

MONTHLY REPORT OF THE DEUTSCHE BUNDESBANK

APRIL 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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For further information readers may wish to refer to the

***Report of the Deutsche Bundesbank
for the Year 1961***

the English version of which will be distributed shortly.

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The Economic Situation in the Federal Republic of Germany in the Spring of 1962

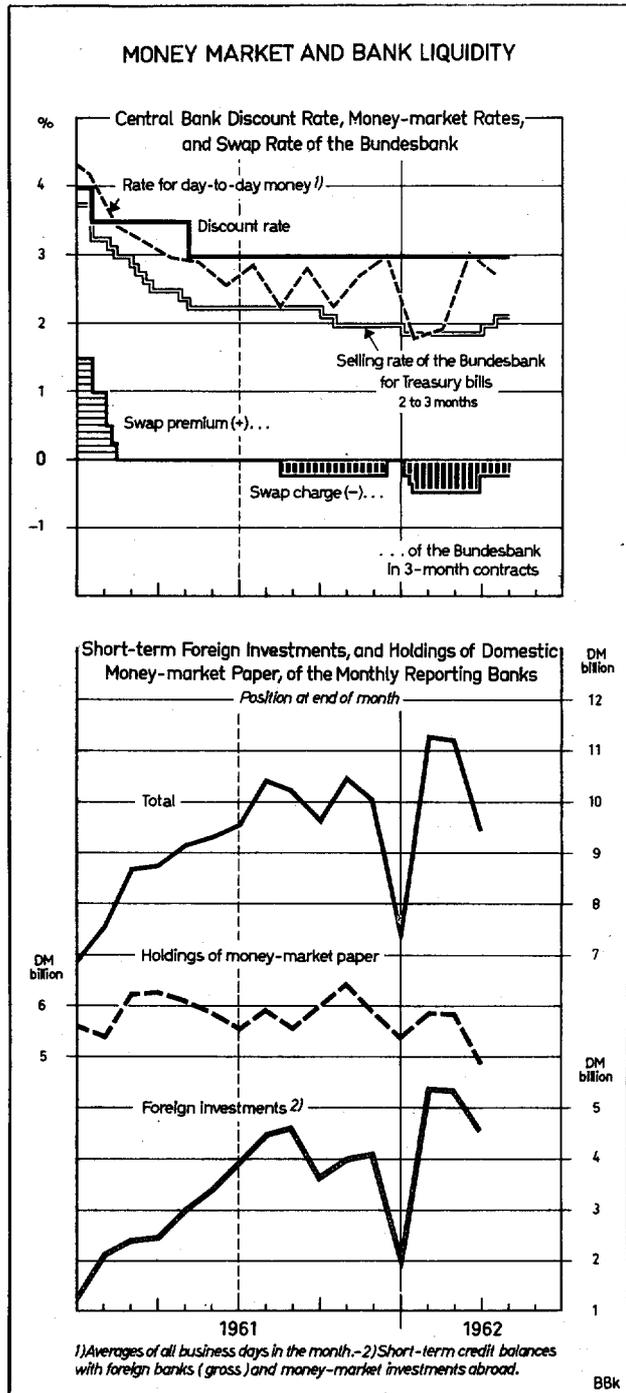
Money and Credit

Money Market and Bank Liquidity

The banking system's liquidity declined in recent months, for the first time after a somewhat lengthy period in which it had risen or at least been maintained. Both absolutely, and more particularly in relation to their liabilities, the banks' free liquidity reserves have decreased. Thus the monthly-reporting credit institutions' holdings of German Treasury bills and non-interest-bearing Treasury bonds plus their short-term foreign assets, which together form by far the greatest part of their free liquid reserves, declined by a total of DM 1.78 billion in March this year alone. At the end of March they stood at DM 9.48 billion as compared with their (of course largely seasonal) peak of DM 11.30 billion reached at the end of January this year, and DM 10.45 billion at the end of July last year, the date since when they had shown little further growth. They seem to have again increased somewhat in April, it is true, but did so only by a small fraction of their March decrease. A further pointer to the altered state of liquidity in the banks was their greater recourse to Bundesbank assistance; another, and not the least, was the course of money-market interest rates. Whereas in January under the influence of the seasonal factors described in our Report for that month there had been a definite glut of money, which on certain days depressed the rate for day-to-day loans to as low as 1 0/0, the picture thereafter greatly changed. In February for instance day-to-day money in general cost about 2 0/0; in March the rate jumped to an average of 3 0/0, even 3 3/4 0/0 at times in the second half of the month; and in April day-to-day money changed hands at an average of around 2 3/4 0/0.

The preponderance (very great at times, especially in March) of tendencies to tightness is partly explained by the influence of the *central public authorities' cash transactions*, which if only because of the timing of revenue and expenditure during the financial year again caused surpluses in the first quarter of 1962, after deficits had been shown in the last part of the past year for the first time in a rather long period. In the first quarter of 1962 the Federal Government not only repaid the cash advance of DM 160 million which it had taken at the Bundesbank at the end of 1961, but also accumulated at the Bundesbank further

credit balances, amounting by the end of March to some DM 570 million. Since a large part of the Federal expenditure as usual went abroad, and to that extent did not directly affect the internal circulation, the



withdrawal of liquidity from the banks was even greater than is indicated by the improvement in the Federal Government's net position in relation to the Bundesbank; it may be put for the first quarter of 1962 at about DM 1.5 billion. In addition the Bundesbank balances of the Länder, and to a lesser degree those of the Equalisation of Burdens Fund, again increased in the first quarter of the 1962 financial year; and hence in that quarter the total loss of funds which the banks suffered through the central authorities' cash transactions reached about DM 2.75 billion, which however was less than the loss of nearly DM 3 billion in the corresponding period of 1961. It was the high-revenue months of January and March which imposed the heaviest strains, especially March, when the central authorities alone took DM 2.2 billion from the banks.

This year however, unlike last, the strain was somewhat eased through the fact that the Bundesbank again released for other investment in the banking system funds deposited with it in accordance with Article 17 of the Bundesbank Law. These funds originated from subscription payments for Volkswagen shares, and had been transferred to the Bundesbank account of the Minister for Federal Property at the middle of last year for administration on trust until they should be taken over by the Volkswagen Works Fund. As early as the autumn of last year a part of the DM 500 million originally transferred to a special account of the ERP Fund had already been released, together with the "Volkswagen proceeds" administered by the Federal Government, for investment in another manner¹⁾. At the end of January the residue, amounting to DM 265 million, was released and much the greater part was temporarily made available to the Reconstruction Loan Corporation for employment in the money market. At the beginning of March moreover the Volkswagen Works Fund, which had in the meantime been established and which as such is not required to deposit funds at the Bundesbank under Article 17 of the Bundesbank Law, drew off the DM 67 million residue of the "Volkswagen proceeds" standing on the Federal Government's special account and largely arising from instalment payments, so that in the first quarter more than DM 300 million went back into circulation through this "clean-up" of the proceeds — lying at the Bundesbank — of partial denationalisation of the Volkswagen Works. A year earlier, on the other hand, more than DM 700 million of liquid funds had been sterilised at the Bundesbank through

subscriptions paid for the development aid loan, that is through a special transaction of a similar kind.

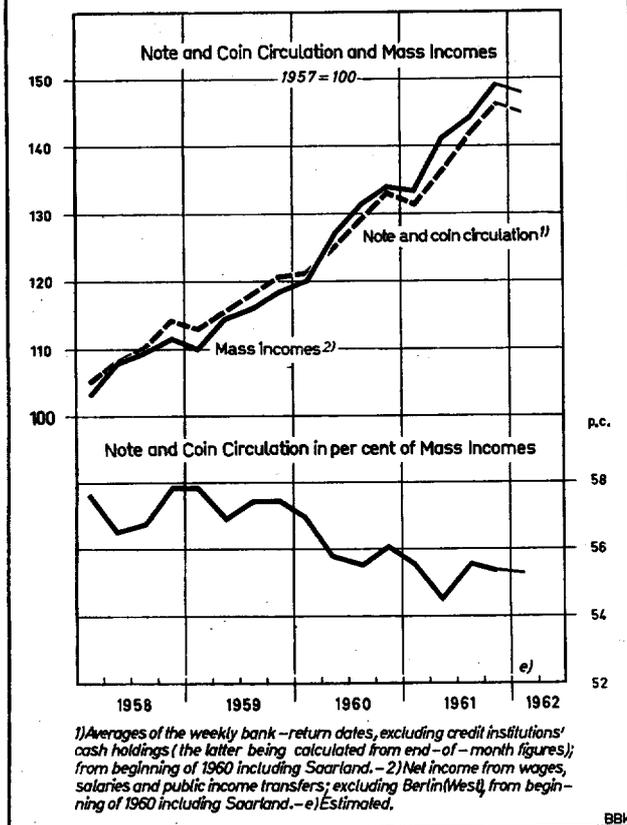
In April this year the banks on balance again received funds from the central public authorities' Bundesbank accounts, because those authorities' "internally effective" expenditure exceeded their simultaneous receipts, as accords with the normal course of their cash movements. So far as can yet be seen, the amount involved appears to have been between DM 600 million and DM 700 million. This however offset to only a small extent the appreciable narrowing of the banks' liquidity margin which had resulted from the central authorities' "internal" cash surpluses in the first three months of this year.

A strong contractive effect was further produced on bank liquidity in recent months by the rise in the *note and coin circulation*. After its seasonal fall at the beginning of the year the circulation of notes and coin has of late again grown rapidly. On the daily average in February it was already somewhat greater than in January this year, and in March it rose by about DM 630 million above the previous month's level. In April also it again greatly increased, mainly under the influence of the public's usually very great demand for notes and coin at Easter, rising by some DM 570 million (again on the daily average) to DM 23.4 billion. By comparison with its level in April of last year it has thus risen by approximately DM 2.5 billion. The chief reason lies in the considerable increase of total wages and salaries paid in the economy, particularly since wage and salary payments continue to be largely made in cash, or else their recipients promptly draw off in cash a large part of their earnings credited to bank accounts. Still, in recent years, as the following graph shows, the note and coin circulation — despite its intrinsically steep rise — has in fact grown somewhat more slowly than mass income.

A certain tendency to greater liquidity, however, again resulted in recent months from *external payments*. Between the beginning of this year and the end of April, it is true, the Bundesbank's net gold and exchange holdings declined by around DM 2.2 billion; but this was solely because the other banks in January built up their short-term foreign assets again, after having greatly reduced them at the close of the year mainly on window-dressing grounds. The decrease was thus due to transactions which did not reduce the banks' liquid reserves, but merely transferred them abroad. If the changes in the net gold and exchange holdings of the Bundesbank are combined with those in the short-term foreign investments of the other

¹⁾ See the relevant remarks in the Monthly Report of the Deutsche Bundesbank for October 1961, page 7.

NOTE AND COIN CIRCULATION



banks¹⁾, one finds for the first four months of the year an increase of the relevant assets by about DM 130 million, a rise by about DM 380 million in January and February being followed by a decrease of roughly DM 250 million in March and April. The effect which exchange movements produced on bank liquidity was in fact even greater than can be seen from these figures, because during the year's first months too the increase in the Bundesbank's net gold and exchange holding was as usual diminished by the Federal Government's extensive foreign payments, which did not directly decrease the banks' liquidity or, to be more precise, affected this only in so far as such payments prevented Federal revenues from going back into internal circulation (allowance for which has already been made when the withdrawal of liquidity through the Federal Government's cash transactions was described). If these payments and other foreign exchange movements not affecting liquidity, such as payment of interest on the Bundesbank's foreign investments, are left out of account, one finds for the first four months of this year that, as a result of the foreign payments, the banks received altogether something over DM 800

¹⁾ In all cases excluding the amounts employed by the Reconstruction Loan Corporation in connection with the development aid loan.

million of funds. This amount was again very substantial, it is true, especially when it is realised that in the last four months of 1961 foreign payments had on balance brought little further funds to the banks; but the apparent tendency for the previously substantial afflux of liquidity from that source to decrease can be seen from the fact that the above-mentioned DM 800 million were equal to only somewhat less than one-sixth of the amount which the banks received in the first four months of 1961 through payment transactions with foreign countries.

As has already been indicated, the banks, at least on an overall view, invested all these funds in foreign countries. The decisive movement occurred in January, when the banks' short-term balances and money-market investments abroad grew by DM 3.25 billion. On the other hand in February and more especially in March this year repatriation of such funds predominated, so that between the end of January and the end of March the banks' liquidity reserves held abroad decreased by DM 850 million; of this decrease DM 820 million occurred in March alone. Since in April too the banks' short-term foreign assets appear to have slightly fallen rather than grown, it can be generally stated that of late the banks' employment of liquid assets abroad has become less important. The chief reason is that liquidity surpluses are no longer accruing at the banks so much as they were a few months ago, and that therefore the margin for forming any reserves of liquidity has become narrower. In other words, apart from short-term fluctuations, the banks now have hardly any resources which they could additionally employ abroad. Besides this however the gradual tightening of the Bundesbank's terms for swaps has doubtless been a factor. After the turn of the year the Bundesbank re-introduced a discount for swaps, having previously for a short time concluded forward contracts in U.S. dollars at the spot rate; the discount at first amounted to $\frac{1}{4}$ % per annum, but was raised in the course of January to $\frac{1}{2}$ % per annum. In February the Bundesbank furthermore increased the minimum duration of its swap transactions from 1 to 2 months, although at the beginning of March it suspended this measure when heavy repatriation set in. At the end of March the Bundesbank started to apply different swap rates according to the duration of the contracts, thereby favouring investments abroad at longer term. The discount for contracts running between one and two months was left at $\frac{1}{2}$ %, while that for contracts running between two and six months was reduced to $\frac{1}{4}$ %. The Bundesbank thereby intends to work towards longer-term fixing of the banks' foreign

assets, with the object of thereby counteracting so far as possible unduly wide short-term fluctuations in the banks' external liquid assets. In this the Bundesbank was partly guided by the consideration that the Federal Republic's balance of payments no longer strains international liquidity, and that therefore stimulation of the banks' "money exports" is no longer so necessary as it still was last year.

For the same reason the Bundesbank has of late no longer increased the banks' liquidity by lowering the *minimum reserves*. The only further relaxing of the minimum reserve rules was done when the requirements in respect of liabilities to non-residents were revised with effect from 1 February this year; this revision was designed to restore the holding of minimum reserves to normal, and in particular to remedy hardships. The minimum reserve ratios for liabilities to non-residents were lowered from the previously applied maximum ratios permitted by law to the level of the ratios applicable to liabilities to residents, and customers' drawings on credits opened at banks abroad were completely exempted from the minimum reserve obligation (whereas previously the addition to them by comparison with the end of May 1960 had been subject to the maximum ratios). At the same time the "offsetting arrangement", by which certain short-term foreign assets can be offset against reserve-carrying foreign liabilities before the reserve ratios are applied, was left in force. Through these measures, already described in detail in the Monthly Report for January this year, the minimum reserve required of the banks was in itself reduced by over DM 200 million. This was less than corresponded to the last few months' increase in the reserve requirement "induced by growth", that is, due to the current rise in reserve-carrying liabilities. Thus at DM 9.01 billion in March, the last month for which figures are available, the required minimum reserve (excluding that required of the Postal Cheque and Postal Savings Bank offices) was somewhat greater than the DM 8.97 billion required in December of last year, whereas in all the five preceding quarters it had declined by a greater or lesser amount; it had reached its peak, at DM 12.62 billion, in November 1960. In April this year it will probably have risen further by about DM 100 million. Of late therefore a part of the banks' liquid assets has again been sterilised through the compulsion to hold greater minimum reserves.

In these circumstances it is not surprising that during recent months there has been a decrease in the banks' holdings of Bundesbank *mobilisation paper*. In January this year such holdings had for a time again

risen — but this, much as in the case of the foreign liquidity reserves, essentially represented reinvestment of holdings which had been temporarily converted into liquid funds at the annual balance-sheet date; at all events at DM 4.77 billion at the end of January this year the banks' holdings (including those of the Postal Cheque and Postal Savings Bank offices) were little greater than their total of DM 4.72 billion at the end of last November. Then however they fell, mostly in March, to DM 3.97 billion by the end of that month, that is by DM 800 million. While from the second week of April onwards the banks again took Bundesbank mobilisation paper, the amount freshly invested in this way remained within narrow limits. Hence at about DM 4.2 billion at the end of April the banks' holdings of such paper were smaller by over DM 500 million than at the end of January this year (or the end of November last year), and the resales to the Bundesbank in March also included unmatured paper; parts of the "Blessing-Milliarde" of mobilisation Treasury bonds, however, continued to come back to the Bundesbank in only relatively small amounts. In addition the social insurance institutions continued to reduce, within the limits of current maturities, the holdings of mobilisation paper which they had taken in 1960. If these transactions are included in the open-market business done with the banks, the additional resources which the banks received between the end of January and the end of April this year as a result of the Bundesbank's open-market operations amounted to about DM 810 million. By comparison the transactions in "other" money-market paper were practically insignificant.

Apart from the generally somewhat tighter state of liquidity since February a further fact which contributed to reduce the banks' holdings of mobilisation paper was that, at least up till March, the course of interest rates at home and abroad made foreign investments in many cases more advantageous than employment at home, even with allowance for the cost of forward rate-fixing on the foreign investment. It is true that of late the gap between German and foreign interest rates has somewhat narrowed, firstly owing to the Bank of England's three reductions of its discount rate at short intervals by altogether $1\frac{1}{2}\%$, and secondly because the Bundesbank raised its selling rates by $\frac{1}{8}\%$ on 30 March and again on 13 April this year. The effect of these measures on the interest differential as between international money markets must not however be over-estimated. At $2\frac{1}{8}\%$ even after the two increases the Bundesbank's selling rate for German Treasury bills with a life of 2 to 3 months is still at

an internationally low level; the comparable rates in New York and London last stood at about $2\frac{3}{4}$ % and slightly over 4 %, respectively. Apart from this the first two reductions of London Bank Rate (in March this year) left practically untouched the rate, which is especially important to the German banks' "money exports", for so-called Euro-dollar investments on the London market; and it would not be surprising if the third such reduction, effected towards the end of April, failed correspondingly to reduce the rate of interest on these investments. As matters stand therefore it is still worth the German banks' while to keep liquidity reserves abroad, even though on relatively short-term investments the advantages are no longer so great as a few months ago — especially with allowance for the discount which the Bundesbank charges in its swap transactions and which (as already mentioned) has been fixed higher on contracts running for one to two months than on those at longer term. The raising of the Bundesbank's selling rates for its money-market paper is connected with the above-described gradual scaling down of the measures for promoting money exports, inasmuch as it is designed (together with such scaling down) to mitigate so far as possible the sensitivity of the banks' money investments abroad to internal fluctuations of liquidity. Accordingly these measures entail no basic change of the policy hitherto pursued.

