in the third; the level was thus above that of a year earlier by almost 3 per cent. The relatively large export orders were mostly obtained — subject to substantial price concessions — from countries outside the European Coal and Steel Community, and afford a certain compensation for the continuing smallness of orders from the home market. In the other export industries the inflow of orders from foreign countries did however decline during recent months, in almost every case, after elimination of the seasonal increase. That primarily applies to the capital goods industries, where the inflow of export orders in the fourth quarter of 1961 was smaller than in the fourth quarter of 1960 by 7 per cent and among them in the automobile industry by 18 per cent. On the other hand the orders coming from foreign countries to the consumer goods industries showed a slight non-seasonal rise.

The divergences in the trend of export orders are mainly due to cyclical changes in the main importing countries, that is above all in the countries of Western Europe, in most of which — similar to the movement in the Federal Republic — a weakening of entrepreneur demand is accompanied by a more or less stable upward trend of private consumption. By way of contrast the cyclical upswing in the United States has so far produced no clearly discernible effects on German exports. Apart from the trends of economic activity in foreign countries the decrease of the order inflow from abroad is also partly due to the fact that because of the DM revaluation, and the relatively large rise of domestic costs, the competitive power of German products is no longer quite so great as previously at least so far as it depends on prices. German exporters' prices, reckoned in DM, have fallen only slightly since revaluation, declining by just under 1 per cent according to the average values of exports; thus if reckoned in United States dollars or other foreign currencies (excluding Netherlands guilders) exports have on an overall view increased in price by about 4 per cent since revaluation. On the other hand the average values of the exports of other industrial



countries have since then remained stable or have even slightly declined (see the graph).

To all appearances the downward tendency of incoming orders, which has persisted for over a year, has by now affected the course of actual exports. Exports from the Federal Republic (including West Berlin) rose less than seasonally between the third and fourth quarters of 1961, so that they did not reach the level of a

year earlier but remained below it by 1 per cent. In some cases in that connection the fall in exports started at about the same time as that in incoming orders, doing so especially in vehicle building, where incoming orders and exports have been clearly declining since mid-1961. In mechanical engineering, on the other hand, exports have so far continued to rise despite a decrease of the order inflow; in view of the still large cushion of old export orders it may be assumed that for the time being exports will remain high, in this important category, even if foreign orders should continue to decrease.

Restraint Induced by the Stock Cycle

Domestic demand continued during the last months of 1961 to be affected through restrained ordering by entrepreneurs. This made itself felt especially in the basic industries, where incoming home-market orders were smaller by 7 per cent in the fourth quarter than in the corresponding period a year before. The decrease induced by the stock cycle was particularly marked in the incoming orders for steel. At a monthly average of 1.2 million tons in the second half of 1961 the home-market orders reaching the hot rolling mills were 16 per cent smaller than in the second half of 1960. Up till the autumn of 1961 the effects of this decline had been confined to a reduction of order backlogs; since then however a decrease of deliveries, from 1.43 million tons in August to 1.17 million tons in December, has been in evidence. Thus the amounts of steel reaching the manufacturing industries have dropped below current consumption, so that now the stocks held by manufacturers are also declining. According to calculations by the Rhenish-Westphalian Institute for Economic Research the stocks of rolled steel held by the capital goods industries sufficed in November 1961 for 93 days' production against 97 in August. Thus they are indeed still higher than in January 1959 — the month in the previous stock cycle when home-market orders for steel had begun to rise again; at that time stocks had in fact sufficed for 83 days' production. Whether a reversal in the giving of orders by steel processors will set in very soon is incidentally doubtful, because the sales position in some of the processing industries themselves has deteriorated of late, and in many cases further reductions of steel prices are expected. Still, the duration of a stock cycle depends on so many circumstances that it would be over-bold to make any forecast on this subject.

The cyclical decrease of orders reaching other basic industries — especially those concerned with non-

Production, Turnover and Employment
Area of the Federal Republic except Berlin (West)

	1960					1961						Change 4th qtr. 1961 against 4th qtr. 1960 in p. c. ^{P)}
	Oct.	Nov.	Dec.	3rd qtr.	4th qtr.	Oct.	Nov. ^{P)}	Dec. ^{P)}	2nd qtr.	3rd. qtr.	4th qtr. ^{P)}	
				Monthly averages					Monthly averages			
Index of Industrial Production ¹⁾ (per working day, 1950 = 100)												
Total	262	281	261	242	268	278	291	268	269	250	279	+ 4.1
Building	231	248	189	242	223	250	253	180	265	248	228	+ 2.2
Basic materials and producer goods	268	279	254	264	267	281	287	262	286	271	277	+ 3.6
Capital goods	349	381	372	321	367	375	395	380	381	336	383	+ 4.2
among which:												
Machine building	285	308	329	271	307	315	331	340	323	294	329	+ 6.9
Vehicle building	545	584	535	474	562	572	587	533	609	485	564	+ 0.5
Consumer goods	227	244	215	201	228	239	249	224	222	204	237	+ 3.9
among which:												
Textiles	181	193	171	163	181	182	190	175	177	155	182	+ 0.6
Hard Coal Mining ('000 tons)												
Output per day worked in mining	539.9	555.7	549.9	516.1	548.5	541.4	561.2	553.6	541.7	518.9	552.1	+ 0.7
Pithead stocks (hard coal and coke) ²⁾	12,936	12,390	11,481	13,803	11,481	12,039	12,317	11,975	12,439	11,959	11,975	+ 4.3
Hard coal imports (excluding coke) ²⁾	689	617	688	617	665	637	609	655	565	618	634	- 4.7
Iron and Steel Industry ('000 tons)												
Output of pig iron per calendar day	70.7	70.6	66.6	72.3	69.3	68.1	67.3	61.9	70.5	70.2	65.8	- 5.1
Output of raw steel per production day	105.4	105.8	100.8	103.9	104.0	96.4	93.8	94.1	104.8	98.4	94.8	- 8.8
Finished rolling mill products ³⁾												
Deliveries	1,903	1,807	1,778	1,929	1,829	1,775	1,684	1,557	1,823	1,801	1,672	- 8.6
New orders booked	1,799	1,809	1,925	1,852	1,844	1,611	1,668	1,752	1,714	1,591	1,677	- 9.1
Orders on hand ²⁾	5,762	5,729	5,788	5,920	5,788	3,900	3,785	3,930	4,882	4,137	3,930	-32.1
New Orders booked in Industries ⁴⁾ (Values per calendar month in per cent of 1954 turnover)												
Total	214	218	201	205	211	212	215	196	201	194	208	- 1.4
Basic materials	186	186	180	193	184	180	176	165	183	181	174	- 5.4
Capital goods	269	280	265	268	271	261	267	258	246	242	262	- 3.3
among which:												
Machine building	269	286	266	272	274	263	250	261	254	242	258	- 5.8
Vehicle building	257	255	259	252	257	286	297	257	269	233	280	+ 8.9
Consumer goods	179	181	142	136	167	193	201	154	164	146	183	+ 9.6
among which:												
Textiles	146	148	126	117	140	158	169	139	135	123	155	+10.7
Building												
Hours worked (millions) ⁵⁾												
Total	223.3	224.9	180.8	237.6	209.7	234.6	222.8	155.2	232.7	236.1	204.2	- 2.6
Residential buildings	92.9	93.4	73.9	99.9	86.8	95.1	89.9	...	96.8	95.8	92.5 ^{x)}	- 0.8 ^{x)}
Buildings for public and transport purposes	74.5	73.5	59.8	78.0	69.9	82.4	78.8	...	78.1	82.3	80.6 ^{x)}	+ 7.5 ^{x)}
Buildings for trade and industry	48.6	49.1	42.2	50.9	46.6	50.1	47.9	...	49.8	50.2	49.0 ^{x)}	+ 0.2 ^{x)}
Planned building expenditure for approved buildings (millions of DM)												
Total	2,562.7	2,415.9	2,486.3	2,502.0	2,488.3	2,813.7	2,596.7	...	2,764.2	2,840.6	2,705.2 ^{x)}	+ 8.7 ^{x)}
Dwelling houses	1,572.8	1,452.9	1,492.5	1,587.6	1,506.0	1,803.7	1,630.3	...	1,718.7	1,811.1	1,717.0 ^{x)}	+13.5 ^{x)}
Other buildings	989.9	963.0	993.8	914.4	982.3	1,010.0	966.4	...	1,045.5	1,029.5	988.2 ^{x)}	+ 1.2 ^{x)}
Housing mortgage loans by institutional investors (millions of DM) ^{5) 7)}												
Amounts promised per month	821.3	748.5	769.8	847.0	779.9	1,035.1	920.2	...	997.9	1,067.1	977.6 ^{x)}	+24.6 ^{x)}
Out-payments per month	741.5	694.4	1,010.7	748.9	815.4	925.1	841.8	...	695.1	821.1	883.4 ^{x)}	+23.1 ^{x)}
Retail Turnover (1954 = 100) ⁴⁾												
Values												
Total	168	175	246	149	196	184	198	263	163	164	215	+10
of which:												
Food, beverages and tobacco	151	149	202	147	167	160	163	216	159	162	180	+ 8
Clothing, linen, underwear, footwear	179	184	268	133	210	193	215	292	155	147	233	+11
Household equipment and furniture	193	207	296	176	232	214	232	310	172	189	252	+ 9
Other	169	182	272	164	208	192	205	285	179	178	227	+ 9
Labour Market (thousands)												
Unemployed ⁶⁾												
Total	121.7	136.4	271.6	111.6	271.6	98.6	113.1	222.5	99.2	94.9	222.5	-18.1
Men	69.7	79.2	187.2	64.6	187.2	59.3	68.8	157.1	58.4	57.9	157.1	-16.1
Women	52.0	57.2	84.4	47.0	84.4	39.3	44.3	65.4	40.8	37.0	65.4	-22.5
Employed wage and salary earners ⁶⁾			20,261.1	20,376.8	20,261.1			20,796.8	20,760.4	20,933.6	20,796.8	+ 2.6

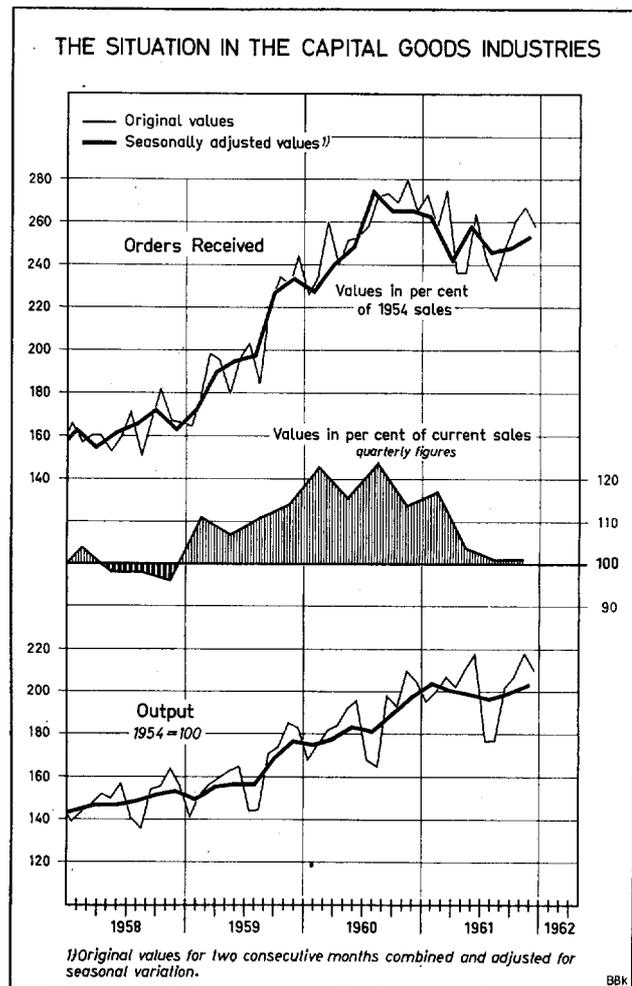
For data for previous months and for explanatory remarks see Tables under VIII (Production and Markets) in the Statistical Section of this Report. — ¹⁾ Excluding Saarland figures. — ²⁾ Position at end of month or quarter. — ³⁾ Including semi-finished goods for tube works, products for further processing and fine steel, but excluding other semi-finished goods and broad strip. — ⁴⁾ 1960 excluding, 1961 including, Saarland figures. — ⁵⁾ Not including life assurance companies. — ⁶⁾ Building industry proper, total. — ⁷⁾ Including Berlin (West). — ^{P)} Provisional. — ^{x)} October/November.

ferrous metals, rubber, cellulose and paper — is also largely due to a reduction of stocks among customers, and in some cases also to a continued rise in imports. Restraint in the placing of orders was furthermore shown during recent months by certain sections of the trade, especially in so far as the sale of durable consumer goods like refrigerators, television sets and similar electrical appliances are concerned. In those categories both traders and producers had in the course of 1960 involuntarily formed considerable stocks, which they tried to reduce in the course of last year. In the other trades however the level of stocks rose vigorously during 1961, even rising faster — according to available estimates — than the sales. In that connection the rise in ultimate sales produced its full effect on the orders reaching industry. On the whole indeed during the fourth quarter of 1961 the consumer goods industries showed orders greater by 10 per cent than in the corresponding period of the previous year.

Decrease of Orders for Capital Goods

In the second half of last year there were increasing signs that enterprises' exaggerated propensity to invest, which had formed one of the decisive causes of the cyclical tension in both preceding years, has come to an end; the execution of new capital projects is evidently no longer being started on the same scale as a year before. The flagging of the investment boom is however apparent so far only in the fact that greater restraint is shown in the giving of new orders for capital goods, but not on the other hand in the carrying out of old orders, some of them given a relatively long time ago. Consequently the total expenditure on *equipment investments* was greater by 12 per cent in the second half of 1961 than in the corresponding period of the previous year, although the annual rate of growth in such investments was no longer anywhere near that of 20 per cent reached in the first half-year. The incoming orders, however, which the capital goods industries receive from the home market have been declining, if adjusted for the season, since as long ago as the start of 1961; since the middle of the year they have actually dropped below the level for the corresponding periods a year earlier, doing so in the third quarter by 9 per cent and in the fourth by 1 per cent. These figures cannot indeed be assessed, without qualification, as indicating the size of the orders given for capital goods. Firstly, it is impossible to determine with accuracy whether the orders for capital goods proper have declined to the same extent as total incoming orders, since the totals also include orders for durable consumer goods, and these were perhaps

cut down with special severity because of the difficulties encountered in some cases in ultimate sales. Secondly, the orders reaching the capital goods industries have so far in general fallen only to the level of current deliveries, but not below this, so that order backlogs would appear to have been reduced only in respect of any cancellations of old orders. The precise extent of such cancellations is not known; but according to experience it increases when — as in the present situation — the delivery periods for capital goods become shorter, and execution of the original capital projects is regarded as less urgent owing to calming of economic activity. According to the results of the monthly trend check by the Ifo Institute for Economic Research 28 per cent of the questioned firms in the capital goods industries in December 1961 regarded their order backlogs as relatively large, and 15 per cent as too small, whereas at mid-1961 the answers had been in the proportion of 43:11 and at the end of 1960 in that of 48:6. Still, even if there were a further decrease of incoming orders, at many enterprises the existing order backlogs would permit a further increase of deliveries, unless producers took steps — and the



absence of cyclical advance in the production of capital goods already indicates that they are doing this — to conform to the contraction of order backlogs by cutting their output.

On the building market, on the other hand, little relaxation has yet been apparent. The expenditure on *building investments* — unlike that on equipment investments — rose in the second half of the year even more than in the first. That this is not merely a seasonal rise is shown by the fact that such expenditure was at the same time above the level of a year earlier by 15 per cent as against 12 per cent in the first half-year. This trend however is in great part due to the large backlog demand, while the increase of current plans for building has become slower of late, even though there is no question of its ceasing, still less of any decline as in the case of other plans for capital investment. The permits granted for construction of buildings, as measured by the estimated expenditure involved, were greater than a year previously by 14 per cent in the third quarter, and by 9 per cent in October and November (no more recent data are yet available), as against 25 per cent in the first half-year. If the simultaneous price rises are eliminated (which however can be done only roughly since a price index is available solely for house-building), then the building permits granted in October and November 1961 were of only about the same amount as a year before.

A certain change of tendency in the plans for building has emerged in *non-residential building*. The estimated expenditure on public buildings for which permits were newly granted in October and November was above the level of a year earlier by only 6 per cent, while in the case of commercial, industrial and farm buildings such expenditure was even slightly below the level of a year earlier. With allowance for price rises the amount of non-residential building planned has actually declined slightly during recent months. The fact that trade and industry's plans for building have been reduced presents a parallel to the above-mentioned decline in the placing of orders for movable capital goods. It shows that not only equipment investments (which serve mainly for rationalisation) but also plant extension investments have felt the decrease in the propensity to invest. In the longer run the restraint shown by enterprises in this respect might even prove to be particularly striking. From the relatively low figures shown in the last months of 1961 for the granting of permits for public buildings it will not be possible, on the other hand, to conclude that there has been any lasting change of tendency in this sphere.

The Position in Building
Monthly averages for the quarter, or monthly figures

	1961						
	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	Oct.	Nov.	Dec.
Building output Bare construction (1950 = 100)	193.1	265.0	247.7	227.7	249.8	252.8	180.4
Persons employed in building trade proper (in thousands)	1,307.7	1,417.9	1,443.3	1,397.9	1,424.0	1,408.7	1,360.9
Turnover in building trade proper (millions of DM)							
Total	1,668.6	2,190.2	2,581.3	2,673.2 ¹⁾	2,729.4	2,617.0	.
Residential buildings	639.3	854.4	955.2	969.9 ¹⁾	988.5	951.3	.
Buildings for trade, industry and farming	460.1	568.8	652.3	654.0 ¹⁾	666.7	641.3	.
Public buildings	153.5	198.6	227.6	244.2 ¹⁾	243.4	245.0	.
Civil engineering on public account	415.6	568.3	745.2	805.0 ¹⁾	830.7	779.3	.
Costs for approved buildings (millions of DM)							
Total	2,129.3	2,764.2	2,840.6	2,705.2 ¹⁾	2,813.7	2,596.7	.
Residential buildings	1,275.4	1,718.7	1,811.1	1,717.0 ¹⁾	1,803.7	1,630.3	.
Public buildings	329.4	355.9	348.7	379.4 ¹⁾	383.9	375.0	.
Buildings for trade, industry and farming	524.5	689.6	680.8	608.8 ¹⁾	626.1	591.4	.
Price index for con- struction work on residential buildings (1958 = 100) ²⁾	117	119	125	126	.	126	.
	Year-to-year change in per cent						
Building output (bare construction)	+17.0	+ 2.7	+ 2.4	+ 2.2	+ 8.1	+ 1.9	- 4.7
Persons employed in building trade proper	+ 4.8	+ 1.1	+ 1.2	+ 2.5	+ 2.6	+ 2.4	+ 2.6
Turnover in building trade proper							
Total	+12.8	+12.8	+13.6	+20.5 ¹⁾	+20.6	+20.4	.
Residential buildings	+16.7	+ 9.8	+ 8.5	+14.2 ¹⁾	+14.2	+14.2	.
Buildings for trade, industry and farming	+17.3	+14.1	+11.0	+17.0 ¹⁾	+17.0	+16.9	.
Public buildings	+ 8.1	+18.9	+14.4	+19.5 ¹⁾	+15.5	+23.8	.
Civil engineering on public account	+ 4.7	+14.3	+23.2	+32.9 ¹⁾	+34.5	+31.2	.
Costs for approved buildings							
Total	+24.4	+25.2	+13.5	+ 8.7 ¹⁾	+ 9.8	+ 7.5	.
Residential buildings	+19.4	+20.8	+14.1	+13.5 ¹⁾	+14.7	+12.2	.
Public buildings	+46.0	+46.5	+12.3	+ 5.7 ¹⁾	+14.8	- 2.3	.
Buildings for trade, industry and farming	+25.6	+27.0	+12.7	- 1.4 ¹⁾	- 4.5	+ 2.1	.
Price index for con- struction work on residential buildings ²⁾	+ 6.9	+ 5.0	+ 9.2	+ 9.3	.	+ 9.3	.
	1) Monthly average for October/November. — 2) February, May, August, November.						

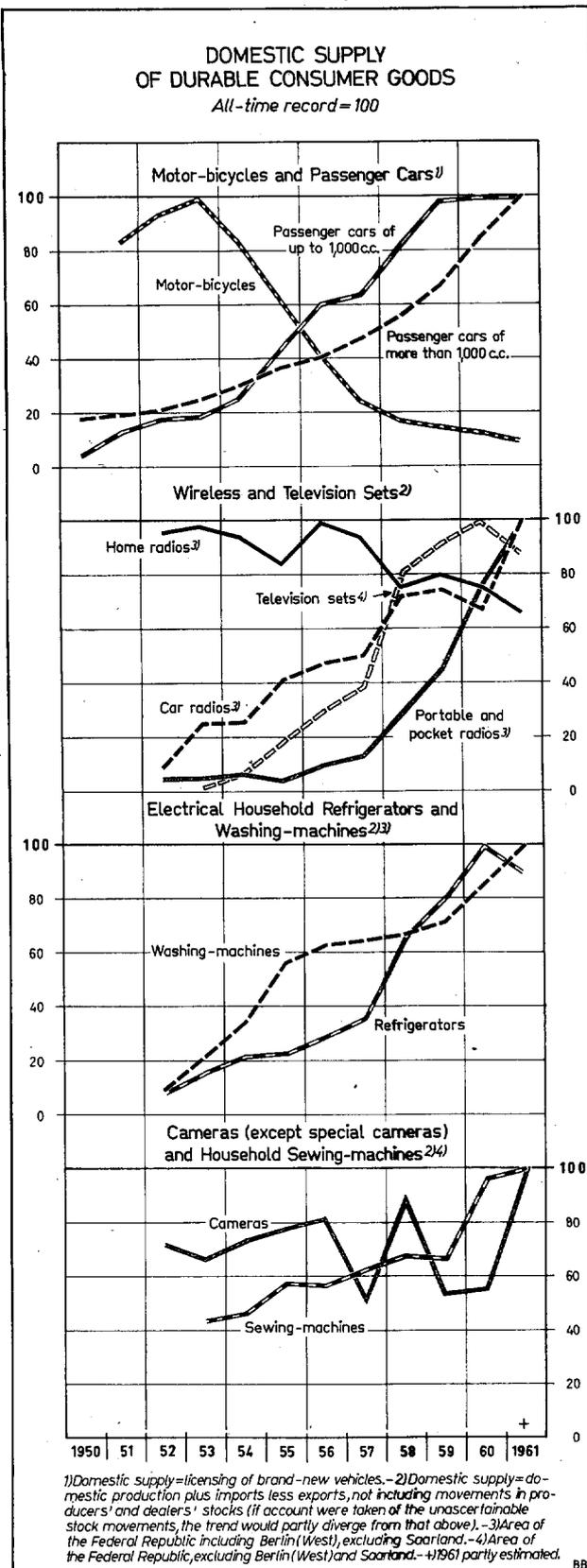
Special influences are an important factor here, such in particular as the changing of the financial year to the calendar year with effect from the beginning of 1961, the consequent alteration in the timing of expenditure, and the precautionary procurement of building permits in the spring of 1961. A pointer to the longer-term trend is rather afforded by the fact that, according to the estimated expenditure, the plans for building in the months from January to November 1961 exceeded by fully 26 per cent those in the corresponding period a year before, and that in the 1962 budgets again substantially larger amounts than in the previous year are to be provided for building projects — in the case of the Federal Government more particularly within the defence budget. This, it is true, will chiefly stimulate civil engineering work on public account, which incidentally has already since 1961 been growing faster than all other branches of building and civil engineering, expanding in terms of turnover by about 20 per cent. According to the budgets so far available the Federal Government alone is likely in 1962 to spend DM 2.4 billion on new construction, extension and maintenance of Federal highways, this being about 12 per cent more than in 1961. In addition there is substantial residual expenditure from the previous year, at least part of which is likely to be effected in the current year. Similarly the expenditure on roadmaking by Länder and local authorities is to be greatly increased in 1962. But in actual building also, to all appearances, the amount of construction on public account will continue to grow.

House-building continues to expand. The estimated expenditure on dwellings newly approved in October and November 1961 was still above the level for the corresponding period a year earlier by 13 per cent, that is by not much less than in the previous quarter. Although in house-building the price rises were especially marked, amounting to over 9 per cent in November 1961 by comparison with November 1960, this has so far hardly checked the demand for building. One important fact in this connection is that in respect of officially assisted house-building the rise of costs is currently offset, to a quite material extent, by the increased governmental assistance. The amount of public monies appropriated per publicly assisted dwelling, according to statements by the Federal Ministry for Housing, averaged DM 8,300 for the months July to October 1961 as against DM 6,700 for the corresponding period a year before. This increase in the amount of Government monies granted free of interest or at a very low interest rate probably

represents roughly one-half of the amount by which the cost of a publicly assisted dwelling rose in the same period. Besides this the number of dwellings financed with governmental support is again rising. At the same time the capacity of the house-building industry is already considerably overstrained. In 1961 it proved possible to increase the output of bare shells of buildings by only a little over 5 per cent, while a considerable part of this addition was due to building (assisted by special measures) during the winter months. It is unlikely to be possible this year to achieve such important success in winter building; by about the end of January 1962 the number of working days lost through bad weather was actually greater than a year previously. For the present therefore considerable strains in the building trade must be expected to continue, even if the decrease in commercial and industrial building creates a little elbow-room here and there, and if the falling off in other economic sectors' demand for labour permits the builders to increase the number of persons employed in that trade.

Expansion of Private Consumption

Private households' expenditure on consumption continued to increase in the last months of 1961, although perhaps no longer quite so rapidly as in the third quarter, when expenditure on travel rose exceptionally fast and precautionary buying in connection with the Berlin crisis was for a time an important factor. At 9.5 per cent in the fourth quarter as compared with the corresponding period in the previous year the increase in retail turnovers was only slightly smaller than that of 9.8 per cent in the third quarter. The slackening chiefly related to foodstuffs, beverages and tobacco, while in most other lines the increase continued at roughly the previous rate. A particularly notable feature is the continuance of a large increase in the sale of clothing, underwear, house linen and footwear; it amounted in both the fourth and the third quarter to 11 per cent as against the corresponding periods a year earlier. On the other hand the level of sales of some consumer durables remained practically stationary. Thus for instance in November and December the sales of radio, television and sound reproducing equipment were greater by only 2 per cent, and those of furniture were smaller by 1 per cent, than in the corresponding period of 1960. And in the case of electric appliances like refrigerators (mostly comprised in the sales of other retail trades) the turnover, according to report, was also relatively small. As is shown by the following graph, the home-market sale of newly produced and imported products



in the category of important consumer goods which have long been on the market has during recent years passed its peak (as in the case of motor cycles, small

cars and home radio sets), or has at least not further risen (as in that of refrigerators and television sets). But there are still some products for which the demand is as elastic as ever, especially where it is a case of goods which are new or have been produced in large series only for a relatively short time (such for instance as washing machines and portable radios), or where it is only on the attainment of a higher level of incomes (as in the case of medium-sized cars) that the goods in question can be bought by a growing number of persons. The present dullness in consumer durables may therefore be quite largely due to shifts in consumption.

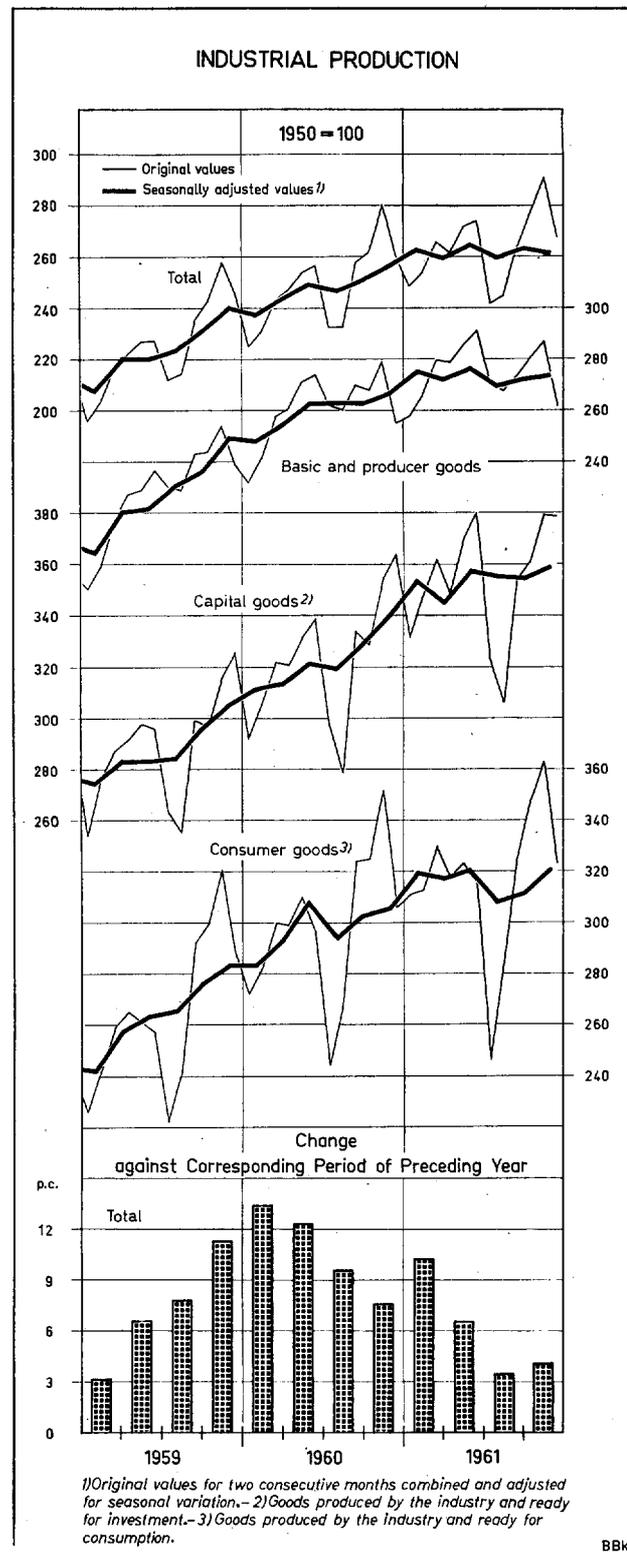
The vigorous growth of total private consumption was based on an at least equal increase in private households' *disposable income*. In the case of some important components of private income the rise quickened slightly in the last months of 1961. Wage and salary income in particular seems to have risen faster in the fourth quarter of that year, partly because of collective wage increases and partly because of the advance of salary paid to officials at Christmas, as well as various bonuses. In addition the governmental income transfers grew; in particular the payments from the newly established children's allowance fund, and the increase of money payments by the social health insurance institutions, may be mentioned. Altogether the disposable income of private households would seem to have been greater in the fourth quarter of 1961, as compared with a year earlier, by about the same percentage as private consumption. Thus the "saving ratio" of private households probably showed little change.