Finally the past months' above-described tendencies to tightness also caused the banks at times to resort on a greater scale to *rediscounting and borrowing on securities at the Bundesbank*, more particularly in March, when the strain was especially felt. On a daily average the total amount of bills rediscounted for, and loans granted to, credit institutions by the Bundesbank was over DM 1.4 billion in March this year. It was thus greater by about DM 540 million than in February, and also greater by some DM 300 million than in January this year, although it did not quite reattain the comparable amount for last December. In April, too, on a daily average the banks' indebtedness to the Bundesbank, at nearly DM 1.6 billion, still somewhat exceeded the figure for the previous month. The course of the banks' borrowing at the Bundesbank thus also clearly reflects the fact that of late it has no longer been so easy for the banks to compensate for strains on liquidity as it was a few months back.

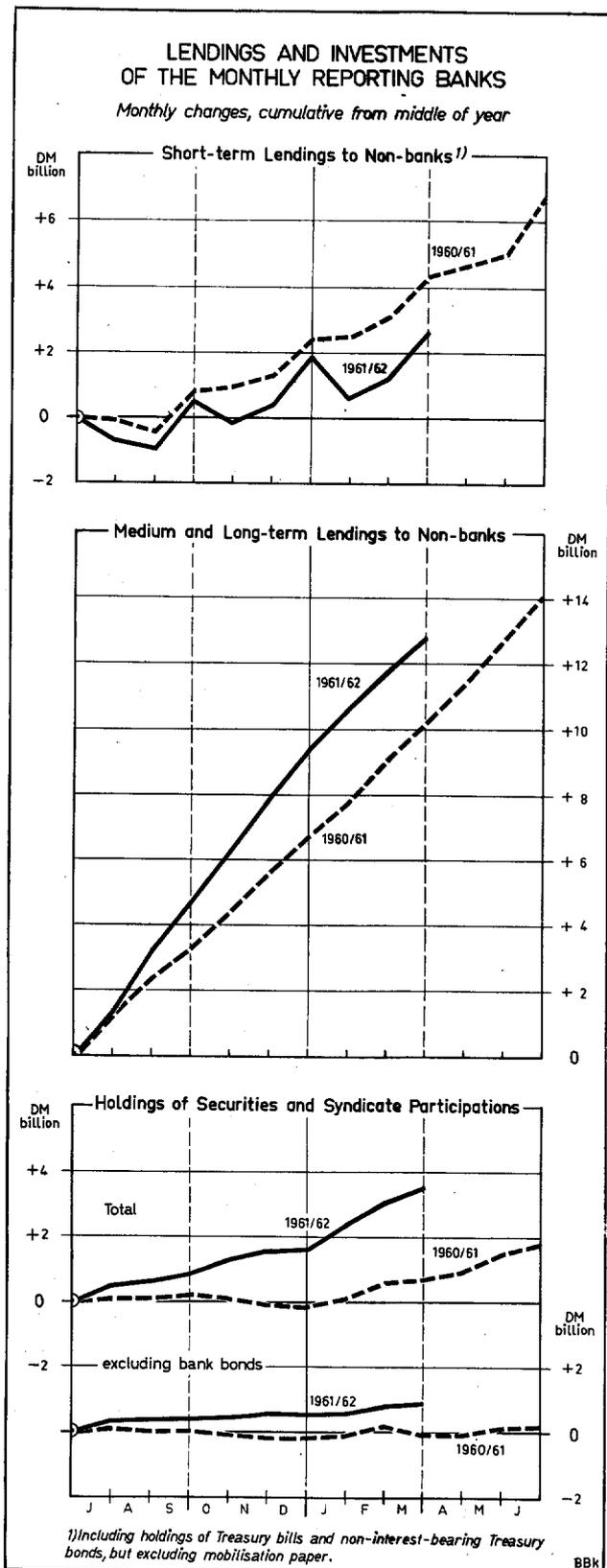
Banks' Lendings and Investments

The rise in the banks' lendings and investments has become notably slower since the start of the year. The

total short, medium and long-term lendings to non-bank customers by the credit institutions rendering monthly returns, plus their holdings of securities the issuers of which are not also banks, increased in the first three months of this year by DM 4.5 billion, that is by about DM 1 billion less than in the corresponding period of 1961. On the other hand their expansion in each of last year's four quarters had been greater than in the corresponding periods a year earlier. Even if one includes the holdings of bank bonds (acquisition of which normally entails direct granting of credit not to the ultimate borrower but only to the issuing banks), the expansion of lendings and investments was somewhat smaller than in the corresponding period of the previous year, although just in the period under report the banks acquired bonds on a particularly large scale from the issuing institutions. Such expansion amounted to not quite DM 6.1 billion in the first quarter of 1962 against roughly DM 6.2 billion in the corresponding period of 1961; in the fourth quarter of the latter year it had reached over DM 6.75 billion, thereby exceeding by fully DM 2 billion the amount for the fourth quarter of 1960.

The main reason for this slackening was the further slowing in the expansion of *short-term lendings to business and private customers*. Since the middle of last year such lendings have been increasing less than in the corresponding periods a year before. In the quarter under report their rise amounted to DM 1.0 billion as compared with nearly DM 1.9 billion in the first quarter of 1961; thus the amount by which their expansion fell short of that a year earlier rose from about DM 170 million in the third and nearly DM 600 million in the fourth quarter of 1961 to about DM 850 million in the quarter under report. The rise in the first quarter of last year was however accelerated by the fact that at that time a large part of trade and industry's subscriptions to the development aid loan had to be paid, and that this greatly strained the economy's liquidity. The great extent to which temporary changes in the economy's liquidity margin affect total short-term lendings to business and private customers is shown by what took place in individual months of the past quarter. Thus in March this year — particularly because of the major tax payment — such lendings increased by almost DM 1.5 billion (in March last year by about DM 1.25 billion) after having risen in February this year by only DM 0.7 billion (and in February of last year by about DM 0.8 billion). In January this year on the other hand they fell by almost DM 1.2 billion by way of seasonal reaction to their sharp rise last December, while in January 1961, when the greater

part of the above-mentioned subscriptions to the development aid loan had to be paid, the decrease had amounted to only about DM 0.2 billion.



Incidentally total short-term lendings to business and private customers seem to have decreased again in April this year. Thus at the 480 credit institutions rendering semi-monthly returns they decreased in the first half of the month by about DM 290 million as compared with a slight rise in the corresponding period a year before. Accordingly the tendency to a slower rate of expansion of such lendings has also continued in the recent past.

Medium and long-term bank lendings to business and private customers increased by DM 2.68 billion in the quarter under report. Thus, in accordance with the seasonal tendency, their rise was appreciably smaller than that of DM 3.83 billion in the previous quarter; although it thus exceeded by about DM 160 million the rise of DM 2.52 billion in the corresponding period of last year, even that represents a substantial slackening by comparison with the rates of growth shown in the previous quarters. Between January and March this year the medium-term lendings (running for 6 months to 4 years) actually rose by less than in the first three months of 1961, namely by about DM 170 million as compared with roughly DM 350 million. In this connection greater repayments in January this year produced a temporary retarding effect. The expansion of long-term lendings to business and private customers amounted in the first quarter of this year to DM 2.5 billion, against not quite DM 2.2 billion in the first quarter of 1961 and nearly DM 3.4 billion in the previous quarter. This chiefly represents loans granted by institutions specialising in long-term lending, i. e., especially by credit institutions having the right to issue bonds as well as by savings banks and some credit institutions with special functions. As usual, no small part of the loans in question was granted for housing purposes. The monies newly paid out to borrowers in respect of housing mortgage loans by the mortgage banks, central giro institutions and savings banks amounted in the first quarter of 1962 to DM 1.18 billion, being thus also greater (by DM 190 million) than in the corresponding period a year before. The new assurances of mortgage loans given by the said groups of institutions for housing purposes did however again exceed the amount of mortgage loans paid to borrowers, so that the total of such assurances outstanding further increased. They amounted at the end of March this year to DM 6.9 billion, against almost DM 6.5 billion at the end of December and something over DM 5.2 billion at the end of March last year.

The short, medium and long-term credit extended by the banks to public authorities (including those holdings of Treasury bills and non-interest-bearing

Treasury bonds which do not, like mobilisation paper, exclusively represent money-market investments) rose in the quarter under report by DM 475 million, against about DM 1.1 billion in the previous quarter and roughly DM 1 billion in the first quarter of 1961. The short-term lendings decreased by DM 255 million, mainly owing to the decline in the circulation of Treasury bills and non-interest-bearing Treasury bonds, while at the same time the medium and long-term lendings rose by roughly DM 730 million. The longer-term lendings again included a greater amount of loans to foreign public authorities, such loans being placed at the latter's disposal mainly by the Reconstruction Loan Corporation in connection with the Federal Republic's development aid. If one disregards these lendings which do not directly enlarge the internal circulation, the increase in longer-term loans to German public authorities amounted in the quarter under report to DM 570 million; it was thus as great as in the

previous quarter, and smaller by about DM 180 million than in the corresponding period of the past year. The amount mentioned includes large loans to the Federal Postal Administration and to the Equalisation of Burdens Fund (the loan to the latter represents the counterpart of a medium-term note issue through the Equalisation of Burdens Bank); consequently other public authorities borrowed less on balance, if they did not actually repay borrowings.

At the end of March this year the banks showed their *holdings of securities and syndicate participations* (including medium-term notes) higher by more than DM 1.9 billion than at the end of last December. The addition was greater than in any previous quarter; it exceeded that for the corresponding period a year earlier by almost DM 1.1 billion, and that for the first quarter of 1959 (previously the largest) by nearly DM 250 million. There was particularly great acquisition of bank bonds, comprising mortgage and com-

The Credit Institutions' Business on the Assets and Liabilities Sides)*
in millions of DM

Items	1961				1962				Position at end of month
	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr. ^{P)}	Jan.	Feb.	March ^{P)}	
Lendings to Non-Banks and Security Holdings	Increase (+) or decrease (-)								
Short-term lendings to									
Business and private customers	+1,853	+2,280	+1,022 ⁴⁾	+1,168 ⁴⁾	+1,000	-1,168	+ 710	+1,458	48,268
Public authorities	+ 228	+ 127	- 197	+ 121	- 24	- 45	- 93	+ 114	663
Medium and long-term lendings to									
Business and private customers	+2,517	+3,168	+3,928	+3,832 ⁴⁾	+2,680	+ 682	+ 977	+1,021	92,289
Public authorities	+ 944	+ 703	+ 813	+ 882	+ 729	+ 532	+ 124	+ 73	24,499
Treasury bills and non-interest-bearing Treasury bonds									
of German issuers	+ 660	- 689	+ 414	- 589	- 496	+ 476	- 15	- 957	4,923
among which: Mobilisation paper ¹⁾	(+ 836)	(- 711)	(+ 664)	(- 683)	(- 266)	(+ 535)	(+ 27)	(- 828)	(3,968)
of foreign issuers	+ 734	- 20	+ 143	- 41	- 59	+ 135	- 38	- 156	1,136
Securities and syndicate participations among which: Bank bonds ²⁾	+ 839	+1,093	+ 951	+ 690	+1,912	+ 775	+ 692	+ 445	24,190
	(+ 725)	(+ 865)	(+ 527)	(+ 558)	(+1,566)	(+ 720)	(+ 450)	(+ 396)	(15,720)
Bank Deposits and other Liabilities									
Sight deposits of									
Business and private customers	-2,033	+1,908	+ 903 ⁴⁾	+3,690 ⁴⁾	-3,167	-2,518	- 414	- 235	28,879
Public authorities	- 553	+ 221	+ 131	+ 825	- 724	- 812	+ 263	- 175	3,719
Time deposits of									
Business and private customers	+ 603	- 255	- 327	- 41 ⁴⁾	+ 156	+ 549	+ 106	- 499	12,051
Public authorities	+ 344	+ 952	+ 239	- 202	+ 578	+ 455	+ 537	- 414	10,113
Savings deposits of									
Business and private customers	+2,228	+1,069	+1,014	+2,193	+2,855	+1,254	+ 850	+ 751	58,621
Public authorities	+ 225	+ 102	+ 152	+ 327	+ 320	+ 102	+ 132	+ 86	4,978
Monies and loans taken from non-banks among which:									
at notice or fixed period of 6 months and over	+1,565 ⁴⁾	+1,034	+1,172 ⁴⁾	+1,005	+1,266	+ 458	+ 551	+ 257	39,347
	(+1,503 ⁴⁾)	(+1,078)	(+1,188 ⁴⁾)	(+1,059)	(+ 810)	(+ 417)	(+ 284)	(+ 109)	(38,291)
Circulation of bank bonds ³⁾	+1,888	+1,472	+1,068	+1,548	+2,233	+1,028	+ 664	+ 541	37,501

*) 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.

munal bonds as well as issues of specialised credit institutions, such for instance as medium-term notes of the Equalisation of Burdens Bank (DM 112 million issued in January this year) and of the Reconstruction Loan Corporation (DM 45 million issued in February). The increase in bank holdings of such paper amounted in the first quarter of this year to DM 1.57 billion; it was thus more than twice as great as the DM 725 million for the first quarter of last year, and also appreciably exceeded the DM 1.15 billion for the first quarter of 1959. In recent months therefore, especially in January, the issuing institutions managed to obtain funds from other banks on a particularly large scale. The banks' other holdings of domestic securities and syndicate participations increased between January and March this year by just under DM 300 million. Against a rise in their holding of bonds, medium-term notes and other securities by altogether about DM 360 million there was a drop by roughly DM 60 million in syndicate participations; apart from fluctuations in individual months the holdings of German dividend-bearing stock-exchange securities remained almost unchanged. The fixed-interest securities and medium-term notes issued by German non-banks comprised, in particular, debt instruments of the Federal Railways and the Federal Postal Administration which in January and February had issued bonded loans and had offered medium-term notes through the Bundesbank. In addition the banks' holdings of foreign securities increased by the appreciable amount of about DM 50 million in the first quarter of 1962, not least as a result of the Osaka loan, whereas last year they had on the whole somewhat declined, although with variations in individual quarters.

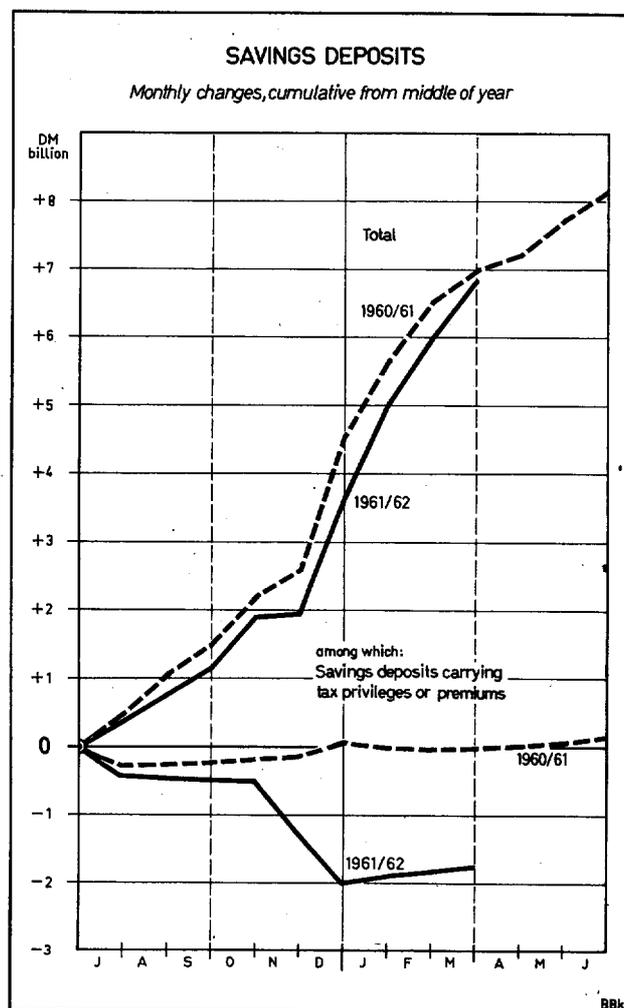
The Banks' Liabilities-side Business

The main feature of the banks' liabilities-side business in the first three months of this year was the decrease in their sight deposits, which is usual at this season and was accompanied by a considerable increase — likewise largely seasonal — of their longer-term liabilities.

Non-banks' sight deposits at the credit institutions rendering monthly returns decreased between the end of last December and the end of March this year by about DM 3.9 billion, as compared with a fall by almost DM 2.6 billion in the first quarter of 1961 and one of nearly DM 1.5 billion in the first quarter of 1960. The difference from the movement in earlier comparable periods is however smaller if one includes in the comparison the seasonal rise of sight deposits in the last quarter of each preceding year. Between the

end of September last year and the end of March this year sight deposits in fact rose on balance by more than DM 0.6 billion, as compared with an increase by something over DM 0.4 billion in the corresponding period of 1960/61 and one of about DM 0.3 billion in that of 1959/60. Evidently the seasonal movements in sight deposits about the turn of the year have become greater in recent years.

Among the longer-term bank liabilities, which rose vigorously in the first quarter by way of contrast to the sight deposits (and perhaps partly at their expense), those which increased most were the *savings deposits*. Their total at the end of March this year was nearly DM 3.2 billion greater than at the end of last December; in the corresponding period of the two previous years it had risen by only just on DM 2.5 billion in 1961, and by something over DM 2.1 billion in 1960. In the first quarter of 1962 the addition to savings deposits was therefore much greater than in the corresponding period a year before, whereas in each of the last three quarters of 1961 it had fallen short of the amounts for the corresponding periods a year



earlier. The reason lay chiefly in the recent growth of net in-payments to savings accounts of private households. The total savings deposits of individuals increased between January and March this year by almost DM 2.8 billion, that is by over DM 0.6 billion more than in the corresponding period of last year. In the previous quarter the addition had amounted to only DM 2.1 billion, despite the crediting of large amounts for interest, and thus fell short by not quite DM 0.6 billion of the amount for a year previously. The change was mainly due to the fact that in the last months of 1961 the legal period of blocking had expired for a particularly large amount of fiscally privileged savings deposits, and this had led for a time to increased withdrawals of such deposits. In the first three months of 1962 the total amount of savings deposits carrying tax privileges continued to decline, falling by DM 72 million to as low as DM 86 million; but this fall was very small by comparison with the preceding quarters, since now only small amounts of fiscally privileged savings deposits remain, and accordingly no large maturities any longer exist; the decrease in deposits with tax privileges was moreover exceeded by almost DM 250 million through the simultaneous growth in savings deposits with the benefit of premiums. The formation of private households' savings deposits was favoured in the period under report by the fact that for the first time appreciable amounts were credited to Equalisation of Burdens beneficiaries under the 13th Law to Amend the Equalisation of Burdens Law. The amount involved was however only about DM 100 million, so that by far the greater part of the growth in savings deposits was not due to such special influences.

Non-banks' time deposits also greatly increased in the first three months of 1962, after having decreased in the two preceding quarters. Their rise amounted to about DM 735 million, being thus somewhat smaller than that of about DM 950 million in the first quarter of 1961; in the previous quarter total time deposits had declined by nearly DM 250 million. The greater part of the addition — about DM 580 million — was in the time deposits of public authorities. It was probably due above all to the fact that the social insurance institutions continued to run off their holdings of Bundesbank mobilisation paper, to the extent of the maturities, while per contra increasing their bank balances; at the end of March they still had about DM 170 million of such paper against roughly DM 580 million at the end of December last year, and DM 1.06 billion at the end of January last year, the latter being the peak of their investment in such paper. The time deposits of business and private customers rose by

only about DM 155 million; measured by the addition of roughly DM 600 million in the corresponding period of the previous year the rise in them was accordingly only small.

In the first three months of this year the *proceeds of sale of bank bonds* reached almost DM 2.25 billion, against something over DM 1.5 billion in the previous quarter and not quite DM 1.9 billion between January and March 1961. As already mentioned, this excellent result of placing was mainly due to the large purchases by banks. If these are disregarded, there remains as "original" monetary capital formation out of the sale of bank bonds a sum of about DM 670 million, against nearly DM 1.0 billion in the previous quarter and as much as almost DM 1.2 billion in the first quarter of 1961. The proportion of bank bonds taken by non-banks was thus smaller in recent months than in earlier comparable periods, this being no doubt at least partly because in February and March bonds of public authorities and industrial issuers came on to the market in substantial amount on terms favourable to takers, and because the considerable interest shown by the public in fixed-interest securities was mainly concentrated on these bonds.

The *monies and loans taken from non-banks* amounted in the quarter under report to about DM 1.25 billion; this was greater than the previous quarter's total of about DM 1.0 billion, but less than the addition of nearly DM 1.6 billion in the first quarter of 1961. In the first quarter of last year however the greater part of the development assistance loan proceeds paid into the Bundesbank had been transferred to the Reconstruction Loan Corporation in the form of a loan by the Federal Government, so that the banks' "normal" taking of loans (largely based on "transmission" of public authorities' funds for capital development purposes) had been temporarily increased. It is true that such factors were also at work in the quarter under report, since proceeds from the sale of Volkswagen shares were once again passed to the Reconstruction Loan Corporation¹⁾, but the amount involved here was a great deal smaller.

Security Markets

The *bond market* during the period under report remained in the phase of growing ease which had begun in October of last year. The market's recovery was above all reflected in its greatly increased absorptive capacity, which made it possible to place large new issues without difficulty. On the other hand the reduc-

¹⁾ As to this see what was stated on page 4 of the present Report.

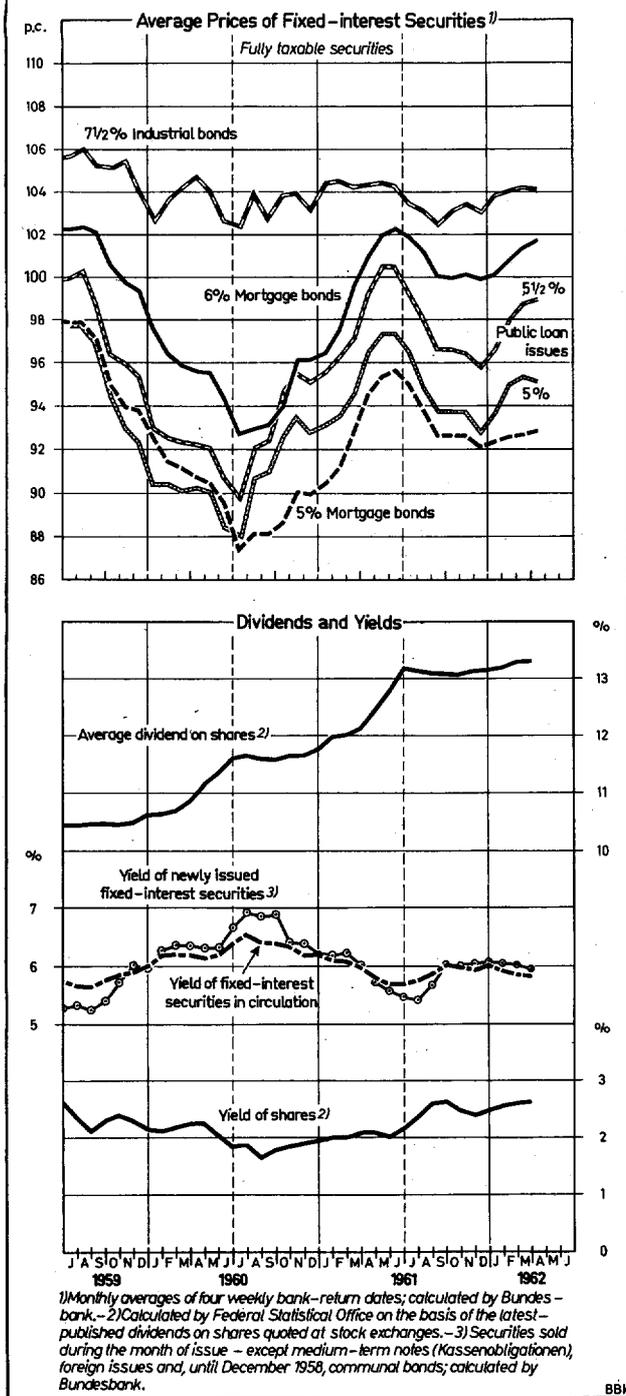
tion of the interest rate on capital made only relatively little progress, the more so since with the object of avoiding later reversals the issuers hesitated, when fixing terms, to exploit to the full the opportunities which the market might perhaps have offered temporarily. Still, even here some movement was evident. The bonds of occasional issuers (i. e. issuers other than real-estate credit institutions) which were still offered at 6 0/0 were in each case over-subscribed, and in subsequent telephone dealings between banks were sold at rapidly rising prices; at the middle of April some loans of this type were quoted 3 points or more above their issue prices. In view of the favourable trend in prices for 6 0/0 bonds some of the occasional issuers in recent months changed over to 5³/₄ 0/0 issues; at the end of February the Federal Postal Administration did so in the case of a loan for DM 210 million, and at the beginning of April the Federal Railways did so in that of a loan for DM 260 million — the loan last mentioned being offered at the slightly higher issue price of 99.5 as against 99 for the Postal Administration's loan. Both loans were a complete success; they were over-subscribed, and the price at which (unofficial) dealings take place in them is not only above their issue price but also above par. Industry too, which in recent months still consistently issued 6 0/0 bonds, issued its first 5³/₄ 0/0 loan at the beginning of May. As yet however the issuers other than real-estate credit institutions show little inclination to go below this rate, especially since in the second half of April the bond market began to show some tightening the nature of which cannot yet be clearly seen. The further loans arranged for May — including a DM 200 million issue of the Reconstruction Loan Corporation and a DM 100 million loan of the Equalisation of Burdens Bank — will also be issued at 5³/₄ 0/0. In the case of the R.L.C. loan the issue price has however been raised to 100.

Only the real-estate credit institutions, which are more flexible in their terms than the other issuers, have in recent months more and more changed over directly from 6 0/0 to 5¹/₂ 0/0 securities, having no longer been able to do enough assets-side business on the basis of 6 0/0 bonds. Of such institutions' issues offered in January some 60 per cent comprised 6 0/0 mortgage and communal bonds; in March the proportion was only 4 per cent (much the greater part of the remainder being 5¹/₂ 0/0 issues), and out of the new issues approved in April to a total extent of DM 640 million only DM 60 million were mortgage and communal bonds bearing 6 0/0, while DM 490 million bear 5¹/₂ 0/0

interest. At the same time the net selling prices for 5¹/₂ 0/0 bonds have been further raised during recent months. At the end of January they had as a rule been 95; in April they temporarily stood at 97 to 97¹/₂ (with the tendency, however, being slightly downward again in the second half of the month). The older issues in circulation also gained further in price. The rise was most marked in the case of public authorities' and industrial 5 0/0 and 5¹/₂ 0/0 bonds, as well as in tax-free securities, which rose on the average by between 2 and 3 points. Among mortgage and communal bonds it was chiefly those of the 5¹/₂ 0/0 and 6 0/0 types which showed price rises, of up to 2 points, while the 5 0/0 series attracted only slight interest.

The total amount of fixed-interest issues newly marketed in the first quarter reached DM 3.93 billion. This was more than twice as great as the DM 1.94 billion so marketed in the previous quarter, and over DM 1.5 billion more than in the corresponding period of the previous year (with the Federal development aid loan excluded). Even the previous greatest total for issues in any quarter since the currency reform, namely that for the second quarter of 1959, was exceeded by almost DM 1 billion. The gross placings did not fall appreciably short of the figures for issues. According to our security statistics they amounted in the first quarter of this year to altogether DM 3.68 billion. After deduction of repayments amounting to about DM 440 million the net placings reached DM 3.23 billion, against DM 1.91 billion in the previous quarter and DM 2.14 billion in the corresponding period of 1961. More than half the total, in fact over DM 1.8 billion, consisted in real-estate credit institutions' issues, which thereby achieved a new record. For the first time in a fairly long period moreover the other issuers participated in the total sales with larger amounts. This applies in particular to the public authorities, whose placings of securities were considerably greater at DM 875 million than in any previous quarter. Much the greater part of the issues were those of Federal Special Funds (the Federal Railways, Postal Administration and Equalisation of Burdens Fund), whereas the territorial authorities have resorted to the bond market on only a small scale. Within the total amount of public authorities' fixed-interest securities sold the medium-term notes were a relatively large element. They accounted for DM 360 million, or about 40 per cent of the public authorities' total net sales, as compared with DM 135 million in the previous quarter. Business enterprises also drew more heavily on the bond market in the quarter under report,

PRICES AND INTEREST RATES ON THE SECURITY MARKETS



whereas in recent years they had met their borrowing needs — apart from taking bank credit — mainly by raising private loans against their notes. These issuers placed new industrial bonds in the quarter under report to the extent of over DM 250 million net, against only DM 100 million in the whole of 1961.

On investigating the extent to which the various groups of buyers shared in the acquisition of fixed-interest securities one finds that the greatest demand for these came from the banks. The latter's holdings of domestic fixed-interest securities (including medium-term notes) rose in the first three months of this year by a total of DM 1.89 billion. This was roughly three times as great as the DM 660 million for the previous quarter, and nearly two and a half times the fixed-interest securities (about DM 800 million) bought by the banks on the quarterly average for the previous year. Of the current net total placing of domestic fixed-interest securities (reckoned at issue values) the banks' net purchases accounted for nearly two-thirds in the first quarter of 1962, against approximately one-third in the previous quarter and over one-half on the average for the first three quarters of 1961. The greater part comprised bank bonds, which by themselves increased by nearly DM 1.4 billion¹⁾, as well as medium-term notes, which have of late been more in demand and of which the banks acquired about DM 275 million net. The chief buyers among the banks again were the savings banks and their central institutions, whose net purchases in January and February (no later figures are yet available) accounted for roughly three-fifths of all the domestic fixed-interest securities acquired on balance by banks during that period. Among other groups of banks the commercial banks on the one hand, and the Postal Cheque and Postal Savings Bank offices on the other, each showed appreciable changes in their holding with roughly 15 per cent of the total addition.

The fixed-interest securities taken by other domestic acquirers (that is private and public institutional investors as well as business enterprises and individual takers) amounted in the first quarter to roughly DM 1 billion. While this was almost DM 300 million less than in the previous quarter, it must be borne in mind that the result for that period had been partly favoured through non-recurring special circumstances, such as the investment in the bond market of part of the fiscally privileged savings deposits released at the end of the year. By comparison with the first three quarters of the previous year, when the amounts bought had averaged only about DM 600 million, the result for the period under report was very respectable. As appears from the data supplied by the underwriting banks on the placing of the new loans according to

¹⁾ This figure, unlike that given on page 9 for the banks' purchases of bank bonds, does not include medium-term notes issued by banks.

Placing of Securities
Nominal value 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	46.0	—	2,177.1	294.1	2,471.2
1962 1st qtr.	1,162.5	862.3	146.4	335.0	949.2	123.0	100.0	3,678.4	319.7	3,998.1
January	524.8	309.4	82.7	110.0	411.3	34.0	—	1,472.2	130.2	1,602.4
February	279.7	304.7	60.1	150.0	530.0	50.0	100.0	1,474.5	135.2	1,609.7
March	358.0	248.2	3.6	75.0	7.9	39.0	—	731.7	54.3	786.0
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
1962 1st qtr.	77.7	128.9	83.9	80.9	71.6	—	—	443.0	—	443.0
January	19.2	33.1	54.9	34.2	51.0	—	—	192.4	—	192.4
February	11.7	26.2	5.4	41.8	0.8	—	—	85.9	—	85.9
March	46.8	69.6	23.6	4.9	19.8	—	—	164.7	—	164.7
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
1962 1st qtr.	1,084.8	733.4	62.5	254.1	877.6	123.0	100.0	3,235.4	319.7	3,555.1
January	505.6	276.3	27.8	75.8	360.3	34.0	—	1,279.8	130.2	1,410.0
February	268.0	278.5	54.7	108.2	529.2	50.0	100.0	1,388.6	135.2	1,523.8
March	311.2	178.6	-20.0	70.1	-11.9	39.0	—	567.0	54.3	621.3

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; from the third quarter of 1961 onwards residual amounts only. — 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.

groups of purchasers, the proportion going to individual takers would also seem to have remained substantial.

In the first quarter of 1962 foreign investors also on balance again took German bonds, whereas in the second half of 1961 the sales out of foreign holdings had at times exceeded the purchases simultaneously effected for foreign account. By comparison with the brisk investment by domestic takers, however, foreigners' demand was of only slight importance. Altogether foreigners' net purchases of German fixed-interest securities (other than German external bonds) amounted to DM 174 million in the first three months of 1962, as compared with net sales of about DM 80 and 180 million respectively in the two preceding

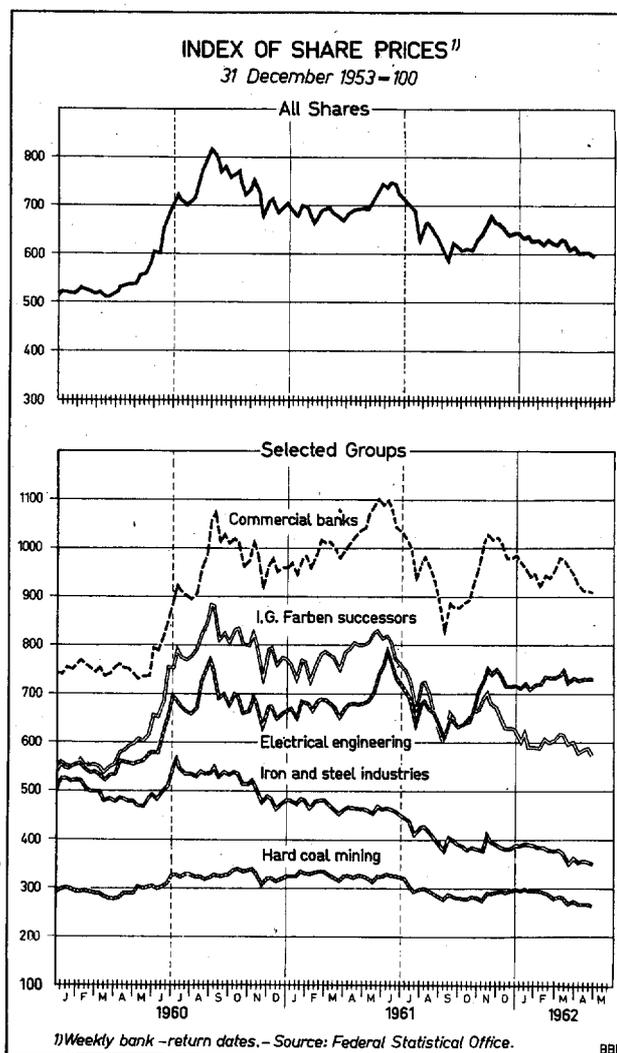
quarters. Accordingly foreign investors' net buying approximately reattained the level at which it had been in the second quarter of the previous year; but it fell short substantially of the total, namely DM 445 million, for the first quarter of 1961.

On the *share market* the downward movement of prices continued, with fluctuations, in the period under report. The price index which is calculated by the Federal Statistical Office on the basis 31 December 1953 = 100, and which at the end of 1961 had stood at 647, had fallen by the end of March to 616. In the first week of April it dropped to 603, since when it has remained at about that level. It is thus only slightly above last year's low point of 591, reached in September

1961. Under the influence of the price falls the average yield of shares quoted on German stock exchanges has continued to rise since the beginning of the year. At the end of March it was 2.65 % as against 2.49 % at the end of December.

In some individual sections of the market the trend of prices diverged considerably from the general line. Greater losses than the average were above all recorded by automobile shares, among which considerable offering of Volkswagen shares at times depressed the market. Appreciable falls further took place in coal and steel shares and IG Farben successors' shares, the latter especially in January because of a major capital increase at a relatively high subscription price. Price gains were on the contrary shown by shares of building companies as well as of mortgage banks; the quotation indices for these two groups rose by 9 and 7 per cent, respectively, in comparison with their level at the end of December 1961. At the end of April electrical engineering shares were also quoted somewhat higher than at the end of 1961, while electricity producers' shares in general maintained their quotations.