Supply

The weakening of demand in certain categories affected, in some cases, the course of domestic supplies. *Industrial production* in the last months of 1961 was no longer growing to the usual seasonal extent. In November and December the seasonally adjusted industrial production index actually fell slightly, dropping to the level at which it had already stood in the first months of 1961. The reason why industrial production in absolute terms was again greater in the second half of the year than in the corresponding period a year earlier, being greater by 3.5 per cent in the third quarter and by 4.1 per cent in the fourth, lies exclusively in the steep rise of output up till the spring of 1961. In the various industries the movements in production diverged widely, as is usual in such a phase of the business cycle. Some important industries continued to achieve substantial advances

of output; this applied for instance to chemicals, mechanical engineering, foodstuffs, beverages and tobacco. As against this the production in other industries notably declined. On the average of the fourth quarter in 1961 the output of the ironworking industry was below the level of a year earlier by 6 per cent, that of the non-ferrous metals industry by 8 per cent and that of the hollow glassware producers by about 2 per cent. In December moreover — just as already in July — the production of vehicles was no longer so great as in the corresponding month a year before. Chance factors may be at work here, but some of these falls in production are also due to the course of demand in the industries concerned, which of course may in many cases be by nature a temporary phenomenon. On the other hand it is obvious that in some industries — such as mechanical engineering and building — demand would have permitted greater expansion of output if there had not been a marked shortage of labour.

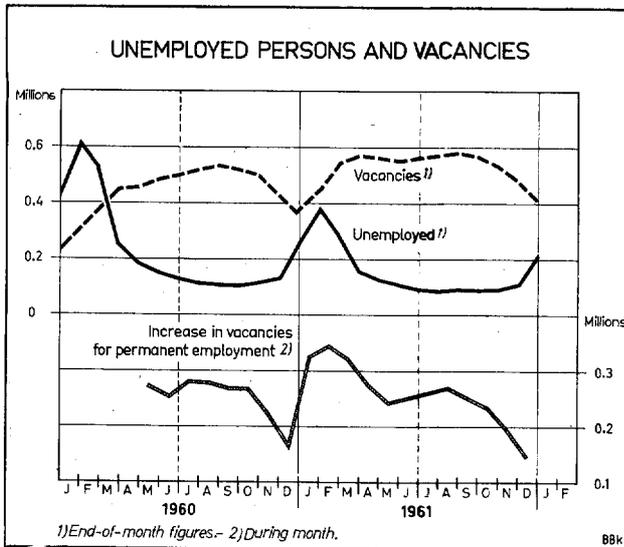
Demand for labour continues in some important industries to be quite large, not only because the state of demand calls for additional workers in individual fields, but also because the supply of labour tends to be reduced through *shortening of working hours*. In August 1961 — the last month for which figures are available — the number of hours actually worked in industry was lower by half an hour, at 39.5 per week, than in the corresponding month of the previous year. This primarily represented the realising of previously agreed reductions of working time, since in the course of last year only a few new agreements about hours of labour were made. Not until the beginning of 1962 did collectively agreed reductions of working hours come into force again on a major scale, with for instance a drop from 44 to 42.5 hours in the metal-using industries. Altogether between the beginning of 1962 and April, according to the agreements so far published, the normal working time will be reduced for about 5.5 million employed persons by between 1 and 1½ hours per week. This is of all the more importance, as affecting the state of the labour market, since the prospects for any further increase in the supply of labour are not very favourable. It is true that the number of young people leaving school will be greater this year than last; it should also be possible to obtain further workers from abroad. It is however highly improbable that it will again be possible, as it was last year, to increase the number of persons employed by 475,000. Between the end of September and the end of December 1961 the total potential labour force declined by 9,000, as



compared with an increase by 44,000 in the corresponding period a year earlier.

Unfavourable as are the conditions for any easing of the *labour market* on the side of supply, there are yet certain signs of a return to normal on that of demand. True, the number of persons out of work rose less in the fourth quarter of 1961 than in the fourth

Prices



quarter of 1960; at 222,000 at the end of the year it was lower by about 50,000 than a year before. This however would seem to be largely because last year the bad-weather-money arrangement for the building trade, permitting continuation of the employment relationship during unfavourable weather, worked better than in the winter before. As regards the number of vacancies, at 417,000 at the end of 1961 this was greater than a year previously by 40,000. From its level of March 1961, however, it has declined by about 160,000 as against roughly 75,000 in the corresponding period a year before. There is the further point that possibly employers do not always cancel their reports of vacancies when their need decreases. At all events it is noteworthy that the monthly addition to the number of vacancies recorded (for permanent jobs) at labour exchanges was smaller during the last months of 1961 than in the corresponding months of 1960. A fact which would seem to be especially important for further relaxation on the labour market is how far it proves possible to limit the "hoarding" of labour. As early as 1961 the so-called mobility of workers showed some increase, although it was still small. At the close of that year not only the structurally weak industries like coal mining, shipbuilding and textiles showed fewer persons employed than a year previously; so did industries which suffer from a cyclical lack of demand, such as the steel industry, vehicle building and some others. If this tendency continues, and the above-mentioned differentiation of the cyclical position of various industries is adequately reflected in employment, the effect will at least be that the decrease of cyclical tensions is more strongly reflected than previously on the labour market as well.

On prices the gradual cooling of the cyclical climate has so far produced only slight, but nevertheless perceptible, effects. In the same way as on earlier occasions the producers' prices for industrial products have shown themselves to be the most sensitive; during recent months the rise in such prices has practically no longer continued. In the case of agricultural products the price movement has also become steadier, although in their case the connection with general cyclical trends is rather loose. At the consumer stage price rises continued on the other hand definitely to predominate.

Producers' prices for industrial products remained unchanged in December 1961 after having already risen in each of the previous months by only 0.1 per cent, and that mainly for seasonal reasons. Thus in the ten months since the DM revaluation the index for producers' prices of industrial products, re-calculated on the basis of 1958, has risen by only 0.4 per cent; by comparison with the level at the end of 1957, being the peak reached by prices in the 1955-59 cycle, the rise amounts to 2 per cent. This relative stability of the overall index of course results from widely differing tendencies at individual stages of the production process. In recent months, by way of contrast to the spring and summer, the prices of important fuels and basic materials have not fallen; in fact, as in the case of coal and recently also of mineral oil, they have slightly risen on seasonal grounds. The prices for some raw materials and semi-finished goods dependent on world markets have also risen to some extent; on the other hand certain German raw materials have become cheaper. That applies in particular to iron and steel, the price index for which has fallen chiefly no doubt because of the decline in scrap prices. In point of fact the fall in prices would appear to have been greater of late than the indices show, since price reductions due to deviation from list prices are not included in the statistics. But such price concessions are at present a factor in particular because German steel producers are conforming to the lower prices of foreign suppliers so as to counteract a further contraction of their home-market sales. In the manufacturing industries during the fourth quarter price rises were apparent in the case of some capital goods categories — for instance in mechanical engineering — as well as in a number of consumer goods industries. Many of these were price increases which were applied, inasmuch as the state of order books permitted, together with collectively agreed wage in-

Price Movements ¹⁾

	1960		1961		Change against preceding month ²⁾					
	Dec.	Dec. ³⁾	Dec. 1961 against Dec. 1960 ⁴⁾	Dec. 1961 against Dec. 1960 ⁵⁾	July 1961	Aug. 1961	Sep. 1961	Oct. 1961	Nov. 1961	Dec. ⁶⁾ 1961
	1958 = 100				per cent					
Home Market										
Basic material prices, total ⁴⁾	99	99	+ 0.5	+ 0.8	- 0.2	- 0.4	+ 0.2	+ 0.2	+ 0.0	+ 0.1
of which: Industrial products	101	100	- 0.4	- 0.1	+ 0.2	+ 0.0	+ 0.2	- 0.0	+ 0.1	+ 0.1
among which: Bricks	108	118	+ 8.4	+ 1.7	+ 0.3	+ 1.3	± 0	± 0	± 0	± 0
Copper (semi-finished goods)	110	107	- 2.6	- 0.3	+ 0.0	- 0.2	+ 1.0	- 1.7	- 0.2	- 0.2
Farm, forest and plantation products	97	99	+ 1.5	+ 2.5	- 0.6	- 0.8	+ 0.2	+ 0.1	+ 0.1	+ 0.1
among which: Cotton	94	90	- 4.1	- 1.8	- 1.4	+ 1.4	- 0.0	+ 0.4	+ 1.4	+ 1.4
Raw wool, foreign	95	95	- 0.5	- 1.9	+ 1.0	- 0.9	- 2.9	- 0.0	- 0.3	- 0.3
Timber (trunks), domestic	102	102	+ 0.2	- 1.3	+ 0.4	- 0.4	+ 0.7	+ 1.6	± 0	± 0
Crude rubber	107	93	-12.8	- 0.3	+ 1.5	+ 1.6	- 3.5	- 7.3	+ 2.0	+ 2.0
Potatoes	76	123	+62.0	+45.9	-15.2	-18.0	+ 1.0	+ 3.9	+ 9.4	+ 9.4
Hogs	108	106	- 1.5	+ 3.2	+ 4.9	- 0.3	- 0.1	- 2.4	- 2.6	- 2.6
Producers' prices of industrial products, total	101.3	102.2	+ 0.9	+ 0.1	+ 0.1	+ 0.1	+ 0.2	+ 0.1	+ 0.0	+ 0.0
among which: Iron and steel	99.7	98.5	- 1.2	± 0	+ 0.0	+ 0.0	- 0.4	± 0	- 0.2	- 0.2
Non-ferrous metals and non-ferrous semi-finished goods	105.1	102.0	- 3.0	- 0.2	+ 0.1	- 0.3	+ 0.3	- 1.5	+ 0.2	+ 0.2
Wood-pulp, cellulose, paper and cardboard	96.1	96.0	- 0.0	- 0.3	- 0.1	+ 0.0	- 0.0	- 0.4	- 0.0	- 0.0
Chemicals	98.2	97.1	- 1.1	- 0.6	+ 0.1	- 0.2	- 0.1	- 0.0	+ 0.2	+ 0.2
Mechanical engineering products	105.2	108.9	+ 3.5	+ 1.1	+ 0.2	+ 0.2	+ 0.5	+ 0.2	+ 0.1	+ 0.1
Vehicles	100.6	101.6	+ 1.0	+ 0.0	+ 0.6	+ 0.0	- 0.1	+ 0.2	± 0	± 0
Electrical goods	99.9	100.1	+ 0.2	+ 0.0	+ 0.1	+ 0.3	+ 0.1	- 0.2	+ 0.0	+ 0.0
Textiles	101.6	98.7	- 2.8	- 0.3	- 0.5	- 0.7	- 0.0	- 0.0	+ 0.1	+ 0.1
Leather articles and footwear	107.6	111.2	+ 3.4	+ 0.4	+ 0.4	+ 0.1	+ 0.3	- 0.3	+ 0.0	+ 0.0
Woodenware	104.9	108.4	+ 3.4	- 0.6	- 0.0	+ 1.4	+ 0.5	+ 0.6	+ 0.3	+ 0.3
Producers' prices of farm products, total ⁵⁾	98.4	102.6	+ 4.3	+ 0.5	+ 0.2	- 1.0	+ 1.3	- 0.0	+ 0.1	+ 0.1
of which: Vegetable products	86.1	103.5	+20.3	- 0.5	- 6.1	- 1.8	+ 5.4	+ 1.0	+ 2.3	+ 2.3
Animal products	103.0	102.2	- 0.7	+ 0.9	+ 2.6	- 0.7	- 0.1	- 0.4	- 0.7	- 0.7
Retail prices, total ⁴⁾	101	105	+ 3.2	+ 0.8	- 0.2	- 0.0	+ 0.1	+ 0.5	+ 0.2	+ 0.2
among which: Foodstuffs	100	104	+ 3.8	+ 1.9	- 0.7	- 0.6	- 0.4	+ 0.6	+ 0.4	+ 0.4
among which: Vegetables	85	102	+20.7	+11.6	- 7.7	- 6.1	- 3.7	+ 2.7	+ 1.9	+ 1.9
Textiles and footwear	102	104	+ 2.3	- 0.0	+ 0.1	+ 0.3	+ 0.2	+ 0.3	+ 0.1	+ 0.1
Household goods and furnishings	103	106	+ 3.4	+ 0.3	+ 0.2	+ 0.6	+ 0.6	+ 0.5	+ 0.2	+ 0.2
among which: Hardware	105	109	+ 3.0	+ 0.4	+ 0.2	+ 0.3	+ 0.3	+ 0.3	+ 0.2	+ 0.2
Furniture	103	106	+ 3.6	+ 0.0	+ 0.2	+ 1.0	+ 1.0	+ 0.7	+ 0.1	+ 0.1
Electric appliances (excluding radio sets)	101	104	+ 2.2	+ 0.1	+ 0.2	+ 0.2	+ 0.2	+ 0.6	+ 0.0	+ 0.0
Cost-of-living index, total	103.1	106.3	+ 3.1	+ 0.2	- 0.3	- 0.2	+ 0.0	+ 0.6	+ 0.2	+ 0.2
among which: Foodstuffs	100.9	104.7	+ 3.7	+ 0.1	- 0.9	- 1.0	- 0.5	+ 1.2	+ 0.3	+ 0.3
Heating and lighting	103.6	105.2	+ 1.6	+ 0.3	+ 0.3	+ 0.7	+ 0.9	+ 0.3	+ 0.1	+ 0.1
Household equipment	99.8	102.7	+ 2.9	+ 0.2	+ 0.3	+ 0.6	+ 0.4	+ 0.5	+ 0.1	+ 0.1
Clothing	102.5	105.0	+ 2.5	+ 0.1	- 0.1	+ 0.4	+ 0.3	+ 0.3	+ 0.2	+ 0.2
Cleaning and personal care	104.0	107.0	+ 2.9	+ 0.4	+ 0.3	+ 0.1	+ 0.4	+ 0.1	+ 0.2	+ 0.2
Education, entertainment, recreation	105.4	111.4	+ 5.7	+ 0.7	+ 0.6	+ 0.1	+ 0.5	+ 0.4	+ 0.4	+ 0.4
Transport and communications	105.9	106.7	+ 0.7	+ 0.0	+ 0.1	- 0.0	+ 0.3	+ 0.1	+ 0.1	+ 0.1
World Market ²⁾										
Price index of Hamburgisches Welt-Wirtschafts-Archiv										
Total	95.3	93.0	- 2.4	- 0.6	- 0.6	- 1.2	- 0.8	- 0.2	+ 0.2	+ 0.2
of which: Basic food- and feedingstuffs	89.9	87.9	- 2.1	+ 0.3	- 1.2	- 2.1	- 0.6	+ 0.7	+ 0.8	+ 0.8
Industrial raw materials	97.6	95.3	- 2.4	- 0.7	- 0.3	- 0.9	- 0.9	- 0.7	+ 0.1	+ 0.1
Moody's index	89.9	94.2	+ 4.7	+ 1.0	+ 1.0	+ 0.5	- 1.5	- 1.5	+ 1.8	+ 1.8
Reuter's index	98.0	99.7	+ 1.7	+ 0.2	- 1.3	- 0.1	- 0.8	+ 0.0	+ 0.7	+ 0.7

¹⁾ For data for previous months and for explanatory remarks, see Tables VIII, 6 (Wholesale and Producers' Prices) and 7 (Consumer Prices and Wages) in the Statistical Section of this Report. — ²⁾ For the calculation, two decimal places of the indices have been taken into account. — ³⁾ Change in per cent calculated from the indices on the original basis with one decimal place. — ⁴⁾ Re-calculated from original basis 1950 = 100. — ⁵⁾ Original index 1957/59 = 100. — ⁶⁾ Provisional.

creases. In industries where demand is weak (for instance in textiles), on the other hand, the latest wage increases have led not to any rise in prices but to a slowing of price falls.

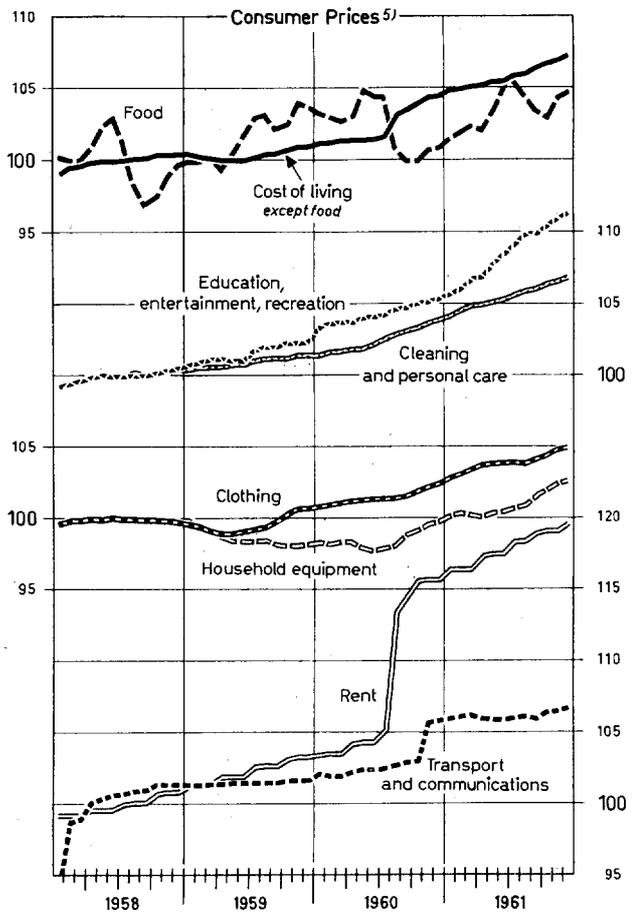
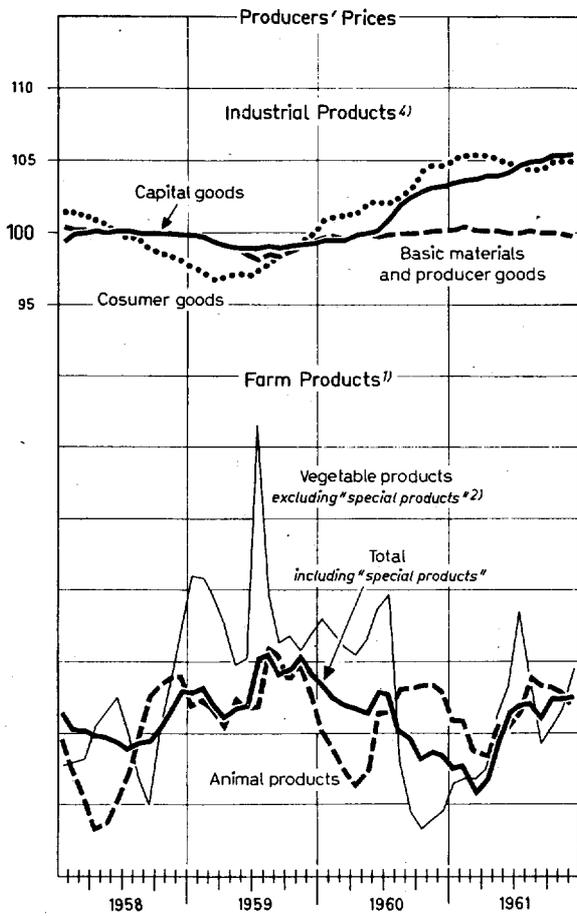
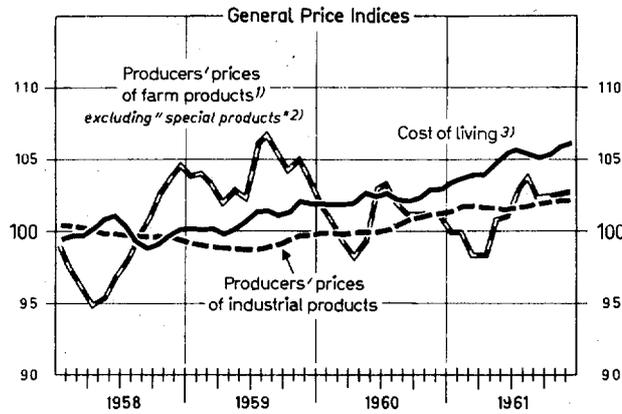
Producers' prices for farm products remained stable in November and December after having again risen in October by a comparatively large amount; at the end of 1961 they were above the level of a year earlier by 4.3 per cent. The price rises were essentially confined to products the crops of which turned out last year to be either poor, or at least materially smaller than in 1960. Thus in December 1961 the percentage rise in prices at the producer stage by comparison with December 1960 were 69 for fruit, 62 for potatoes and 44 for green vegetables. On the other hand the producers' prices for animal products, especially those for hogs for slaughtering, declined between October and December 1961; at the end of the year they were not quite so high as at the end of 1960. If one disregards the prices for products showing wide crop fluctuations — the Federal Statistical Office has grouped these products, namely fruit, green vegetables, wine must, tobacco and hops, in a newly calculated index on the basis of the 1957/58 and 1958/59 farming years as prices for "special products", and has i. a. calculated an index excluding these prices — the farm price level at the end of 1961 was higher than at the end of 1960 by 1.6 per cent; it was above the average level of prices in the 1957/58 and 1958/59 farming years by just on 3 per cent. Because of the poorer harvest the prices for special crops were appreciably higher at the end of 1961 than at the end of 1960; but they exceeded the average for 1957/58 and 1958/59 by only 1 per cent. According to the agreements now reached in their main features concerning gradual realisation of the Common Market for agricultural products it is moreover to be expected that — if not immediately, then within the foreseeable future — the short-term price fluctuations in this category will become less violent owing to widening of the market, and that agricultural prices in the EEC countries will be assimilated, as desired, at a level which will be if anything below that now existing in the Federal Republic.

Price movements in the sphere of *private consumption* also showed, during the last months of 1961, only slight signs of any slowing of the rise in prices. Between October and December the cost-of-living index rose by 0.8 per cent; at the end of 1961 it was above its level of a year earlier by 3.1 per cent. The most important factor was the partly seasonal rise in the cost of foodstuffs; this amounted to 1.1 per cent in the months from October to December. There was in par-

ticular a further rise in the prices for products of vegetable origin such as fruit, green vegetables and potatoes, the crops of which were poor last year. But in addition in the case of bread and other baker's wares as well as meat and poultry, that is of products the prices for which had remained constant at the producer stage, the consumer prices also rose; the trade or manufacturing margins had in their case further widened. At the same time the rise in prices of industrially produced goods continued. Thus in the fourth quarter of 1961 printing products became dearer by 2.4 per cent, furniture by 1.8 per cent, glass and chinaware by 2.7 per cent, and outerwear by 1.0 per cent. And in the case of footwear, electrical equipment, domestic furnishings, other textiles, hardware and the like there were also further increases of price by between 0.4 and 0.9 per cent, even though the producers' prices for many of these products were no longer rising, but in some cases fell. Up to a point this was doubtless due to the usual time-lag between changes in producers' and in consumer prices; especially in the case of products with a somewhat lengthy stock-turnover this time-lag may in certain circumstances reach substantial length. Where however even products like textiles showed a rising price tendency throughout the 1961 year in retail trade, while at the same time producers' prices were moving in the opposite direction, the trade margins must have widened further. The problem of widening trade margins is thus important not only in connection with food prices; it also arises, although perhaps only in less marked form, in the sphere of industrial products. The continuous widening of the trade margin is however not solely due to increases of profit or of costs to be borne by the ultimate consumer. Shopkeepers' services are steadily improving; the choice of goods is becoming greater, the storage of foodstuffs more hygienic, the packing more durable, the presentation more luxurious, and so forth. According to investigation by the Institute for Trade Research at Cologne University the operating costs at the enterprises currently investigated rose from 20.7 per cent of the turnover in 1950 to 26.4 per cent in 1960, and no doubt this tendency continued in 1961. A further fact of great importance is of course that in trade there are only slight opportunities for offsetting wage increases through simultaneous rises in productivity. That is incidentally the chief reason for the persistently large price rises in the case of pure services, as reflected for instance in the movement of the sub-index for "education, entertainment and recreation", which rose by 5.7 per cent between the end of 1960 and the end

PRICE MOVEMENTS

1958 = 100



1) Original basis 1957/59 = 100. - 2) Fruit, green vegetables, tobacco leaves, hops and wine must. - 3) For consumers in medium income group. - 4) Re-calculated from original basis 1950 = 100. - 5) According to the cost-of-living index.

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of 1961. But in assessing the prices for services it is also difficult to distinguish rises which are due to increases of nominal income from those which result from improvements in quality. In the price statistics at all events improvements in the quality of services — for instance in personal care and hygiene, in the technical and artistic quality of theatrical performances and

concerts, etc., in the equipment of recreation centres and the like — are even more difficult to take into account than in the case of goods; such improvements of quality are in fact frequently included in the statistics as price rises. It would therefore be oversimplifying matters if one regarded the rise in the cost-of-living index without qualification as indicating

higher prices, and in the light of these figures sought to measure the change in the value of money. The fact that the almost uninterrupted rises in the consumer price indices are in part due to genuine price increases cannot of course be denied.

In *wages and salaries* there have been no important changes during recent months. According to the reports so far available collective wage increases came into force during the fourth quarter of 1961 for only a relatively small number — about 1.5 million — of employed persons, because in the last months and weeks of a year, even where fresh collective agreements are made, their coming into force is frequently postponed until the new year. Even so the index for collectively agreed wages (1958 = 100; calculated on an hourly wage basis, including salaries of employees and officials) rose in the fourth quarter of 1961 to 125.1, against 123.5 in the third quarter and 120.4 in the second. The annual rate of growth, which in individual quarters is of course often subject to chance fluctuations, amounted in the fourth quarter to as much as 7.6 per cent, against 8.3 per cent in the third and 8.9 and 8.6 per cent in the second and first quarters. For the whole year 1961 the rate was 8.3 per cent. The movement of actual earnings, at least on

an overall view, continued for the present to be more favourable than that of the earnings collectively agreed. Actual earnings in the fourth quarter appear to have been greater by over 9 per cent than in the corresponding period of the previous year. A material contributing factor was no doubt the payment of larger Christmas bonuses; in 1961 officials also received a "Christmas allowance", subject however to subsequent charging against their current salary. By way of comparison it may be mentioned that the overall increment of productivity, measured by the "real" gross national product per gainfully active person, was only 3.7 per cent in 1961. Thus the "scissors" as between the rise in productivity and that in nominal wages and salaries have continued to open since 1960, when a 6.5 per cent productivity increment had against it an increase of nominal earnings by 8.9 per cent. The course of wage negotiations during recent weeks does not yet indicate whether smaller wage increases are to be expected in future. In the building trade a negotiating commission initially agreed a wage increase by 5.2 per cent, from April 1962, as against something over 10 per cent a year before; but because of the simultaneously suggested payment of a holiday allowance, which was to be granted only to the

Collectively Agreed Wage Increases in the Area of the Federal Republic ¹⁾

Period	Number of persons employed whose standard wages were raised ²⁾		Extent of the various standard-wage increases ³⁾ in per cent			Standard-wage level ⁴⁾			
	in thousands	in p. c. of employed covered by collective-agreement statistics ⁵⁾	Hourly earnings	Wage adjustment for cut in working time	Weekly earnings	Hourly earnings		Weekly earnings	
						1958 = 100	Change against preceding year in p. c.	1958 = 100	Change against preceding year in p. c.
1957	12,030	75	8.8	3.6	5.2	93.4	.	95.1	.
1958	14,920	92	7.0	1.7	5.3	100.0	+ 7.1	100.0	+ 5.2
1959	12,490	76	6.5	1.3	5.2	104.8	+ 4.8	103.2	+ 3.2
1960	16,100	95	8.6	0.4	8.2	112.4	+ 7.3	110.0	+ 6.6
1961 ⁶⁾	15,030	87	8.5	0.1	8.4	121.8	+ 8.3	119.0	+ 8.2
1959 1st qtr.	4,180	26	2.7	2.2	0.5	102.8	+ 5.6	101.5	+ 3.8
2nd qtr.	6,640	41	4.5	0.3	4.2	103.8	+ 4.2	102.3	+ 2.4
3rd qtr.	3,750	23	5.0	0.3	4.7	105.5	+ 4.4	103.8	+ 2.7
4th qtr.	3,660	22	6.0	1.4	4.6	107.0	+ 4.9	105.1	+ 3.7
1960 1st qtr.	3,945	23	6.6	0.5	6.1	108.7	+ 5.7	106.5	+ 5.0
2nd qtr.	8,080	48	5.9	0.4	5.5	110.6	+ 6.6	108.3	+ 5.9
3rd qtr.	5,625	33	8.9	0.2	8.7	114.1	+ 8.2	111.5	+ 7.5
4th qtr.	1,870	11	7.6	0.3	7.3	116.3	+ 8.6	113.6	+ 8.1
1961 ⁶⁾ 1st qtr.	5,710	33	5.4	0.1	5.3	118.0	+ 8.6	115.3	+ 8.2
2nd qtr.	5,210	30	9.6	0.1	9.5	120.4	+ 8.9	117.7	+ 8.7
3rd qtr.	4,800	28	6.5	0.1	6.4	123.5	+ 8.3	120.7	+ 8.2
4th qtr.	1,950	11	7.8	0.0	7.8	125.1	+ 7.6	122.2	+ 7.6

¹⁾ Excluding Berlin (West); from 1960 onwards including Saarland. — The standard-wage increases are here counted as comprising also rises in the earnings of salaried employees and officials. In the case of a cut in the employees' and officials' working time with monthly earnings remaining unchanged a corresponding rise in hourly earnings and a corresponding compensation in wages has been imputed. — ²⁾ Differences between the annual figures and the totals or the average of the quarterly values are due to the fact that in the case of several wage rises in the course of one year the persons employed are recorded only once, and the wage rises at their total annual amount, in the annual figures. — ³⁾ Altogether the collective agreements of about 85 per cent of all wage and salary earners are covered. — ⁴⁾ Yearly and quarterly results are computed as average of the end-of-month figures. — ⁵⁾ Provisional partial figures.