The reasons for the persistently weak tendency of the share market, namely the more pessimistic view taken of the business situation and the narrowing of enterprises' profit margins, have been repeatedly pointed out in these Reports. Recent discussion about cyclical policy has further strengthened investors' caution. In view of the market's instability a depressing effect was also exerted by the relatively large supply of new shares. Total share placings amounted in the quarter under report to DM 320 million against DM 294 million in the previous quarter, in each case at par value. In terms of sale value the placings reached over DM 550 million; they were thus greater by some DM 160 million than in the fourth quarter of 1961, although they did not nearly reach the totals for the corresponding periods in 1961 and 1960, in each of which they had amounted to over DM 1 billion. The supply of shares was furthermore increased through the fact that at the end of January the Ford Foundation offered Ford Motor Company shares, worth DM 114 million at sale price, for sale through a German banking syndicate. This transaction incidentally accounted for the fact that residents' net purchases of foreign dividend-bearing securities were appreciably greater than in the previous quarter. According to our capital transaction statistics such net purchases amounted in the first quarter of this year to DM 183 million, against only DM 34 million in the previous quarter



and an average of DM 56 million for the first three quarters of 1961. As against this foreigners' acquisition of German dividend-bearing securities remained at about the level of previous quarters, if a special DM 80 million transaction for transfer of a German enterprise into foreign possession is disregarded. Without this transaction the purchases by foreign investors amounted in the first quarter of 1962 to about DM 300 million net, whereas in the last three months of 1961 they had reached about DM 330 million and for the first three quarters of last year had averaged DM 270 million¹⁾. In the period under report the banks reduced their holdings of German dividend-bearing securities and syndicate participations by DM 61 million, after these had increased by DM 29 million in the previous quarter. The decrease related solely to the syndicate participations, which declined by DM 62 million.

¹⁾ After elimination of capital increases, totalling DM 200 million, effected in July last year by two enterprises in foreign hands.

Public Finances

Cash Position and Budget Estimates of the Central Public Authorities

In accordance with the seasonal tendency the central public authorities achieved large surpluses in the first months of this year, just as they had shown substantial deficits for seasonal reasons in the last quarter of 1961. Altogether the deficits in the fourth quarter of 1961 amounted to about DM 1.5 billion, and the surpluses in the first quarter of 1962 to roughly DM 1.9 billion. The change was primarily due to the transition from the old to the new financial year, because towards the end of last year large final payments were made in all budgets and expenditure started only slowly in the new year, especially since the estimates had not yet in all cases been passed. At about DM 17.3 billion the tax revenues were smaller by some DM 0.8 billion than in the last quarter of 1961. The decrease was in accordance with the seasonal tendency; in part it is due to the general slowing in rates of growth. The latter applies above all to the yield of the Turnover Tax, certain Excise Duties and the Wages Tax. In the case of the total yield from Income Taxes the annual rate of growth has for the first time again somewhat risen, it is true, whereas in 1961 it had further declined from quarter to quarter. This however was due solely to the yield from the two assessed taxes, the proceeds of which had been relatively small in the fourth quarter of 1961 for technical reasons.

The surpluses in the first quarter of 1962 did not indeed equal those amounting to over DM 2.4 billion in the corresponding quarter of 1961, because the cash result of the Federal budget appreciably deteriorated. The surplus there shrank to about DM 600 million, or one-third of the surplus a year before. The reason why the decrease in surpluses by comparison with a year earlier nevertheless totalled only around DM 500 million was that the Länder showed cash surpluses of over DM 1.3 billion, or almost twice as much as in the first quarter of 1961. This in turn was due to the fact that in the first quarter this year the Länder had benefited in special degree from the course of revenues. Whereas in fact the rise of the purely Federal taxes became much slower, the increase in the yield of the Income Taxes (which mostly remains with the Länder) quickened further, with the result that the annual rate of growth in revenues of the Länder rose to about 18 per cent against 15.5 per cent in the previous quarter, whereas that in the Federal revenues declined from 12.5 per cent to roughly 9 per cent. Hence at DM 1,022 million

the additional receipts obtained by the Länder in the first quarter of 1962 as compared with the corresponding period a year previously for the first time exceeded those (DM 890 million) obtained by the Federal Government, even though the Länder's share in total tax revenues for the first quarter of 1962 was not quite 39 per cent.

The Federal Finances

The reason for the great change which the *cash results of the Federal budget* showed in the first quarter of 1962 as compared not only with the previous quarter (improvement by about DM 1.8 billion) but also with the first quarter of 1961 (deterioration by some DM 1.2 billion) lay in the course of expenditure. Revenue fell by approximately DM 540 million as compared with the fourth quarter, while expenditure was less by some DM 2.3 billion than the (exceptionally large) total of more than DM 13 billion reached in the fourth quarter. At DM 10.7 billion the expenditure was greater however by DM 2.1 billion than in the months from January to March 1961, while the receipts on the other hand were greater than then by only about DM 0.9 billion.

The breakdown of expenditure as between individual categories cannot be seen from the cash figures, ascertained with the aid of the total turnovers on Federal accounts; and financial statistics data which would permit classification are not yet available. All that is known is that relatively large indemnification payments were made to certain European countries, and that foreign expenditure in respect of the defence budget also was relatively large. Thus the Federal Government's total payments to foreign countries rose to over DM 1 billion, against about DM 650 million in the months from January to March 1961. Payments to German recipients rose much more still, however, namely by almost DM 1.75 billion. It is a fact that the grants to social pension insurance institutions (which grants were with effect from 1 January this year raised automatically, that is according to the movement in the general basis for determination), as well as the payments to Berlin and to the Federal Railways, exceeded the amounts spent on those purposes in the corresponding period a year before.

Because of the surplus achieved in the first quarter of 1962 the Federal Government's cash reserves rose by DM 456 million between the end of December 1961 and the end of March this year. The balances at the Bundesbank rose somewhat more still, because an in-

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

	1961				1962			
	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	Jan.	Feb.	March
I. Cash Transactions								
(1) Income	10,426	10,440	10,915	11,870	11,327	4,031	3,024	4,272
(2) Outgo	8,611	10,410	11,249	13,057	10,720	3,511	3,545	3,664
(3) Surplus (+) or deficit (—)	+1,815	+ 30	— 334	—1,187	+ 607	+ 520	— 521	+ 608
II. Financing								
(1) Increase (+) or decrease (—) in cash resources	+1,598	+ 60	— 486	—1,095	+ 456	+ 363	— 363	+ 456
(a) at the Bundesbank	+1,598	— 2	— 424	—1,180	+ 541	+ 448	— 363	+ 456
(b) other	—	+ 62	— 62	+ 85	— 85	— 85	—	—
(2) Borrowing (—) or credit repayment (+)	+ 218	— 4	+ 188	— 54	+ 191	+ 147	— 102	+ 146
(a) Book credits by Bundesbank	+ 78	—	—	— 160	+ 160	+ 160	—	—
(b) Money-market paper	+ 140	+ 57	+ 170	+ 106	+ 47	— 10	— 95	+ 152
(c) Loan issues ¹⁾ and medium-term notes (Kassenobligationen)	—	+ 1	+ 18	—	— 16	— 3	— 7	— 6
(d) Bank lendings	—	— 62	—	—	—	—	—	—
(3) Amounts credited in respect of coinage (—)	— 24	— 19	— 25	— 26	— 24	— 5	— 13	— 6
(4) Balance of clearing transactions with Equalisation of Burdens Fund ²⁾	+ 23	— 7	— 11	— 12	— 16	+ 15	— 43	+ 12
Total I to 4	+1,815	+ 30	— 334	—1,187	+ 607	+ 520	— 521	+ 608
<i>Note:</i>								
(1) Payments to international institutions financed by way of special credits granted by Bundesbank (not contained in the amounts under I, 2. and II, 2)	181	363	1,070	— 292	— 301	44	— 220	— 125
(2) Internal cash transactions								
Receipts from internal circulation	10,414	10,416	10,903	11,788	11,302	4,012	3,019	4,271
Out-payments to domestic recipients ³⁾	7,947	9,185	10,127	11,869	9,698	3,300	3,220	3,178

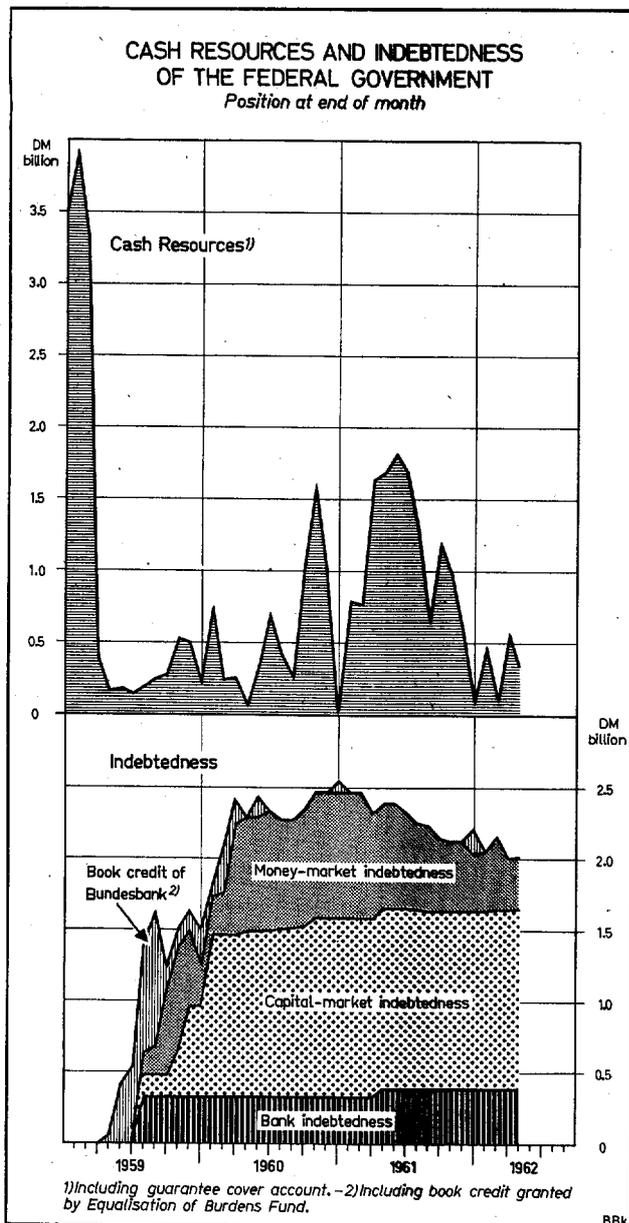
*) The cash transactions recorded in this table concern in-payments on, and out-payments from, the Federal accounts at the Deutsche Bundesbank (excluding Special Funds). Cash income and outgo deviate from the results of the Federal Government's financial statistics primarily because they are recorded 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 (Bundeshaupthkasse). — ³⁾ Total expenditure after deduction of foreign payments and of other funds not flowed back into internal circulation.

vestment of DM 85 million effected by the Federal Government with the approval of the Central Bank Council elsewhere, namely at the Deutsche Verkehrs-Kredit-Bank, expired at the end of January. Altogether the Federal Government had at the end of March cash amounting to DM 572 million. Most of this however — in fact DM 475 million — consisted of monies which the Federal Government had made available for the E.E.C. Commission and for the European Atomic Energy Commission in the preceding four financial years in accordance with the obligations laid down in the Rome Treaties, but which had not yet been drawn off by the benefiting institutions, so that they are at present still in the hands of the Federal Chief Cash Office.

In the first days of January the DM 160 million book credit which the Federal Government had taken at the end of last December was repaid. Apart from this there was little change in Federal indebtedness, at least if the first quarter is regarded as a whole. The

circulation of bonded loans rose somewhat (by about DM 15 million) through re-placing of bonds previously taken into the Federal Government's own holding, whereas the circulation of non-interest-bearing Treasury bonds was reduced by altogether DM 47 million, a substantial rise in February having against it an even greater fall in March.

In April, according to provisional figures, the Federal budget showed a cash deficit of about DM 200 million which was greater by some DM 160 million than in the corresponding period of the previous year; it was financed out of cash resources, while the total debt remained unaltered. At the end of April such resources amounted to only around DM 350 million against about DM 1.7 billion on the corresponding date in 1961. On that date therefore, if allowance were made for the above-mentioned monies belonging to agencies of the E.E.C. (roughly DM 440 million at the end of April), the Federal Government would no longer have had any cash holdings of its own.



Although in the course of the financial year to date the Federal outlays have already been much greater than in the corresponding period a year before (at a monthly average of DM 3,570 million for the first four months they were above their corresponding level a year previously by over DM 600 million, or 20 per cent), they have, as usual each year, not yet attained the average monthly total expenditure of DM 4,240 million assumed in the estimates for 1962. Since the *Budget Law* was passed by the Bundestag on 12 April on third reading, however, a further rise of expenditure is to be expected. The most important items of the new budget can be seen from the opposite table. The total amount of receipts and expenditure — DM 53,404 million with offsetting items included and DM 51,354 million with such items excluded — differs

little from the proposals in the Cabinet's bill. The figure last mentioned, the only one of significance for judging the Federal finances, is below that in the original bill by only DM 305 million. In detail, however, the changes are more significant. Thus the amount of the Federal Government's own ordinary receipts has been raised by DM 378 million, including a rise by DM 261 million in the estimate for tax revenues. This, together with the above-mentioned reduction of the total budget (by DM 305 million) made it possible to reduce the "Länder's contribution" towards squaring the Federal budget from the DM 1,740 million originally desired by the Federal Finance Minister to DM 1,050 million. The Länder have declared their agreement to a payment of this size. The fact that despite inescapable additional demands amounting to altogether DM 256 million — for remedying the flood damage, for the United Nations loan and so forth — the total expenditure was reduced in the course of parliamentary proceedings by DM 305 million, and further that the total cut by DM 620 million as provided in the draft budget was distributed between individual budget appropriations, is something new as compared with earlier budget discussions, in the course of which the total expenditure appropriations had as a rule been raised.

The extraordinary budget, on the receipts side of which the gross borrowings appear, has remained practically the same. It amounts to DM 1,807 million. If by way of divergence from the official estimates one does not count borrowing as receipts, and accordingly does not count as expenditure the sums spent on debt redemption (DM 448 million, including the covering of earlier years' deficits), and if moreover one eliminates the DM 80 million received in respect of coinage, one arrives at a *cash deficit* of DM 1,439 million as against DM 1,432 million according to the Cabinet bill (see Item IV in the table). After deduction of the sums credited for coinage it would thus be necessary, if the ordinary receipts and total expenditure take the expected course, to borrow DM 1,359 million net in order to square the budget.

As regards expenditure the Budget Law already provides for some cuts as compared with the estimated total. The Article 8 which was inserted in the bill on second reading provides, as is generally known, that 20 per cent of the monies budgeted for Federal buildings and for encouraging building by others are not to be paid out unless such spending is unobjectionable on economic grounds in the individual case, or unless there is a legal obligation to the expenditure. The total appropriated for buildings is about DM 3.5 billion, so

The Federal Budget Estimates for 1961 and 1962

in millions of DM

	1961 Budget as voted	1962		Column 3 more (+) or less (-)	
		Cabinet bill	After passing by the Bundestag	than col. 1	than col. 2
				1	2	3	4	5
I. Official budget figures					
(1) Overall volume of budget	48,149	53,540	53,404	+ 5,255	- 136
of which:					
(a) Ordinary budget	45,116	51,740	51,597	+ 6,481	- 143
(b) Extraordinary budget	3,033	1,800	1,807	- 1,226	+ 7
(2) Offsetting items	3,447	1,881	2,050	- 1,397	+ 169
among which:					
Development aid loan	1,500	—	—	- 1,500	—
(3) Budgetary receipts or expenditure in the narrower sense (1 less 2)	44,702	51,659	51,354	+ 6,652	- 305
II. Receipts ¹⁾					
(1) Ordinary receipts					
(a) Tax revenue	41,107	45,647	45,908	+ 4,801	+ 261
(i) Federal Government's own taxes	30,642	33,688	33,826	+ 3,184	+ 138
(ii) Federal share in income tax yield	10,465	11,959	12,082	+ 1,617	+ 123
(b) Other receipts of the Federal Government	2,002	2,392	2,509	+ 507	+ 117
(c) Total of a and b	43,109	48,039	48,417	+ 5,308	+ 378
(d) Amounts credited in respect of coinage	60	80	80	+ 20	—
(e) Total of c and d	43,169	48,119	48,497	+ 5,328	+ 378
(f) Contribution by the Länder	—	1,740	1,050	+ 1,050	- 690
(g) Total 1 (e plus f)	43,169	49,859	49,547	+ 6,378	- 312
(2) Extraordinary receipts (borrowing)	1,533	1,800	1,807	+ 274	+ 7
(3) Total II (= I 3)	44,702	51,659	51,354	+ 6,652	- 305
III. Expenditure ¹⁾					
(1) Current expenditure ²⁾					
(a) Expenditure on defence, total	12,445	16,461	16,391	+ 3,946	- 70
(b) Expenditure on civil account, total	32,492	35,932	35,136	+ 2,644	- 796
among which:					
(i) Social expenditure	14,344	14,712	14,649	+ 305	- 63
(ii) Residential building	1,559	1,659	1,544	- 15	- 115
(iii) "Green Plan"	1,550	2,060	2,172	+ 622	+ 112
(iv) to German Federal Railways	931	1,327	1,047	+ 116	- 280
(v) Federal Highways	2,132	2,372	2,372	+ 240	—
(vi) Interest service	1,066	1,271	1,139	+ 73	- 132
(c) Total 1, gross (a plus b)	44,937	52,393	51,527	+ 6,590	- 866
(d) Reductions, total	525	1,182	621	+ 96	- 561
(i) Anticipation	525 ⁴⁾	562	621	+ 96	+ 59
(ii) Overall cut	—	620	—	—	- 620
(e) Total 1, net (c less d)	44,412	51,211	50,906	+ 6,494	- 305
(2) Expenditure on debt redemption	290	448	448	+ 158	—
among which:					
Covering of previous years' deficits	154	207	207	+ 53	—
(3) Total III (1 e plus 2) (= I 3)	44,702	51,659	51,354	+ 6,652	- 305
IV. Cash deficit (II 1 c plus f less III 1 e)	- 1,303	- 1,432	- 1,439	- 136 ⁵⁾	- 7 ⁵⁾
V. Financing					
(1) Borrowing, net (II 2 less III 2)	1,243	1,352	1,359	+ 116	+ 7
(2) Amounts credited in respect of coinage (II 1 d)	60	80	80	+ 20	—
(3) Total V (1 plus 2)	1,303	1,432	1,439	+ 136	+ 7

¹⁾ Excluding offsetting items. — ²⁾ The amount of DM 500 million entered as additional expenditure on personnel in the 1961 budget estimates was apportioned in the budget as voted for 1961 to the relevant expenditure items. — ³⁾ Including capital expenditure. — ⁴⁾ Among which, DM 125 million out of the cut in the expenditure appropriated to the E.E.C. Development Fund. — ⁵⁾ — = increase in deficit.

Public Indebtedness*)

in millions of DM

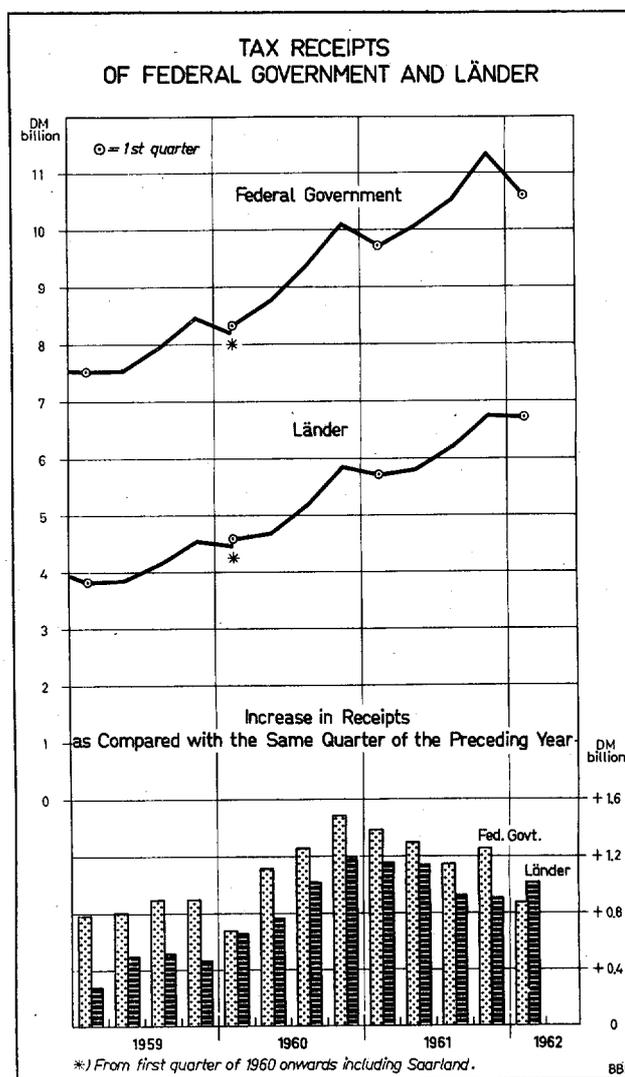
	End-of-month position								
	1960				1961				1962
	March	June	Sep.	Dec.	March	June	Sep.	Dec.	March ¹⁰⁾
I. Borrowers									
(1) Public budgets in the narrower sense									
(a) Federal Government									
(i) For overall budget	2,427	2,337	2,346	2,553	2,335	2,339	2,151	2,205	2,013
(ii) Special credits for payments to international institutions ¹⁾	1,248	1,336	1,340	1,387	1,495 ¹¹⁾	1,858	2,928	2,636	2,335
(iii) Development aid loan	—	—	—	—	858	1,168	1,175	1,176	1,179
(b) Equalisation of Burdens Fund	1,357	1,353	1,403	1,490	1,638	1,640	1,635	1,680	1,834
(c) Länder	4,467	4,441	4,371	4,348	4,348	4,202	3,988	3,817	3,625
(d) Local authorities	9,650 ²⁾	9,950	10,220	10,660	10,930	11,200	11,600	12,100	12,500
Total budgets									
including special credits (a, ii) and	19,149	19,417	19,680	20,438	21,604	22,407	23,477	23,614	23,486
excluding development aid loan (a, iii)	17,901	18,081	18,340	19,051	19,251	19,381	19,374	19,802	19,972
(2) Federal Railways and Federal Postal Administration									
(a) Federal Railways	4,831	5,085 ¹⁰⁾	5,185	5,292	5,777	5,916	6,161	6,445	6,852
(b) Federal Postal Administration	4,153	4,204	4,343	4,586	4,794	5,036	5,243	5,490	5,935
Federal enterprises, total	8,984	9,289	9,528	9,878	10,571	10,952	11,404	11,935	12,787
Total (1 + 2)									
including special credits (1a, ii) and	28,133	28,706	29,208	30,316	32,175	33,359	34,881	35,549	36,273
excluding development aid loan (1a, iii)	26,885	27,370	27,868	28,929	29,822	30,333	30,778	31,737	32,759
II. Categories of Debt									
(1) Book credits of Bundesbank									
(a) Taken under general credit ceilings	149	—	—	78	—	—	—	163	—
(b) Special credits to Fed. Gov't for payments to international institutions ¹⁾	1,248	1,336	1,340	1,387	1,495 ¹¹⁾	1,858	2,928	2,636	2,335
(2) Direct lendings of credit institutions ²⁾	14,028	14,524	14,720	15,169	15,798	16,200	16,438	16,950	17,420
(3) Money-market paper ³⁾	2,512	2,606	2,377	2,388	2,082	2,062	2,069	2,066	1,800
(4) Medium-term notes (Kassenobligationen)	1,005	1,037	1,068	1,305	1,327	1,327	1,327	1,462	1,823
(5) Bonded loans ⁴⁾	5,747	5,686	6,002	6,153	7,439	7,751	7,967	8,040	8,577
among which: development aid loan	(—)	(—)	(—)	(—)	(858)	(1,168)	(1,175)	(1,176)	(1,179)
(6) All other debt ⁵⁾	3,444	3,517	3,701	3,836	4,034	4,161	4,152	4,232	4,318
Total (1 to 6)	28,133	28,706	29,208	30,316	32,175	33,359	34,881	35,549	36,273
III. Creditors									
(1) Bundesbank ⁶⁾	1,452	1,377	1,355	1,601	1,525	1,877	2,929	2,799	2,335
(2) Credit institutions, total	19,808	20,058	19,940	19,987	20,572	21,034	21,353	22,061	22,638
(a) Direct lendings ²⁾	14,028	14,524	14,720	15,169	15,798	16,200	16,438	16,950	17,420
(b) Holdings of money-market paper	1,815	1,794	1,607	1,495	1,319	1,341	1,091	1,185	955
(c) Holdings of medium-term notes ⁷⁾	884	787	724	611	563	600	704	882	1,033
(d) Holdings of bonded loans and interest-bearing Treasury bonds ⁷⁾	3,081	2,953	2,889	2,712	2,892	2,893	3,120	3,044	3,230
(3) Non-banks ⁸⁾	6,873	7,271	7,913	8,728	10,078	10,448	10,599	10,689	11,300
Total (1 to 3)	28,133	28,706	29,208	30,316	32,175	33,359	34,881	35,549	36,273

*) 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. — ¹²⁾ Partly estimated.

that on a purely arithmetical basis a 20 per cent blocking would save some DM 700 million. Besides this there is less spending on encouragement of building by other parties. On the other hand however account must be taken of the qualifications mentioned above, so that the amount which may be blocked cannot be exactly ascertained. At any rate, the attainable cuts should amount to several hundred millions of DM, which may be expected not only to relieve the building trade but also to reduce the Federal Government's need for borrowing. At the moment it is indeed not certain whether other Federal expenditure will not exceed the estimates. An increase in salaries and retirement pension payments would for example make a fresh gap, no funds having been provided to cover such increase; it would do so all the more because in this case the Federal Government would presumably have to reverse a part of the cuts made during the budget discussions in the assistance provided for the Railways. The gap would widen further if tax revenues did not improve in the course of this year. In the first quarter the rate of growth in the Federal Government's own tax revenues was a good deal smaller, at only 6.7 per cent, than the 8.8 per cent which would have corresponded to the estimates for the whole year; nor was this made good by the course of Federal revenues from the Income Taxes, since these exceeded the estimated increase for the year by only 0.4 per cent. Whether these easing and burdening factors will balance each other out cannot at the moment be stated with certainty. As yet therefore it is impossible to foresee what borrowing requirement will result from the actual figures. Still, it may be assumed that at least in the second half of the financial year the Federal Government will have to resort to borrowing to a substantial extent. The cash resources which it had available at the end of April (including the above-described funds from outside sources) did not suffice to finance in full its expenditure until the next major tax payment date on 10 May. In the first days of May it was in fact necessary for the Federal Government to take a book credit from the Bundesbank.

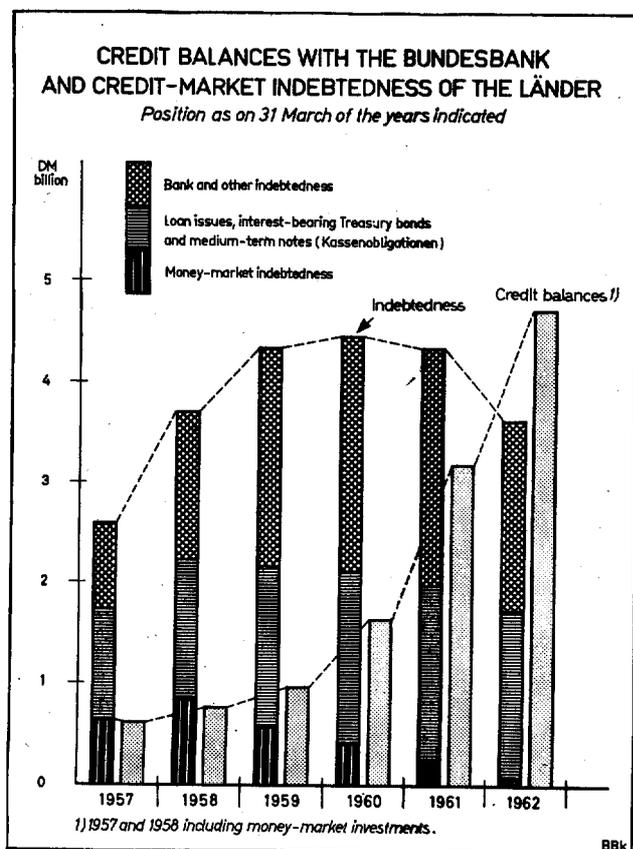
Finances of the Länder

The cash position of the Länder improved by more than DM 1.4 billion in the first quarter of 1962 in comparison with the last quarter of the previous year. This was primarily because the expenditure was for seasonal reasons much lower, just as in the case of the Federal Government, whereas in the fourth quarter it had reached about DM 10.6 billion under the influence of large end-of-year payments. Since figures



are not yet available, however, the extent of the first quarter's decline in expenditure can be indicated only on the basis of a comparison between the movement in the cash position and that in the receipts. The tax revenues of the Länder — unlike the Federal Government's — did not decline, while their other receipts would even appear to have somewhat increased; since the cash position improved by about DM 1.4 billion, it may accordingly be assumed that the expenditure dropped by an estimated DM 1.5 billion to something over DM 9 billion. At this level it would however have been above that of a year earlier (DM 7.7 billion) by about DM 1.4 billion, or approximately 18 per cent. Since the expenditure on personnel grew only slightly, the rise would appear to have lain in the payments to local authorities and in capital expenditure.

Once again the surpluses in receipts have been largely reflected in the Bundesbank balances of the Länder; these rose by about DM 1,130 million in the first three months, reaching DM 4.75 billion at the



end of March. In addition some Länder repaid substantial amounts of earlier loan issues and bank borrowings, so that despite the Saarland's DM 75 million loan issued in February the total market indebtedness of the Länder declined in the first quarter by about DM 200 million; at roughly DM 3,620 million on 31 March it was lower than the Länder's credit balances at the Bundesbank by more than DM 1 billion.

Regarding the *budget estimates of the Länder* for the year 1962, already described in detail here in January this year, almost complete data are now available. The figures are collated in the table which follows; the changes by comparison with the table published in the January Report are mainly due to the fact that in a supplementary budget Hamburg, which in 1961 had adopted a two-year plan (for 1961 and 1962), estimated not only much larger tax revenues but also considerable additional expenditure, which latter does not however take account yet of the expenditure in respect of the flood disaster of February this year.

In the final estimates the tax revenues of the Länder appear at a total of DM 28,350 million; mainly due to the Hamburg addition they are greater by DM 450 million than in the January statement. Of the total amount, which results from widely differing estimates in individual Länder, DM 22,750 million represents

the Länder's share in the yield of Income Taxes and about DM 5,600 million the receipts from taxes of the Länder themselves. The estimate of the proceeds accruing to the Länder from the Income Taxes is based on a total of DM 35 billion, that is 17.8 per cent more than the actual yield in 1961; the amount entered in the Federal budget is on the other hand based, despite its recent raising, only on a total yield of about DM 34.5 billion, that is 16.1 per cent more than in 1961. Which estimate will turn out correct remains to be seen. At 16.5 per cent the actual rate of annual growth in the first quarter of 1962 was only a little above the Federal estimate; but it is not necessarily to be regarded as typical of the further trend this year. In contrast to the optimistic assumptions about the yield of the Income Taxes the Länder judge the prospective proceeds of their own taxes with great caution. At about DM 5.6 billion the estimate is only about 7 per cent above the actual receipts in 1961, which had exceeded those in 1960 by 15 per cent. The estimates for the Länder's own taxes would therefore appear to contain certain reserves, although there is likely to be a decrease in the rate of growth later this year by comparison with that of 23 per cent in the first quarter, when relatively large final payments were received in respect of the Property Tax.

If one includes the other additional receipts — from Federal grants, administrative revenues and the like — the Länder, despite a further decrease in capital development loans received from the other central authorities, will according to their own estimates have about DM 4.2 billion of additional receipts available as compared with those actually accruing in 1961. The estimated rise in expenditure is however greater still. Altogether the Länder have budgeted for expenditure amounting to DM 41,450 million, that is more by about DM 5.5 billion or roughly 15 per cent than what was actually spent in 1961. Of the increase more than DM 3.8 billion relates to current expenditure, as to which the first point to mention is the growth of payments in respect of financial adjustment with local authorities and the rise in expenditure on personnel. The addition exceeds the amount of DM 2.6 billion by which current expenditure actually rose in 1961. For capital purposes (including loans and grants for encouraging private capital projects) there has been provided some DM 11.25 billion, that is almost DM 1.7 billion (or 17 per cent) more than was spent on these purposes in 1961. Thus the expansion of such expenditure — already very great in the previous year at about DM 1.2 billion or say 15 per cent — would

become greater still if the budget estimates were fully realised, and if the Länder did not comply with the Federal Government's recommendation that they should cut their spending in a manner similar to that laid down in the Federal budget.

If the finances of the Länder actually took the course outlined in the estimates, the cash surpluses would drop to a mere fraction of those achieved in 1961. According to the Länder's financial statistics such surpluses amounted to about DM 1.50 billion; according to the results of the cash account they were even somewhat greater at DM 1.69 billion. For 1962, after conversion of the receipt and expenditure

Länder Finances
in millions of DM

	1961		1962 Plans	Change 1962 plans	
	Plans ¹⁾	Actual figures ²⁾		against 1961 plans	against 1961 actual figures
I. According to financial statistics or budget estimates ³⁾					
(1) Total receipts among which:	34,700	37,450	41,600	+6,900	+4,150
(a) Share of the Länder in income and corporation tax yields	17,500	19,300	22,750	+5,250	+3,450
(b) Taxes of the Länder	4,900	5,250	5,600	+ 700	+ 350
(c) Federal grants	4,900	5,000	5,700	+ 800	+ 700
(d) Loans of public authorities ⁴⁾	800	900	800	± 0	- 100
(2) Total expenditure among which:	35,350	35,950	41,450	+6,100	+5,500
(a) Expenditure on personnel	12,500	12,100	13,900	+1,400	+1,800
(b) Current allocations to local authorities	3,500	3,350	4,700	+1,200	+1,350
(c) Capital expenditure	8,400	9,650	11,300	+2,900	+1,650
Own capital projects	(2,400)	(2,900)	(3,100)	(+ 700)	(+ 200)
Loans and grants	(6,000)	(6,750)	(8,200)	(+2,200)	(+1,450)
(3) Surplus (+) or deficit (-)	- 650	+1,500	+ 150	+ 800	-1,350
II. Change in net cash position					
(1) Credit market indebtedness	.	- 531	.	.	.
(2) Credit balances with Bundesbank	.	+1,060	.	.	.
(3) Funds employed elsewhere	.	+ 100 ⁵⁾	.	.	.
Balance (2 plus 3 less 1)	.	+1,691 ⁶⁾	.	.	.

¹⁾ Except for Bavaria, excluding supplementary budget estimates. — ²⁾ 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 period of actual expenditure. — ³⁾ Net amount after deduction of redemption payments. — ⁴⁾ The difference from the surplus (DM 1,500 million) ascertained from the financial statistics is chiefly due to the time-lag between cash receipts or out-payments and the respective book entries. — ⁵⁾ Partly estimated. — ⁶⁾ Provisional.

estimates to a cash basis, there would be surpluses amounting to only DM 150 million. Moreover, the "contribution towards squaring the Federal budget" has not yet been entered in the budget of any Land, having been agreed only after the budgets of the Länder had been passed. For the whole of the Länder, as already mentioned, that contribution is to amount to DM 1,050 million. If it were entered in the estimates, the cash account would show DM 900 million of cash deficits instead of DM 150 million of cash surpluses. In view of the expenditure appropriations (some of them very generous), and the fact that the estimates for the Länder's own taxes may contain some reserves, the possibility of a more favourable actual result even with somewhat lower receipts from the Income Taxes cannot be ruled out.