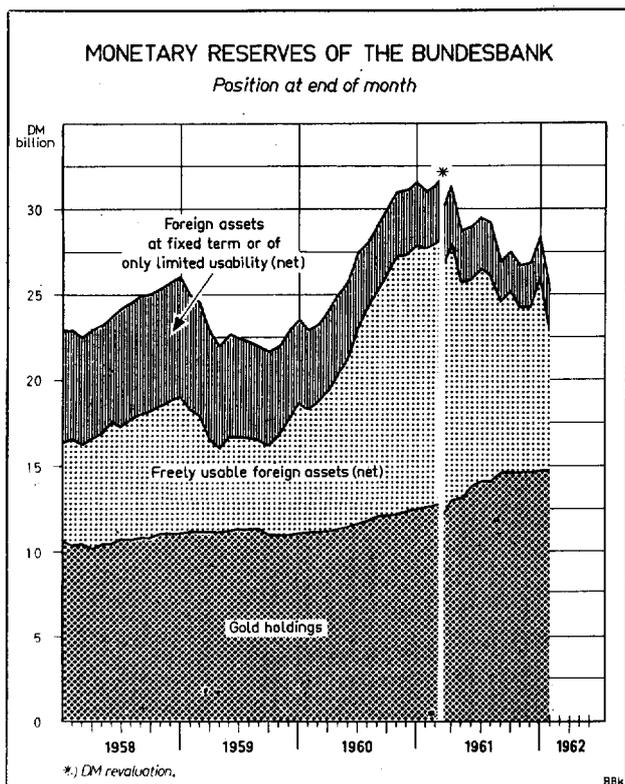
organised workers, this proposal was not accepted by the employers' organisation. In the wage negotiations now proceeding in the metal-using industries the trade unions are asking for hourly-wage increases by 10 per cent, as well as a lengthening of the minimum holiday by six days. Together with the further reduction of working hours from 44 to 42½ which has

already come into effect on 1 January 1962, and for which full compensation in wages was granted, this — when converted on to an hourly wage basis — would amount to a wage increase by about 16 per cent. Attention has already been drawn, in the introduction to this chapter, to the overall economic problems connected with present wage trends.

Foreign Trade and the Balance of Payments

On balance during recent months the Federal Republic's foreign payments probably continued to show a deficit, although exceptional payments to foreign countries were of only slight importance during that period by comparison with the spring and summer months. At DM 25.3 billion (net) at the end of January the Bundesbank's gold and foreign exchange holdings were smaller by DM 1.4 billion than at the end of October 1961; they fell short by DM 4.3 billion of their level at the end of June 1961, and by DM 7.2 billion of the record figure of DM 32.5 billion reached on 21 April 1961. Against a slight increase in November, and a very large one in December, there was a still greater decrease in January. The chief reason for these fluctuations lay in the largely seasonal movements in the foreign exchange position of the German banks, which in December on a considerable scale reduced their short-term foreign assets (that is trans-

ferred them to the Bundesbank), whereas in January they were rapidly replenishing them and for this purpose took foreign exchange from the Bundesbank or did not transfer to this latter the exchange accruing in their hands. Against the improvement in the gold and foreign exchange position of the Bundesbank there was thus substantial deterioration in the foreign position of the other banks last December, whereas per contra in January the decrease in the Bundesbank's monetary reserves was largely compensated — if not indeed outweighed — by the improvement in the other banks' foreign position. If the changes in the Bundesbank's reserve and those in the other banks' foreign position are combined, there would still seem to have been a slight deficit on payment transactions with foreign countries during the period from October 1961 to January 1962, although it will not be possible to say anything definite about this until the accurate January figures for the other banks' foreign position have become available. In the fourth quarter of 1961, at any rate, the combined gold and foreign exchange movement at the Bundesbank and the other banks was definitely negative to the extent of DM 1.4 billion, with an outflow of foreign exchange amounting to DM 453 million in October, an afflux of DM 192 million in November and a further loss of DM 1,181 million in December. Hence for the whole year 1961, as will be shown in further detail in the first general survey of the 1961 balance of payments which follows, there was an overall loss of nearly DM 1.7 billion. Apart from the revaluation loss due to the alteration of the DM parity the Bundesbank's gold and exchange holdings declined by nearly DM 2 billion, while the other banks' exchange position improved by almost DM 300 million. The importance which attached in this connection to payments that were of a non-recurrent nature, or extraordinary in amount, is shown by the following table. At about DM 5.6 billion these payments were quite substantial. Still, even independently of such special influences the balance of payments was clearly deteriorating, particularly in the



Data on the Balance of Payments
in millions of DM

Items	1960	1961							
		Total	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	October	November	December
(1) Net increase (+) or decrease (—) in the Bundesbank's monetary reserves	+ 8,007	—1,927 ¹⁾	+1,213 ¹⁾	—1,892	—1,995	+ 747	— 869	+ 92	+1,524
(2) Improvement (+) or deterioration (—) of the other banks' foreign exchange position among which: Reconstruction Loan Corporation ²⁾	—2,254	+ 264	+1,898	+ 606	— 51	—2,189	+ 416	+ 100	—2,705
	(—)	(+ 643)	(+ 677)	(+ 124)	(+ 16)	(— 174)	(— 171)	(— 2)	(— 1)
(3) Current influx or efflux of foreign exchange (1 + 2)	+5,753	—1,663	+3,111	—1,286	—2,046	—1,442	— 453	+ 192	—1,181
(4) Special factors									
I.M.F. transactions	— 169	—1,321	— 181	— 362	—1,070	+ 292	— 48	+ 340	—
of which: DM drawings on I.M.F.	(— 169)	(—2,022)	(— 181)	(— 363)	(—1,430)	(— 48)	(— 48)	(—)	(—)
DM purchases of I.M.F. against gold	(—)	(+ 360)	(—)	(—)	(+ 360)	(—)	(—)	(—)	(—)
Repayments by I.M.F.	(—)	(+ 341)	(—)	(+ 1)	(—)	(+ 340)	(—)	(+ 340)	(—)
Credits granted by Bundesbank to I.B.R.D. ³⁾	— 100	— 880	— 100	— 50	— 250	— 480	—	— 240	— 240
Prepayment of debts resulting from post-war economic aid	—	—3,125	—	—3,125	—	—	—	—	—
Indemnification payments to various European countries and to U.N.	— 74	— 297	— 22	— 25	— 179	— 71	— 6	— 65	—
Total	— 343	—5,623	— 303	—3,562	—1,499	— 259	— 54	+ 35	— 240
(5) Current influx or efflux of foreign exchange after elimination of special factors (3 less 4)	+6,096	+3,960	+3,414	+2,276	— 547	—1,183	— 399	+ 157	— 941

¹⁾ Excluding the Bundesbank's revaluation loss (DM 1,420 million). — ²⁾ Investment of funds deriving from the German industry's development aid loan in U.S. Treasury bills out of the Bundesbank's holdings (disinvestment: —). — ³⁾ Only drawings on the credit of about DM 1 billion promised in July 1960.

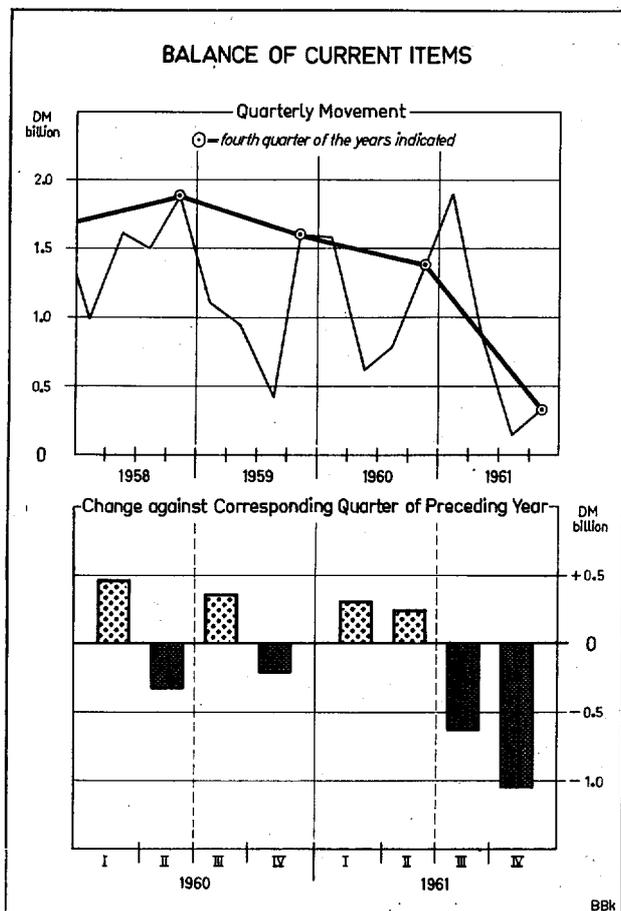
second half of the year. One reason is that since the middle of last year the inflow of foreign money has not only declined but has at times actually given place to an outflow, which would seem to have been mainly due to the ebbing of the speculative flood on the international exchange markets, to the fall in the level of German interest rates (at least on the money market), and no doubt also in some measure to the effects of the Berlin crisis. Consequently the balance of capital transactions showed deficits even after deduction of the special payments to foreign countries. But the surplus on current items in the sense of the combined result of trade, services and donations also notably declined, as has been repeatedly pointed out here, although in itself the export surplus for 1961, if the year is treated as a whole, was greater than that for 1960. For 1961 indeed the balance of trade, services and donations showed a surplus of only DM 3.3 billion against DM 4.4 billion in the previous year, DM 4.1 billion in 1959 and DM 6.0 billion in 1958; the decrease by comparison with the previous year is solely due to the fact that in the second half of 1961, contrary to the first, the surpluses were appreciably smaller than those achieved a year previously, particularly since in that period — because of the slowing apparent in the expansion of exports since the beginning of 1961, with a faster increase of imports —

the export surplus was no longer greater than in the second half of 1960.

The figures for the 1961 balance of payments are discussed in some detail in a special study in this Report. As regards the latest trends, in particular those during the fourth quarter, on which approximately complete statistics are already to hand, the following comments may be offered.

Current Items

At DM 340 million the surplus on current items (that is the structural surplus, indispensable on a longer view for making good the desired deficit on capital transactions) was for seasonal reasons somewhat greater in the fourth quarter of 1961 than in the previous quarter; but the longer-term tendency was clearly reflected in the fact that it was smaller by no less than one billion DM than in the fourth quarter of 1960, when it had amounted to roughly DM 1.4 billion. The decrease by comparison with a year previously took place for the most part in the balance of trade, which in the first three quarters of the year had still shown surpluses considerably greater than in the corresponding periods a year before. Besides this the surplus on services continued to decrease appreciably in comparison with a year earlier, while the deficit on donations slightly rose.



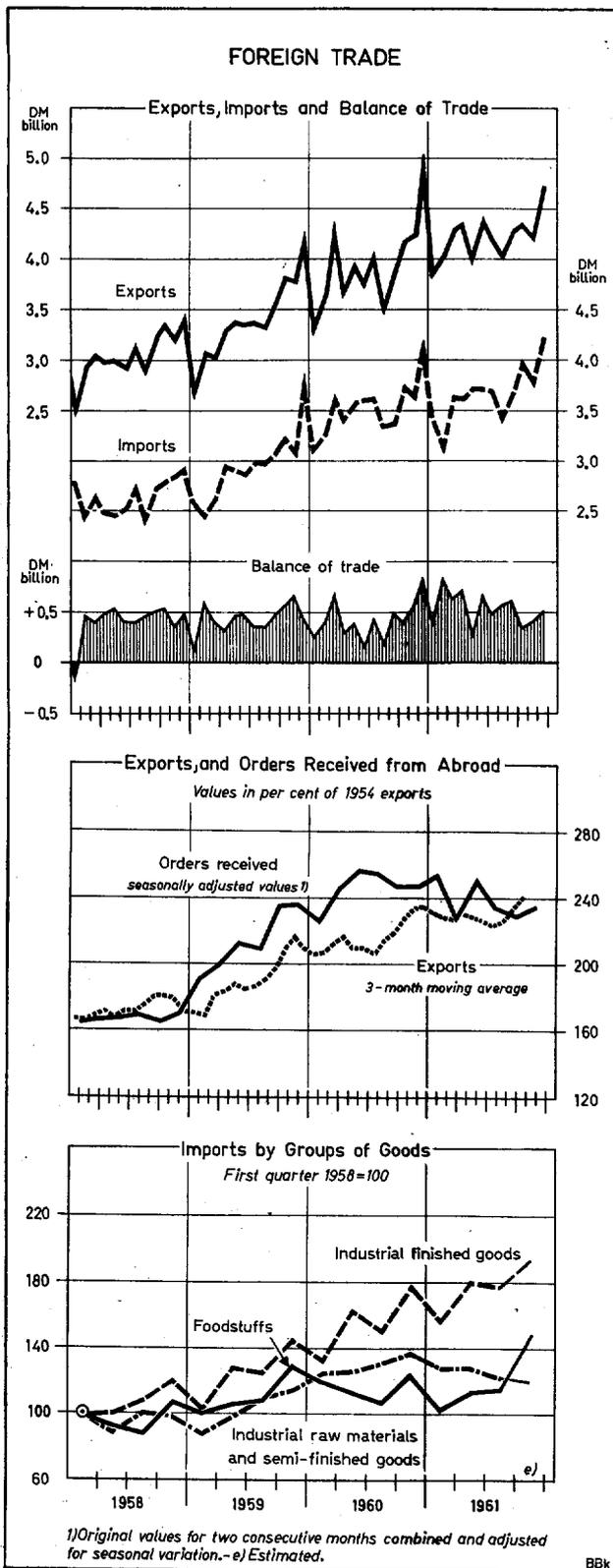
Foreign Trade

In terms of absolute value the export surplus in the fourth quarter of 1961 amounted to just under DM 1.3 billion, against a little over DM 1.8 billion in the corresponding period of the previous year and DM 1.7 to 1.9 billion in the first three quarters of 1961. The decrease is thus quite marked, special attention being merited by the fall in comparison with the first quarters of the year, since in earlier years the export surplus normally did not reach its peak until the final quarter. The reason lies in the fact that, as already indicated, the course of imports was much more favourable than that of exports. At DM 12.1 billion in the fourth quarter imports were greater by about DM 1.3 billion than on the average for the first three quarters. This made the increase only as great as a year previously; but it substantially exceeded the rise in exports, which at DM 13.3 billion were above their average for the first three quarters by only DM 780 million as against DM 2 billion a year previously. The divergence from the fourth quarter of 1960 also clearly indicates the differing trend. Imports between October and December 1961 were greater by 3.5 per cent than in the corresponding period a year earlier, exports on the other

hand were smaller by 1.2 per cent, whereas in the third quarter they had still shown growth at the annual rate of 9.1 per cent. This result is in line with the run of export orders reaching industry; these, notwithstanding the seasonal increase which they showed in the fourth quarter, were continuing their downward trend at least until the end of last year. The causes of this decline, which appear to lie not only in the temporary slackening in the expansion of demand in a number of prominent importing countries but also in the fact that the German industry's competitive position has deteriorated because of the DM revaluation and the relatively sharp rise of costs in the Federal Republic, have already been indicated in the last quarterly Report.

As regards exports in detail, the movement differed as between individual industrial categories. Exports of the basic industries showed by comparison with the corresponding period a year previously a decline, doubtless due to the fact that in other West European countries also the expansion of industrial output has become slower, while tendencies to smaller inventory-holding similar to those in the Federal Republic are appearing there too. On the other hand exports of the capital goods industries continued to increase, although at a materially slower rate than in the previous quarters. In particular those of the mechanical engineering industry, which account for more than one-fifth of the Federal Republic's total exports, continued to show high annual rates of growth, whereas those of motor vehicles, which are reckoned as capital goods although on the whole they rather belong to the consumer durables group, were down by 9 per cent in comparison with the corresponding period of the previous year. The level of exports by the consumer goods industry proper was completely stationary. In that case, however, export orders showed a slightly rising tendency during the last months of 1961.

The chief reason why the course of imports during 1961 was relatively favourable continues to be the persistently vigorous increase of home-market demand, with a simultaneous, at least partial, advance in foreign competition. One particular indication of this is the imports of industrial finished goods. In the fourth quarter of 1961 these rose to about DM 4.2 billion, against DM 3.9 billion both in the third quarter and in the corresponding period of the previous year. Since 1957 such imports have thus been more than doubled. Also of great importance was the rise in food imports which followed the poor 1961 harvest, after they had declined appreciably in the 1960/61 crop year under the influence of the good 1960 crops. Imports of foodstuffs



in the fourth quarter were greater by about DM 900 million or 32 per cent than in the previous quarter, and greater by some DM 640 million or 21 per cent than in the fourth quarter of 1960; grain imports in particular shared in this rise.

By way of contrast to this the imports of industrial raw materials and semi-finished goods continued in the period under report to exert a retarding influence on the increase of imports as a whole. At roughly DM 4 billion the imports of such products in the fourth quarter of 1961 were smaller by about DM 600 million (or 13 per cent) than in the corresponding period a year earlier, after having already been below their level of a year previously by 7 per cent from July to September. This was partly because just in that category the import prices have appreciably declined, but is also partly due to the present effort of many entrepreneurs to reduce their stocks, or at least to keep these relatively short — the reason doubtless being, in some measure, the falling tendency of prices on important international raw-material markets. The index number for the average value of imports of industrial raw materials and semi-finished goods stood in November 1961 (the last month for which data are available) at 88.4 (1954 = 100) against a monthly average of 89.6 in the third and one of 92.8 in the first quarters of 1961; by comparison with the figure of 94.3 for November 1960 the difference was greater still. It is of course possible that shifts in the composition of imports, that is a rise in the proportion of less valuable goods, were also a factor here; but in all probability, apart from the fact that imports became cheaper through the revaluation of the DM, the downward tendency of international raw-material prices was decisive in this connection.

How greatly total imports were affected by the downward tendency of average values — which, as stated, was especially marked in the industrial raw materials and semi-finished goods group but was by no means confined to this — is shown by the table on page 56. Whereas this shows the value of imports in the fourth quarter to have been 3.5 per cent greater than in the corresponding period a year before, the increase in the volume of imports amounts to 7.5 per cent. In the case of exports the movement was until recently just the opposite. Up till the third quarter the increase in value was regularly greater than that in volume; in other words, price rises inflated the export values. In recent months, it is true, this trend has ceased; according to the figures so far available, indeed, a certain reversal is rather apparent. Since the middle of last year in fact the average values of exports have slightly declined, falling — as measured by the index — from 105.0 in July to 103.9 in November, at which level they were a little below that of 104.7 reached in November 1960. It is quite likely that this already reflects the compulsion to make prices conform, so far as possible, to

Foreign Trade and Payments *)
in millions of DM

	1960				1961						
	4th qtr.	Oct.	Nov.	Dec.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr. *)	Oct.	Nov.	Dec. *)
Foreign Trade											
Monthly averages or monthly figures											
All countries ¹⁾											
Exports (f.o.b.)	4,494	4,188	4,252	5,042	4,083	4,274	4,194	4,442	4,356	4,241	4,729
Imports (c.i.f.)	3,885	3,775	3,680	4,201	3,444	3,702	3,622	4,020	4,001	3,833	4,225
Balance	+ 609	+ 413	+ 572	+ 841	+ 639	+ 572	+ 572	+ 422	+ 355	+ 408	+ 504
Groups of countries ²⁾											
E.M.A. countries:											
Exports	3,215	3,099	3,026	3,519	2,975	3,158	3,075	3,220	3,192	3,048	3,421
Imports	2,666	2,644	2,598	2,757	2,422	2,627	2,560	2,776	2,831	2,643	2,855
Balance	+ 549	+ 455	+ 428	+ 762	+ 553	+ 531	+ 515	+ 444	+ 361	+ 405	+ 566
United States of America and Canada:											
Exports	390	354	408	409	310	339	337	371	370	363	381
Imports	705	638	589	888	609	631	597	728	682	712	790
Balance	- 315	- 284	- 181	- 479	- 299	- 292	- 260	- 357	- 312	- 349	- 409
Eastern Bloc countries:											
Exports	225	134	188	355	167	143	139	157	133	151	187
Imports	159	144	159	174	128	122	136	160	143	144	193
Balance	+ 66	- 10	+ 29	+ 181	+ 39	+ 21	+ 3	- 3	- 10	+ 7	- 6
Other countries:											
Exports	650	588	617	744	620	622	630	681	648	667	726
Imports	347	340	325	375	277	315	321	347	337	328	374
Balance	+ 303	+ 248	+ 292	+ 369	+ 343	+ 307	+ 309	+ 334	+ 311	+ 339	+ 352
Terms of Trade											
1954 = 100											
Average values of export unit	104.5	103.5	104.7	105.1	104.9	103.9	104.7	...	103.8	103.9	...
Average values of import unit	91.5	91.8	91.3	91.3	90.8	89.2	88.2	...	88.1	88.0	...
Terms of trade ³⁾	114.2	112.7	114.7	115.0	115.5	116.5	118.6	...	117.8	118.1	...
Monetary Reserves of the Deutsche Bundesbank ⁴⁾											
Position at end of period indicated											
Gold holdings and freely usable foreign assets											
Total	28,295	27,612	27,717	28,295	28,329	27,378	25,746	26,166	24,793	24,681	26,166
of which:											
Gold holdings	12,479	12,241	12,360	12,479	12,969	14,053	14,576	14,654	14,591	14,591	14,654
Freely usable foreign assets	15,816	15,371	15,357	15,816	15,360	13,325	11,170	11,512	10,202	10,090	11,512
Foreign assets at fixed term or of only limited usability											
Total	3,762	3,774	3,796	3,762	3,417	3,142	2,477	2,452	2,476	2,472	2,452
of which:											
Bilateral claims from former credits to E.P.U.	1,993	2,014	2,011	1,993	1,730	1,718	1,054	1,039	1,053	1,050	1,039
I.B.R.D. debt certificates ⁵⁾	1,400	1,375	1,400	1,400	1,352	1,352	1,352	1,352	1,352	1,352	1,352
Earmarked money-market investments	265	265	265	265	252	—	—	—	—	—	—
Consolidation loans to foreign Central Banks	104	120	120	104	82	72	70	61	70	70	61
Foreign liabilities											
Total	429	334	382	429	325	991	689	337	604	396	337
Balance of Payments											
Monthly averages or monthly figures											
I. Net movement of gold and exchange ⁶⁾ (surplus: +)	+ 521	+ 987	+ 79	+ 497	+ 404 ⁷⁾	- 631	- 665	+ 249	- 869	+ 92	+ 1,524
II. Net transactions in goods, services, donations and capital	+ 729	+ 826	+ 141	+ 1,219	+ 265	- 963	- 461	+ 507	- 780	+ 36	+ 2,264
(1) Current account	+ 463	+ 457	+ 642	+ 289	+ 633	+ 291	+ 49	+ 114	+ 148	+ 234	- 41
of which: Goods and services	+ 776	+ 690	+ 855	+ 782	+ 847	+ 581	+ 375	+ 432	+ 405	+ 516	+ 374
Donations (outflow: -)	- 313	- 233	- 213	- 493	- 214	- 290	- 326	- 318	- 257	- 282	- 415
(2) Capital transactions (outflow: -)	+ 266	+ 369	- 501	+ 930	- 368	- 1,254	- 510	+ 393	- 928	- 198	+ 2,305
of which: at long term	+ 208	+ 382	+ 91	+ 152	+ 132	- 1,238	- 541	- 228	- 388	+ 3	- 299
at short term	+ 58	- 13	- 592	+ 778	- 500	- 16	+ 31	+ 621	- 540	- 201	+ 2,604
III. Net errors and omissions ⁸⁾ (I less II)	- 208	+ 161	- 62	- 722	+ 139	+ 332	- 204	- 258	- 89	+ 56	- 740

For data for previous months and for explanatory remarks see Tables under VII (Foreign Trade and Payments) in the Statistical Section of this Report.

¹⁾ As from the day of the economic incorporation of the Saarland (6 July 1959) the figures in this table relate to the area of the Federal Republic including the Saarland.

²⁾ The figures are not fully identical with those shown in the Return of the Bundesbank, because gold holdings and foreign assets and liabilities are here recorded at parity rate in accordance with the International Monetary Fund's instructions on the compilation of balance-of-payments statements, whereas in the Bundesbank Return they are computed for the end of the year according to the lowest value principle and for the current year at the rate of the day. Moreover, in the case of liabilities there are some differences regarding the delimitation of the items to be taken into account. — ³⁾ Including ships' fuel and other supplies, etc. — ⁴⁾ Imports according to selling countries; exports according to buying countries. — ⁵⁾ Average values of export unit in per cent of average values of import unit. — ⁶⁾ Assets and liabilities in foreign currency are valued at the parity rate applying at the end of the period indicated. — ⁷⁾ Excluding bonds, and excluding those notes that are shown in the Bundesbank Return in the item "Securities" and in the balance of payments under official long-term capital transactions. Cf. in this connection the explanations to the Weekly Returns of 7 December 1960 and 7 February 1961. — ⁸⁾ Change in the Deutsche Bundesbank's monetary reserves. — ⁹⁾ Disregarding the decrease in the Deutsche Bundesbank's monetary reserves due to the DM revaluation. —

⁹⁾ Mainly due to changes in terms of payment. — ^{*} Partly provisional figures.

*Changes in Imports and Exports
against corresponding period of the preceding year
in per cent*

Period	Imports		Exports	
	Values	Volume	Values	Volume
1960	+ 19.3	+ 19.1	+ 16.4	+ 15.1
1961 P)	+ 3.8	+ 7.7	+ 6.3	+ 5.6
1960 1st quarter	+ 30.2	+ 32.4	+ 28.2	+ 28.8
2nd quarter	+ 21.3	+ 19.7	+ 14.4	+ 13.4
3rd quarter	+ 14.2	+ 13.2	+ 11.9	+ 10.2
4th quarter	+ 13.8	+ 14.0	+ 13.2	+ 10.5
1961 1st quarter	+ 2.8	+ 4.3	+ 7.2	+ 5.0
2nd quarter	+ 4.4	+ 9.0	+ 11.4	+ 11.3
3rd quarter	+ 4.6	+ 9.9	+ 9.1	+ 8.0
4th quarter P)	+ 3.5	+ 7.5	- 1.2	- 0.6

P) Provisional.

the increase of international competition. But in dealings with the countries mainly supplying raw materials the German external trade still benefits from the material improvement in the terms of trade which has for years characterised the position of the industrial countries, and has no doubt been one factor — although not the crucial one — in the relatively large German export surpluses.

Services

In the last quarter of 1961 services again showed a surplus for seasonal reasons (namely the decrease in the deficit on travel), whereas in the previous quarter there had been a deficit of almost DM 600 million. But at roughly DM 30 million the surplus, just as it had done in the first half of 1961, fell considerably short of the amount (DM 500 million) for the corresponding period a year before. The decrease was almost solely due to greater expenditure on foreign services — a fact which reflects the trend, observable in all highly industrialised countries, towards a growing proportion of services in the total national product.

Before the most important individual results for the fourth quarter of 1961 are considered below, it may be well to point out certain adjustments, which will be explained in further detail in the introduction to the study which follows on page 62, to the figures previously published by us. The adjustments relate to the *earnings* transferred abroad by foreign workers in the Federal Republic, in regard to which earnings the considerable gaps in statistical recording have now been closed through estimates, and to the *receipts from foreign troops*, from which duplications have been eliminated. These adjustments have led to the surplus on services, and hence also that on the balance on current account, becoming smaller. For the fourth quarter of 1961 the difference between the old and the new reckoning amounts to about DM 200 million, and for the whole year 1961 it is roughly DM 700 million.

One reason why services in the last quarter of 1961 showed only the stated surplus of about DM 30 million, although during that period receipts from foreign troops to the extent of nearly DM 1 billion were recorded against DM 890 million in the previous quarter, is that now even in the "dead" travel season

the Federal Republic's payments to foreign countries are considerably greater than those which it receives from foreign tourists. For the period from October to December 1961 the excess of outgoings on *travel* is estimated at DM 200 million (against, it is true, DM 820 million in the third quarter). Thus the deficit was materially greater than that of DM 60 million in the corresponding period of 1960, when tourism had for the first time shown a deficit for the last three months of a year after having regularly yielded surpluses in earlier years.

In addition *investment income*, the deficit on which tended to increase during 1961, showed in the fourth quarter a deficit of DM 480 million as against deficits of DM 360 million both in the previous quarter and in the corresponding period of 1960. With receipts somewhat declining the investment income payments to foreigners greatly increased, reaching a new peak at DM 630 million. Of this amount December alone accounted for DM 380 million. The main items appear to have been interest, profits, dividends and the like credited at the close of the year. It may be assumed that part of these items was reinvested in the Federal Republic as early as December, mostly in securities, while the remainder was not used until the new year.

There was also a substantial rise in the *wages and salaries* transferred abroad. With the inclusion of social insurance and retirement pensions these are estimated to have reached DM 400 million, against DM 330 million in the previous quarter and DM 240 million in the months from October to December 1960. While the rise in comparison with preceding months seems to have been largely seasonal, being due to the increase of foreign workers' transfers before Christmas, the rise of about DM 160 million in comparison with the corresponding period a year earlier was primarily due to the fact that considerably more foreigners were employed in the Federal Republic at the end of 1961 than at the end of 1960.

Donations

At DM 954 million the deficit on donations was somewhat smaller in the fourth quarter than in the third, when it had reached its peak to date of DM 979 million owing to substantial transfers in respect of the indemnification agreements reached with France and Belgium. Apart from indemnification payments, amounting to altogether DM 586 million in the quarter under report, the contribution of DM 165 million made by the Federal Government to the Development Fund of the European Economic Community merits special mention.

*Important Items of the Balance of Payments *)*
in millions of DM

Period	I. Net movement of gold and ex- change	II. Balance of transactions in goods, services, donations and capital											III. Residual item of the balance of pay- ments (I less II)		
		Balance on current account					Balance on capital account (outflow: —, inflow: +)							Net balance of trans- actions in goods, services, donations and capital	
		Total	Net transactions in goods and services			Net dona- tions (outflow: —)	Net total of capital trans- actions	Net long-term capital transactions			Net short-term capital transactions				
			Total	Balance of trade	Net services			Total	Private	Official	Total	Private			Official
1960	+ 8,007	+ 4,386	+ 7,442	+ 5,223	+ 2,219	- 3,056	+ 1,700	- 458	+ 982	- 1,440	+ 2,158	+ 2,912	- 754	+ 6,086	+ 1,921
1961 ^{P)}	- 1,927	+ 3,260	+ 6,705	+ 6,617	+ 88	- 3,445	- 5,218	- 5,626	+ 836	- 6,462	+ 408	+ 321	+ 87	- 1,958	+ 31
1960 1st qtr.	+ 353	+ 1,587	+ 2,210	+ 1,375	+ 835	- 623	- 1,498	- 703	- 460	- 243	- 795	+ 154	- 949	+ 89	+ 264
2nd qtr.	+ 3,458	+ 620	+ 1,445	+ 874	+ 571	- 825	- 1,733	- 346	+ 91	- 437	+ 2,079	+ 1,761	+ 318	+ 2,353	+ 1,105
3rd qtr.	+ 2,633	+ 791	+ 1,460	+ 1,148	+ 312	- 669	+ 667	- 34	+ 356	- 390	+ 701	+ 572	+ 129	+ 1,458	+ 1,175
4th qtr.	+ 1,563	+ 1,388	+ 2,327	+ 1,826	+ 501	- 939	+ 798	+ 625	+ 995	- 370	+ 173	+ 425	- 252	+ 2,186	- 623
1961 1st qtr.	+ 1,213	+ 1,898	+ 2,540	+ 1,918	+ 622	- 642	- 1,104	+ 395	+ 822	- 427	- 1,499	- 1,453	- 46	+ 794	+ 419
2nd qtr.	- 1,892	+ 874	+ 1,744	+ 1,715	+ 29	- 870	- 3,762	- 3,715	+ 138	- 3,853	- 47	- 98	+ 51	- 2,888	+ 996
3rd qtr.	- 1,995	+ 147	+ 1,126	+ 1,717	- 591	- 979	- 1,531	- 1,622	- 88	- 1,534	+ 91	- 5	+ 96	- 1,384	- 611
4th qtr. ^{P)}	+ 747	+ 341	+ 1,295	+ 1,267	+ 28	- 954	+ 1,179	- 684	- 36	- 648	+ 1,863	+ 1,877	- 14	+ 1,520	- 773
Oct.	- 869	+ 148	+ 405	+ 355	+ 50	- 257	- 928	- 388	- 78	- 310	- 540	- 503	- 37	- 780	- 89
Nov.	+ 92	+ 234	+ 516	+ 408	+ 108	- 282	- 198	+ 3	+ 12	- 9	- 201	- 175	- 26	+ 36	+ 56
Dec. ^{P)}	+ 1,524	- 41	+ 374	+ 504	- 130	- 415	+ 2,305	- 299	+ 30	- 329	+ 2,604	+ 2,555	+ 49	+ 2,264	+ 740
1962 Jan. ^{P)}	- 3,010	...	...	...	...	...	...	...	...	...	...	...	...	...	...

^{*)} Data on previous periods and explanations will be found in Table VII 2 in the Statistical Section of this Report. — ^{P)} Provisional.

Capital Transactions

The capital transactions recorded in detail showed in the fourth quarter of 1961 a surplus of almost DM 1.2 billion after having been in deficit during the first three quarters, by DM 1.1 billion in the first, DM 3.8 billion in the second and DM 1.5 billion in the third. The great fluctuations are partly due to the temporary cumulation of special payments (such in particular as the premature redemption of external debts amounting to DM 3,125 million and the payment of DM 720 million net to the International Monetary Fund on the drawing by the United Kingdom), and partly to seasonal movements in the banks' foreign exchange position. Thus the exceptional capital payments in the last three months of 1961 amounted to only just on DM 200 million (against DM 1.3 billion in the third quarter and DM 3.5 billion in the second), whereas during that period the banks' foreign exchange position deteriorated by DM 2.2 billion, owing to very heavy repatriation of foreign investments towards the close of the year, after having remained virtually unaltered in the previous quarter. If the special payments and the changes in the banks' foreign position are eliminated from the balance of capital transactions, this presents a substantially different picture. On that basis the current capital movements led in the fourth quarter to a deficit of more than DM 800 million as against about DM 260 million in the preceding quarter. Even more marked is the change by comparison with the

first half-year, when the balance as thus delimited showed a surplus of nearly DM 1.5 billion.

As already stated, the change of tendency which has been apparent in capital transactions since mid-1961, and seems to have grown stronger during recent months, is mainly due to the fact that the inflow of foreign money has not only slackened but has at times actually given place to an outflow. This is especially evident in trade and industry's short-term borrowings abroad. So far as these are statistically recorded on the basis of firms' reports about their foreign borrowing, they decreased in the fourth quarter by about DM 300 million after having increased by roughly DM 200 million in the previous quarter and by as much as over DM 1 billion in the first half of 1961. One important reason was no doubt that confidence in the maintaining of present international exchange-rate relationships has grown, so that an important motive for borrowing — namely the desire to incur foreign currency liabilities so as to cover the rate on foreign currency assets — has lost much of its force. This is shown inter alia in the fact that, out of the fourth quarter's repayments of credit, some DM 280 million (or about 90 per cent of the total) represented reduction of foreign currency borrowings.

While these changes have not been clearly reflected in the *balance of overall short-term capital transactions* (which on the contrary showed a surplus of

Capital Transactions with Foreign Countries
in millions of DM

Period	Net total of capital transactions	Special factors ¹⁾	Changes in foreign exchange position of banks other than Bundesbank ²⁾	Other capital transactions		
				Total	Long-term	Short-term
1960 1st qtr.	-1,498	- 30	+ 120	-1,588	- 673	- 915
2nd qtr.	+1,733	- 88	+1,610	+ 211	- 258	+ 469
3rd qtr.	+ 667	- 4	+ 315	+ 356	- 30	+ 386
4th qtr.	+ 798	- 147	+ 209	+ 736	+ 772	- 36
1961 1st qtr.	-1,104	- 281	-1,898	+1,075	+ 676	+ 399
2nd qtr.	-3,762	-3,537	- 606	+ 381	- 178	+ 559
3rd qtr.	-1,531	-1,320	+ 51	- 262	- 302	+ 40
4th qtr.	+1,179	- 188	+2,189	- 822	- 496	- 326

¹⁾ For breakdown see table on page 52. — ²⁾ Deterioration: +.

DM 1.9 billion in the fourth quarter against not quite DM 100 million in the previous three months), this was mainly due to the great changes in the banks' foreign exchange position. Whereas this had improved by a further DM 416 and 100 million in October and November, it deteriorated in December by DM 2.7 billion, so that for the fourth quarter as a whole there was a net capital import of almost DM 2.2 billion. The causes which led to this change in the banks' foreign position have been described in the section dealing with the "Money Market and Bank Liquidity" on page 5 et seq.

What mainly decreased in December was the balances at foreign banks, primarily the time deposits,

largely comprising amounts employed in the Euro-dollar market. The granting of credit to foreign countries has also decreased, whereas the holding of foreign money-market paper slightly rose in recent months if the DM 174 million of Treasury bills resold to the Bundesbank by the Reconstruction Loan Corporation are disregarded (these Treasury bills, in which proceeds of the development aid loan by industry had been employed until their ultimate use, were resold so that the amounts thereby released could be used to finance longer-term lendings to developing countries). Altogether the banks' short-term foreign assets decreased in the fourth quarter of 1961 by DM 1.8 billion; the decline in December alone amounted to DM 2.2 billion. Nevertheless at DM 3.9 billion on 31 December 1961 the banks' total short-term foreign assets were greater by DM 1.6 billion than at the end of 1960.

A further fact which contributed to the deterioration of the banks' net foreign exchange position in the fourth quarter was, however, that their foreign liabilities rose. The rise was concentrated in December, when it amounted to DM 520 million DM; it was chiefly due to the investment income which was credited to foreign investors, in the same way as every year, on their accounts held at German banks. So far as these amounts were not transferred or otherwise employed in December, they were in great part drawn off during

Change in Foreign Exchange Position of Banks other than Bundesbank ¹⁾
in millions of DM

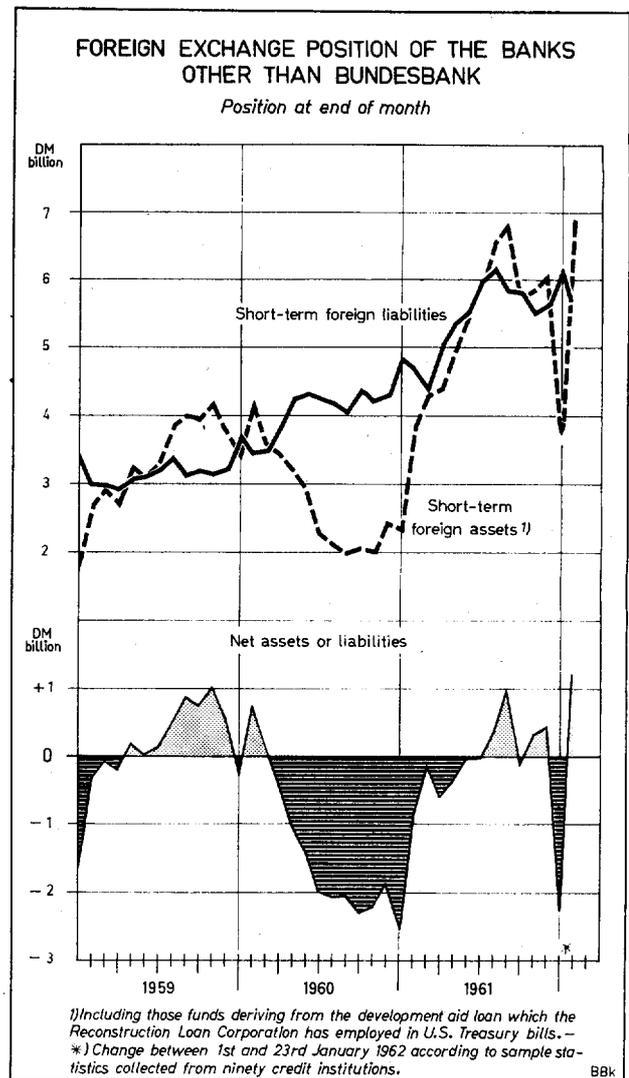
Items	1960	1961 ²⁾	1960				1961							
			1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr. ³⁾	2nd qtr.	3rd qtr.	4th qtr.	Oct.	Nov.	Dec.	
A. Short-term Foreign Assets²⁾														
Credit balances with foreign banks	- 361	+ 621	+262	- 709	-150	+236	+1,131	+1,635	-468	-1,677	+212	+ 86	-1,975	
of which: Monies payable on demand	(- 409)	(+ 157)	(+120)	(- 435)	(-114)	(+ 20)	(+ 154)	(+ 533)	(-302)	(- 228)	(+174)	(+ 49)	(- 451)	
Time deposits	(+ 48)	(+ 464)	(+142)	(- 274)	(- 36)	(+216)	(+ 977)	(+1,102)	(-166)	(-1,449)	(+ 38)	(+ 37)	(-1,524)	
Money-market paper	- 867	+ 842	-422	- 482	- 28	+ 65	+ 720	- 16	+172	- 34	- 27	+ 26	- 33	
among which: Investments of Reconstruction Loan Corporation ⁴⁾	(-)	(+ 643)	(-)	(-)	(-)	(-)	(+ 677)	(+ 124)	(+ 16)	(- 174)	(-171)	(- 2)	(- 1)	
Short-term credit	+ 125	+ 95	+146	+ 13	- 16	- 18	+ 212	- 68	+ 74	- 123	- 52	+106	- 177	
Total	-1,103	+1,558	- 14	-1,178	-194	+283	+2,063	+1,551	-222	-1,834	+133	+218	-2,185	
B. Short-term Foreign Liabilities²⁾														
Foreigners' deposits	+ 231	+ 344	- 30	+ 99	-155	+317	- 140	+ 335	-339	+ 488	- 31	+ 25	+ 494	
of which: Banks	(- 128)	(+ 248)	(- 43)	(+ 17)	(-161)	(+ 59)	(+ 32)	(+ 153)	(-266)	(+ 329)	(+ 10)	(+ 22)	(+ 297)	
Non-banks	(+ 359)	(+ 96)	(+ 13)	(+ 82)	(+ 6)	(+258)	(- 172)	(+ 182)	(- 73)	(+ 159)	(- 41)	(+ 3)	(+ 197)	
Short-term credit	+ 920	+ 950	+136	+ 333	+276	+175	+ 305	+ 610	+168	- 133	-252	+ 93	+ 26	
Total	+1,151	+1,294	+106	+ 432	+121	+492	+ 165	+ 945	-171	+ 355	-283	+118	+ 520	
C. Balance (net foreign exchange position)²⁾	-2,254	+ 264	-120	-1,610	-315	-209	+1,898	+ 606	- 51	-2,189	+416	+100	-2,705	

¹⁾ For further breakdown and back figures, see Table VII 4 in the Statistical Section of this Report. — ²⁾ Increase in assets and liabilities: +, decrease: -; improvement in balance (net foreign exchange position): +, deterioration: -. — ³⁾ Including changes in foreign-currency assets and liabilities due to the DM revaluation. — ⁴⁾ Investment of funds deriving from the German industry's development aid loan in U.S. Treasury bills out of the Bundesbank's holdings (disinvestment: -).

January. At all events the partial data available for that month concerning the banks' foreign position show a substantial decrease in their external liabilities. But a much more important reason for the January improvement in the banks' foreign position, as shown by the increase in the Bundesbank's swap commitments alone (see the graph on page 6), was the movement in their foreign assets. The deterioration apparent in December would accordingly seem to have been more than made good in the first weeks of the new year.

The balance of long-term capital transactions remained adverse in the fourth quarter of 1961. The deficit did however decline to just under DM 700 million as against DM 1.6 billion in the previous quarter. The reason, with virtually unaltered private capital payments, lay in the public authorities' capital transactions. In their case the payments to foreign countries dropped from DM 1.5 billion in the third quarter to about DM 650 million in the quarter under report. The drop is explained by the transactions with the International Monetary Fund (that is by capital movements which are shown in the statement on page 52 among the special factors, because they are of a non-recurrent nature or outside the ordinary run). Whereas in fact the balance of capital transactions in the third quarter had been burdened to the extent of DM 1,070 million net because of DM drawings by I.M.F. members, especially the United Kingdom, there was in the quarter under report a net afflux of DM 292 million; this was due to the fact that in November the United Kingdom repaid a further portion of her earlier drawing on the Fund, part of the repayment being effected in Deutsche marks. The DM amount (DM 340 million) was retransferred by the Fund to the Federal Republic, so that there was a renewed rise in the amount of potential I.M.F. drawings within the German quota, after these had declined to DM 309 million at the end of September. It may be mentioned here that in connection with the special credit arrangements made by ten countries with the I.M.F. under Article VII of the Fund's Articles of Agreement the Federal Republic has declared itself prepared, in certain circumstances, to provide the Fund with resources over and above the German quota up to a total of DM 4 billion; the press release issued by the Fund regarding these special arrangements is reprinted at the end of this chapter.

The special transactions also include the Bundesbank's further grants of credit to the International Bank for Reconstruction and Development. During the fourth quarter the I.B.R.D. called, in two instalments, the dollar tranche (US \$ 120 million = DM 480 million) of the credit promised in July 1960 by the Bundesbank, after having already used the whole of



the DM tranche amounting to DM 500 million. Thus together with the credits previously granted to the I.B.R.D. through the taking of debt certificates, and with the inclusion of the notes sold to a public institution, the Bundesbank has made available a total of DM 2.6 billion, which has in great part either already gone to developing countries or will go to them in the near future.

Among the public authorities' more continuous contributions there has been a particular increase in the credits granted to developing countries direct, that is not through international organisations. These credits amounted in the fourth quarter to DM 350 million (including DM 180 million to India), against DM 160 million both in the previous quarter and in the corresponding period of 1960.

On private long-term capital transactions there was a deficit of only DM 36 million against DM 88 million in the previous quarter, after there had indeed been surpluses of DM 820 and 140 million respectively in the first two quarters. The reason why the deficit

declined between the third and fourth quarters, although during recent months — much as in the case of short-term capital transactions — credits previously raised abroad were repaid, lay in the renewed rise of the surplus on *transactions in securities*. This surplus amounted to DM 198 million, against DM 13 million in the previous quarter, but was considerably smaller than the surplus of DM 760 million in the first quarter and that of DM 470 million in the second. With the net purchases of foreign securities by residents virtually unaltered, at DM 35 million against DM 50 million in the July–September period, this was due to the transactions in German securities. Whereas in August and September foreign investors had for the first time in the course of 1961 reduced their security holdings on balance — in the first seven months of the year they had taken securities worth DM 1.5 billion — the new investments and liquidations balanced each other in October, and in the last two months of the year there were again net purchases. Altogether the fresh investments in the fourth quarter amounted to DM

233 million net as against DM 63 million in the third. As can be seen from the accompanying table, showing security transactions classified as gross purchases and sales, the increase of foreign security holdings in the fourth quarter was not due on the whole to greater inflows of funds from abroad (on the contrary, at about DM 890 million such inflows were actually somewhat smaller than the roughly DM 920 million in the previous quarter), but to a decrease in disinvestments, which at approximately DM 650 million were smaller than in the previous quarter by more than DM 200 million. In all probability this change, chiefly apparent in fixed-interest securities, was due to the slackening of world political tensions. Within the individual months of the last quarter, however, the tendency was not so clear; in December in particular the gross buying of German fixed-interest securities by foreigners increased. One reason may have been that, as mentioned in connection with services, foreign investors employed in securities part of the interest which they received.

Private Security Transactions with Foreign Countries
in millions of DM

Items ¹⁾	1960	1961	1960				1961						
			1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	Oct.	Nov.	Dec.
A. Transactions in Foreign Securities													
(1) Foreign securities purchased by residents	1,717	1,205	561	341	500	315	324	323	241	317	79	117	121
of which: (a) Dividend-bearing	(1,543)	(1,068)	(488)	(303)	(472)	(280)	(295)	(290)	(188)	(295)	(69)	(112)	(114)
(b) Fixed-interest-bearing	(174)	(137)	(73)	(38)	(28)	(35)	(29)	(33)	(53)	(22)	(10)	(5)	(7)
(2) Foreign securities sold by residents	1,009	1,007	202	301	278	228	321	213	191	282	82	90	110
of which: (a) Dividend-bearing	(811)	(867)	(141)	(240)	(240)	(190)	(253)	(188)	(165)	(261)	(74)	(84)	(103)
(b) Fixed-interest-bearing	(198)	(140)	(61)	(61)	(38)	(38)	(68)	(25)	(26)	(21)	(8)	(6)	(7)
Net purchases (—) or sales (+) of foreign securities by residents	— 708	— 198	—359	— 40	—222	— 87	— 3	—110	— 50	— 35	+ 3	— 27	— 11
of which: (a) Dividend-bearing	(— 732)	(— 201)	(—347)	(— 63)	(—232)	(— 90)	(— 42)	(—102)	(— 23)	(— 34)	(+ 5)	(— 28)	(— 11)
(b) Fixed-interest-bearing	(+ 24)	(+ 3)	(— 12)	(+ 23)	(+ 10)	(+ 3)	(+ 39)	(— 8)	(— 27)	(— 1)	(— 2)	(+ 1)	(— 0)
B. Transactions in Domestic Securities ²⁾													
(1) Domestic securities purchased by foreigners	4,342	4,407	536	759	1 418	1,629	1 232	1 367	921	887	222	320	345
of which: (a) Dividend-bearing	(2,483)	(2,692)	(306)	(572)	(868)	(737)	(562)	(861)	(619)	(650)	(166)	(241)	(243)
(b) Fixed-interest-bearing	(1,859)	(1,715)	(230)	(187)	(550)	(892)	(670)	(506)	(302)	(237)	(56)	(79)	(102)
(2) Domestic securities sold by foreigners	2,276	2,766	498	536	662	580	466	788	858	654	220	227	207
of which: (a) Dividend-bearing	(1,790)	(1,359)	(380)	(432)	(557)	(421)	(228)	(457)	(343)	(331)	(94)	(129)	(108)
(b) Fixed-interest-bearing	(486)	(1,407)	(118)	(104)	(105)	(159)	(238)	(331)	(515)	(323)	(126)	(98)	(99)
Net purchases (+) or sales (—) of domestic securities by foreigners	+2,066	+1,641	+ 38	+223	+756	+1,049	+766	+579	+ 63	+233	+ 2	+ 93	+138
of which: (a) Dividend-bearing	(+ 693)	(+1,333)	(— 74)	(+140)	(+311)	(+ 316)	(+334)	(+404)	(+276)	(+319)	(+ 72)	(+112)	(+135)
(b) Fixed-interest-bearing	(+1,373)	(+ 308)	(+112)	(+ 83)	(+445)	(+ 733)	(+432)	(+175)	(—213)	(— 86)	(— 70)	(— 19)	(+ 3)
C. Net Balance (A + B)													
of which: (a) Dividend-bearing	+1,358	+1,443	—321	+183	+534	+ 962	+763	+469	+ 13	+198	+ 5	+ 66	+127
(b) Fixed-interest-bearing	(— 39)	(+1,132)	(—421)	(+ 77)	(+ 79)	(+ 226)	(+292)	(+302)	(+253)	(+285)	(+ 77)	(+ 84)	(+124)
	(+1,397)	(+ 311)	(+100)	(+106)	(+435)	(+ 736)	(+471)	(+167)	(—240)	(— 87)	(— 72)	(— 18)	(+ 3)

¹⁾ Dividend-bearing securities including investment fund certificates. — ²⁾ Including German external bonds.

Residual Item in the Balance of Payments

The result of the adjustments mentioned on page 56 was to include in services certain net foreign exchange expenditure previously contained in the residual item of the balance of payments. While as a result of this regrouping the *level* of the residual item has altered, its *trend* has not. At all events the revised figures also show that, as already emphasised last October in these columns, since mid-1961 a change of tendency has set in. Whereas in the first two quarters of 1961 the residual item had shown a large surplus, in the third quarter for the first time again it showed a deficit; the deterioration between the second quarter and the third amounted to DM 1.6 billion. Although it may

be assumed that errors in the ascertainment of the "current items" continue to be reflected in the residual item even though gaps in the services account have now been closed, changes of such great amount must be mainly due to unrecorded short-term capital movements, and above all to shifts in the terms of payment. The change which took place about the middle of the year is presumably due primarily to the reflux of foreign funds induced by the greater strength of sterling. In the last months of 1961 this outflow seems at least to have continued, if not indeed to have become greater; at all events the deficit on the residual item in that period, at DM 770 million, was greater than in the previous quarter by about DM 160 million.

Press Release of the International Monetary Fund, of 8 January 1962, on Special Credit Arrangements

The Board of Executive Directors of the International Monetary Fund has reached a decision on general arrangements by which the Fund may borrow supplementary resources under Article VII of the Fund Agreement. This decision sets out the terms and conditions under which such borrowing will be possible in order to enable the Fund to fulfill more effectively its role in the international monetary system under conditions of convertibility, including greater freedom for short-term capital movements. Ten main industrial countries, after necessary legislative authorisations have been obtained and they formally adhere to the arrangements, will stand ready to lend their currencies to the Fund up to specified amounts when the Fund and these countries consider that supplementary resources are needed to forestall or cope with an impairment of the international monetary system. The total amount of such supplementary resources is the equivalent of \$ 6.0 billion, composed as follows:

Country	Amount (Equivalent in millions US Dollars)
Belgium	\$ 150
Canada	\$ 200
France	\$ 550
Germany	\$ 1,000
Italy	\$ 550
Japan	\$ 250
Netherlands	\$ 200
Sweden	\$ 100
United Kingdom	\$ 1,000
United States	\$ 2,000

In an exchange of letters among themselves, the ten countries have set down the procedures they will follow in making supplementary resources available to the Fund for the financing of a particular Fund transaction for which such resources are considered necessary.

The general borrowing arrangements should make it possible to mobilise quickly large additional resources in defence of the international monetary system. The need for the assurance of additional resources arises not from any failure of the monetary system, but from the broader convertibility of currencies, particularly those of the main industrial countries. This more widespread convertibility, which is so useful for the growth of world trade, has at the same time made possible sudden and substantial shifts of funds from one country to another. To avoid any undesirable impact on the functioning of the international monetary system as a result of such developments, it has become imperative to strengthen the resources which may be made available, and so to enable the

countries which experience difficulties to pursue appropriate policies. Fortunately, most of the industrial countries already possess substantial reserves of their own. For its part, the International Monetary Fund has nearly \$ 3 billion in its gold account and \$ 6½ billion in the currencies of the main industrial countries. At any given time, however, some of these countries may be facing balance-of-payments difficulties, so that in order to promote international monetary balance it would be advisable that temporarily these currencies should not be drawn from the Fund. Fund drawings should be made mainly in the currencies of those countries that have strong balance-of-payments and reserve positions. The new general borrowing arrangements are designed to provide the Fund with additional resources of these latter currencies when they are needed for the purpose of forestalling or coping with an impairment of the international monetary system. In this way, both the liquidity of the Fund and the resilience of the monetary system will be enhanced, to the benefit of all members.

The Fund decision provides that the requests for drawings by participant countries for which supplementary resources are required will be dealt with according to the Fund's established policies and practices with respect to the use of its resources. Repayment to the Fund of such assistance will have to be made when the country's problem is solved, and in any event within three to five years. In its turn, when the Fund receives repayment, it will repay the countries that made supplementary resources available, and in any event the Fund will repay not later than five years after a borrowing. Moreover, a country that has lent to the Fund can receive early repayment should it request and need this because its own payments position has deteriorated, and rights to repayment are backed by all the assets of the Fund. In this way, the claims of countries that have lent supplementary resources to the Fund have been guaranteed a highly liquid character.

Interest on the resources lent to the Fund will be based on a formula which at present yields a rate of 1½ per cent per annum; in addition, the Fund will pay a charge of ½ of 1 per cent on each borrowing transaction.

The borrowing arrangements will become effective when at least seven countries with commitments totaling the equivalent of \$ 5½ billion formally inform the Fund that they adhere to the arrangements, and the arrangements will then remain in effect for four years, with provisions for extension. In the light of developing circumstances, the amounts included in the arrangement may, however, be reviewed from time to time and altered with the agreement of the Fund and all the participating countries.

Provisional Survey of the Balance of Payments in 1961

By way of supplementing the statements concerning the latest trends in foreign trade and payments a first overall survey of the balance of payments in 1961 is here presented. More detailed studies, based on more accurate statistics and also permitting regional classification, can be presented only at a later date.

In the first place it may be pointed out that certain service items have been appreciably altered by comparison with our earlier publications, since it has now proved possible to close (through estimates) gaps previously present in the statistical recording, and to eliminate certain duplications. The adjustments relate in the first place to the earnings transferred abroad by foreign workers employed in the Federal Republic. Previously such transfers were only incompletely recorded, since the greater part of them did not reach the exemption limit of DM 500 laid down in the regulations governing returns. This gap has now been closed with the aid of detailed estimates, which the Federal Statistical Office has made for purposes of the National Accounts. In addition it has proved possible to eliminate duplications in the receipts from foreign troops. The duplications had resulted from the fact that some of the payment transactions with foreign military agencies are handled through accounts at private banks, which accounts in turn are fed from the exchanges into DM previously effected at the Bundesbank and taken into account in the balance of payments. Altogether these adjustments have produced in the surplus on services, and hence also in that on current items, a decrease which amounts for 1958 to DM 311 million, for 1959 to DM 361 million, for 1960 to DM 547 million and for 1961 to DM 716 million; in respect of earlier years the adjustments are considerably smaller. In the overall figuring for the balance of payments these adjustments have their counterpart in an equal change of the balance-of-payments residual item, from which certain items of net foreign exchange expenditure on services (previously contained therein) have been eliminated. The result is that, where the residual item was on the incomings side according to the old calculation, the surplus is now shown correspondingly higher, while the previous deficits are reduced or converted into a surplus.

Overall Trend

The balance of payments for 1961 was much affected through the DM revaluation which came into effect on 6 March 1961, through the relaxing (initiated as early as the end of 1960) of the Bundesbank's interest rate and liquidity policy, and through public authorities' large special payments to foreign countries. A further significant fact was that the financial basis for development aid was broadened, so that not only the promises of credit but also the amount of loans actually paid out to foreign countries rose. The effect of these measures is most clearly shown in the fact that — independently of the decrease in value of the gold and foreign exchange holdings induced by the DM revaluation — the central monetary reserves declined in 1961 by nearly DM 2 billion, whereas in the previous year they had risen by DM 8 billion. The picture does not appreciably alter even if the change in the other banks' foreign exchange position is taken into account. True, in 1961 the banks' foreign position improved again after having shown deterioration by almost DM 2.3 billion in 1960 mainly because of the

Bundesbank's restrictive liquidity policy; but at roughly DM 260 million the improvement was considerably smaller than the decrease of the central reserves. Altogether on the gold and exchange position of the Bundesbank and the other banks there was thus still a deficit of DM 1.7 billion, as compared with a surplus of DM 5.8 billion in 1960. Accordingly, if the year is considered as a whole, the Federal Republic contributed appreciably towards improving the international liquidity position.

The special payments to foreign countries, mainly comprising premature repayment of debts in respect of post-war economic aid (DM 3.1 billion), transfers to the International Monetary Fund (DM 1.3 billion) and credits granted by the Bundesbank to the International Bank for Reconstruction and Development (DM 0.9 billion), were greater than in earlier years. Together with certain indemnification payments they reached a total of DM 5.6 billion (details will be found in the table on page 52). Accordingly the payments which are made once only, or which by their nature do not regularly recur, were greater than the net decrease

Consolidated Results of the Balance of Payments

in millions of DM

Items	1955	1956	1957	1958	1959	1960	1961 P)
A. Balance of Transactions in Goods, Services, Donations and Capital							
I. Current Account							
Balance of trade (exports f.o.b., imports c.i.f.)	+1,245	+2,897	+4,083	+4,954	+5,361	+5,223	+6,617
Receipts from foreign troops	+1,192	+1,673	+2,519	+3,598	+3,814	+3,940	+3,905
Commercial services ¹⁾	+ 534	+1,030	+1,040	— 714	—2,185	—1,721	—3,817
Donations	— 835	—1,191	—1,833	—1,844	—2,906	—3,056	—3,445
Balance on current account	+2,136	+4,409	+5,809	+5,994	+4,084	+4,386	+3,260
II. Capital Account (capital exports: —)							
Long-term capital transactions	— 410	— 629	— 726	—1,877	—3,919	— 458	—5,626
(a) Private	— 110	+ 130	+ 133	— 518	—1,147	+ 982	+ 836
(b) Official	— 300	— 759	— 859	—1,359	—2,772	—1,440	—6,462
Short-term capital transactions	— 40	+ 677	—1,714	— 515	—2,324	+2,158	+ 408
(a) Private	+ 119	+ 894	— 3	— 737	—1,193	+2,912	+ 321
among which: Change in foreign exchange position of banks other than Bundesbank (improvement: —)	(+ 131)	(+ 912)	(— 25)	(— 734)	(—1,035)	(+2,254)	(— 264)
(b) Official	— 159	— 217	—1,711	+ 222	—1,131	— 754	+ 87
Balance on capital account	— 450	+ 48	—2,440	—2,392	—6,243	+1,700	—5,218
III. Net Balance of Transactions in Goods, Services, Donations and Capital (I plus II)	+1,686	+4,457	+3,369	+3,602	—2,159	+6,086	—1,958
B. Residual Item of the Balance of Payments²⁾	+ 165	+ 557	+1,753	— 414	— 45	+1,921	+ 31
C. Movement of Gold and Foreign Exchange (change in central monetary reserves, increase: +)	+1,851	+5,014	+5,122	+3,188	—2,204	+8,007	—1,927
Special factors in the balance-of-payments position	—	—	—	— 271 ³⁾	—1,988 ⁴⁾	— 343 ⁴⁾	—5,623 ⁴⁾
Movement of gold and exchange excluding special factors	+1,851	+5,014	+5,122	+3,459	— 216	+8,350	+3,696

¹⁾ Total services except receipts from foreign troops. — ²⁾ Computed as difference between A and C. — ³⁾ DM drawings on the International Monetary Fund. — ⁴⁾ I. a., payments to I.M.F. (DM 529 million), premature debt redemption (DM 903 million), and payments to France in connection with the reincorporation of the Saarland (DM 382 million). — ⁵⁾ For breakdown see table "Data on the Balance of Payments" on page 52. — P) Provisional.

of the gold and foreign exchange holding. This however in no way alters the fact that in 1961 the Federal Republic came a good deal nearer to "genuinely" squaring its balance of payments than in earlier years. This is especially apparent from the fact that despite a rise in trade surpluses the surplus on current items dropped to DM 3.3 billion as against DM 4.4 billion in the previous year, DM 4.1 billion in 1959 and DM 6 billion in 1958. Also of great importance was the reversal of tendency which has occurred since the middle of the year in current capital transactions (excluding changes in the banks' foreign exchange position). Whereas in the first half of the year there had been a net capital import of DM 1.5 billion, in the second half there was an outflow of DM 1.1 billion. Although this was not large enough to offset fully the surplus of the first six months, it was greater than the surplus on current items in the balance of payments.