Equalisation of Burdens Fund

In the first months of 1962, just as in 1961, the only central public authority to borrow was the Equalisation of Burdens Fund, which borrowed some DM 160 million net in the months from January to April. At DM 212 million the gross borrowing was even greater, comprising DM 112 million in the form of medium-term notes and DM 100 million in that of loans granted by the Equalisation of Burdens Bank against the borrower's notes; but the Fund repaid DM 50 million to the Equalisation of Burdens Bank, which in December had granted a credit in anticipation of part of the proceeds of the medium-term notes issued in January 1962. The Fund's excess of expenditure actually was somewhat greater than its net borrowing. In the whole first quarter that excess amounted to only about DM 45 million; in April however (a month of poor receipts for the Equalisation of Burdens Fund as well as for the Federal Government and the Länder) it was about DM 140 million. Accordingly the cash holding slightly declined, amounting at the end of April to DM 80 million against DM 97 million at the end of December. In May, as a result of the quarterly levies then payable, the credit balances will grow again for the time being; but a fresh borrowing requirement of the Fund is to be expected for the following two months. That is why the Equalisation of Burdens Bank intends shortly to issue a DM 100 million loan for purposes of the Equalisation of Burdens Fund.

In the first quarter of 1962 both the receipts and the expenditure of the Fund were above their level of a year before. In the case of receipts an increase in advance composition payments was caused in the first quarter by the lowering of the discount rate on such payments, with effect from 1 April this year, from its

Public Finances
in millions of DM

	1960			1961				1962	1961	1962		
	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	Dec. *)	Jan.	Feb.	March *)
Deposits of Public Budgets with the Bundesbank *)												
Total	3,100	3,537	2,859	5,329	5,656	5,479	3,853	5,761	3,853	4,427	3,952	5,761
Federal Government	710	1,033	39	1,637	1,635	1,211	31	572	31	479	116	572
Equalisation of Burdens Fund	26	46	80	203	181	241	77	168	77	76	217	168
E.R.P. Special Fund †)	375	272	120	280	250	117	87	239	87	266	202	239
Länder	1,956	2,159	2,565	3,187	3,551	3,885	3,625	4,751	3,625	3,588	3,398	4,751
Local authorities and social insurance institutions	33	27	55	22	39	25	33	31	33	18	19	31
Deposits of German Public Authorities with Credit Institutions **)												
Total	14,263	14,383	15,528	15,570	16,838	17,317	18,273	18,435	18,273	18,024	18,974	18,435
Sight deposits	3,081	2,971	3,664	3,098	3,321	3,454	4,272	3,556	4,272	3,471	3,741	3,556
Time deposits	7,727	7,856	8,012	8,395	9,338	9,532	9,343	9,901	9,343	9,801	10,341	9,901
Savings deposits	3,455	3,556	3,852	4,077	4,179	4,331	4,658	4,978	4,658	4,752	4,892	4,978
Indebtedness of Public Budgets *)												
Domestic credit-market indebtedness *)												
Total	19,417	19,680	20,438	21,604	22,407	23,477	23,614	23,486P)	23,614	.	.	23,486P)
Federal Government	3,673	3,686	3,940	4,688	5,365	6,254	6,017	5,527	6,017	5,914	5,798	5,527
Equalisation of Burdens Fund	1,353	1,403	1,490	1,638	1,640	1,635	1,680	1,834	1,680	1,743	1,744	1,834
Länder †)	4,441	4,371	4,348	4,348	4,202	3,988	3,817	3,625	3,817	.	.	3,625
Local authorities †)	9,950	10,220	10,660	10,930	11,200	11,600	12,100	12,500	12,100	.	.	12,500
Equalisation claims												
Total	20,564	20,620	20,552	20,563	20,499	20,517	20,407	20,359	20,407	20,368	20,368	20,359
Federal Government	11,116	11,172	11,164	11,175	11,167	11,185	11,142	11,134	11,142	11,143	11,143	11,134
Länder	9,448	9,448	9,388	9,388	9,332	9,332	9,265	9,225	9,265	9,225	9,225	9,225
Covering claims (Equalisation of Burdens Fund)												
External indebtedness	.	.	2,163	.	.	.	...	.	...	.	.	.
Federal Government *)	6,624	6,826	6,856	6,535	3,455	3,464	3,465	...	3,465	.	.	...
Länder	162	161	164	157	157	156	...	...	...	.	.	...
Indebtedness of Public Enterprises *)												
Domestic credit-market indebtedness †)												
Federal Railways	5,085	5,185	5,292	5,777	5,916	6,161	6,445	6,852	6,445	6,653	6,778	6,852
Federal Postal Administration	4,204	4,343	4,586	4,794	5,036	5,243	5,490	5,935	5,490	5,575	5,990	5,935
Receipts from Taxes and Levies												
Tax receipts of Federal Government and Länder												
Total	13,477	14,653	15,966	15,448	15,919	16,733	18,134	17,360P)	8,524	5,515	4,438	7,406P)
among which:												
Income Taxes †)	5,567	6,388	7,140	6,904	7,083	7,630	8,107	8,045	5,222	2,088	1,389	4,567
Turnover Tax	3,947	4,019	4,336	4,320	4,356	4,459	4,730	4,559	1,575	1,836	1,387	1,336
Excise and Customs Duties	2,856	3,077	3,253	2,962	3,207	3,370	3,810	3,234	1,314	1,105	1,027	1,101
Equalisation of Burdens Levies	517	414	551	505	505	459	555	577	73	77	400	99
Local Taxes	2,325	2,479	2,662	2,506	2,620	2,659	2,686	...	...	.	.	.
Federal Budget												
Cash income	9,558	10,021	10,782	10,426	10,440	10,915	11,870	11,327	4,791	4,031	3,024	4,272
Cash outgo	9,029	9,717	12,045	8,611	10,410	11,249	13,057	10,720	5,374	3,511	3,545	3,664
Cash surplus (+) or deficit (-)	+ 529	+ 304	-1,263	+1,815	+ 30	- 334	-1,187	+ 607	- 583	+ 520	- 521	+ 608
Equalisation of Burdens Fund												
Cash income †)	869	829	1,094	839	858	863	1,014	942	262	164	571	207
Cash outgo †)	939	874	1,125	866	875	786	1,212	987	540	264	365	358
Cash surplus (+) or deficit (-)	- 70	- 45	- 31	- 27	- 17	+ 77	- 198	- 45	- 278	- 100	+ 206	- 151
Workers' and Employees' Pension Insurance Funds												
Contribution receipts	3,172	3,481	3,654	3,563	3,653	3,825	4,226	3,955	1,594	1,516	1,150	1,289
Pension payments	3,522	3,543	3,597	3,783	3,815	3,881	3,906	...	1,309	1,307	1,307	...
Unemployment Insurance Fund †)												
Receipts	468	535	582	497	561	400	108	91	67	41	25	25
Expenditure	224	189	205	404	220	195	230	524	98	148	169	207

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.

*) Position at end of quarter or month. — †) Not including deposits deriving from partial denationalisation of the Volkswagen Works. — ‡) By contrast with the figures hitherto published in these columns, excluding deposits of foreign public authorities. Besides the deposits of the above-mentioned budgets also comprising the deposits of the Federal Railways, the Federal Postal Administration and of other public enterprises (in so far as they have no legal personality of their own). — §) Post-currency-reform indebtedness; excluding own bonds in portfolio. — ¶) Partly estimated. — §) From the second quarter 1961 onwards excluding indebtedness towards the Bundesbank in respect of acquired claims resulting from post-war economic aid. — ¶) Wages tax, assessed income tax, corporation tax and capital yield tax. — §) Credits and debits to the account kept by the Federal Equalisation of Burdens Office with the Bundesbank, less transactions involving changes in indebtedness. — ¶) Federal Institution for Labour Exchanges and Unemployment Insurance. — §) Months with comparable tax maturities. — ¶) Provisional.

previous level of 8 per cent to 6 1/2 per cent. This trend seems likely to continue in the second quarter, because according to an order recently issued by the Federal Finance Ministry the 8 per cent discount rate is also to be applied to commutation monies paid up till 30 June, provided that the person liable to pay the levy had undertaken by the end of March to make the relevant payment. As regards expenditure, the increase was due chiefly to the growing sums paid out for basic compensation; the amount expended on this in the first quarter was DM 409 million, or almost as much as the DM 430 million in the fourth quarter (affected by end-of-year payments), and more by DM 168 million than in the first quarter of 1961.

Other Public Budgets

Local Finances

In the fourth quarter of 1961 (the last for which data are available) the finances of the local authorities were affected by the fact that in the Tax Amendment Law promulgated on 20 July 1961 the annual free allowance in the case of Trade Tax was raised by DM 4,800 to DM 7,200 with effect from 1 January 1961. The tax revenues, after hardly rising in the third quarter, actually declined in the fourth; at DM 2,372 million (excluding those of Hamburg, Bremen and Berlin) they did not even equal the yield reached in the corresponding period of the previous year. It may be assumed that in relative terms the shortfalls were greatest in the case of communities having in the main relatively small and medium-sized enterprises, while they affected comparatively little those local budgets which largely depend on the taxing of a few big enterprises. The amendment of tax law would thus seem to have further enlarged the great differences already existing as between local authorities with large and with small tax revenues, and also to have increased the resulting differences in overall financial power. The course of the local authorities' tax revenues, which also on an overall view was quite unfavourable, was not set right by the fact that the allocations from the Länder were evidently much greater than in the fourth quarter of 1960. Since the expenditure rose well above its level of a year before (the sum spent on building projects alone was over DM 1.9 billion, that is 14 per cent more than a year previously), the local authorities' financial position was no longer so favourable in the fourth quarter as it had still been in the first two quarters of 1961. On the result for the whole year this has however not yet produced its effect; on the con-

Tax Revenue of Local Authorities¹⁾

Period	1959	1960 ²⁾	1961
in millions of DM			
Total	7,589	8,562	9,307
1st quarter	1,776	1,911	2,219
2nd quarter	1,836	2,059	2,340
3rd quarter	1,901	2,209	2,376
4th quarter	2,076	2,383	2,372
Increase (+) or decrease (—) as compared with corresponding period of preceding year in per cent			
Total	+ 18.0	+ 11.5	+ 8.7
1st quarter	+ 18.5	+ 6.5	+ 16.2
2nd quarter	+ 21.4	+ 11.0	+ 13.7
3rd quarter	+ 20.2	+ 14.8	+ 7.6
4th quarter	+ 12.7	+ 13.3	— 0.5

¹⁾ Excluding Hamburg, Bremen and Berlin. — ²⁾ From 1960 onwards including the Saarland.

trary, at not quite DM 200 million the part of expenditure not covered through ordinary receipts was smaller than in 1960 by about DM 100 million. This represents the net effect of the widely differing results for the Federal Republic's nearly 25,000 local authorities (communities and communal associations), many of which had to use large amounts of borrowed resources to meet capital expenditure, while others even after financing such expenditure still had considerable resources which led to an increase in their reserves.

It was indeed due to this cause — apart from the fact that a substantial part of the borrowing was evidently premature — that the indebtedness incurred in 1961 exceeded many times over the deficit ascertained on local finances as a whole. Altogether indebtedness grew in 1961 by about DM 1.44 billion, while its growth perceptibly quickened in the course of the year. Whereas it increased by DM 270 million in each of the first and second quarters, its rise in the third quarter amounted to DM 400 million and that in the fourth to as much as DM 500 million.

According to the partial data available the local authorities again borrowed substantial amounts in the first quarter of the current year. At about DM 400 million the increase in borrowing accorded with the seasonal tendency in being smaller by about DM 100 million than in the previous quarter, but it was greater by DM 130 million than in the corresponding period of 1961. For the first time in a rather long period the amount included proceeds of a loan issue, namely the DM 90 million issue by the City of Munich; just as in all earlier periods however the greater part represented longer-term bank borrowings, while at about DM 60 million the loans obtained from institutional investors against borrowers' notes were not a major item. For this quarter no other data concerning local finances are yet available. It can however not be

assumed that the yield of taxation has in the meantime appreciably recovered; in the light of the Judgments given by the Federal Constitutional Court¹⁾ on 24 January this year fresh shortfalls are rather to be expected in the further course of the year, so that despite final payments by taxpayers in respect of earlier years' assessments the rate of growth in the yield of taxation will presumably be only small. As already mentioned, in their budget estimates for this year the Länder have again provided for an increase of their payments to local authorities in connection with the financial adjustment scheme; it is however doubtful whether total receipts will grow so fast as expenditure, even if the local authorities comply with the Federal Government's recommendation and do not spend all the monies appropriated by them for building purposes.

Pension and Unemployment Insurance Funds

At an estimated DM 350 million in the first quarter of this year the surpluses on *social pension insurance* (excluding miners') were about as great as in the corresponding period of last year, whereas in the whole of 1961 they had exceeded those for 1960 by about DM 400 million. At roughly DM 4.10 billion the pension expenditure was greater than in the first quarter of 1961 by about DM 310 million, or roughly 8 per cent, which was due not only to adjustment of existing pensions to the general 1961 basis of determination (which was 5.0 per cent above that for 1960) but also to the further increase in the number of pensions awarded. The receipts were greater by about 9 per cent in the first quarter than in the corresponding period of last year. The annual rate of growth in contribution incomes amounted to 11 per cent, but the Federal grants were far from rising so much because they are governed by the movement in the general basis of determination, which for 1962 is above that for 1961 by 6.6 per cent. It is also unlikely that in the further course of this year the finances of the pension insurance funds will take an appreciably more favourable course, so that there is little prospect of any increase in the surpluses (about DM 1.8 billion in 1961).

The *Unemployment Insurance Fund*, for which as may be remembered no contributions were collected between the beginning of August last year and the end of March this year, showed in the first quarter of the calendar year a deficit of DM 434 million whereas its receipts and expenditure in the first quarter of last

¹⁾ These concern liability to Trade Tax in respect of, on the one hand, the income of earning spouses and, on the other hand, the entrepreneurial reward in the case of certain types of corporations.

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⁾	20.70	15.26	4.57	18.92	15.43	+ 1.78
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	3.82	1.14	4.81	3.89	+ 0.36
4th qtr. ³⁾	5.72	4.23	1.15	4.93	3.92	+ 0.79
1962 1st qtr.	...	3.95 ⁴⁾	4.10 ⁵⁾	...
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
1962 1st qtr.	0.09	0.01	0.00	0.52	0.38	- 0.43

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. — ³⁾ Partly estimated.

year had been roughly in balance. Apart from the sharp fall in receipts a contributing factor was the course of benefit payments; these rose in the period under report to DM 377 million as against DM 264 million in the first quarter of 1961. At about DM 220 million, the payments in respect of bad weather allowance were more than doubled. The chief reason lies in last winter's less favourable weather; in addition, independently of this, more use was evidently made than in the two previous years of opportunities for claiming the bad weather allowance.

As is shown by the data concerning the *assets* of the social pension insurance institutions (excluding the miners') at the end of last year, longer-term investments were a principal element in employment of the surpluses during the second half of that year, whereas in the second half of 1960 and the first half of 1961 altogether about DM 1.0 billion (being roughly two-thirds of the surpluses) had been employed at shorter

term. In the second half of 1961, on the other hand, out of the surplus amounting to about DM 950 million only some DM 210 million was applied to shorter-term investment; the bank deposits and free loans to banks together rose by about DM 360 million, while money-market investments were reduced by roughly DM 150 million. In the case of the longer-term investments, which rose by about DM 740 million, the loans increased by roughly DM 330 million and the investments in securities by DM 320 million or thereabouts. To the addition to assets out of current surpluses may be added the DM 2.1 billion of debt register claims, which the Federal Government allotted to the insurance institutions last year in satisfaction of their claims under Article 90 of the Federal Law on War Victims' Pensions. By the end of last year the total assets had accordingly risen to around DM 18 billion.

Because of the above-mentioned suspension of contribution payment, the total assets of the Unemployment Insurance Fund remained almost unaltered in the second half of last year, although some considerable switching of assets took place. The money-market investments (chiefly in mobilisation paper) were reduced by about DM 210 million; of the resources thus released some DM 130 million was deposited at banks, while the remaining DM 80 million was employed roughly half each in securities and loans. In the whole of 1961, because of the large surpluses achieved up till the time when contributions were suspended, the assets of the Unemployment Insurance Fund had increased by nearly half a billion DM; they amounted at the end of 1961, with the real property included, to about DM 5.9 billion.

Federal Railways and Federal Postal Administration

The finances of the two major Federal enterprises, the Railways and the Postal Administration, were marked in the first quarter of this year by a very large increase of market indebtedness. This rose by DM 852 million, against DM 531 million in the fourth and DM 693 million in the first quarter of 1961. That movement reflects both the deterioration in the earnings of both enterprises and also their greater capital expenditure.

In the case of the *Federal Railways* the indebtedness grew by DM 407 million net between the end of December last year and the end of March this year. At DM 536 million the gross borrowing was considerably greater, but a part of the monies newly borrowed — comprising proceeds of the DM 210 million loan issued in January this year, DM 200 million from the placing

of medium-term notes and DM 126 million of other borrowings — was used to reduce money-market indebtedness by DM 129 million. The further DM 260 million Federal Railways loan issued in April also partly served that object. Apart from this the monies borrowed in the first months of 1962 were mostly used to pay capital development accounts carried over from the previous year, while this year's capital expenditure has started only slowly and will lead to corresponding outlays — probably larger than in 1961 — only in the further course of the year. The Economic Plan for the year 1962 provides for fresh capital expenditure to the extent of nearly DM 1.7 billion, this being more than in the previous year's Plan by over DM 220 million or fully 15 per cent. For financing this amount of capital expenditure the DM 1,030 million of net borrowing for which the Plan provides is hardly likely to be enough, since the Bundestag has cut down by DM 280 million the grants towards current account provided in the Cabinet bill of the 1962 Federal budget. After this cut a part of the borrowing will in fact be required to meet the pro-

Federal Government Payments to the Federal Railways
in millions of DM

	1959	1960	1961	1962 Plan	
	Actual figures			Cabinet bill	After passing by Bundestag
(1) Grants towards "current account")					
(a) Compensation of non-operational charges for pensions	311	258	302	310	310
(b) Contribution towards structural excessive charges for pensions	—	—	175	555	275
(c) Grants towards additional expenditure on personnel	—	—	120	—	—
(d) Adjustment aid for rationalisation of passenger-train traffic	—	—	150	170	170
(e) Taking over of service of capital for a loan issue	—	—	—	10	10
Total	311	258	747	1,045	765
(2) Loans towards capital account					
(a) Under Transport Finance Law	163	294	— ²⁾	145 ²⁾	145 ²⁾
(b) Other loans	521	286	5	100 ³⁾	100 ³⁾
Total	684	580	5	245	245
(3) Overall total of (1) and (2)	995	838	752	1,290	1,010

Source: Federal Minister of Finance and Central Administration of the German Federal Railways. — ¹⁾ Operational account, profit and loss account. — ²⁾ The annual instalment of DM 145 million appropriated in the 1961 Federal budget was paid already in December 1960. By contrast with previous instalments, interest payment or redemption is not required in respect of this and subsequent annual payments. — ³⁾ Loan granted for the maintenance of liquidity.

spective balance-sheet loss, especially since the recent course of operating receipts (which in the first months of this year were not quite up to the level of a year before) shows that an appreciable reduction of the loss is hardly to be expected.

At DM 445 million the rise in the *Federal Postal Administration's* market indebtedness during the first quarter of this year was also exceptionally great. Here again the gross borrowing was larger than the addition to debt. As to details, DM 260 million was procured by way of bank loans, DM 210 million by the February loan issue and DM 50 million by the placing of

medium-term notes; at the same time however the short-term indebtedness (consisting solely of non-interest-bearing Treasury bonds) was reduced by about DM 85 million. The increase in net borrowing partly results from deterioration in the earnings; in part it is due to the further expansion of total capital expenditure, which is to be stepped up by about DM 140 million or 16 per cent as compared with the 1961 Plan. Evidently however the amount of additional funds procured in the first quarter exceeded the simultaneous financing requirement, so that for the time being the Postal Administration's liquid reserves have risen.

Production and Markets

The figures for the first months of the year show widely differing movements, and therefore make it not easy to express a clear judgment on the state and prospects of the business cycle. In many respects the signs of slackening which emerged last year seem to have gone no further, but rather to have abated. Thus for instance the flow of orders to some industries in recent months was better than before. Especially in the steel, automobile and some consumer goods industries orders were booked which were not only up to the level of a year earlier, but even above it. At least for the time being the "stock-cyclical" downward movement, which last year had perceptibly affected the course of orders in certain basic industries in particular, seems to have come to an end. And the persistently vigorous growth of private consumption, resulting naturally from the rise in mass incomes, seems of late to have stimulated not only imports but also the giving of orders to domestic industries. In the first two months of the year, moreover, industrial production was again marked by a slight uptrend; its decrease in January was less than, and its increase in February more than, seasonal. On a cyclical view this is perhaps not quite counterbalanced by the fact that the production index for March shows per contra a definite setback, because in that month the seasonal rise of output was greatly impaired by the long persistence of wintry weather, while for statistical reasons the index may have been too low. In March moreover a comparatively sharp rise in the export figures put, from that angle, a somewhat more favourable complexion on the general cyclical picture. Finally, the renewed cyclical increase in building permits showed that in the building trades there continues to be no flagging of demand, and that on the contrary a definite boom situation still exists there.

On the other hand however it is noteworthy that enterprises' propensity to invest, which in the longer run determines the course of the business cycle, seems in general to continue its decline. Orders reaching the capital goods industries have as a rule increased again only where they reflect greater buying by consumers; the demand for capital goods in the narrower sense of the term continues on the contrary to crumble away. Thus in particular the mechanical engineering industry's incoming orders, which may be regarded as one of the most comprehensive pointers to entrepreneurs' capital development planning, were considerably smaller in March than a year before. The orders arriving from foreign countries too have remained relatively small during recent months, apart from the increase — partly obtained through considerable price concessions — in orders given to the steel industry.

As yet however there is little sign of any radical change in the state of markets. Although here and there at least a certain psychological tendency towards a cooler atmosphere is making itself felt, the economy as a whole continues rather to be marked by disparity between supply and demand. The labour market is still strained to the utmost. The reason why unemployment in March was for the first time in a long while slightly greater than a year before was simply that the weather caused delay in the resumption of outdoor work; the number of vacancies continues to exceed that of the unemployed several times over. In these circumstances it is not surprising that the rise of wages and salaries proceeds with only slightly diminished force. Since at the same time the growth in productivity has become slower, the level of costs continues appreciably to rise. In industry too during recent months the pressure of growing costs has strengthened the upward price movement. Among the general public this is noticed

all the more because the long winter has induced a greater than seasonal rise in the prices for various foods.

The rise of the domestic cost and price level is accompanied however by an increase in foreign competition because in some important competitor countries prices have been stable for some time, or at least risen less than in the Federal Republic. This means that on a longer view forces opposing the inflationary tendencies are arising. The growth of imports makes it more difficult to raise prices; it also tends to depress the level of employment. The pressure on the level of employment might moreover be further increased if, with wages continuing to rise and price rises becoming more difficult, the contraction of profit margins were to continue and consequently the propensity to invest were further to decline. This might act in the direction of gradually rendering impossible any excessive wage rises as well.

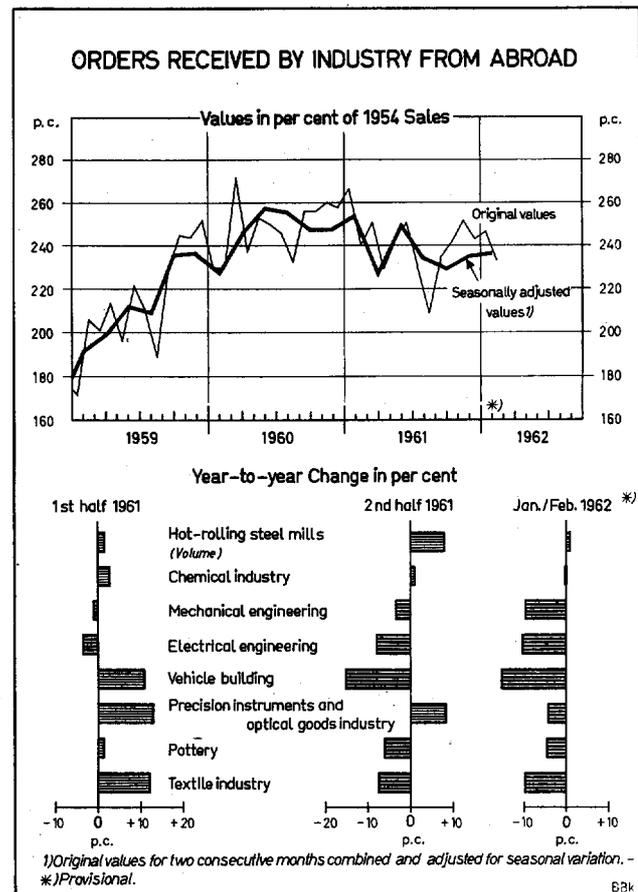
It would not be advisable, however, to leave the establishment of more normal market conditions exclusively to such self-correction. Self-corrections of the type described have been shown by experience to be all the more painful the greater the exaggerations which they are meant to correct; they are moreover apt to result in relatively long-term disturbances of economic growth. That is why any increasing acuteness of the wage and price situation ought to be counteracted as far as possible by appropriate measures of economic policy — especially where the discrepancy between productive capacity and demand is particularly wide, as it is on the building market which moreover is sensitive to foreign competition only in a very limited degree. In addition however better appreciation, by all parties concerned in the economic process, of the consequences any further exaggeration of the demands on the national product might have, and in particular a sound policy on the part of employers and employed, might contribute substantially towards preventing still greater disequilibrium on the markets and an increasing danger of more painful correction.

Demand

Foreign Demand

The inflow of orders from abroad between January and March 1962 was smaller by an average of 4 per cent than in the corresponding period a year before. It is true that in comparison with its end-of-1961 level, with seasonal fluctuations eliminated, it showed a small increase, but this is almost exclusively due to the great rise in export orders reaching the ironworking

industry, which rise is not typical of the general export situation inasmuch as it resulted from special efforts — supported by large price concessions — to export in order to offset the small domestic demand. In most industries apart from steel the opportunities for exporting have of late rather continued to deteriorate. Thus in the capital goods industries the foreign orders received in January and February were below the level of a year earlier by 13 per cent against an average of 9 per cent for the second half of 1961; in March too the export orders there were also somewhat smaller (by 5 per cent) than a year before, although in March 1961 already they had shown great cyclical decline following revaluation. If the first quarter of 1962 is regarded as a whole, the inflow of export orders in vehicle building and mechanical engineering was below its level of a year earlier by 11 per cent. In electrical engineering the decrease amounted to 4 per cent. In the precision instruments and optical goods industry, which had enjoyed a special export boom up till the autumn of last year, the foreign demand also became smaller. Outside the capital goods industries, on the other hand, export orders during recent months have either remained almost unchanged in comparison with a year earlier (as in the chemical industry), or have

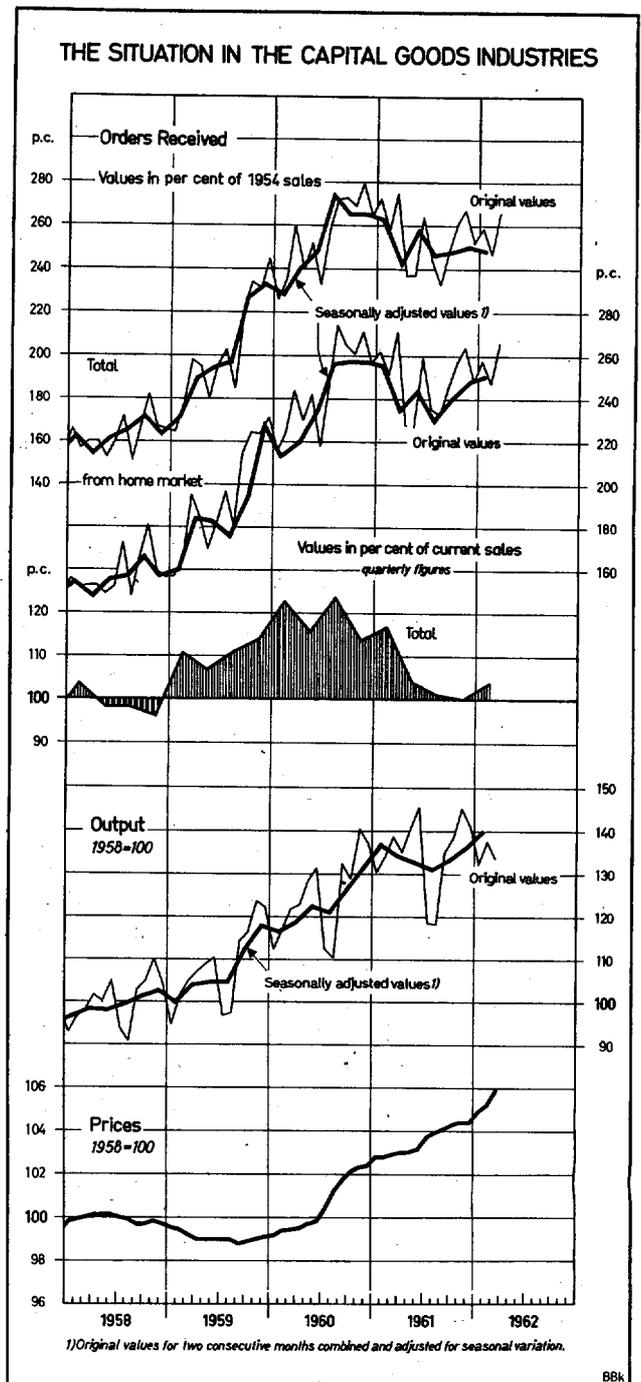


actually increased. The latter applies above all to some consumer goods industries, namely to those for which export business was previously not of major importance, as in leather production and paper processing. In the typical industries exporting consumer goods, for instance pottery, export orders in the first months of this year were however falling just as they had been in the preceding period since revaluation.

An important cause of the recently apparent difficulties of exporting is the fact that, because of the high degree to which they are engaged in home-market business, some German industries have lost the advantage in regard to delivery periods which they still had two or three years ago, the more so since during recent years other countries have devoted more attention to exporting. The crucial reason would however seem to be that internal cost increases cannot so easily be passed on through prices in export business as they often still can at home, especially since revaluation of the DM has in any event shifted the price relationships between Germany and foreign countries. That is clearly shown by the course of export prices. Whereas home-market prices for the main export goods rose by about 3 per cent in the course of last year, as measured by the producers' price index for the capital goods industries, the average value of the export unit (which ought at least in some measure to reflect the course of export prices) has not only failed to rise but has even slightly declined. The attractiveness of exporting has thus of course become less, if indeed certain firms and industries are not by degrees having to give up foreign business owing to inability to compete in terms of price.

Capital Development Planning

Enterprises' capital development planning, and the consequent demand, also continued to show a certain restraint during recent months as compared with 1960 and the beginning of 1961. True, the data concerning home-market orders reaching the so-called capital goods industries show a slight rise, when seasonally adjusted, as can be seen from the following graph. They were lower in the first quarter by 2 per cent, however, than in the corresponding period a year before; the rise apparent in the first months of the year was moreover mainly confined to the car industry, and to that extent may have chiefly reflected an increase in consumer demand. The home-market orders reaching vehicle builders were in fact greater by about 18 per cent in the first quarter of this year than a year before. The rise by 7 per cent in orders reaching the hardware industry also primarily applies to consumer



goods. Among typical capital goods producers, on the other hand, domestic demand mostly declined. This applies especially to mechanical engineering, where domestic orders in the first three months of this year were smaller by 9 per cent than in the corresponding period of last. The mainly cyclical nature of the relevant changes is clearly shown by the fact that the industries which cut down their orders were in particular those which had been affected by cyclical slackening last year. Where the downward cyclical tendency moreover coincided with a structurally induced de-

crease of business activity (as in textiles and mining), the orders placed for machinery in the first quarter of 1962 were down even more — by 40 per cent and over — in comparison with a year earlier. Only some branches of economic activity, such as the building and food industries, and agriculture too, further increased their ordering in the first months of this year.

According to the latest data no appreciable reduction is apparent, on the other hand, in trade and industry's plans for building. According to the estimated expenditure the permits granted for commercial and industrial buildings were greater than a year earlier by 6 per cent in both January and February. This increase is however roughly in line with the rise in building costs, and to that extent does not indicate expansion in the real volume of the capital projects planned. It remains moreover to be seen whether the trend in recent months was not affected by the talk about a suspension of building, or some other administrative limitation of building activity, in the direction of obtaining building permits in advance, especially since on nearly every building project it now has to be expected that completion will take longer.

Arrangements in respect of Stock

A certain change was evident during recent months in enterprises' placing of orders, inasmuch as this was no longer limited to a large extent, as previously, by the desire to reduce stocks or at least keep them short. The outstanding example is the movement in the steel industry. Home-market orders for rolled steel rose from 1.23 million tons on the average for the fourth quarter of 1961 to 1.29 million tons in January, 1.44 million tons in February and 1.52 million tons in March. Although seasonal factors may have been one cause of this rise, while even in March the level reached was not quite up to that of a year before, this means that the decline of order backlogs at steel rolling mills — which had been going on for two years — ended or was at least interrupted. Apart from seasonal factors the increase of incoming orders is mainly due to the reduction since mid-1961 in stocks of steel held by steel manufacturers. It is true that these stocks still cover a considerable period (about 77 days' production in February 1962), so that it is uncertain whether the rise in orders for rolled steel will continue; the level by now reached would seem roughly to conform to current steel consumption. In view of the scanty statistics the extent to which arrangements for stock have altered in the case of other basic materials as they have in that of steel cannot be stated with certainty, although many

signs — such as the temporarily steep rise in orders reaching the chemical industry — suggest that changes parallel in tendency are occurring there. In a number of consumer goods industries the giving of orders even seems for some time to have run somewhat ahead of ultimate sales by traders. Thus in the first quarter of 1962 the home-market orders were greater than a year earlier by 14 per cent in the garment, 10 per cent in the furniture and 12 per cent in the hollow glassware industry, while retail sales of household equipment and clothing were greater in January and February (for this purpose March must be neglected owing to special circumstances) by only about 8 per cent than a year before. Only in the textile, footwear and leather-producing industries has no major increase of orders yet been recorded, despite relatively good ultimate sales; this however would seem to be due less to the arrangements in respect of stock than to growing imports, and in some cases also to increasing output of synthetic products.

Demand for Building Work

Despite the steep rise in building costs the feature of the building market is still an increase in planning for construction. If one takes the value of estimated expenditure in respect of granted building permits as a reasonably accurate pointer for this purpose, the demand for building work was greater by 12 per cent in January and February than in the corresponding period of last year; thus the slackening of expansion, which last year was reflected in a slowing in the rate of growth from 14 per cent in the third to 4 per cent in the fourth quarter, did not continue in those months. And according to the estimated expenditure the amount of building permits granted was quite large in March 1962 as well, although it exceeded by only 3 per cent its level of a year previously which had been unduly high because of the talk at that time about a stop to building.

The quickening of the rise in demand related not only to residential building but also to the other sections of the building market. In these the planned construction as measured by the value of approved building contracts was greater by about 7 per cent in the first two months of 1962 than a year before, and in March too it would seem to have shown a cyclical growth; in the fourth quarter of 1961 on the other hand it had slightly declined. In the rise not only commercial and industrial but also official planning of buildings had a share. So as to counteract excess demand in the building market it was decided at the final voting on the Federal budget estimates at mid-April

this year that 20 per cent of the appropriations for Federal building expenditure should be subject to general blocking, to which however the Federal Finance Minister can make exceptions. Even if this blocking were strictly applied, however, it is uncertain whether that would cause the Federal authorities' planned construction (which relates mainly to civil engineering projects) to fall far short of that in the previous year, since even the appropriations reduced by 20 per cent would seem to be only slightly if at all below last year's actual expenditure, which fell more or less short of the appropriations at that time. In addition the Federal Government's own expenditure on building accounts for only about 25 per cent of all spending on official building and civil engineering projects, and for only some 8 per cent of total building and civil engineering work; hence in itself the 20 per cent blocking of Federal budget appropriations could at best reduce the giving of orders by 1.5 per cent of the overall volume of building. Thus perceptible relief to the building market in respect of public building can be expected only if the other public authorities follow the example of the Federal Government.