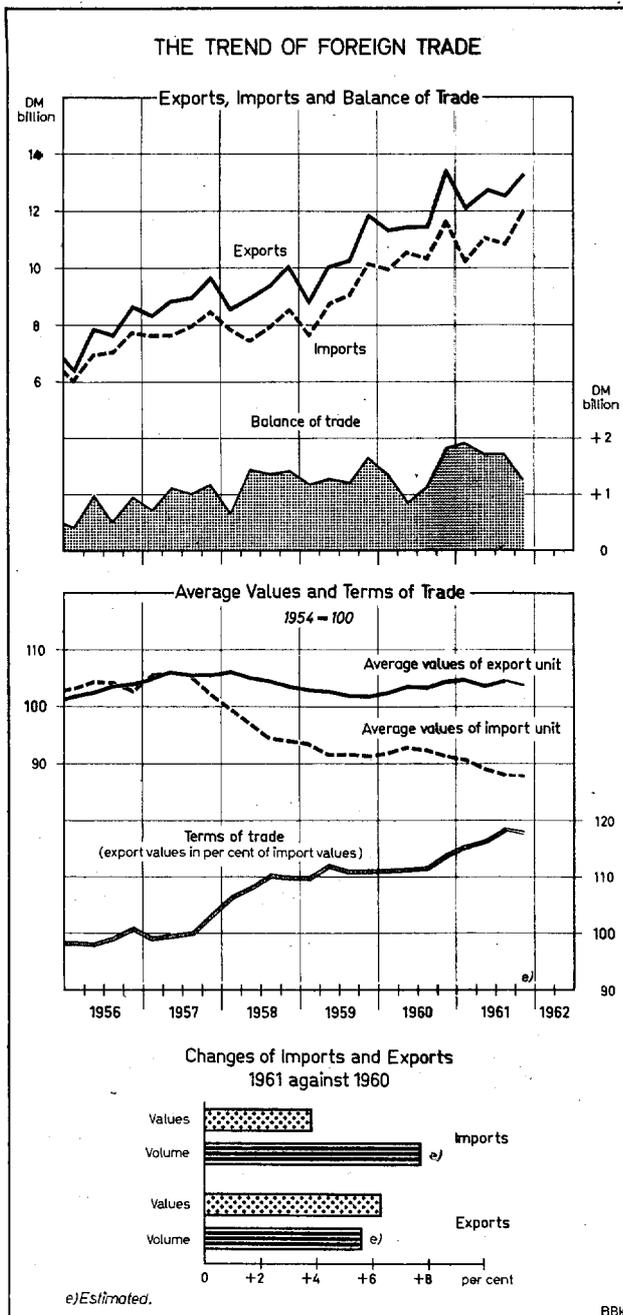
Current Items

The drop in the surplus on current account (the combined result of trade, services and donations) was

mainly due to the movement in services. According to provisional calculations these showed in 1961 a surplus of only DM 100 million, against DM 2.2 billion in the previous year. The simultaneous rise of the trade surplus from DM 5.2 billion in 1960 to DM 6.6 billion in 1961 was thus outweighed by the deterioration in services. A further fact contributing to the decrease of the surplus on current items was that donations showed a deficit which, at something over DM 3.4 billion, was greater by about DM 400 million than in the previous year.

Foreign Trade

The export surplus rose in 1961, as mentioned, to DM 6.6 billion against DM 5.2 billion in 1960 and DM 5.4 billion in 1959. It was thus materially greater than in the two preceding years, which had been marked by particularly rapid expansion of total exports and imports but not by appreciably rising export surpluses. The reason for the increase of the surplus in 1961 was that in that year, unlike 1959 and 1960, imports increased by less than exports. As already stated



in the chapter on Foreign Trade and the Balance of Payments, however, the rise of exports became slower in the course of 1961 while that of imports quickened; with the result that by the end of the year the initially very large surpluses had been greatly reduced.

The value of *imports* amounted in the whole of 1961 to DM 44.4 billion against DM 42.7 billion in 1960. It thus increased by 3.8 per cent, whereas the rate of growth in the previous year had been no less than 19.3 per cent. An important fact in this connection was that since the revaluation of the DM the purchase prices for imports have declined by a relatively large

amount, and that therefore the increase in the value of imports fell appreciably short of that in their volume, which grew by 7.7 per cent.

The rise of imports was in particular greatly slowed by the fact that less industrial raw materials, and above all less industrial semi-finished goods, were imported than in 1960. Apart from the downward price tendencies this was no doubt chiefly due to cautious stock formation by industry and trade. The relative smallness of the increase in food imports also tended to limit total imports. As a result of the good 1960 harvest less food was actually imported, at times, than in the previous year. For the last few months there has been a change in that respect, due to the much poorer 1961 harvest, but that has hardly affected the figures for 1961 as a whole.

Last year's rise in imports was on the other hand assisted through the movement in imports of finished goods. These amounted to about DM 15.5 billion, or 35 per cent of total imports, being thus above their previous year's level by some 13 per cent. Apart from increased imports of consumer goods, doubtless stimulated by price reductions and by the substantial growth of mass incomes, the imports of capital goods also considerably increased. Most effect was produced by the rise in imports of so-called finally finished products, which rose by almost 20 per cent as compared with 1960, while the imports of products for further processing, which are to be regarded as rather having the character of semi-finished goods, were not much greater than in the previous year.

While *exports* in the year under report rose a good deal more than imports, their increase became much slower than in the preceding years. Exports amounted last year to DM 51.0 billion, against DM 47.9 billion in 1960 and DM 41.2 billion in 1959. Thus their annual rate of growth, which had been about 11 per cent in 1959 and roughly 16 per cent in 1960, dropped to 6.3 per cent. Much in the same way as in 1960 the growth in the volume of exports during 1961, with somewhat higher average values for the export unit, fell slightly short of the increase in their value (see the table).

As regards exports by categories of goods and by industries, the increase in nearly all industries important as exporters became smaller; in some cases the level of exports was stationary, or even declined. Thus the exports of chemical products increased a good deal more slowly than in 1960, those of the iron-working industry were little above their previous year's level, and for the basic industries as a whole the rate of growth was only just on 3 per cent. The

Changes in Imports and Exports against Preceding Year
in per cent

Year	Imports		Exports	
	Values	Volume	Values	Volume
1956	+ 14.3	+ 12.4	+ 20.0	+ 16.5
1957	+ 14.0	+ 13.0	+ 16.5	+ 13.8
1958	+ 0.5	+ 9.2	+ 2.9	+ 3.6
1959	+ 11.8	+ 17.0	+ 11.3	+ 14.0
1960	+ 19.3	+ 19.1	+ 16.4	+ 15.1
1961 P)	+ 3.8	+ 7.7	+ 6.3	+ 5.6

P) Provisional.

chief reason why exports of capital goods as a whole grew by some 9 per cent was that the rise in exports of machinery and electrical equipment became faster. The consumer goods industries in general managed to raise their exports only slightly (by about 4 per cent as against more than 15 per cent in the two preceding years), which was for the most part due to the rise in export prices induced through revaluation of the DM.

Services

On services in 1961, according to provisional calculations, the expenditure (excluding that on freights and insurance, which is included in the c.i.f. value of imports and hence in the trade balance) rose by upwards of DM 2 billion, or about 20 per cent, to more than DM 12.6 billion. At the same time the receipts declined slightly, falling by about DM 100 million to DM 12.7 billion. Consequently the surplus on services fell to not quite DM 100 million against DM 2.2 billion in the previous year, DM 1.6 billion in 1959 and DM 3.6 billion in 1957, when it had reached its highest level to date. With unchanged receipts — amounting to DM 3.9 billion — from the NATO powers' troops stationed in the Federal Republic the deterioration was mainly due to large deficits on travel and investment income, as well as to greater transfers by foreign workers employed in the Federal Republic.

Because of greater expenditure by German tourists abroad (DM 3.5 billion against DM 2.8 billion in the previous year) the deficit on *travel* rose in 1961 to DM 1.5 billion, as compared with DM 800 million in the year before and DM 500 million in 1959; in 1957 tourism had still shown a surplus of just on DM 500 million. It is thus apparent that the longer-term trend towards deficit which results from growing incomes and improved living standards was materially strengthened in 1961 by the cheapening of foreign journeys through the DM revaluation.

Almost as great as the deficit on tourism was that on *investment income*. With receipts at DM 0.8 billion

and outgoings at DM 2.1 billion, it amounted to DM 1.3 billion; it was thus greater by half a billion DM than in the preceding year. In great part the outgoings represented profits which foreign, and especially American, enterprises obtained in their German subsidiaries. In many cases such income was not transferred abroad but reinvested in the Federal Republic, this being reflected in the balance of payments in correspondingly greater capital imports.

With the inclusion of social insurance and retirement pensions the *wage and salary earnings* transferred abroad during 1961 amounted to an estimated DM 1.3 billion, against about DM 900 million in the previous year and DM 640 million in 1959; by comparison with 1957 the total has more than trebled. The reason lay in the great increase of foreign workers employed in the Federal Republic, their number having risen from something over 100,000 at mid-1957 to about 550,000 at the end of September 1961. There was also an increase in the German economy's expenditure on licences and patents (including film business) as well as on commissions, publicity and trade fairs. At DM 2.1 billion such outgoings were greater by DM 200 million than in 1960.

If the receipts from foreign troops are disregarded, the other (mainly commercial) service transactions in 1961 showed a total deficit of DM 3.8 billion as against DM 1.7 billion in the previous year. The change which has taken place during recent years becomes clearly evident on comparison with 1957; then such transactions had yielded a net surplus of over one billion DM.

Donations

On donations the deficit continued to grow in 1961. At upwards of DM 3.4 billion it was greater by about DM 400 million than in the previous year, and nearly twice as great as in 1958. The rise was mainly due to increased indemnification payments to foreign countries. Such payments amounted in 1961 to nearly DM 2.5 billion against DM 2.1 billion in the previous year, DM 1.6 billion in 1959 and DM 1.4 billion in each of the years 1957 and 1958. As to details, "individual" indemnifications rose by about DM 180 million in 1961 to DM 1.9 billion. There was a larger increase in the Federal Government's transfers under indemnification agreements with various European countries and with the Refugee Commissioner of the United Nations. For this purpose DM 297 million had to be found as against DM 74 million in the previous year. The total payment liabilities under these agreements, some of which have indeed not yet been ratified or are the subject of fresh negotiations, were put at the end of 1961

at about DM 1 billion¹⁾, of which DM 371 million has so far been paid. At DM 255 million in 1961 the payments under the agreement with the Government of Israel were about as great as in the previous year.

The other current official donations, mainly comprising contributions to the Development Fund of the European Economic Community (in 1961 DM 165 million)²⁾, administrative cost contributions to various international organisations, and grants to developing countries, were greater by not quite DM 100 million in 1961 (at DM 475 million net) than in the previous year. On the other hand no further contribution was made in 1961 to British troops' support costs, the Federal Republic having paid in 1960 the last of the three annual instalments at the agreed rate of DM 141 million each. Altogether the payments made by the Federal Government and the Länder in the year under report amounted to not quite DM 3 billion net against DM 2.6 billion in the year before. The difference of about DM 470 million between the 1961 total and the deficit on donations is due to donations on private account; these chiefly consist of maintenance payments, payments by charitable organisations,

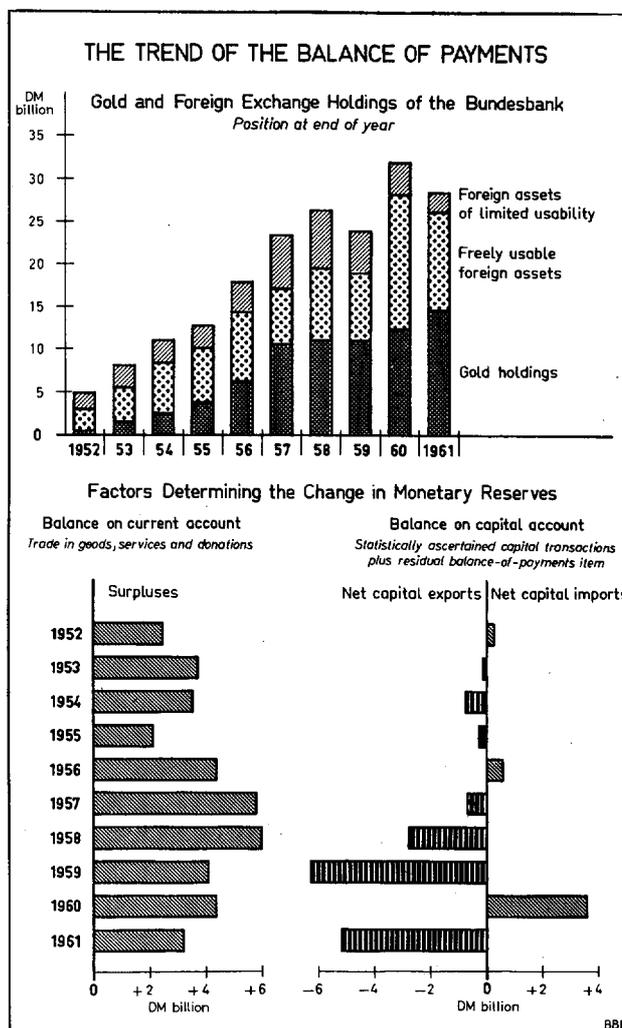
Indemnification Payments to Foreign Countries in millions of DM

Year	Total	Individual indemnification ¹⁾	Indemnification agreements with European countries ²⁾	Indemnification under Israel Agreement
1951	219	219	—	—
1952	197	197	—	—
1953	480	212	—	268
1954	508	154	—	354
1955	617	350	—	267
1956	924	679	—	245
1957	1,396	1,171	—	225
1958	1,405	1,144	—	261
1959	1,592	1,326	—	266
1960	2,101	1,768	74	259
1961	2,497	1,945	297	255
1951 to 1961	11,936	9,165	371	2,400

¹⁾ Until end-1953 mainly private restitution, from 1954 onwards almost exclusively official indemnification. — ²⁾ Including payments to the U.N. High Commissioner for Refugees at Geneva.

¹⁾ The agreements in which these arrangements to provide indemnification for National Socialist persecution were made also regulate, in some cases, the settlement of claims on social insurance, payments to persons expelled from their homeland, and certain other financial claims originating from the war and post-war period. With the inclusion of the agreements made in 1960 with the Netherlands, regarding which however fresh negotiations are taking place, payments for these purposes (additional to the above-mentioned amount of about DM 1 billion) were agreed to the extent of DM 516 million, of which in 1961 DM 57 million was paid to Luxembourg and DM 11 million to France. These transfers are taken into account in the balance of services or under "other official donations".

²⁾ The contractual agreements provide that up till 1962 the Federal Republic shall place annually increasing contributions to the total equivalent of \$ 200 million at the disposal of the EEC's Development Fund. Of this total, a DM amount equivalent to \$ 120 million has so far been made available. This however entailed a net charge on the overall balance of payments only to the extent of the monies called into use, namely DM 37 million, since the amounts still uncalled appear on the receipts side of the balance of capital transactions as an increase in foreign credit balances,



and transfers by German industry to the European Coal and Steel Community in respect of the general levy (DM 64 million).

Capital Movements

The balance of capital transactions recorded in statistical detail showed in 1961 a deficit of DM 5.2 billion, after having in the previous year shown a surplus of DM 1.7 billion. The change was especially marked in long-term capital movements; in their case the deficit rose from about DM 460 million in 1960 to DM 5.6 billion in 1961. On short-term money and credit movements in 1961, if the year is considered as a whole, there was still a surplus; but at something over DM 400 million it was materially smaller than in the previous year, when it had amounted to DM 2.2 billion. As already emphasised in the introduction to this chapter, the special payments by the Federal Government and the Bundesbank as well as alterations in the foreign exchange position of the other banks were an important factor in the balance of capital transactions during 1961. In the second half of that year

however the other capital payments also showed a deficit, although because of the partly speculative capital inflows occurring during the first months of 1961 this is not reflected in the figures for the year.

German Investments Abroad

Total German net investments abroad rose by DM 6.4 billion in 1961 as against DM 2.6 billion in the preceding year. Thus they showed their greatest addition for any year to date; only in 1959 was the increase of similar size, also owing to the effect of special payments. *Long-term capital exports* amounted in 1961 to DM 4.3 billion, against DM 2.6 billion in the previous year and DM 3.4 billion in 1959. Of this total the public authorities' payments accounted for over DM 3.2 billion, this being DM 2.1 billion more than in the previous year. Prominent among them were the transfers to international organisations; these amounted to DM 2.2 billion as against DM 400 million in the previous year and DM 830 million in 1959. Transactions with the International Monetary Fund alone led in 1961 to a money outflow of DM 1.3 billion net, against DM 170 million in the year before. Information regarding the Federal Republic's total payments to the Fund is given by the table on this page. Grants of credit by the Bundesbank to the International Bank for Reconstruction and Development also increased last year. Under the roughly DM 1 billion credit line agreed in the summer of 1960, the Bundesbank provided that institution with DM 880 million as compared with DM 100 million in 1960. Among the other official capital transactions the lead is taken by credits granted to developing countries. These amounted to DM 900 million (that is the actual drawings, not the credits promised) as against DM 700 million in 1960, DM 480 million in 1959 and DM 270 million in 1958¹⁾. On the basis of credits promised, now of the order of DM 5 to 6 billion, it may be assumed that the amounts so provided will appreciably increase in the near future.

On the other hand *private* long-term investments abroad increased in 1961 by only something over DM 1 billion, whereas they had risen by DM 1.4 billion in 1960 and by DM 2.0 billion in 1959. German investors' purchases of foreign securities declined to roughly the same extent. Whereas they had amounted

¹⁾ The total development aid granted by the Federal Republic in 1961 may be estimated, on the basis of provisional estimates by the Federal Ministry of Economics, at about DM 4 billion as against DM 2.6 billion in the previous year. In addition to the above-mentioned bilateral development loans of public authorities, it mainly comprises the credits granted by the Deutsche Bundesbank to the International Bank for Reconstruction and Development, the contributions to EEC's Development Fund, the "technical assistance" and private capital payments to developing countries.

in 1959 to nearly DM 1.5 billion, and in 1960 to about DM 700 million still, in 1961 they dropped to only just on DM 200 million. As against this the course of direct investments, that is investments having the character of participations, was evidently much more uniform. While no adequate statistics on the subject are available, the figures for credit and loans granted and for the acquisition of business and capital interests not embodied in security form (which together, at DM 670 million in 1961, were actually somewhat greater than the DM 600 million in the previous year) do show a certain continuity. Finally, it may be mentioned that in 1961 DM 180 million was spent on purchase of real property as against DM 150 million in the previous year.

The *short-term foreign assets*, which had remained practically unchanged in 1960, grew by DM 2.1 billion in 1961 even though the public authorities' payments, most of which are advance payments for defence imports²⁾, dropped to about DM 210 million as against DM 1.1 billion in the previous year. The reason for the rise in total assets was that the credit institutions again increased their foreign assets by a substantial amount (namely DM 1.6 billion), whereas they had

²⁾ The *advance* payments are calculated as the difference between the total payments for defence material and the actual imports.

Transactions with the International Monetary Fund*) in millions of DM

Items	1952 to 1958	1959	1960	1961	1952 to 1961
Gold and dollar payments ²⁾	328	481	—	—	809
DM payments, total	303	48	169	2,021	2,541
(a) subscription payments	14	19	—	— 1	32
(b) drawings of member countries	289	29	169	2,022	2,509
of which: Argentina	—	29	74	48	151
Australia	—	—	—	220	220
Brazil	—	—	38	100	138
Ceylon	—	—	—	23	23
Chile	—	—	—	103	103
France	189	—	—	—	189
Iceland	—	—	10	—	10
India	—	—	—	180	180
Indonesia	—	—	—	72	72
Iran	—	—	21	30	51
South Africa (Rep.)	—	—	26	52	78
Turkey ³⁾	71	—	—	20	91
United Arab Republic	—	—	—	20	20
United Kingdom	—	—	—	1,080	1,080
Yugoslavia	29	—	—	74	103
DM purchases against gold ³⁾	—	—	—	360	360
Repayment by I.M.F.	—	—	—	340	340
Total	631	529	169	1,321	2,650

*) Valued at parity applying in each case. — ¹⁾ Not including the DM drawing by Turkey in 1953, of DM 18 million, which was counted towards the Federal Republic's "repurchase obligation". — ²⁾ Cf. footnote ¹⁾. — ³⁾ For replenishment of the I.M.F.'s DM holdings.

Change in German Capital Investments Abroad and Foreign Capital Investments in the Federal Republic
in millions of DM

Items ¹⁾	1958	1959	1960	1961		
				Total	1st half	2nd half
A. Net German Capital Investments Abroad (increase: —)	— 2,446	— 6,174	— 2,608	— 6,388	— 5,216	— 1,172
I. Long-term capital transactions	— 1,999	— 3,369	— 2,554	— 4,296	— 1,590	— 2,706
(a) Private	(— 1,142)	(— 2,017)	(— 1,428)	(— 1,049)	(— 480)	(— 569)
(b) Official	(— 857)	(— 1,352)	(— 1,126)	(— 3,247)	(— 1,110)	(— 2,137)
II. Short-term capital transactions	— 447	— 2,805	— 54	— 2,092	— 3,626	+ 1,534
(a) Private	(— 647)	(— 1,421)	(+ 1,030)	(— 1,883)	(— 3,690)	(+ 1,807)
among which: Foreign assets of banks other than Bundesbank	(— 599)	(— 1,315)	(+ 1,103)	(— 1,558)	(— 3,614)	(+ 2,056)
(b) Official	(+ 200)	(— 1,384)	(— 1,084)	(— 209)	(+ 64)	(— 273)
B. Net Foreign Capital Investments in the Federal Republic (increase: +)	+ 54	— 69	+ 4,308	+ 1,170	+ 350	+ 820
I. Long-term capital transactions	+ 122	— 550	+ 2,096	— 1,330	— 1,730	+ 400
(a) Private	(+ 624)	(+ 870)	(+ 2,410)	(+ 1,885)	(+ 1,440)	(+ 445)
(b) Official	(— 502)	(— 1,420)	(— 314)	(— 3,215)	(— 3,170)	(— 45)
II. Short-term capital transactions	— 68	+ 481	+ 2,212	+ 2,500	+ 2,080	+ 420
(a) Private	(— 90)	(+ 228)	(+ 1,882)	(+ 2,204)	(+ 2,139)	(+ 65)
among which: Foreign liabilities of banks other than Bundesbank	(— 135)	(+ 280)	(+ 1,151)	(+ 1,294)	(+ 1,110)	(+ 184)
(b) Official	(+ 22)	(+ 253)	(+ 330)	(+ 296)	(— 59)	(+ 355)
C. Net Total of Capital Transactions (A + B) (net capital exports: —)	— 2,392	— 6,243	+ 1,700	— 5,218	— 4,866	— 352
I. Long-term capital transactions	— 1,877	— 3,919	— 458	— 5,626	— 3,320	— 2,306
(a) Private	(— 518)	(— 1,147)	(+ 982)	(+ 836)	(+ 960)	(— 124)
(b) Official	(— 1,359)	(— 2,772)	(— 1,440)	(— 6,462)	(— 4,280)	(— 2,182)
II. Short-term capital transactions	— 515	— 2,324	+ 2,158	+ 408	— 1,546	+ 1,954
(a) Private	(— 737)	(— 1,193)	(+ 2,912)	(+ 321)	(— 1,551)	(+ 1,872)
among which: Foreign exchange position of banks other than Bundesbank	(— 734)	(— 1,035)	(+ 2,254)	(— 264)	(— 2,504)	(+ 2,240)
(b) Official	(+ 222)	(— 1,131)	(— 754)	(+ 87)	(+ 5)	(+ 82)

¹⁾ Transactions are classified as "Private" or "Official" according to the sector to which the German party engaged in the transaction belongs.

reduced them in the previous year by DM 1.1 billion. To the extent of DM 643 million the increase was however due to the fact that the Reconstruction Loan Corporation invested part of the proceeds of the economy's development aid loan, pending their ultimate use, in US Treasury bills from the Bundesbank's holding. But even the remaining rise, by about DM 900 million, clearly reflects the change in comparison with 1960.

The Federal Republic's Indebtedness to Foreign Countries

According to the figures taken into account in the balance of payments the Federal Republic's indebtedness to foreign countries grew by only DM 1.2 billion in 1961 as against DM 4.3 billion in the previous year. The slowing was solely due to the large premature repayment of debts arising from American, British and French post-war economic aid¹⁾. Together with the

¹⁾ Details of the transaction are given in the article entitled "Prepayments on German Liabilities in respect of Post-War Economic Aid" in the Monthly Report of the Deutsche Bundesbank, Vol. 13, No. 4, April 1961, pp. 51/52.

effect of current redemptions the Federal Government in 1961 reduced its liabilities in respect of post-war economic aid by DM 3.2 billion, bringing them down to DM 0.8 billion as compared with DM 6.9 billion when the London Agreements came into force.

On the other hand the economy's indebtedness increased by DM 4.1 billion in 1961, that is by almost as much as the previous year's increase of DM 4.3 billion. The main emphasis in the borrowing was however definitely on the first half of 1961 when, owing to the effect of partly speculative money inflows and of forward covering of the exchange rate, the foreign liabilities rose by DM 3.6 billion. From the middle of the year onwards such inflows were visibly flagging, and in the last months an opposite movement began, so that for the second half of 1961 there was an afflux of only a further DM 500 million.

Once again during 1961 foreigners on balance acquired German securities on a large scale. Altogether their purchases amounted to DM 1.6 billion (including over DM 1.3 billion in the first half-year) against not

quite DM 2.1 billion in the previous year. At the same time the net purchases of fixed-interest securities very greatly declined. Whereas foreign investors had increased their holdings in the first half of the year by DM 600 million, in the subsequent months they reduced them by DM 300 million, so that for the whole of 1961 there was an increase by only about DM 300 million against DM 1.4 billion in the preceding year. On the other hand foreigners' investments in dividend-bearing securities grew faster than ever before. They amounted to DM 1.3 billion net, against DM 700 million in the previous year and DM 600 million in 1959. In large part they probably comprised not portfolio investments but direct investments taking the form of share purchases.

The total increase in *short-term* foreign liabilities continued to quicken in 1961, when it amounted to DM 2.5 billion as against DM 2.2 billion in the previous year and not quite DM 500 million in 1959. An important factor in that connection was the taking of foreign credit by German business enterprises. At about DM 700 million in 1960, when short-term interest rates abroad were materially lower than those in the Federal Republic, such borrowings had attained substantial amount. In the months following revaluation of the DM borrowing abroad greatly increased, however, because trade and industry were making efforts to safeguard against exchange losses their assets expressed in foreign currency. Although in the last quarter of 1961 DM 300 million were on balance repaid, the whole year's increase in such liabilities (by DM 900 million) was greater than the previous year's. The movement was similar in the banks' foreign liabilities, which in 1961 rose by DM 1.3 billion, this being also somewhat more than in the previous year. The greater part, namely about DM 1.1 billion, related to the first half of the year; the reason why they increased in the second half by a total of about DM 200 million, despite a temporary decline, lay exclusively in the December seasonal rise described in more detail in the chapter on Foreign Trade and the Balance of Payments.

The Residual Item of the Balance of Payments

The residual item of the balance of payments was approximately in balance in the year 1961 as a whole, whereas in 1960 it had shown a surplus of DM 1.9 billion. It may be assumed that — largely because of the adjustments previously mentioned — this item primarily reflects the statistically unrecorded capital movements (although it doubtless continues to comprise errors in statistical ascertainment). This assumption

is supported mainly by the fact that the movement in the residual item, like that in the statistically recorded capital movements previously discussed, has been reversed since the middle of 1961. Whereas in the first half of that year it had shown a surplus of DM 1.4 billion, it was adverse to an equal extent in the second half. This change doubtless chiefly represents a reaction against the very large inflows which had persisted from the beginning of 1960 until the summer of 1961. It is therefore not to be supposed that the deficit will continue at its present magnitude for long.

Holdings and Changes of Central Monetary Reserves

The movement of the Deutsche Bundesbank's monetary reserves was determined in 1961 not only by the changes in the balance of payments, but also by the revaluation of the gold and exchange holdings due to the rise in the value of the DM. At DM 28.3 billion net on 31 December 1961 the Bundesbank's total holding of gold and foreign assets was lower by DM 3,347 million than at the end of 1960 (DM 31.6 billion). DM 1,420 million of this decrease are explained by the "revaluation loss"¹⁾, due to the change of parity, and DM 1,927 million by the current course of the balance of payments. The figure last mentioned is shown in our balance-of-payments statements as the net movement of gold and exchange.

The dollar reserves in particular decreased in the course of 1961. They declined by DM 4.1 billion, of which DM 0.7 billion represented the revaluation loss and DM 3.4 billion current sales of dollars. Material importance attached in that connection to repayment of debts to the United States, as well as to sales of dollars to the Bank of England in pursuance of the measures which were agreed between Central Banks in March 1961, under the so-called "Basle Agreement", for the purpose of countering the wave of speculation that started after the revaluing of the DM and the Netherlands guilder. There was also a decrease in the foreign assets available at later dates or only in limited degree. These amounted at the end of 1961 to about DM 2,450 million against roughly DM 3,760 million on 31 December 1960. The decrease (by DM 1,310 million) results to the extent of DM 62 million from

¹⁾ Besides the balance-sheet loss of DM 1,420 million, due to revaluation of the gold and exchange holdings, there were some further book losses amounting to DM 55 million on internal settlements. The resulting "equalisation requirement" in the Bundesbank's balance sheet, totalling DM 1,475 million, was subsequently covered to the extent of DM 210 million through liquidation of reserves for special purposes, so that a residue of DM 1,265 million remained. To that extent the Federal Government admitted a "claim (of the Bundesbank) in respect of alteration of the monetary parity", which claim — apart from any other redemptions — is to be annually amortised to the extent of the Federal Government's share in the Bundesbank's profit.

Monetary Reserves of the Deutsche Bundesbank

in millions of DM

Year	Total holdings (net)	Gold holdings and freely usable foreign assets				Foreign assets at fixed term or of only limited usability					Foreign liabilities
		Total	Gold	Freely usable foreign assets		Total	among which:				
				Total	among which: U.S. \$ (incl. Can. \$)		Claims from former credits to E.P.U. ¹⁾	I.B.R.D. debt certificates ²⁾	Earmarked foreign assets	Consolidation loans	
Position at end of year											
1957	22,917	17,237	10,674	6,563	6,148	6,393	4,242	735	1,032	384	713
1958	26,105	19,477	11,085	8,392	7,447	7,000	4,597	1,166	972	265	372
1959	23,621	19,039	11,077	7,962	7,281	4,992	3,159	1,305	353	175	410
1960	31,628	28,295	12,479	15,816	15,006	3,762	1,993	1,400	265	104	429
1961	28,281	26,166	14,654	11,512	10,893	2,452	1,039	1,352	—	61	337
Change during year ^{3) 4)}											
1957	+5,122	+2,825	+4,399	-1,574	-1,184	+2,822	+1,352	+ 735	+ 792	- 19	+ 525
1958	+3,188	+2,240	+ 411	+1,829	+1,299	+ 607	+ 355	+ 431	- 60	- 119	- 341
1959	-2,204	- 438	- 8	- 430	- 166	-2,009	-1,438	+ 139	- 619	- 90	- 243
1960	+8,007	+9,256	+1,402	+7,854	+7,725	-1,230	-1,166	+ 95	- 88	- 71	+ 19
1961 total	-3,347	-2,129	+2,175	-4,304	-4,113	-1,310	- 954	- 48	- 265	- 43	- 92
Change due to revaluation	(-1,420)	(-1,358)	(- 606)	(- 752)	(- 712)	(- 62)	(- 1)	(- 48)	(- 13)	(-)	(- 0)
Current change	(-1,927)	(- 771)	(+2,781)	(-3,552)	(-3,401)	(-1,248)	(- 953)	(-)	(- 252)	(- 43)	(- 92)

¹⁾ Until the end of 1958: credits granted to E.P.U., not taking into account the latest E.P.U. settlement in each case. — ²⁾ Excluding bonds and drawing on the Bundesbank credit of about DM 1 billion granted in July 1960. — ³⁾ Change in 1959 after elimination of increases and decreases due to statistical reasons. — ⁴⁾ Increase in assets and liabilities and increase in total holdings (net): +.

the change in parity, and to that of roughly DM 1,250 million from current movements. The decisive factor was the further repayments on former EPU credits which at the beginning of 1959, on liquidation of the European Payments Union, had been converted into bilateral claims of the Bundesbank on the former EPU member countries. Mainly owing to premature repayments by France these claims declined in 1961 by over DM 950 million, falling to some DM 1 billion against DM 4.2 billion at the time of the EPU liquidation. In addition, on the prepayment of the Federal Government's residual debt in respect of British post-war economic aid, the earmarked balances at the Bank of England were drawn off in April 1961.

As against this there was a substantial increase in the Bundesbank's gold holding. It amounted on 31 De-

cember 1961 to nearly DM 14.7 billion as against DM 12.5 billion at the end of the previous year. After elimination of the DM 606 million decline in value due to revaluation the gold reserves showed an increase by nearly DM 2.8 billion. In great part this increase is due to the fact that in the course of 1961, for the purpose of covering the United Kingdom's foreign-exchange deficits, the Bank of England sold gold, part of which went to the Bundesbank. Hence the shifts which took place during 1961 as between the gold position and the dollar position do not reflect any special policy of the Bundesbank; they resulted from the decline in dollar holdings due to the debt repayment and to other causes, on the one hand, and from the inflow of gold from non-American sources on the other.

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2. Bank Liquidity and the Credit Institutions'

in millions

Calculation based on the average of the

Influx (+) or efflux (-) of funds at credit institutions

Period	Notes and coin in circulation	Net position of German non-banks in relation to Deutsche Bundesbank ^{*)}									Net foreign exchange purchases or sales of the Deutsche Bundesbank
		Total	German public authorities ^{*)}				Other German depositors (business and private customers)	Foreign depositors			
			Total	Federal Government (without Special Funds), Länder and Equalisation of Burdens Authorities	Balances from special transactions ^{*)}	Other public authorities ^{*)}		Total	among which: agencies of former occupying powers		
						Total				among which: E.R.P. Special Fund	
By Years											
1957	-1,531	-561	-193	-561	-	+ 368	+ 39	- 329	- 39	+ 46	+ 8,062
1958	-1,482	-2,081	-2,258	-1,816	-	+ 442	- 201	+ 58	+ 119	+ 134	+ 5,509
1959	-937	-2,877	-3,185	-3,249	-	+ 64	+ 71	+ 308	-	-	+ 3,388
1960	-1,684	-4,823	-5,550	-5,312	-	+ 238	+ 168	+ 727	-	-	+ 10,748
1961	-2,524	-5,683	-6,748	-5,095	-1,081	- 572	- 231	+ 1,065	-	-	+ 5,575
By Quarters											
1957 1st qtr.	+ 584	- 838	- 863	-1,154	-	+ 291	+ 25	+ 39	- 14	- 19	+ 1,588
2nd "	- 648	- 111	+ 55	- 4	-	+ 59	+ 27	- 22	- 144	- 151	+ 2,174
3rd "	- 464	+ 167	+ 474	+ 576	-	- 102	- 58	- 13	- 294	-	+ 3,812
4th "	-1,003	+ 221	+ 141	+ 21	-	+ 120	+ 45	- 333	+ 413	+ 394	+ 488
1958 1st qtr.	+ 316	- 903	- 886	- 878	-	- 8	- 80	- 2	- 15	- 0	+ 677
2nd "	- 285	- 123	- 215	- 106	-	- 109	+ 2	- 3	+ 95	+ 108	+ 1,896
3rd "	- 364	- 364	- 453	- 371	-	- 82	- 174	+ 2	+ 69	+ 44	+ 1,566
4th "	-1,149	- 673	- 704	- 461	-	- 243	+ 51	+ 61	- 30	- 18	+ 1,364
1959 1st qtr.	+ 491	-1,129	-1,170	-1,187	-	+ 17	- 189	+ 41	-	-	- 315
2nd "	- 227	+ 196	+ 92	+ 134	-	- 42	- 83	+ 104	-	-	+ 521
3rd "	- 210	-1,457	-1,560	-1,323	-	- 237	- 185	+ 103	-	-	+ 834
4th "	- 991	- 487	- 547	- 873	-	+ 326	+ 528	+ 60	-	-	+ 2,348
1960 1st qtr.	+ 572	-2,137	-2,297	-2,048	-	- 249	- 232	+ 160	-	-	+ 1,530
2nd "	- 758	- 973	-1,126	-1,295	-	+ 169	+ 181	+ 153	-	-	+ 3,572
3rd "	- 566	- 762	- 963	- 964	-	+ 1	+ 70	+ 201	-	-	+ 2,892
4th "	- 932	- 951	-1,164	-1,005	-	- 159	+ 149	+ 213	-	-	+ 2,754
1961 1st qtr.	+ 474	-2,814	-3,082	-2,459	- 704	+ 81	- 121	+ 268	-	-	+ 2,164
2nd "	- 641	-2,670	-2,911	-1,759	-1,092	- 60	- 75	+ 241	-	-	+ 2,210
3rd "	-1,046	+ 193	- 160	- 580	+ 728	- 308	- 92	+ 353	-	-	+ 49
4th "	-1,311	- 392	- 595	- 297	- 13	- 285	+ 57	+ 203	-	-	+ 1,152
By Months											
1959 Jan.	+ 959	- 840	- 860	- 890	-	+ 30	- 276	+ 20	-	-	- 488
Feb.	+ 52	- 332	- 336	- 112	-	- 224	+ 38	+ 4	-	-	- 75
March	- 520	+ 43	+ 26	- 185	-	+ 211	+ 49	+ 17	-	-	+ 248
April	+ 125	+ 903	+ 859	+ 835	-	+ 24	- 100	+ 44	-	-	- 54
May	+ 368	- 212	- 246	- 179	-	- 67	+ 44	+ 34	-	-	+ 381
June	+ 16	- 495	- 521	- 522	-	+ 1	- 27	+ 26	-	-	+ 194
July ^{*)}	- 252	- 414	- 449	- 193	-	- 256	- 239	+ 35	-	-	+ 553
Aug.	+ 9	- 42	- 69	- 112	-	+ 43	+ 46	+ 27	-	-	+ 104
Sep.	+ 33	-1,001	-1,042	-1,018	-	- 24	+ 8	+ 41	-	-	+ 885
Oct.	- 108	- 208	- 239	- 480	-	+ 241	+ 198	+ 31	-	-	+ 453
Nov.	- 63	- 25	- 55	- 90	-	+ 35	+ 172	+ 30	-	-	+ 809
Dec.	- 820	- 254	- 253	- 303	-	+ 50	+ 158	+ 1	-	-	+ 1,086
1960 Jan.	+ 845	-1,181	-1,255	-1,049	-	- 206	- 257	+ 74	-	-	- 153
Feb.	+ 97	- 82	- 122	- 114	-	- 8	- 29	+ 40	-	-	+ 309
March	- 370	- 874	- 920	- 885	-	- 35	+ 54	+ 46	-	-	+ 1,374
April	- 346	+ 392	+ 359	+ 252	-	+ 107	+ 53	+ 33	-	-	+ 1,176
May	- 82	- 147	- 197	- 249	-	+ 52	+ 116	+ 50	-	-	+ 959
June	- 330	-1,218	-1,288	-1,298	-	+ 10	+ 12	+ 70	-	-	+ 1,437
July	- 342	- 94	- 176	- 81	-	- 95	+ 7	+ 82	-	-	+ 1,073
Aug.	+ 86	+ 535	+ 480	+ 406	-	+ 74	+ 9	+ 55	-	-	+ 881
Sep.	- 310	-1,203	-1,267	-1,289	-	+ 22	+ 54	+ 64	-	-	+ 938
Oct.	- 122	- 523	- 605	- 660	-	+ 53	+ 41	+ 82	-	-	+ 1,033
Nov.	+ 90	+ 81	+ 8	- 28	-	+ 36	+ 64	+ 73	-	-	+ 736
Dec.	- 900	- 509	- 567	- 317	-	- 250	+ 44	+ 58	-	-	+ 985
1961 Jan.	+ 957	- 882	- 967	- 567	- 495	+ 95	- 117	+ 85	-	-	+ 264
Feb.	+ 44	- 798	- 885	- 460	- 182	- 243	+ 49	+ 87	-	-	+ 604
March	- 527	-1,134	-1,230	-1,432	- 27	+ 229	- 53	+ 96	-	-	+ 1,296
April	- 171	- 704	- 782	- 405	- 300	- 77	- 19	+ 78	-	-	+ 1,526
May	- 220	- 563	- 628	- 90	- 812	+ 274	+ 93	+ 65	-	-	+ 373
June	- 250	-1,403	-1,501	-1,264	+ 20	- 257	- 149	+ 98	-	-	+ 311
July	- 682	- 36	- 159	+ 30	+ 258	- 447	- 463	+ 123	-	-	+ 545
Aug.	+ 215	+ 524	+ 388	+ 338	- 16	+ 66	+ 133	+ 136	-	-	+ 743
Sep.	- 579	- 295	- 389	- 948	+ 486	+ 73	+ 238	+ 94	-	-	+ 247
Oct.	- 21	+ 90	+ 29	- 166	+ 12	+ 183	+ 11	+ 61	-	-	- 48
Nov.	+ 115	+ 152	+ 106	+ 222	- 21	- 95	+ 10	+ 46	-	-	- 234
Dec.	-1,405	- 634	- 730	- 353	- 4	- 373	+ 36	+ 96	-	-	+ 1,434

*) In this table, as from October 1959, Central Bank deposits of non-banks on the one hand and Central Bank lendings to non-banks on the other, which until then had each other because it is not always discernible whether central public authorities' foreign payments, which in the computation of the liquidity streams must be separated of the central public authorities' foreign payments, see the explanations on pp. 7/8 of the Monthly Report for January 1957. — Moreover, the figures relating to changes of the four bank-return dates of the months indicated, since experience has shown these to reflect changes in liquidity better than do the end-of-month positions which are various items are here taken into account only in so far as they entail an influx (+) or efflux (-) of funds at the credit institutions. They are therefore not necessarily (except Treasury bills and non-interest-bearing Treasury bonds purchased in open-market operations, and also excluding purchase assurances in respect of Treasury bills). — Administration on behalf of the Postal Cheque and Postal Savings Bank offices because, since the introduction on 1 May 1958 of the optional central maintaining of to Federal Government for participation in international institutions, and items which cannot be allocated explicitly to any of the aforementioned factors. — *) Treasury kept by the Federal Postal Administration on behalf of the Postal Cheque and Postal Savings Bank offices; cf. footnote 4). — *) As from July 1959 including the Saarland; the Volkswagen Works.

Recourse to Central Bank Credit *)

of DM

four weekly bank-return dates in the month °)

Both the breakdown of this table and the calculation basis for the figures were modified; hence the data are not immediately comparable with the figures published prior to October 1959. Further explanations will be found in footnote *) to this table.

as a result of changes in the items listed below 1)

Other factors, net °)			Open-market purchases or sales of the Deutsche Bundesbank			Change in the credit institutions' balances with the Deutsche Bundesbank		Central Bank lendings to credit institutions (recourse to Central Bank credit)		compare: Position of credit institutions' balances with the Deutsche Bundesbank on the average of the period °)	Period
Total	among which: Central Bank lendings to Reconstruction Loan Corporation	Overall effect on bank liquidity of the aforementioned factors	Total	Money-market paper of Fed. Govt. deriving from conversion of the Bundesbank's equalisation claims (mobilisation paper)	Other paper °)	Total °)	compare: Change in required minimum reserves	Change	Position on the average of the period		
By Years											
+ 22	- 17	+ 5,992	- 3,119	- 3,352	+ 233	+ 1,694	+ 1,757	- 1,179	1,999.0	5,309.1	1957
+ 423	- 14	+ 2,363	- 809	- 581	- 228	+ 927	+ 964	- 627	1,187.9	6,471.0	1958
+ 40	- 17	- 386	+ 1,437	+ 1,412	+ 25	+ 1,344	+ 1,089	+ 293	971.8	7,239.2	1959
+ 298	- 3	+ 4,539	- 1,335	- 1,328	- 7	+ 4,001	+ 4,364	+ 797	1,927.3	11,369.2	1960
+ 221	- 0	- 2,411	- 45	+ 86	- 131	- 2,936	- 3,361	- 480	1,435.7	10,597.7	1961
By Quarters											
+ 5	- 27	+ 1,339	- 1,080	- 1,109	+ 29	- 212	+ 143	- 471	2,225.6	4,436.2	1st qtr. 1957
- 103	+ 3	+ 1,312	- 920	- 889	- 31	+ 851	+ 882	+ 459	2,494.3	5,026.1	2nd "
+ 100	+ 3	+ 3,615	- 1,869	- 1,858	- 11	+ 581	+ 639	- 1,165	1,892.0	5,605.6	3rd "
+ 20	+ 2	- 274	+ 750	+ 504	+ 246	+ 474	+ 93	- 2	1,380.2	6,168.4	4th "
+ 225	- 16	+ 315	- 611	- 570	- 41	- 211	+ 199	+ 85	1,412.6	6,170.4	1st qtr. 1958
+ 204	- 4	+ 1,692	- 1,190	- 1,153	- 37	+ 327	+ 275	- 175	1,395.9	6,324.3	2nd "
- 31	+ 4	+ 789	- 295	- 299	+ 4	+ 68	+ 224	- 426	1,111.1	6,460.5	3rd "
+ 25	+ 2	- 433	+ 1,287	+ 1,441	- 154	+ 743	+ 266	- 111	831.9	6,928.9	4th "
+ 155	- 7	- 798	+ 674	+ 679	- 5	- 82	+ 185	+ 42	883.0	6,899.3	1st qtr. 1959
+ 38	- 5	+ 528	- 445	- 571	+ 126	- 19	+ 36	- 102	806.2	7,027.0	2nd "
- 107	- 8	- 940	+ 644	+ 672	- 28	- 17	- 116	+ 279	869.5	7,068.8	3rd "
- 46	+ 3	+ 824	+ 564	+ 632	- 68	+ 1,462	+ 984	+ 74	1,328.5	7,961.5	4th "
+ 33	+ 3	- 2	+ 824	+ 686	+ 138	+ 2,026	+ 2,501	+ 1,204	1,827.1	9,499.9	1st qtr. 1960
+ 79	+ 1	+ 1,920	- 447	- 382	- 65	+ 1,175	+ 1,317	- 298	1,822.1	11,098.1	2nd "
+ 71	- 6	+ 1,635	- 1,276	- 1,184	- 92	+ 562	+ 605	+ 203	2,092.7	12,338.8	3rd "
+ 115	- 1	+ 986	- 436	- 448	+ 12	+ 238	- 59	+ 312	1,967.3	12,540.2	4th "
+ 144	-	- 32	- 720	- 785	+ 65	- 957	- 784	- 205	1,802.9	12,049.3	1st qtr. 1961
+ 139	+ 3	- 962	+ 529	+ 574	- 45	- 1,118	- 1,053	- 685	1,154.1	11,078.4	2nd "
- 106	+ 2	- 910	+ 506	+ 423	- 83	- 1,056	- 1,044	+ 360	1,370.9	9,891.1	3rd "
+ 44	+ 1	- 507	+ 652	+ 720	- 68	+ 195	- 480	+ 50	1,415.0	9,371.8	4th "
By Months											
- 78	- 24	- 447	+ 171	+ 247	- 76	- 364	+ 147	- 88	840.7	6,814.5	Jan. 1959
+ 73	+ 7	- 282	+ 257	+ 274	- 17	- 28	+ 1	- 3	837.9	6,786.9	Feb.
+ 160	+ 10	- 69	+ 246	+ 158	+ 88	+ 310	+ 37	+ 133	970.4	7,096.4	March
+ 18	- 3	+ 992	- 958	- 912	- 46	- 230	- 173	- 264	706.3	6,865.8	April
+ 4	- 10	- 195	+ 330	+ 212	+ 118	+ 273	+ 131	+ 138	844.2	7,138.3	May
+ 16	+ 8	- 269	+ 183	+ 129	+ 54	- 62	+ 78	+ 24	868.2	7,076.8	June
- 111	- 3	- 224	+ 427	+ 508	- 81	+ 71	+ 49	- 132	765.7	7,170.2	July °)
+ 76	+ 7	- 61	- 55	+ 24	- 79	- 215	- 242	- 99	666.4	6,954.7	Aug.
- 72	- 12	- 655	+ 272	+ 140	+ 132	+ 127	+ 77	+ 510	1,176.4	7,081.6	Sep.
+ 22	+ 9	+ 159	- 109	- 67	- 42	+ 176	+ 106	+ 126	1,302.1	7,257.3	Oct.
+ 114	- 2	+ 835	- 138	- 256	+ 118	+ 828	+ 830	+ 131	1,433.0	8,084.7	Nov.
- 182	- 4	- 170	+ 811	+ 955	- 144	+ 458	+ 48	- 183	1,250.3	8,542.6	Dec.
+ 93	- 3	- 396	+ 516	+ 666	- 150	+ 333	+ 956	+ 213	1,463.7	8,875.6	Jan. 1960
+ 80	- 1	+ 404	- 322	- 322	- 0	+ 180	+ 28	+ 98	1,562.3	9,055.7	Feb.
- 140	+ 7	- 10	+ 630	+ 342	+ 288	+ 1,513	+ 1,517	+ 893	2,435.2	10,568.5	March
+ 29	- 2	+ 1,251	- 558	- 299	- 259	+ 54	+ 101	- 639	1,816.1	10,622.6	April
+ 51	+ 1	+ 781	- 153	- 106	- 47	+ 305	+ 149	- 323	1,493.1	10,927.7	May
- 1	+ 2	- 112	+ 264	+ 23	+ 241	+ 816	+ 1,067	+ 664	2,157.2	11,749.9	June
- 16	- 4	+ 621	- 70	+ 38	- 108	+ 603	+ 376	+ 52	2,208.8	12,346.8	July
+ 88	+ 3	+ 1,590	- 1,073	- 945	- 128	+ 17	+ 124	- 500	1,709.1	12,364.0	Aug.
- 1	+ 1	- 576	- 133	- 277	+ 144	- 58	+ 105	+ 651	2,360.1	12,305.7	Sep.
- 18	+ 2	+ 370	+ 18	+ 46	- 28	+ 47	- 71	- 341	2,019.7	12,353.0	Oct.
+ 275	+ 1	+ 1,182	- 625	- 545	- 80	+ 371	+ 299	- 186	1,893.3	12,723.7	Nov.
- 142	- 4	- 566	+ 171	+ 51	+ 120	- 180	- 287	+ 215	2,048.8	12,543.8	Dec.
- 90	+ 3	+ 249	+ 10	+ 7	+ 3	+ 29	+ 277	- 230	1,818.8	12,573.1	Jan. 1961
+ 270	- 2	+ 120	- 633	- 502	- 131	- 586	- 364	- 73	1,745.7	11,987.4	Feb.
+ 36	- 1	- 401	- 97	- 290	+ 193	- 400	- 697	+ 98	1,844.3	11,587.5	March
- 87	+ 3	+ 564	- 58	+ 42	- 100	- 224	- 240	- 730	1,114.7	11,363.6	April
- 15	- 2	- 425	+ 389	+ 316	+ 73	+ 37	+ 109	+ 73	1,188.0	11,401.4	May
+ 241	- 4	- 1,101	+ 198	+ 216	- 18	- 931	- 704	- 28	1,159.6	10,470.2	June
- 146	+ 1	- 319	- 275	- 168	- 107	- 297	- 352	+ 297	1,456.5	10,173.2	July
+ 164	- 0	+ 160	+ 72	+ 92	- 20	- 89	- 299	- 321	1,136.0	10,084.7	Aug.
- 124	+ 1	- 751	- 303	- 347	+ 44	- 670	- 393	+ 384	1,520.3	9,415.3	Sep.
+ 169	- 1	+ 190	- 467	- 402	- 65	- 319	- 403	- 42	1,478.5	9,096.0	Oct.
+ 146	- 0	+ 179	+ 416	+ 426	- 10	+ 313	+ 165	- 282	1,196.2	9,409.1	Nov.
- 271	+ 2	- 876	+ 703	+ 696	+ 7	+ 201	- 242	+ 374	1,570.3	9,610.3	Dec.

been shown separately, have been combined in the "Net position of German non-banks in relation to Deutsche Bundesbank". It was necessary to net the two items against from the other payments of the authorities concerned, were made to the debit of Central Bank balances or by using Bundesbank cash advances. As to the special treatment as shown in the table are no longer ascertained on the basis of end-of-month positions of the individual items, as previously, but on the basis of averages often subject to fortuitous fluctuations. — °) For longer periods: averages of the four bank-return dates of the last month of the quarter or year. — °) The changes in the identical with the changes in the corresponding items of the Return of the Deutsche Bundesbank. — °) Net total of credit balances maintained and cash advances taken °) Until July 1957 including credit balances employed in equalisation claims. — °) As from May 1958 including the minimum reserve balances kept by the Federal Postal minimum reserves, they can no longer be separated from the other Central Bank deposits of the Federal Postal Administration. — °) Items in course of settlement, special credit bills and non-interest-bearing Treasury bonds, Storage Agency bills, prime bankers' acceptances and securities. — °) As from May 1958 without the minimum reserve balances changes due to the incorporation of the Saarland were eliminated. — °) Accounts kept in connection with the development aid loan and the partial denationalisation of

3. Central Bank Lendings to Credit Institutions *)

in millions of DM

Period	Credit institutions (excluding R.L.C.) *)				Reconstruction Loan Corporation		
	Total 1)	Discount credits 1)	Advances on securities	Equalisation claims temporarily purchased 2)	Total	Cash advances	Securities
1950 Dec.	5,201.9	4,235.4	360.6	605.9	368.7	368.7	—
1951 Dec.	5,717.5	4,737.2	290.8	669.5	454.0	454.0	—
1952 Dec.	4,128.4	3,389.0	253.5	485.9	468.4	268.5	199.9
1953 Dec.	3,351.1	2,739.1	245.2	366.8	225.6	202.6	23.0
1954 Dec.	3,339.0	2,837.7	265.1	236.2	207.3	195.2	12.1
1955 Dec.	4,683.0	4,130.9	340.5	211.6	145.0	139.5	5.5
1956 Dec.	3,127.1	2,725.7	220.7	182.7	58.6	46.6	12.0
1957 Dec.	1,676.6	1,463.0	52.8	160.8	67.8	66.8	1.0
1958 Dec.	960.3	769.6	63.9	126.8	3.8	3.8	—
1959 Dec. 1)	1,285.7	949.2	234.4	102.1	20.3	20.3	—
1960 Dec.	1,804.1	1,296.5	419.0	88.6	1.1	1.1	—
1961 Dec.	1,663.8	1,395.4	219.7	48.7	4.4	4.4	—
1960 Jan.	1,626.6	1,495.7	28.8	102.1	2.7	2.7	—
Feb.	1,456.6	1,319.4	45.0	92.2	3.1	3.1	—
March	2,110.4	1,988.0	31.2	91.2	13.2	13.2	—
April	1,320.9	1,187.6	42.4	90.9	10.1	10.1	—
May	1,509.8	1,390.5	28.4	90.9	15.1	15.1	—
June	1,776.9	1,639.5	47.8	89.6	17.5	17.5	—
July	1,853.1	1,735.7	28.0	89.4	11.3	11.3	—
Aug.	1,501.2	1,386.1	25.7	89.4	3.5	3.5	—
Sep.	2,434.2	2,295.7	49.1	89.4	4.9	4.9	—
Oct.	1,590.3	1,475.6	25.6	89.1	14.3	14.3	—
Nov.	2,080.7	1,930.0	41.6	89.1	11.9	11.9	—
Dec.	1,804.1	1,296.5	419.0	88.6	1.1	1.1	—
1961 Jan.	2,023.7	1,918.8	26.0	78.9	6.9	6.9	—
Feb.	1,354.3	1,244.3	38.8	71.2	2.7	2.7	—
March	1,459.2	1,237.6	150.4	71.2	9.9	9.9	—
April	920.1	787.3	61.7	71.1	10.4	10.4	—
May	1,196.0	1,109.9	26.6	59.5	4.0	4.0	—
June	1,106.3	1,007.2	47.6	51.5	0.2	0.2	—
July	1,219.4	1,148.2	19.9	51.3	4.5	4.5	—
Aug.	835.9	769.5	15.1	51.3	4.5	4.5	—
Sep.	2,092.9	2,010.8	30.8	51.3	4.6	4.6	—
Oct.	1,020.8	838.3	131.2	51.3	4.8	4.8	—
Nov.	1,460.0	1,385.4	23.3	51.3	3.5	3.5	—
Dec.	1,663.8	1,395.4	219.7	48.7	4.4	4.4	—

*) As from July 1959 including Central Bank credit granted to Saarland credit institutions. — 1) Including foreign bills and export drafts purchased, but excluding money-market paper purchased in the open market. — 2) With the credit institutions' liability of repurchase.

4. Central Bank Deposits of Non-Banks and of Credit Institutions *)

in millions of DM

Period	Non-banks								Credit institutions 1) 2)
	Total including amounts temporarily employed in equalisation claims 4)		Public authorities 1)				Agencies of former occupying powers 7)	Other German depositors 8)	
			Federal Government (without Special Funds), Länder and Equalisation of Burdens Authorities	Balances from special trans- actions 2)	E.R.P. Special Fund 3)	Other public authorities 5)			
1950 Dec.	3,693.3	3,446.0	594.3	—	965.0	396.7	907.6	829.7	1,887.7
1951 Dec.	3,997.3	2,990.0	1,191.8	—	1,312.8	223.0	997.3	272.4	2,675.0
1952 Dec.	3,957.8	2,194.1	1,906.1	—	825.9	207.2	753.4	265.2	2,992.6
1953 Dec.	4,935.3	1,704.2	3,181.4	—	496.7	373.2	639.3	244.7	3,286.9
1954 Dec.	6,266.5	1,529.9	4,684.7	—	352.8	400.6	523.4	305.0	4,005.9
1955 Dec.	7,003.5	3,420.7	5,949.7	—	272.2	274.3	265.5	241.8	4,502.2
1956 Dec.	7,682.3	4,459.3	6,711.8	—	192.5	339.8	143.8	394.4	5,258.5
1957 Dec.	—	5,097.3	4,017.1	—	167.8	431.4	140.6	340.4	7,108.9
1958 Dec.	—	4,968.2	3,614.0	—	361.2	610.3	46.8	335.9	8,243.1
1959 Dec. 1)	—	2,260.8	1,161.3	—	200.4	677.3	—	221.8	9,343.8
1960 Dec.	—	3,659.2	2,683.2	1.7	119.8	636.3	—	218.2	13,036.4
1961 Dec.	—	4,985.8	3,733.2	48.4	352.3	599.5	—	252.4	11,614.6
1960 Jan.	—	3,282.1	1,840.8	—	609.5	620.2	—	211.6	7,895.7
Feb.	—	3,143.5	1,506.0	—	549.7	870.1	—	217.7	8,395.9
March	—	3,411.0	1,752.9	—	569.0	864.4	—	224.7	9,428.1
April	—	2,527.7	1,461.4	—	379.7	461.9	—	224.7	9,488.6
May	—	2,928.2	1,475.9	—	340.5	904.0	—	207.8	10,413.5
June	—	4,006.8	2,692.1	—	375.3	718.6	—	220.8	10,865.9
July	—	3,373.3	1,884.7	—	352.0	903.4	—	233.2	11,253.4
Aug.	—	3,104.5	1,652.0	—	299.5	945.0	—	208.0	11,288.2
Sep.	—	4,621.2	3,237.8	—	272.4	899.9	—	211.1	11,554.6
Oct.	—	4,859.6	3,483.5	—	197.9	959.3	—	218.9	11,653.6
Nov.	—	3,834.2	2,760.7	—	143.6	711.8	—	218.1	12,126.9
Dec.	—	3,659.2	2,683.2	1.7	119.8	636.3	—	218.2	13,036.4
1961 Jan.	—	4,981.1	3,630.7	61.6	203.9	881.4	—	203.5	11,936.2
Feb.	—	4,689.7	3,480.2	10.3	172.4	830.0	—	196.8	10,814.9
March	—	6,409.3	5,026.3	8.2	279.5	872.8	—	222.5	10,176.8
April	—	6,595.9	4,923.5	914.8	233.6	301.7	—	222.3	9,967.0
May	—	6,803.0	4,919.3	871.1	165.2	627.6	—	219.8	11,089.2
June	—	7,616.7	5,366.7	501.4	724.7	778.7	—	245.2	9,528.2
July	—	7,169.4	4,995.8	517.9	787.3	628.6	—	241.8	9,147.3
Aug.	—	6,139.1	3,991.2	325.5	420.1	982.4	—	219.9	8,942.1
Sep.	—	6,309.4	5,337.1	45.4	381.8	298.6	—	246.5	9,356.9
Oct.	—	5,434.0	4,721.1	23.4	374.4	455.7	—	259.4	8,240.3
Nov.	—	5,405.5	4,043.3	48.1	407.1	649.9	—	257.1	8,954.1
Dec.	—	4,985.8	3,733.2	48.4	352.3	599.5	—	252.4	11,614.6

*) As from July 1959 including deposits maintained with the Land Central Bank in the Saarland. — 1) Including the amounts temporarily employed in equalisation claims. — 2) Until 31 July 1957 "counterpart funds" only. — 3) Including Postal Cheque and Postal Savings Bank offices. — 4) Since the entry into force, on 1 August 1957, of the Law concerning the Deutsche Bundesbank it has no longer been possible for public monies to be employed in equalisation claims. — 5) As from May 1958 including the minimum reserve balances kept by the Federal Postal Administration on behalf of the Postal Cheque and Postal Savings Bank offices; cf. footnote 4) to Table I.2. — 6) As from May 1958 without the minimum reserve balances kept by the Federal Postal Administration on behalf of Postal Cheque and Postal Savings Bank offices; cf. footnote 7) to Table I.2. — 7) As from January 1959 included in "foreign business". — 8) Other foreign depositors, until December 1958 contained in this item, are now included in "foreign business". — 9) Accounts kept in connection with the development aid loan and the partial denationalisation of the Volkswagen Works; excluding however the amounts employed in foreign money-market paper.

III. Credit Institutions
A. Lendings, Security Holdings, Deposits

3. Instalment Credits and Small Loans
(a) Instalment Credits^{1) 2)}, by Banking Groups
in millions of DM

End of year or month	All banking groups	Instalment credit institutions ³⁾	Credit institutions (other than instalment credit institutions)	Commercial banks				Central giro institutions	Savings banks	Industrial credit cooperatives	Agricultural credit cooperatives	Other banking groups ⁴⁾
				Total	among which:							
					Big banks ⁵⁾	State, regional and local banks	Private bankers					
1953	1,500.3	765.1	735.2	231.1	62.8	144.5	23.3	66.0	384.7	45.1	6.5	1.8
1954	1,913.6	991.8	921.8	273.9	73.6	176.7	23.6	85.6	489.9	58.8	9.3	4.2
1955	2,629.7	1,439.0	1,190.7	347.9	102.0	213.7	32.2	131.4	627.3	68.6	14.5	0.8
1956	2,869.0	1,611.6	1,257.4	380.0	124.5	224.3	31.2	147.6	640.2	73.1	15.4	1.1
1957	2,957.6	1,739.0	1,218.6	399.2	131.5	230.1	37.5	122.4	593.1	86.4	17.0	0.4
1958	3,314.9	2,049.4	1,265.5	422.1	125.3	249.5	47.0	125.2	584.2	112.4	21.4	0.2
1959	3,973.7	2,502.0	1,471.7	511.4	141.7	318.8	50.8	143.9	639.8	146.5	29.6	0.4
1959 ⁶⁾	4,027.8	2,539.4	1,488.4	512.6				143.9	649.2	151.0	31.1	0.4
1960 Nov. ⁵⁾	4,735.3 ⁷⁾	3,058.1	1,677.2 ⁸⁾	607.8 ⁹⁾	161.3	360.3	78.4 ⁹⁾	165.6	705.1	164.5	33.6	0.3
Dec.	4,875.3 ⁷⁾	3,188.5	1,686.8 ⁸⁾	604.0 ⁹⁾	162.5	355.9 ⁹⁾	77.6	171.3	710.0	165.6	35.3	0.4
1961 Jan.	4,830.3	3,155.0	1,675.3	594.7	159.8	354.1	73.1	172.1	708.1	163.6	36.5	0.4
Feb.	4,816.9	3,160.6	1,656.3	584.0	154.2	349.8	72.8	170.1	705.4	160.7	35.2	0.8
March	4,951.4	3,243.1	1,708.3	618.3	197.0	344.8	69.6	164.2	714.1	171.9	36.9	2.7
April	5,037.9	3,299.8	1,738.1	625.3	194.6	352.7	71.3	165.7	736.5	170.3	37.1	3.4
May	5,081.9	3,353.1	1,728.8	623.5	191.4	350.9	67.5	166.1	725.6	170.2	37.5	5.8
June	5,166.2	3,421.6	1,744.6	628.0	194.5	353.8	66.5	167.9	733.4	170.0	37.3	7.8
July	5,242.0	3,473.0	1,769.0	638.8	201.4	357.4	66.9	166.2	742.9	172.3	39.0	9.5
Aug.	5,247.1 ⁸⁾	3,495.6	1,751.5 ⁸⁾	619.4 ⁸⁾	185.4 ⁸⁾	356.1	65.4	166.5	748.0	167.7	39.8	10.1
Sep.	5,250.1	3,495.4	1,754.7	623.3	194.8	352.2	64.1	170.5	745.2	165.9	39.2	10.7
Oct.	5,293.6	3,548.6	1,745.0	610.5	183.4	351.2	63.1	171.0	747.7	165.8	38.4	11.6
Nov.	5,356.1	3,621.0	1,735.1	605.6	174.4	355.0	63.2	166.9	745.7	166.6	39.2	11.1

¹⁾ At short and medium term. — ²⁾ Including cash advances made by instalment credit institutions; for small loans by other groups of institution, cf. Table 3 (c) below. — ³⁾ Deutsche Bank AG, Dresdner Bank AG, Commerzbank AG, and their Berlin subsidiaries. — ⁴⁾ Central institutions of credit cooperatives, credit institutions with special functions. — ⁵⁾ From January 1960 onwards including the Saarland. The rows of figures were linked together in December 1959 by showing, firstly, the figures excluding the Saarland and, secondly, the figures including the Saarland — where possible and necessary also in the case of the individual banking groups. — ⁶⁾ Decrease of about DM 4 million due to statistical reasons. — ⁷⁾ Decrease of about DM 17 million due to statistical reasons. — ⁸⁾ Decrease of about DM 14 million due to statistical reasons.

(b) Use and Amount of Instalment Credits^{1) 2)} granted by Instalment Credit Institutions

Period	Total of instalment credits newly taken	for purchasing means of production and durable consumer goods to be used solely in trade and industry			for purchasing other durable consumer goods							Note: Purchase credits granted to traders
		Machinery for production of consumer goods ³⁾	Motor trucks, tractors and trailers	Equipment for hand-craft and various occupations	Clothing, household textiles	Bicycles, sewing machines, typewriters	Household machinery and appliances ⁴⁾	Furniture	Passenger cars and motor-cycles	Wireless and television sets	Other	
1959 4th qtr.	1,023.9	49.6	85.4	36.8	225.2	12.2	86.1	136.7	223.9	93.8	74.2	168.5
1960 1st qtr. ⁵⁾	820.4	37.2	95.9	30.8	96.6	10.1	67.8	93.1	251.9	75.9	61.1	186.9
2nd qtr.	1,065.3	58.0	116.3	33.4	160.0	13.9	86.0	111.1	347.6	59.8	79.2	175.0
3rd qtr.	994.3	65.5	96.0	30.2	130.3	12.7	88.2	117.2	308.6	66.8	78.8	155.8
4th qtr.	1,234.5	71.4	117.2	35.7	243.3	13.5	101.9	148.0	310.7	98.9	93.9	252.7
1961 1st qtr.	989.8	65.9	127.8	30.1	106.1	12.6	73.8	107.3	322.1	71.9	72.2	310.7
2nd qtr.	1,177.4	86.0	148.4	33.3	145.7	12.9	87.7	122.4	379.4	65.7	95.9	258.4
3rd qtr.	1,108.4	101.1	120.3	31.0	122.8	11.9	94.2	126.9	341.1	67.5	91.6	246.7
Average amount of credit in DM												
1959 4th qtr.	571	11,380	11,019	3,669	221	465	377	865	2,558	688	647	4,686
1960 1st qtr. ⁵⁾	769	10,751	11,713	3,609	203	501	376	954	2,710	695	863	4,568
2nd qtr.	718	10,944	12,245	3,614	214	488	382	904	2,577	656	725	4,730
3rd qtr.	756	11,229	12,420	3,728	220	486	380	952	2,689	659	764	4,630
4th qtr.	647	11,775	12,148	3,467	240	412	393	894	2,913	704	567	4,747
1961 1st qtr.	854	12,518	13,029	4,115	213	378	401	932	2,900	723	755	4,917
2nd qtr.	816	12,439	13,798	3,799	220	396	408	964	2,888	695	626	4,915
3rd qtr.	875	13,508	13,344	4,142	237	435	409	994	2,882	737	708	5,074

¹⁾ By contrast with the other credit statistics (also with Table (a)), this table is not based on the amount of credit outstanding, but on the total amount of instalment credits newly taken in the periods indicated. — ²⁾ Including cash advances. — ³⁾ Such as textile and farm machinery. — ⁴⁾ Such as stoves, vacuum cleaners, washing machines, etc. — ⁵⁾ From 1st quarter 1960 onwards including the Saarland.

(c) Small Loans^{1) 2)}, by Banking Groups
in millions of DM

End of month	All banking groups	Commercial banks					Central giro institutions	Savings banks	Credit cooperatives			Other banking groups ⁴⁾
		Total	Big banks ⁵⁾	State, regional and local banks	Private bankers	Specialised commercial banks			Total	Industrial credit cooperatives	Agricultural credit cooperatives	
1959 Dec.	868.4	298.2	238.3	49.9	9.4	0.6	1.8	399.3	169.0	151.0	18.0	0.0
Dec. ⁶⁾	886.8	301.3					1.8	410.9	172.7	153.5	19.2	0.0
1960 Nov. ⁵⁾	1,151.8 ⁸⁾	455.8 ⁹⁾	353.8	78.1	22.6 ⁹⁾	1.3	2.2	500.7	193.1	167.3	25.8	0.0
Dec.	1,146.0	458.7	357.3	77.9	22.2	1.3	2.2	488.1	197.0	169.3	27.7	0.0
1961 Jan.	1,131.9	450.8	351.9	77.1	20.5	1.3	2.2	486.0	192.9	165.7	27.2	0.0
Feb.	1,131.0	457.7	357.7	78.1	20.4	1.5	2.2	482.9	188.1	160.7	27.4	0.0
March	1,173.3	479.0	376.5	81.5	19.6	1.4	2.3	495.7	196.3	168.2	28.1	0.0
April	1,202.0	494.4	390.2	83.5	19.3	1.4	2.3	506.4	198.9	170.9	28.0	0.0
May	1,233.5	513.3	406.7	86.1	19.0	1.5	2.3	513.9	204.0	176.0	28.0	0.0
June	1,269.3	528.6	419.3	89.2	18.6	1.5	2.1	530.1	208.3	180.0	28.3	0.0
July	1,292.5	537.8	427.6	91.8	16.9	1.5	2.2	539.0	213.6	184.3	29.3	0.0
Aug.	1,316.1	551.0	438.7	93.4	17.4	1.5	2.2	548.9	214.0	185.2	28.8	0.0
Sep.	1,337.1	570.4	457.6	94.1	17.2	1.5	2.2	550.0	214.5	185.9	28.6	0.0
Oct.	1,357.7	570.8	456.4	95.5	17.4	1.5	2.3	566.8	217.7	188.5	29.2	0.0
Nov.	1,390.8	580.9	465.1	96.8	17.4	1.6	2.3	584.1	223.4	193.7	29.7	0.0

¹⁾ Small loans are considered to include all medium-term loans for which repayment has been agreed and the amount of which originally paid out does not exceed DM 2,000. — ²⁾ Not including cash advances made by instalment credit institutions; cf. footnote ²⁾ to Table 3 (a). — ³⁾ Deutsche Bank AG, Dresdner Bank AG, Commerzbank AG, and their Berlin subsidiaries. — ⁴⁾ Central institutions of credit cooperatives, credit institutions with special functions. — ⁵⁾ From January 1960 onwards including the Saarland. The rows of figures were linked together by showing for December 1959, firstly, the figures excluding the Saarland and, secondly, the figures including the Saarland — where possible and necessary also in the case of the individual banking groups. — ⁶⁾ Increase of about DM 4 million due to statistical reasons.

2. Number of Credit Institutions and Classification of Monthly Reporting Credit Institutions by Size of Institution *)

Position at end of December 1960

Banking group	Total number of credit institutions	of which, reporting for monthly banking statistics	The credit institutions reporting for the monthly banking statistics are graded as follows according to their balance-sheet total ¹⁾										
			less than DM 500,000	DM 500,000 to less than DM 1 million	DM 1 million to less than DM 5 million	DM 5 million to less than DM 10 million	DM 10 million to less than DM 25 million	DM 25 million to less than DM 50 million	DM 50 million to less than DM 100 million	DM 100 million to less than DM 500 million	DM 500 million to less than DM 1 billion	DM 1 billion and over	
Commercial banks	362	337	19	17	73	40	56	35	34	46	7	10	
Big banks ²⁾	6	6	—	—	—	—	—	—	—	1	2	3	
State, regional and local banks	89	87	—	1	8	6	15	13	11	23	3	7	
Private bankers	232	209	19	13	58	32	35	18	18	14	2	—	
Specialised commercial banks	35	35	—	3	7	2	6	4	5	8	—	—	
Central giro institutions	12	12	—	—	—	—	—	—	—	—	2	10	
Savings banks	867	866	—	—	34	90	233	223	178	87	18	3	
Central institutions of credit cooperatives	18	18	—	—	—	—	—	—	1	16	1	—	
Central institutions of industrial credit cooperatives	5	5	—	—	—	—	—	—	—	5	—	—	
Central institutions of agricultural credit cooperatives	13	13	—	—	—	—	—	—	1	11	1	—	
Credit cooperatives	11,623	2,240	9	17	1,478	430	234	48	19	5	—	—	
Industrial credit cooperatives	765	761	9	11	265	218	190	47	16	5	—	—	
Agricultural credit cooperatives	10,858	1,479	—	6	1,213	212	44	1	3	—	—	—	
Private and public mortgage banks	47	47	—	—	—	2	7	2	5	9	13	9	
Private mortgage banks	29	29	—	—	—	2	2	1	2	8	11	3	
Public mortgage banks	18	18	—	—	—	—	5	1	3	1	2	6	
Credit institutions with special functions	25	25	1	—	2	2	2	—	2	5	3	8	
Instalment credit institutions	261	232	31	20	82	32	29	20	13	4	1	—	
Other credit institutions	53	—	—	—	—	—	—	—	—	—	—	—	
Postal Cheque and Postal Savings Bank offices	15	15	—	—	—	—	—	—	—	—	—	—	
Total ³⁾	13,283	3,792	60	54	1,669	596	561	328	252	172	45	40	
<i>note:</i>					millions of DM								
Balance-sheet total ^{1) 2)}	241,133 ³⁾	236,242.3	16.9	42.0	4,604.5	4,152.7	8,800.4	11,357.7	17,514.5	34,372.6	31,196.7	118,123.8	

*) Including the Saarland. — ¹⁾ Balance-sheet total as shown in the Interim Statement, plus endorsement liabilities on rediscounted bills and own drawings in circulation which have been discounted and credited to the borrowers in account. — ²⁾ Deutsche Bank AG, Dresdner Bank AG, Commerzbank AG, and their Berlin subsidiaries. — ³⁾ Figures printed in italics do not contain Postal Cheque and Postal Savings Bank offices. — ^{e)} Estimated.

2. Interest Rates

(a) Rates for Discounts and Advances of the Deutsche Bundesbank *) and Special Rate of Interest charged for failure to meet the Minimum Reserve Requirement

Applicable from:	Discount rate ¹⁾	Rate for advances on securities	Special rate of interest charged to credit institutions for failure to meet minimum reserve requirement
	% p. a.	% p. a.	% p. a. over advance rate
1948 July 1	5	6	1
Dec. 1			3
1949 May 27	4 1/2	5 1/2	
July 14	4	5	
1950 Oct. 27	6 ²⁾	7	
Nov. 1			1
1951 Jan. 1			3
1952 May 29	5 ⁴⁾	6	
Aug. 21	4 1/2	5 1/2	
1953 Jan. 8	4	5	
June 11	3 1/2	4 1/2	
1954 May 20	3	4	
1955 Aug. 4	3 1/2	4 1/2	
1956 March 8	4 1/2	5 1/2	
May 19	5 1/2 ⁵⁾	6 1/2	
Sep. 6	5	6	
1957 Jan. 11	4 1/2	5 1/2	
Sep. 19	4	5	
1958 Jan. 17	3 1/2	4 1/2	
June 27	3	4	
1959 Jan. 10	2 3/4	3 3/4	
Sep. 4	3	4	
Oct. 23	4	5	
1960 June 3	5	6	
Nov. 11	4	5	
1961 Jan. 20	3 1/2	4 1/2	
May 5	3	4	

*) Until 31 July 1957 rates of Bank deutscher Länder and of Land Central Banks.

¹⁾ This is also the rate for cash advances to public authorities and to the Reconstruction Loan Corporation; cf. footnotes ²⁾ and ⁴⁾. The discount rate for bills expressed in foreign currency was uniformly fixed at 3 1/2% for the time being, by a decision adopted by the Board of Directors of the Bank deutscher Länder on 3 Aug. 1948. By decision of 9/10 November 1949 the Board of Directors authorised the Board of Managers to fix varying rates for bills in this class, in accordance with the discount rates of the foreign Central Banks concerned. The same applied to bills in DM which had been accepted abroad (Decision of 22/23 March 1950), and also to export drafts (Decision of 15/16 November 1950 and 23/24 May 1951); see also footnote ⁵⁾. —

²⁾ Promissory notes arising under the export promotion scheme of the Reconstruction Loan Corporation were discounted at the preferential rate of 4 1/2% even after the raising of the discount rate on 27 October 1950 (Decision of 29/30 November 1950). This privilege in regard to the interest rate was cancelled by decision of 7/8 November 1951; and it could then be claimed only for promissory notes arising from credits which were granted or promised not later than 7 November 1951. — ³⁾ Under a decision taken by the Board of Directors of the Bank deutscher Länder on 20 December 1950 the interest rate for cash advances to the Reconstruction Loan Corporation was fixed, with effect from 27 October 1950, at 4 1/2% in the case of lendings to agriculture, maritime shipping and housebuilding, and at 5 1/2% in the case of lendings serving other purposes. —

⁴⁾ From 29 May 1952 there was in effect only the special arrangement mentioned under ³⁾ for lendings to be used for financing agriculture, maritime shipping and housebuilding, to which lendings until their redemption the rate of 4 1/2% applied. — ⁵⁾ From 19 May 1956 onwards also discount rate for foreign bills, foreign cheques, foreigners' DM acceptances, and export drafts.

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

Applicable from:	Treasury Bills of Federal Government and Federal Railways running for		Non-interest-bearing Treasury Bonds of Federal Government, Federal Railways and Federal Postal Administration running for				Storage Agency Bills running for	
	30 to 59 days	60 to 90 days	6 months	12 months	18 months	24 months	30 to 59 days	60 to 90 days
	1959 Jan. 10	2 1/8	2 1/4	2 1/8	2 5/8	2 7/8	3 1/8	2 1/4	2 3/8
April 9	2	2 1/8	2 3/8	2 1/2	2 3/4	3	2 1/8	2 1/4
April 15	1 7/8	2	2 1/4	2 3/8	2 5/8	2 7/8	2	2 1/8
Sep. 4	2 3/8	2 1/2	2 3/4	3	3 1/4	3 1/2	2 1/2	2 5/8
Sep. 23	2 1/2	2 5/8	2 7/8	3	3 1/4	3 1/2	2 5/8	2 3/4
Sep. 30	2 5/8	2 3/4	3	3 1/8	3 3/8	3 5/8	2 3/4	2 7/8
Oct. 16	2 1/2	2 5/8	2 7/8	3 1/8	3 3/8	3 5/8	2 5/8	2 3/4
Oct. 23	3 1/2	3 5/8	3 7/8	4 1/8	4 1/4	4 1/2	3 5/8	3 3/4
Oct. 28	3 1/2	3 5/8	3 7/8	4 1/8	4 1/4	4 3/8	3 5/8	3 3/4
Dec. 21	3 5/8	3 3/4	4	4 1/4	4 3/8	4 1/2	3 3/4	3 7/8
1960 Feb. 29	3 3/4	3 7/8	4 1/8	4 3/8	4 1/2	4 5/8	3 7/8	4
Mar. 3	3 7/8	4	4 1/4	4 1/2	4 5/8	4 3/4	4	4 1/8
June 3	4 3/4	4 7/8	5 1/8	5 1/4	5 3/8	5 1/2	4 7/8	5
Nov. 2	4 5/8	4 3/4	5	5 1/8	5 1/4	5 5/8	4 3/4	4 7/8
Nov. 3	4 5/8	4 1/2	4 3/4	4 7/8	5	5 1/8	4 1/2	4 5/8
Nov. 11	3 7/8	4	4 3/4	4 5/8	4 1/2	4 5/8	4	4 1/8
Dec. 20	3 5/8	3 3/4	4	4 1/4	4 1/4	4 3/8	3 3/4	3 7/8
1961 Jan. 20	3 1/8	3 1/4	3 1/2	3 5/8	3 3/4	3 7/8	3 1/4	3 3/8
Feb. 9	3	3 1/8	3 3/8	3 1/2	3 3/8	3 3/4	3 1/8	3 1/4
Feb. 14	2 7/8	3	3 1/4	3 3/8	3 1/2	3 3/8	3	3 1/8
Mar. 3	2 3/4	2 7/8	3 1/8	3 1/4	3 1/2	3 1/2	2 7/8	3
Mar. 8	2 5/8	2 3/4	3	3 1/8	3 1/4	3 3/8	2 3/4	2 7/8
Mar. 17	2 1/2	2 5/8	2 7/8	3	3 1/8	3 1/4	2 5/8	2 3/4
Mar. 23	2 3/8	2 1/2	2 3/4	2 7/8	3	3 1/8	2 1/2	2 5/8
April 26	2 1/4	2 3/8	2 3/8	2 3/4	2 7/8	3	2 3/8	2 1/2
May 5	2 1/8	2 1/4	2 1/8	2 3/8	2 3/4	2 7/8	2 1/4	2 3/8
Oct. 4	2	2 1/8	2 3/8	2 1/2	2 3/8	2 3/4	2 1/8	2 1/4
Oct. 20	1 7/8	2	2 3/8	2 1/2	2 5/8	2 3/4	2	2 1/8
1962 Jan. 4	1 3/4	1 7/8	2 1/4	2 3/8	2 5/8	2 3/4	1 7/8	2

(c) Rates for Prime Bankers' Acceptances % per annum

Applicable from:	Prime bankers' acceptances with remaining life of	
	30 to 59 days (short sight) mean rate	60 to 90 days (long sight) mean rate
	1961 Jan. 16	3 15/16	3 15/16
20	3 7/16	3 7/16
Feb. 9	3 5/16	3 5/16
14	3 3/16	3 3/16
23	3 5/16	3 5/16
March 4	3 7/16	3 7/16
24	3 5/16	3 5/16
9	3 3/16	3 3/16
10	3 1/16	3 1/16
17	2 15/16	2 15/16
23	2 13/16	2 13/16
April 26	2 11/16	2 11/16
May 5	2 1/8	2 1/8
June 13	2 5/8	2 1/2
22	2 3/8	2 1/2
July 25	2 5/8	2 1/2
Aug. 1	2 3/4	2 1/2
9	2 5/8	2 1/2
15	2 1/2	2 1/2
18	2 1/4	2 1/4
31	2 3/8	2 1/4
Sep. 4	2 1/2	2 1/2
22	2 3/8	2 1/2
25	2 5/8	2 1/2
Oct. 4	2 1/2	2 1/2
10	2 3/8	2 1/2
31	2 1/2	2 1/2
Nov. 20	2 5/8	2 1/2
Dec. 21	2 3/4	2 1/2
1	2 7/8	2 1/2
6	2 5/8	2 1/2
15	2 7/8	2 1/2
27	2 5/8	2 1/2
1962 Jan. 3	2 1/2	2 1/2
4	2 1/4	2 1/2
29	2 3/8	2 1/2
Feb. 1	2 1/2	2 1/2

2. Interest Rates (cont'd)

(d) Money Market Rates¹⁾ in Frankfurt (Main), by Months

% per annum

Month	Day-to-day money ²⁾	One-month loans ²⁾	Three-month loans ²⁾	Month	Day-to-day money ²⁾	One-month loans ²⁾	Three-month loans ²⁾
1959				1961			
January	2 — 2 3/4	2 3/8 — 2 5/8	2 3/8 — 3	January	3 — 4 3/4	4 1/8 — 4 1/2	4 1/2 — 4 7/8
February	2 3/8 — 3 1/2	2 1/2 — 2 5/8	2 3/4 — 3	February	2 5/8 — 4 1/8	3 3/4 — 4 1/8	3 7/8 — 4 3/8
March	2 — 2 7/8	2 5/8 — 3	2 7/8 — 3 1/8	March	2 1/2 — 4 1/4	3 1/4 — 4	3 3/8 — 4
April	1 3/4 — 2 7/8	2 1/4 — 2 3/4	2 1/2 — 2 7/8	April	2 3/8 — 3 1/2	3 — 3 1/4	3 1/4 — 3 3/8
May	2 1/4 — 2 7/8	2 5/8 — 2 3/4	2 3/4 — 2 7/8	May	2 1/8 — 3 1/8	3 — 3 1/4	3 1/8 — 3 1/4
June	2 — 3	2 1/2 — 2 3/4	2 3/4 — 3	June	1 7/8 — 3 1/4	2 7/8 — 3 1/8	3 — 3 1/4
July	1 3/4 — 2 3/4	2 1/8 — 2 5/8	2 1/2 — 2 7/8	July	2 1/8 — 3 1/8	3	3 1/8 — 3 1/4
August	2 1/8 — 2 3/4	2 3/8 — 2 5/8	2 3/8 — 2 3/4	August	1 3/4 — 3 1/8	2 7/8 — 3	3 — 3 1/8
September	2 3/8 — 3 1/8	2 5/8 — 3	2 7/8 — 3 1/4	September	2 3/8 — 3 1/2	2 7/8 — 3 1/8	3 — 3 1/8
October	1 1/2 — 3 1/4	2 3/4 — 3 1/4	3 1/2 — 4	October	1 3/4 — 3 1/8	2 5/8 — 3	3 7/8 — 4 1/4
November	3 3/4 — 4 1/8	3 5/8 — 4 1/8	4 1/2 — 4 3/4	November	2 3/8 — 3 1/4	2 5/8 — 2 7/8	3 1/2 — 3 7/8
December	3 — 4 1/8 ³⁾	4 3/4 — 4 7/8	4 5/8 — 4 7/8	December	2 5/8 — 3 1/2 ⁵⁾	4 — 4 1/4	3 5/8 — 4
1960							
January	3 1/4 — 4 1/8	3 7/8 — 4 1/4	4 1/4 — 4 3/8				
February	3 5/8 — 4 1/4	4 1/8 — 4 3/4	4 3/8 — 4 1/2				
March	3 1/2 — 4 5/8	4 3/8 — 4 3/4	4 5/8 — 4 7/8				
April	3 1/2 — 4 3/8	4 1/4 — 4 1/2	4 1/2 — 4 3/4				
May	3 1/2 — 4 1/4	4 1/4 — 4 3/8	4 1/2 — 4 3/4				
June	4 1/4 — 5 1/4	4 3/8 — 5 1/2	4 5/8 — 5 5/8				
July	4 — 5 3/8	5 1/8 — 5 5/8	5 1/2 — 5 3/4				
August	4 3/8 — 5 1/8	5 1/4 — 5 5/8	5 3/8 — 5 1/2				
September	4 7/8 — 5 5/8	5 3/8 — 5 5/8	5 1/2 — 5 3/4				
October	4 3/4 — 5 7/8	5 1/4 — 5 1/2	5 7/8 — 6 1/4				
November	4 — 5 3/8	4 3/8 — 5 3/8	5 1/8 — 6				
December	3 1/2 — 5 1/8 ⁴⁾	5 1/4 — 5 3/4	5 — 5 1/8				

¹⁾ Money-market rates are not fixed or quoted officially. The rates here published have been ascertained from Frankfurt banks. They may be considered to be representative. — ²⁾ Lowest and highest rate quoted during month. — ³⁾ Money at the end of the month 5 to 5 3/8%. — ⁴⁾ Money at the end of the month 5 1/2 to 5 3/4%. — ⁵⁾ Money at the end of the month 4 1/2 to 4 7/8%.

(e) Rates for Day-to-Day Money¹⁾ in Frankfurt (Main) by Bank Return Weeks

% per annum

Week	1959		1960		1961		1962	
	Lowest rate	Highest rate	Lowest rate	Highest rate	Lowest rate	Highest rate	Lowest rate	Highest rate
Jan. 1 — 7	2	2 3/4	3 5/8	4	3 7/8	4 1/8	1 3/4	2 3/4
8 — 15	2	2 1/8	3 3/4	4 1/8	4 1/4	4 5/8	1 1/4	1 7/8
16 — 23	2	2 3/8	3 7/8	4 1/8	4	4 3/4	1 3/8	1 3/4
24 — 31	2	2 3/4	3 1/4	3 7/8	3	4 1/4	1 1/2	2 3/4
Feb. 1 — 7		2 5/8	4	4 1/8	3 7/8	4 1/8		
8 — 15	2 3/8	2 1/2	3 5/8	4	2 3/4	3 3/4		
16 — 23	2 3/8	2 3/4	3 5/8	3 7/8	2 5/8	3 1/2		
24 — 28	2 1/2	3 1/2	3 3/4	4 1/4	3 1/2	3 7/8		
March 1 — 7	2 3/4	2 7/8	4 1/8	4 3/8	3 7/8	4 1/4		
8 — 15	2 3/8	2 3/4	4 1/4	4 1/2	2 7/8	3 7/8		
16 — 23	2 3/8	2 3/4	4 1/2	4 5/8	2 5/8	3		
24 — 31	2	2 3/8	3 1/2	4 3/8	2 1/2	3		
April 1 — 7	2 1/4	2 3/4	4 1/8	4 3/8	3 1/4	3 1/2		
8 — 15	1 7/8	2 1/4	4	4 1/4	3 1/8	3 1/4		
16 — 23	1 3/4	2	3 1/2	4	2 3/4	3 1/8		
24 — 30	1 3/4	2 7/8	3 5/8	4	2 3/8	3		
May 1 — 7		2 3/4	4	4 1/4	2 7/8	3 1/8		
8 — 15	2 1/2	2 3/4	3 7/8	4	3	3 1/8		
16 — 23	2 5/8	2 7/8	3 7/8	4	3	3 1/8		
24 — 31	2 1/4	2 3/4	3 1/2	4	2 1/8	3		
June 1 — 7	2 1/2	2 3/4	4 1/4	4 7/8	2 5/8	3 1/8		
8 — 15	2	2 1/2	4 7/8	5	1 7/8	2 1/2		
16 — 23	2	2 1/4	5	5 1/4	2	2 3/8		
24 — 30	2 1/4	3	5	5 3/4	2 1/2	3 1/4		
July 1 — 7	2 3/8	2 3/4	5 1/8	5 3/8	2 7/8	3		
8 — 15	2 1/4	2 3/8	4 7/8	5 1/8	3	3 1/8		
16 — 23	2 3/8	2 3/8	4 3/4	5 1/8	2 3/4	3 1/8		
24 — 31	1 3/4	2 1/8	4	4 3/4	2 1/8	2 3/4		
Aug. 1 — 7	2 1/8	2 1/2	5	5 1/8	2 7/8	3 1/8		
8 — 15		2 1/8	5	5	2 1/8	2 3/4		
16 — 23	2 1/4	2 3/8	4 7/8	5	2	2 1/8		
24 — 31	2 1/4	2 3/4	4 3/8	4 7/8	1 3/4	2		
Sep. 1 — 7	2 1/2	2 7/8	5 1/8	5 1/4	2 3/4	3		
8 — 15	2 3/8	2 3/4	5 1/8	5 1/4	2 3/8	2 3/4		
16 — 23	2 3/8	2 3/8	5 1/4	5 5/8	2 3/8	3		
24 — 30	2 5/8	3 1/8	4 7/8	5 5/8	3	3 1/2		
Oct. 1 — 7	2 7/8	3 1/8	5	5 3/8	2 5/8	3 1/8		
8 — 15	2 5/8	2 7/8	5 3/8	5 5/8	2 1/8	2 1/8		
16 — 23	1 1/2	2 3/8	5 5/8	5 7/8	1 3/4	2 1/4		
24 — 31	1 1/2	3 1/4	4 3/4	5 3/4	1 3/4	2 5/8		
Nov. 1 — 7	3 3/4	4	5 1/8	5 3/8	2 5/8	2 7/8		
8 — 15	3 7/8	4	4 1/4	5 1/4	2 3/8	2 3/4		
16 — 23	4	4 1/8	4 5/8	5	2 3/8	3		
24 — 30	3 7/8	4 1/8	4	5 1/8	2 5/8	3 1/4		
Dec. 1 — 7	3 7/8	4 1/8	4 3/4	5 1/8	2 5/8	3 1/8		
8 — 15	3 3/4	4 1/8	4 1/8	4 7/8	2 5/8	2 7/8		
16 — 23	3 3/4	4 1/8	3 3/4	4 1/4	2 1/8	3 1/2		
24 — 30	3	3 7/8	3 1/2	4	2 7/8	3 1/8		
End of December	5	5 1/8	5 1/2	5 3/4	4 1/2	4 7/8		

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

(f) The Debtor and Creditor Interest Rates¹⁾

Debtor Interest Rates of Credit Institutions since 5 May 1961, Creditor Interest Rates (except those on savings deposits)

	Baden-Württemberg ²⁾		Bavaria ²⁾		Berlin ²⁾		Bremen ²⁾		Hamburg ³⁾	
Debtor Interest Rates, in per cent per annum										
D = Central Bank Discount Rate, at present 3 A = Central Bank Advance Rate, at present 4										
Charges for Credits										
1. Charges for credits in current account	in detail	total	in detail	total	in detail	total	in detail	total	in detail	total
(a) Approved credits ⁴⁾										
Interest	A + 1/2%		A + 1/2%		A + 1/2%		A + 1/2%		A + 1/2%	
Credit commission	1/4% per month	7 1/2	1/4% per month	7 1/2	1/4% per month	7 1/2	1/4% per month	7 1/2	1/4% per month	7 1/2
(b) Overdrafts										
Interest	A + 1/2%		A + 1 1/2%		A + 1/2%		A + 1/2%		A + 1/2%	
Overdraft commission	1/8% per day	9	1/8% per day	10	1/8% per day	9	1/8% per day	9	1/8% per day	9
2. Acceptance credits (normal terms)										
Interest	D + 1/2%		D + 1/2%		D + 1/2%		D + 1/2%		D + 1/2%	
Acceptance commission	1/4% per month	6 1/2	1/4% per month	6 1/2	1/4% per month	6 1/2	1/4% per month	6 1/2	1/4% per month	6 1/2
3. Charges for discount credits										
(a) Items of DM 20,000.— or above										
Interest	D + 1/2%		D + 1 1/2%		D + 1%		D + 1/2% - 1%		D + 1%	
Discount commission	1/8% per month	5	1% per month	5 7/10	1/8% per month	5 1/2	1/8% per month	5-5 1/2	1/8% per month	5 1/2
(b) Items from DM 5,000.— to under DM 20,000.—										
Interest	D + 1/2%		D + 1 1/2%		D + 1%		D + 1/2% - 1%		D + 1%	
Discount commission	1/8% per month	5	1% per month	5 7/10	1/8% per month	5 1/2	1/8% per month	5-5 1/2	1/8% per month	5 1/2
(c) Items from DM 1,000.— to under DM 5,000.—										
Interest	D + 1%		D + 1 1/2%		D + 1%		D + 1/2% - 1%		D + 1%	
Discount commission	1/8% per month	5 1/2	1/8% per month	6	1/8% per month	6	1/8% per month	5 1/2-6	1/8% per month	6
(d) Items under DM 1,000.—										
Interest	D + 1%		D + 1 1/2%		D + 1%		D + 1/2% - 1%		D + 1%	
Discount commission	1/8% per month	6	1/8% per month	6 1/2	1/4% per month	7	1/4% per month	6 1/2-7	1/4% per month	7
4. Drawings on customers										
Interest	no rates fixed		no rates fixed		no rates fixed		no rates fixed		no rates fixed	
Credit commission										
5. Turnover commission	no terms stated		1/8% per half-year, on minimum of three times highest debit balance		1/2 - 1% of turnover on larger side, minimum 1% p. a. of amount of credit		1/2% on the larger side of the accounts less balance brought forward, minimum 1/2% per half-year on amount of credit		Calculation according to Art. 5 of Agreement on Debtor Interest, together with instructions issued by Reich Credit Supervisory Office on 5 March 1942	
6. Minimum charges for discounting	DM 2.—		DM 2.—		DM 2.—		DM 2.—		DM 2.—	
7. Domicile commission	1/2%, minimum DM —.50		not fixed		not fixed		1/2%		not fixed	
Creditor Interest Rates ⁷⁾ , in per cent per annum										
Deposit Interest Rates										
1. for monies payable on demand										
(a) on accounts free of commission	3/8		3/8		3/8		3/8		3/8 ⁸⁾	
(b) on accounts subject to commission	3/4		3/4		3/4		3/4		3/4	
2. Savings deposits										
(a) with legal period of notice	3 1/4		3 1/4		3 1/4		3 1/4		3 1/4	
(b) with agreed period of notice ⁹⁾ of										
(1) 6 months to less than 12 months	3 1/2		3 1/2		3 1/2		3 1/2		3 1/2	
(2) 12 months and over	4		4		4		4		4	
3. for monies at notice of										
(a) 1 to less than 3 months	1 3/4		1 3/4		1 3/4		1 3/4		1 3/4	
(b) 3 to less than 6 months	2 1/4		2 1/4		2 1/4		2 1/4		2 1/4	
(c) 6 to less than 12 months	2 3/4		2 3/4		2 3/4		2 3/4		2 3/4	
(d) 12 months and over	3 1/2		3 1/2		3 1/2		3 1/2		3 1/2	
4. for monies placed for fixed periods of										
(a) 30 to 89 days	1 3/4		1 3/4		1 3/4		1 3/4		1 3/4	
(b) 90 to 179 days	2 1/4		2 1/4		2 1/4		2 1/4		2 1/4	
(c) 180 to 359 days	2 3/4		2 3/4		2 3/4		2 3/4		2 3/4	
(d) 360 days and over	3 1/2		3 1/2		3 1/2		3 1/2		3 1/2	
5. Preferential rate of interest ¹⁰⁾	1/8 - 1/2		1/8 - 1/2		1/8 - 1/2		1/8 - 1/2		1/8 - 1/2	

¹⁾ Compiled on the basis of notifications, published by the Bank Supervisory Authorities of the Länder, concerning the fixing of interest and commission rates. The table does not take approval of the appropriate Bank Supervisory Authority, to charge higher rates in cases where there is good reason for doing so. — ²⁾ Maximum rates. — ³⁾ Apart from cases where charges for the approved credit are below the rate quoted, whereas the charges for the credit taken may exceed this rate. According to Art. 2 of the Debtor Interest Agreement, interest from the highest debit balance. — ⁴⁾ For items under DM 1,000.— a processing fee of DM 1.— to DM 2.— is to be charged, according to circumstances, irrespective of the charges for customers. Non-banker customers in the meaning of Art. 3 of the skeleton agreement of 22 December 1936 include, e.g., cash offices of public authorities, and insurance companies. — ⁵⁾ Notice will only be permissible after expiry of a period of six months, such period to commence on the day of deposit. — ⁶⁾ In compliance with a decision adopted by the Special does not exceed DM 40 million, joint stock companies and other corporations, private bankers and partnerships with a balance-sheet total not greater than DM 60 million may,

Rates (cont'd)

in force in the Individual Länder

of Credit Institutions since 10 June 1961, Interest Rates on Savings Deposits since 1 July 1961

Hesse ²⁾		Lower Saxony ²⁾		North Rhine-Westphalia ²⁾		Rhineland-Palatinate ²⁾		Saarland		Schleswig-Holstein ²⁾	
Debtor Interest Rates, in per cent per annum											
D = Central Bank Discount Rate, at present ³						A = Central Bank Advance Rate, at present ⁴					
in detail	total	in detail	total	in detail	total	in detail	total	in detail	total	in detail	total
A + 1/2% 1/4% per month	7 1/2	A + 1/2% 1/4% per month	7 1/2	A + 1/2% 1/4% per month	7 1/2	A + 1/2% 1/4% per month	7 1/2	A + 1/2% 1/4% per month	7 1/2	A + 1/2% 1/4% per month	7 1/2
A + 1/2% 1/8% per day	9	A + 1/2% 1/8% per day	9	A + 1/2% 1/8% per day	9	A + 1/2% 1/8% per day	9	A + 1/2% 1/8% per day	9	A + 1/2% 1/8% per day	9
D + 1/2% 1/4% per month	6 1/2	D + 1/2% 1/4% per month	6 1/2	D + 1/2% 1/4% per month	6 1/2	D + 1/2% 1/4% per month	6 1/2	D + 1/2% 1/4% per month	6 1/2	D + 1/2% 1/4% per month	6 1/2
D + 1/2% 1/8% per month	5	A + 1/2% 1/24% per month	5	D + 1 1/2% 1/24% per month	5	D + 1 1/2% 1/24% per month	5	D + 1 1/2% 1/24% per month	5	D + 1% 1/8% per month	5 1/2
D + 1/2% 1/8% per month	5 1/2	A + 1/2% 1/12% per month	5 1/2	D + 1 1/2% 1/12% per month	5 1/2	D + 1 1/2% 1/24-1/12% per month	5-5 1/2	D + 1 1/2% 1/12% per month	5 1/2	D + 1% 1/8% per month	5 1/2
D + 1 1/2% 1/8% per month	6	A + 1/2% 1/8% per month	6	D + 1 1/2% 1/8% per month	6	D + 1 1/2% 1/8% per month	6	D + 1 1/2% 1/8% per month	6	D + 1% 1/8% per month	6
D + 1 1/2% 1/8% per month	6	A + 1/2% 1/8% per month	6 1/2 ⁵⁾	D + 1 1/2% 1/8% per month	6 ⁵⁾	D + 1 1/2% 1/8% per month	6 ⁵⁾	D + 1 1/2% 1/8% per month	6 ⁵⁾	D + 1% 1/4% per month	7 ⁵⁾
A + 1/2% 1/4% per month	7 1/2	no rates fixed		no rates fixed		A + 1/2% 1/4% per month	7 1/2	A + 1/2% 1/4% per month	7 1/2	no rates fixed	
Calculation according to Art. 5 of Agreement on Debtor Interest, together with instructions issued by Reich Credit Supervisory Office on 5 March 1942				1/8% per half-year		Calculation according to Art. 5 of Agreement on Debtor Interest, together with instructions issued by Reich Credit Supervisory Office on 5 March 1942					
DM 2.— 1/2% per month, minimum DM —.50		DM 2.— 1/2% per month, minimum DM —.50		DM 2.— 1/2% per month, minimum DM —.50		DM 2.— 1/2% per month, minimum DM —.50		DM 2.— 1/2% per month, minimum DM —.50		DM 2.— not fixed	
Creditor Interest Rates ⁷⁾, in per cent per annum											
3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4
3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2
4	4	4	4	4	4	4	4	4	4	4	4
1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4
2 1/4	2 1/4	2 1/4	2 1/4	2 1/4	2 1/4	2 1/4	2 1/4	2 1/4	2 1/4	2 1/4	2 1/4
2 3/4	2 3/4	2 3/4	2 3/4	2 3/4	2 3/4	2 3/4	2 3/4	2 3/4	2 3/4	2 3/4	2 3/4
3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2
1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4
2 1/4	2 1/4	2 1/4	2 1/4	2 1/4	2 1/4	2 1/4	2 1/4	2 1/4	2 1/4	2 1/4	2 1/4
2 3/4	2 3/4	2 3/4	2 3/4	2 3/4	2 3/4	2 3/4	2 3/4	2 3/4	2 3/4	2 3/4	2 3/4
3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2
1/8 — 1/2	1/8 — 1/2	1/8 — 1/2	1/8 — 1/2	1/8 — 1/2	1/8 — 1/2	1/8 — 1/2	1/8 — 1/2	1/8 — 1/2	1/8 — 1/2	1/8 — 1/2	1/8 — 1/2

account of special rates or preferential arrangements which in certain Länder have been provided and agreed for various types of credit. — ²⁾ Normal rates. It is permissible, with the lower rates are allowed, the total interest rate computed corresponds to the actual charges for credit only if the approved credit is fully taken. If it is availed of only partially the may in fact only be charged for credits actually taken. Credit commission may however be computed in advance from credits firmly approved or, in the case of tacitly granted credit, discounting. — ⁴⁾ Also for bills on places where there is no branch establishment of the Deutsche Bundesbank. — ⁷⁾ These maximum rates apply to transactions with non-banker ⁸⁾ No interest is paid, at the Hamburg clearing banks, on giro accounts amounting to not more than DM 10,000.— — ⁹⁾ When accepting savings deposits with agreed period of notice, Bank Supervisory Commission and with the conditions laid down in the notifications of the various Bank Supervisory Authorities, credit cooperatives whose balance-sheet total as from April 1954, exceed the maximum rates fixed for creditor interest by no more than the rates here shown; for a specification of the rates, see the table overleaf.

7. Placing of Industrial Bonds and of Shares

Issuers classified by branches of economic activity
Nominal value in millions of DM

Issuers' branch of economic activity	Industrial Bonds						Shares					
	1948 (2nd half) to 1957	1958	1959 ¹⁾	1960	1961	Total since Currency Reform	1948 (2nd half) to 1957	1958	1959 ¹⁾	1960	1961	Total since Currency Reform
1) Agriculture, forestry and fisheries	—	—	—	—	—	—	2.8	0.9	—	—	2.6	6.3
2) Mining, production and processing of stones and earths	654.7	391.0	260.0	10.0	—	1,315.7	694.7	53.6	96.4	105.6	168.5	1,118.8
3) Production and processing of iron and metal	719.2	217.5	100.0	—	—	1,036.7	275.4	82.8	178.7	413.3	192.4	1,142.6
4) Power production and public utilities	1,034.0	317.0	288.9	13.7	115.0	1,768.6	876.3	83.6	127.2	213.6	327.0	1,627.7
5) Steel and iron construction, machine, vehicle and ship building, hardware, precision instruments, optical goods and electrical engineering	338.0	125.6	50.0	—	150.0	663.6	1,273.9	127.5	141.9	400.5	385.4	2,329.2
6) Chemicals, mineral oil processing, coal derivatives, rubber, plastics	547.7	464.5	171.0	—	—	1,183.2	1,423.1	318.1	435.2	330.8	569.9	3,077.1
7) Food, beverages and tobacco, feedingsuffs	11.1	—	—	—	—	11.1	152.3	46.0	41.1	30.3	40.7	310.4
8) Other processing industries (pottery, glass, sawing, wood, paper, leather, textiles, clothing)	75.5	42.6	—	—	0.9	119.0	220.1	17.4	29.0	66.6	66.7	399.8
9) Building and allied trades	37.2	3.7	3.8	3.8	3.7	52.2	28.3	4.8	1.5	10.6	15.9	61.1
10) Housing and real estate	—	—	—	—	—	—	144.6	16.7	29.3	25.7	73.5	289.8
11) Sundry services	—	—	—	—	—	—	45.2	4.8	4.9	0.8	8.1	63.8
12) Commerce, banking, insurance companies	38.0	15.0	45.0	—	50.0	148.0 ²⁾	951.5	273.4	221.0	279.4	318.5	2,043.8
13) Transport	10.0	75.0	—	—	—	85.0	169.9	108.2	76.1	27.2	21.8	403.2
14) Public services	—	—	—	—	—	—	4.6	1.7	0.7	0.1	1.4	8.5
Total	3,465.4	1,651.9	918.7	27.5	319.6	6,383.1	6,262.7	1,139.5	1,383.0	1,904.5	2,192.4	12,882.1

¹⁾ Including Saarland figures from 1948 to 1959 (amounts in French francs converted at the rate of ffrs 100 = DM 0.8507). — ²⁾ Bonds of commercial enterprises.

8. Interest Rates and Issue Prices of Fully Taxed Securities

Placings in millions of DM (nominal value)

Category of securities, issue prices	Interest Rates (%)							Total	Interest Rates (%)							Total
	less than 4 1/2	4 1/2 to less than 5	5 to less than 5 1/2	5 1/2 to less than 6	6 to less than 6 1/2	6 1/2 to less than 7	7 and over		less than 4 1/2	4 1/2 to less than 5	5 to less than 5 1/2	5 1/2 to less than 6	6 to less than 6 1/2	6 1/2 to less than 7	7 and over	
I) Bonds of German issuers	December 1961								November 1961							
1) Mortgage bonds ¹⁾ and communal bonds of which, at issue price of less than 93	—	11.0	38.4	220.7	300.6	0.0	0.0	570.7	—	1.9	71.6	181.0	145.4	0.1	—	400.0
93 to - - - 94	—	—	15.5	22.6	—	—	—	—	—	—	1.1	—	—	—	—	—
94 - - - 95	—	—	1.8	0.7	—	—	—	—	—	—	7.8	—	—	—	—	—
95 - - - 96	—	—	0.4	1.3	—	—	—	—	—	—	8.8	0.0	—	—	—	—
96 - - - 97	—	—	0.6	45.7	—	—	—	—	—	—	5.5	9.3	—	—	—	—
97 - - - 98	—	—	0.5	55.4	—	—	—	—	—	—	3.0	38.0	4.0	—	—	—
98 - - - 99	—	—	—	46.1	0.1	—	—	—	—	—	1.0	96.4	0.0	—	—	—
99 - - - 100	—	—	1.2	22.5	0.1	—	—	—	—	—	—	6.0	0.1	—	—	—
100 - - - 101	—	10.0	3.4	19.4	69.8	0.0	—	—	—	—	1.9	23.5	20.6	—	—	—
101 - - - 102	—	1.0	15.0	6.0	233.9	—	0.0	—	—	—	—	41.9	5.8	113.5	—	—
102 and over	—	—	—	1.0	2.7	—	—	—	—	—	—	2.0	7.2	0.1	—	—
2) Industrial bonds (including convertible bonds) of which, at issue price of 100	—	—	—	—	150.0	—	—	150.0	—	—	—	—	—	—	—	—
3) Loans of public authorities of which, at issue price of less than 99	—	—	0.1 ²⁾	—	104.6	—	—	104.7	11.7 ³⁾	117.5 ³⁾	0.2 ³⁾	—	—	—	—	129.4
99 to - - - 100	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
100 - - - 101	—	—	0.1	—	104.6	—	—	—	—	—	0.2	—	—	—	—	—
101 and over	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4) Bonds of specialised credit institutions and others of which, at issue price of less than 96	1.5 ⁴⁾	5.0 ⁴⁾	—	2.0	63.3	—	—	71.8	—	62.0 ⁴⁾	1.0	1.4	61.1	—	—	125.5
96 to - - - 97	1.5	—	—	0.3	—	—	—	—	—	—	—	0.1	—	—	—	—
97 - - - 98	—	—	—	1.7	—	—	—	—	—	—	—	—	—	—	—	—
98 - - - 99	—	5.0	—	—	3.0	—	—	—	—	—	—	1.3	—	—	—	—
99 - - - 100	—	—	—	—	1.2	—	—	—	—	62.0	—	—	—	2.3	—	—
100 - - - 101	—	—	—	—	59.1	—	—	—	—	—	—	—	—	58.0	—	—
101 and over	—	—	—	—	—	—	—	—	—	—	—	—	—	0.8	—	—
II) Loans of foreign issuers	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	1.5	16.0	38.5	222.7	618.5	0.0	0.0	897.2	11.7	181.4	72.8	182.4	206.5	0.1	—	654.9

¹⁾ Including ship mortgage bonds. — ²⁾ 5 % Loan of the Federal Republic of Germany (development aid). — ³⁾ Medium-term notes (Kassensobligationen). — ⁴⁾ Among which, DM 20.0 million of medium-term notes.

VI. Public Finances

1. Equalisation Claims *)

in millions of DM

	All creditors	Deutsche Bundesbank	Credit institutions ¹⁾	Insurance companies	Building and loan associations	Fund for the Purchase of Equalisation Claims ²⁾
I. Movement to date						
(1) Equalisation Claims allocated ³⁾	21,617	8,675 ⁴⁾	7,599	5,277	66	—
(2) Decrease in holdings						
(a) linear and premature redemption	1,125	—	691	429	5	—
(b) repurchases and offsets by debtors	85	—	84	1	—	—
(3) Balance (1 less 2)	20,407	8,675	6,824	4,847	61	—
(4) Change of creditor						
(a) sales to the Fund for the Purchase of Equalisation Claims	—	—	-/. 289	-/. 83	-/. 5	+ 377
(b) temporary sales to Deutsche Bundesbank (less repurchases)	—	+ 49	-/. 49	—	—	—
(c) balance of purchases and sales between other creditor groups	—	—	+ 204	-/. 202	-/. 2	—
(5) Holdings at the end of December 1961	20,407	8,724 ⁵⁾	6,690	4,562	54	377
note: of which, converted into money-market paper	5,292	5,292 ⁵⁾	—	—	—	—
II. Holdings at the end of December 1961 broken down by interest rates and debtors						
(1) Breakdown by interest rates						
(a) non-interest-bearing Equalisation Claims	59	—	3	—	—	56
(b) 3% Equalisation Claims	14,402	8,177	6,073	—	—	152
(c) 3 1/2% Equalisation Claims	4,901	—	204	4,552	54	91
(d) 4 1/2% Equalisation Claims	488	—	410	—	—	78
(e) 3% Special Equalisation Claims	10	—	—	10	—	—
(f) non-interest-bearing debt certificate ⁶⁾	547	547	—	—	—	—
(2) Breakdown by debtors						
(a) Federal Government	11,142	8,675	458	1,929	—	80
(b) Länder	9,265	49	6,232	2,633	54	297
(3) Total (1a to 1f = 2a + 2b)	20,407	8,724 ⁵⁾	6,690	4,562	54	377
note: of which, converted into money-market paper	5,292	5,292 ⁵⁾	—	—	—	—

*) The figures are chiefly based on special statistics collected as at 31 October 1957, the results of which have as far as possible been projected to the date indicated. — ¹⁾ Including Postal Cheque and Postal Savings Bank offices as well as, in contrast to the monthly balance-sheet statistics, the small agricultural credit cooperatives whose balance-sheet total at the end of 1953 amounted to less than DM 500,000. — ²⁾ According to Art. 8 et seq. of the Law on the Redemption of Equalisation Claims dated 14 June 1956. — ³⁾ Including those equalisation claims which are yet to be allocated to the institutions in accordance with their conversion accounts. — ⁴⁾ Including non-interest-bearing debt certificate; cf. footnote ²⁾. — ⁵⁾ The holding of DM 3,432 million shown in the Return of the Deutsche Bundesbank as of 31 December 1961 (Table II B) is the difference between the amount of DM 8,724 million recorded under I (5) and II (3) and that part of the equalisation claims, amounting to DM 5,292 million, which was converted into money-market paper for purposes of open-market policy. — ⁶⁾ Non-interest-bearing debt certificate of the Federal Government concerning money supply to Berlin.

IX. Official Foreign Exchange Quotations on the Frankfurt Bourse (cont'd)

Spot Rates in DM

Date	Oslo			Paris			Stockholm			Vienna			Zurich		
	100 kroner			100 new francs			100 kroner			100 schilling			100 Swiss francs		
	Parity: DM 56.00			Parity: DM 81.0199			Parity: DM 77.3214			Parity: DM 15.3846			Parity: DM 91.4742		
	Middle	Buying	Selling	Middle	Buying	Selling	Middle	Buying	Selling	Middle	Buying	Selling	Middle	Buying	Selling
1961															
Dec.															
1	56.220	56.160	56.280	81.600	81.500	81.700	77.440	77.360	77.520	15.500	15.480	15.520	92.720	92.620	92.820
4	56.215	56.155	56.275	81.560	81.460	81.660	77.445	77.365	77.525	15.501	15.481	15.521	92.715	92.615	92.815
5	56.250	56.190	56.310	81.580	81.480	81.680	77.460	77.380	77.540	15.502	15.482	15.522	92.715	92.615	92.815
6	56.215	56.155	56.275	81.580	81.480	81.680	77.430	77.350	77.510	15.497	15.477	15.517	92.720	92.620	92.820
7	56.150	56.090	56.210	81.535	81.435	81.635	77.390	77.310	77.470	15.481	15.461	15.501	92.630	92.530	92.730
8	56.160	56.100	56.220	81.610	81.510	81.710	77.425	77.345	77.505	15.487	15.467	15.507	92.670	92.570	92.770
11	56.155	56.095	56.215	81.615	81.515	81.715	77.420	77.340	77.500	15.486	15.466	15.506	92.650	92.550	92.750
12	56.150	56.090	56.210	81.600	81.500	81.700	77.420	77.340	77.500	15.486	15.466	15.506	92.650	92.550	92.750
13	56.130	56.070	56.190	81.605	81.505	81.705	77.440	77.360	77.520	15.490	15.470	15.510	92.680	92.580	92.780
14	56.155	56.095	56.215	81.615	81.515	81.715	77.450	77.370	77.530	15.489	15.469	15.509	92.675	92.575	92.775
15	56.160	56.100	56.220	81.590	81.490	81.690	77.470	77.390	77.550	15.488	15.468	15.508	92.685	92.585	92.785
18	56.175	56.115	56.235	81.595	81.495	81.695	77.445	77.365	77.525	15.486	15.466	15.506	92.655	92.555	92.755
19	56.100	56.040	56.160	81.550	81.450	81.650	77.385	77.305	77.465	15.480	15.460	15.500	92.620	92.520	92.720
20	56.090	56.230	56.150	81.575	81.475	81.675	77.380	77.300	77.460	15.485	15.465	15.505	92.650	92.550	92.750
21	56.120	56.060	56.180	81.625	81.525	81.725	77.320	77.240	77.400	15.493	15.473	15.513	92.700	92.600	92.800
22	56.080	56.020	56.140	81.590	81.490	81.690	77.260	77.180	77.340	15.484	15.464	15.504	92.655	92.555	92.755
27	56.110	56.050	56.170	81.615	81.515	81.715	77.190	77.110	77.270	15.488	15.468	15.508	92.660	92.560	92.760
28	56.140	56.080	56.200	81.590	81.490	81.690	77.180	77.100	77.260	15.490	15.470	15.510	92.610	92.510	92.710
29	56.040	55.980	56.100	81.590	81.490	81.690	77.170	77.090	77.250	15.473	15.453	15.493	92.640	92.540	92.740
1962															
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2	56.105	56.045	56.165	81.575	81.475	81.675	77.245	77.165	77.325	15.484	15.464	15.504	92.565	92.465	92.665
3	56.070	56.010	56.130	81.550	81.450	81.650	77.240	77.160	77.320	15.479	15.459	15.499	92.495	92.395	92.595
4	56.045	55.985	56.105	81.535	81.435	81.635	77.230	77.150	77.310	15.469	15.449	15.489	92.475	92.375	92.575
5	56.040	55.980	56.100	81.545	81.445	81.645	77.240	77.160	77.320	15.474	15.454	15.494	92.510	92.410	92.610
8	56.010	55.950	56.070	81.525	81.425	81.625	77.260	77.180	77.340	15.472	15.452	15.492	92.470	92.370	92.570
9	56.025	55.965	56.085	81.455	81.355	81.555	77.260	77.180	77.340	15.464	15.444	15.484	92.430	92.330	92.530
10	56.010	55.950	56.070	81.480	81.380	81.580	77.250	77.170	77.330	15.456	15.436	15.476	92.460	92.360	92.560
11	56.010	55.950	56.070	81.485	81.385	81.585	77.260	77.180	77.340	15.458	15.438	15.478	92.475	92.375	92.575
12	56.020	55.960	56.080	81.505	81.405	81.605	77.260	77.180	77.340	15.452	15.432	15.472	92.495	92.395	92.595
15	56.020	55.960	56.080	81.490	81.390	81.590	77.260	77.180	77.340	15.452	15.432	15.472	92.495	92.395	92.595

EMENDATION

In the Table "Money Supply" published on p. 20 of the *Monthly Report for January 1962*, the breakdown of time deposits by maturities should be amended as follows:

In line II. (2), "among which: at notice or fixed period of 6 months or more", the figures in question should read:

1961, total	+ DM 993 million
1961, 4th quarter	— DM 564 million
1961, July to December	— DM 1,036 million.

In line VI., "Residents' time deposits at notice or fixed period of less than 6 months", the figures in question should read:

1961, total	+ DM 326 million
1961, 4th quarter	+ DM 328 million
1961, July to December	+ DM 668 million.

The statements on p. 23, *left column, first paragraph*, should be amended accordingly.

On p. 17, *right column, line 13 from the bottom*, the words "at the Bundesbank" within the parentheses should be deleted.