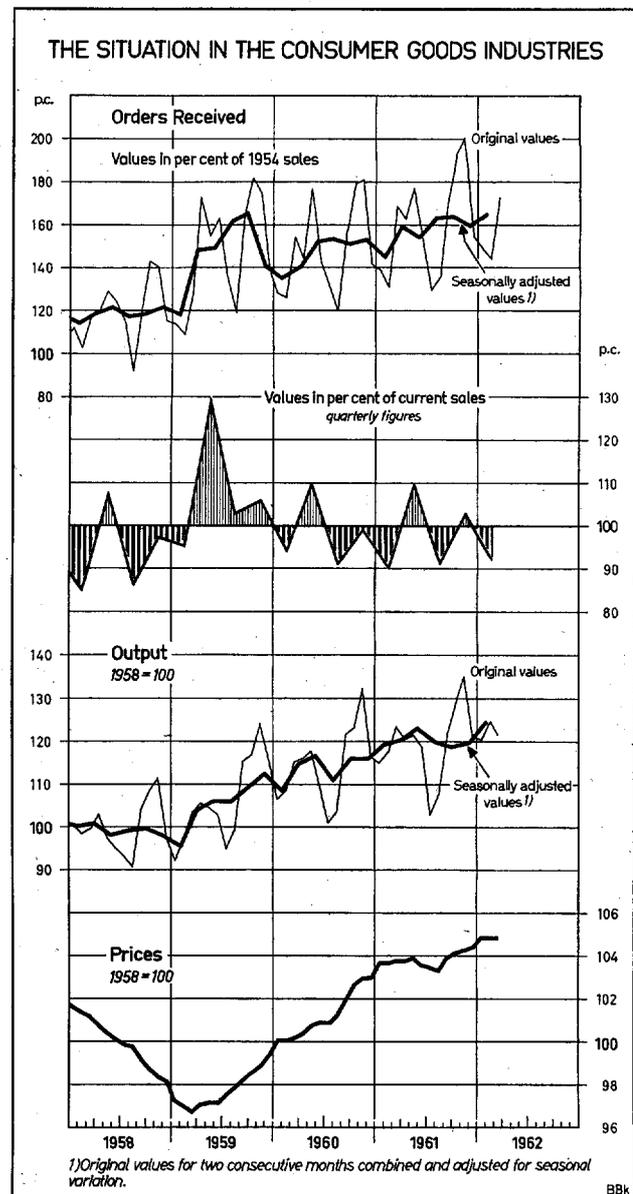
In cyclical terms the demand from *house-builders* also increased in the first months of this year. The annual growth-rate of estimated expenditure on newly approved dwellings averaged 16 per cent in January and February, and 12 per cent in March, against 10 per cent in the fourth and 14 per cent in the third quarter of 1961. How far publicly assisted house-building was a factor in this renewed rise cannot be clearly seen from the available data. The figures for grants of public money to assist such building — these however do not in general coincide in time with the building authorities' permits, but rather run ahead of them — show that in the first months of 1962 there was a decrease in the number of dwellings for which public monies were granted. At the same time however the monies granted per dwelling rose further to DM 9,400 as against DM 7,100 a year earlier. In other words, increased subsidies shielded the parties ordering building, and ultimately also the future tenants in the sphere of publicly assisted house construction, against the market consequences of rising building costs — that is against the need to borrow more at higher interest. Clearly such a policy — together with the concessions, which with growing incomes become more and more lucrative for most taxpayers, under Article 7b of the Income Tax Law — is not calculated to reduce demand for building to an extent which can be handled without price rises. It is at the same time quite obvious that the objections which could formerly be raised from the

side of demand against a cut in house-building can now claim validity, if at all, only in small degree. In the period from 1950 to the end of 1961 the number of dwellings in the Federal Republic rose by more than 6 million, that is by about two-thirds, from 9.3 million to roughly 15.4 million. The "objective" housing deficit, in the sense of the calculated difference between the number of normal dwellings and that of households (including half the one-person households), dropped from about 4.7 million in the autumn of 1950 to around 800,000 at the end of 1961. Thus the exceptionally large building output in the past twelve years permitted not only reconstruction of destroyed dwellings, and meeting of the additional demand in respect of expelled persons and refugees, but also an improvement of housing standards by comparison with the time before the second world war; quite apart from the higher quality of the newly built dwellings such improvement is evident above all from the fact that at the end of 1961 in the Federal Republic about 110 rooms were available per 100 inhabitants as against roughly 100 before the second world war. In purely free-market conditions there would be reason to expect the demand for housing gradually to lose urgency. But continuous governmental intervention in the housing market constantly inflates the demand for housing space, so that even the exceptionally steep rise in building costs fails to establish any really lasting balance between supply and demand in the building market. On the contrary the effect of the continued rise of subsidies in the form of governmental loans and interest grants for new buildings, as well as the maintaining of the rent level for the majority of dwellings, is such that despite the inflation of building costs the expenditure on rents rises only a little more than private incomes and the rest of consumer expenditure. According to the family budgets for employed persons' households, rent accounted in 1961 for 9.8 per cent of all consumer expenditure as against 9.9 per cent in the previous year, 9.2 per cent in 1958 (before the last statutory rent increase) and 10.2 per cent in 1950. It would however accord with the "natural" trend in a growing economy if, as real incomes grew, expenditure on rent rose more than proportionately — especially where its proportion to income is so low as it has been since the war in the Federal Republic; according to the National Accounts, rents in the entire economy accounted in 1961 for only 7.9 per cent of total private consumer spending as against 13.5 per cent in 1936. So far the economic policy measures recently adopted to limit the demand for building have affected house construction only slightly. The Bundestag merely sus-

pended a provision in the second Housing Law, the result being that the Federal funds for financing house construction in the coming financial year need not be promised, as previously, by 1 December in the current year. Accordingly such promise of monies out of next year's Federal budget to encourage building will not be given until 1963, thereby somewhat delaying the process of out-payment. Beyond that no decisions have yet been reached; even the much demanded limiting of the above-mentioned Article 7b to cases of non-recurrent financing of owner-occupied homes seems of late to have been rendered once more doubtful.

Private Consumption

The cyclical rise of private consumption continued during recent months in close connection with the persistently rapid increase of mass income. According to our provisional calculations this latter was greater by not quite 11 per cent in the first quarter than in the corresponding period a year earlier, as against 11.3 per cent in the fourth quarter of 1961. The slight decrease in the rate of growth was chiefly due to the state of employment, since the number of employed wage and salary earners has increased somewhat less than a year before, and in particular the average number of hours worked has further declined, chiefly in the building trade because of the long persistence of frosty weather. Apart from the seasonal trend there would seem to have hardly been any material changes in the "saving ratio", which last year averaged 8.8 per cent of disposable income. It would therefore seem that by far the greater part of the addition to incomes continued to go into consumption, especially during recent weeks, when the public's attention was again more strongly directed to price rises. Accordingly there was a considerable increase in private consumption. In the first three months of the year for instance — no later data are yet available — retail turnovers were greater than in the corresponding period of last year by more than 7 per cent. Here it must be borne in mind that last year the Easter trade had fallen in March, whereas this year the late date of Easter caused it to begin only in April, while moreover sales in some trades were much impaired through the bad weather which prevailed until shortly before Easter. With April included, therefore, comparison with the previous year is likely to offer a more favourable picture than one confined to the first three months. The increase in private consumption is however not fully reflected in sales by German producers of consumer goods, since in some categories of private consumption



imports are rising faster than in general. The increase of imports was especially marked in textile finished products, amounting to 26 per cent in the period from January to March 1962 as compared with the corresponding period of last year.

Production

Industrial production in recent months was subject to various chance influences, which make it not easy to determine the cyclical trend. In the first two months of the year it seems in cyclical terms to have somewhat risen, or at least no longer fallen, whereas in March it presented a less favourable picture. In that month the index calculated by the Federal Statistical Office was lower by 2.6 per cent than in the corresponding period of the previous year. It must however be borne in mind that in March outdoor work was

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

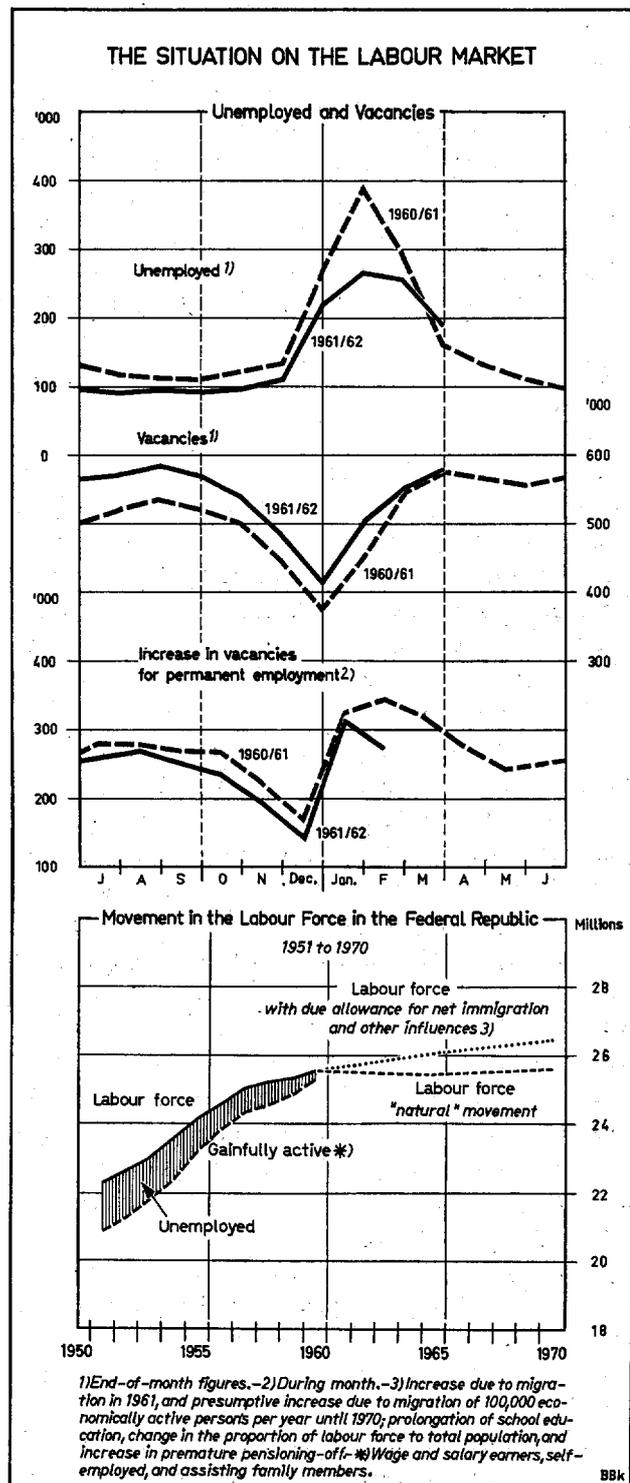
	1961							1962				Change 1st qtr. 1962 against 1st qtr. 1961 in p. c. ^{p)}
	Jan.	Feb.	March	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	Jan.	Feb.	March ^{p)}	1st qtr. ^{p)}	
											Mo'ly avge	
Monthly averages												
Index of Industrial Production ¹⁾ (per working day, 1950 = 100)												
Total	249	255	267	257	270	250	279	257	263	260	260	+ 1.2
Building	153	193	241	195	273	257	237	178	172	184	178	- 8.9
Basic materials and producer goods	258	267	280	268	286	271	275	263	275	273	270	+ 0.7
Capital goods	353	363	376	364	381	336	384	364	373	363	367	+ 0.7
among which:												
Machine building	278	304	314	299	323	294	329	300	312	305	305	+ 2.3
Vehicle building	587	578	608	591	609	485	566	587	598	593	593	+ 0.3
Consumer goods	212	217	228	219	222	204	237	222	230	223	225	+ 2.8
among which:												
Textiles	180	178	180	180	177	155	181	182	183	174	179	± 0
Hard Coal Mining ('000 tons)												
Output per day worked in mining	554.7	559.2	558.2	557.4	541.7	518.9	552.1	551.4	551.0	544.9	549.1	- 1.5
Pithead stocks (hard coal and coke) ²⁾	10,826	10,642	11,343	11,343	12,439	11,959	11,988	11,790	11,699	11,499	11,499	+ 1.4
Hard coal imports (excluding coke) ⁷⁾	553	448	548	516	565	618	634	645	453	621	573	+11.0
Iron and Steel Industry ('000 tons)												
Output of pig iron per calendar day	71.2	73.3	72.5	72.3	70.5	70.2	65.8	65.9	67.4	67.7	67.0	- 7.3
Output of raw steel per production day	104.2	105.3	106.1	105.2	104.8	98.4	94.8	94.5	98.2	98.9	97.2	- 7.6
Finished rolling mill products ³⁾												
Deliveries	1,899	1,816	1,981	1,899	1,823	1,801	1,672	1,734	1,675	1,857	1,755	- 7.6
New orders booked	1,988	1,720	1,863	1,857	1,714	1,591	1,677	1,861	1,858	1,979	1,899	+ 2.3
Orders on hand ⁴⁾	5,784	5,615	5,364	5,364	4,882	4,137	3,948	4,002	4,207	4,267	4,267	-20.5
New Orders booked in Industries ¹⁾ (Values per calendar month in per cent of 1954 sales)												
Total	202	193	216	204	201	194	207	200	193	211	201	- 1
Basic materials	178	173	192	181	183	181	173	179	175	184	179	- 1
Capital goods	273	258	275	269	246	242	260	259	247	267	258	- 4
among which:												
Machine building	275	255	275	268	254	242	255	256	231	243	243	- 9
Vehicle building	272	265	326	288	269	233	281	292	296	326	305	+ 6
Consumer goods	139	131	169	146	164	146	183	149	145	173	156	+ 7
among which:												
Textiles	128	125	140	131	135	123	155	133	131	144	136	+ 4
Building												
Hours worked (millions) ⁵⁾												
Total	143.6	168.8	227.9	180.1	236.3	240.5	208.1	159.8	143.9	173.0	158.9	-11.8
Residential buildings	56.2	70.8	95.9	74.3	99.2	98.7	84.3	63.7	55.7	...	59.7 ^{x)}	- 6.0 ^{x)}
Buildings for public and transport purposes	45.9	52.9	74.6	57.8	78.5	82.8	72.5	53.0	48.9	...	51.0 ^{x)}	+ 3.1 ^{x)}
Buildings for trade and industry	38.6	41.1	50.7	43.5	50.4	51.0	45.4	39.8	36.5	...	38.2 ^{x)}	- 4.3 ^{x)}
Planned building expenditure for approved buildings (millions of DM)												
Total	1,997.3	1,894.4	2,496.1	2,129.3	2,764.2	2,840.6	2,585.6	2,291.3	2,073.1	2,566.9	2,310.4	+ 8.5
Dwelling houses	1,138.4	1,173.8	1,514.0	1,275.4	1,718.7	1,811.1	1,658.5	1,377.1	1,299.4	1,697.7	1,458.1	+14.3
Other buildings	858.9	720.6	982.1	853.9	1,045.5	1,029.5	927.1	914.2	773.7	869.2	852.4	- 0.2
Housing mortgage loans by institutional investors (millions of DM) ⁶⁾ ⁷⁾												
Amounts promised per month	754.4	823.2	1,099.9	892.5	997.9	1,067.1	957.9	921.0	1,039.1	...	980.1 ^{x)}	+24.2 ^{x)}
Out-payments per month	560.2	531.0	705.8	599.0	695.1	821.1	956.8	693.6	636.9	...	665.3 ^{x)}	+21.9 ^{x)}
Retail Turnover (1954 = 100) ⁴⁾ Values												
Total	142	140	175	152	163	164	216	157	152	179	163	+ 7.2
of which:												
Food, beverages and tobacco	139	138	166	148	159	162	180	153	152	179	161	+ 8.8
Clothing, linen, underwear, footwear	132	124	171	142	155	147	234	147	127	151	142	± 0
Household equipment and furniture	159	152	184	165	172	189	253	172	165	191	176	+ 6.7
Other	158	160	197	172	179	178	229	176	178	210	188	+ 9.3
Labour Market (thousands)												
Unemployed ⁸⁾												
Total	390.1	292.5	163.2	163.2	99.2	94.9	222.5	267.9	257.2	189.9	189.9	+16.4
Men	297.5	206.5	99.9	99.9	58.4	57.9	157.1	195.8	188.5	131.6	131.6	+31.7
Women	92.6	86.0	63.3	63.3	40.8	37.0	65.4	72.1	68.7	58.3	58.3	- 7.9
Employed wage and salary earners ⁹⁾												
Total	...	...	22,419.4	20,419.4	20,760.4	20,933.6	20,796.9	...	...	20,880.7	20,880.7	+ 2.3

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). — ⁸⁾ Provisional. — ⁹⁾ January/February.

still very much impaired by the long persistence of frost; consequently the output of the building and civil engineering industry was below its March 1961 level by 24 per cent. The informative value of the comparison with the previous year is further impaired by the fact that March this year contained five Saturdays as against only four last year, which in calculating the index were counted as working days although there is doubt as to how far Saturdays can still be treated as working days. On the monthly average for the first quarter the production index was above its level of a year earlier by only 1.2 per cent against 4.1 per cent in the fourth quarter of 1961, 3.6 per cent in the third quarter and 8.4 per cent in the first half of that year. How far the recent movement was affected by cyclical influences, that is by a decline in demand, is hard to say. There are doubtless industries where production was cut down in view of the fall in demand. That applies for instance to ironworking, the average output of which was smaller by 8 per cent in the first three months of this year than in the corresponding period of last. Similarly, in steel-processing as well as in several other basic industries such as those concerned with non-ferrous metals, rubber and cellulose last year's level of output was not reattained or was barely exceeded. On the other hand there is no doubt that production in many industries would have been above its actual level if it had been possible to procure the labour required for that purpose.

The labour market continues, however, to be subject to extreme tightness, the more so since even in industries where production has been cut down workers are so far as possible not being dismissed, but are being "hoarded" against the event of an early improvement in sales and a corresponding renewed expansion of output. Up till February, and again in April, unemployment was smaller than in the corresponding months a year earlier. Only at the end of March were somewhat more unemployed persons recorded at labour exchanges than a year before, namely 190,000 as against 163,000; this rise was however solely due to the fact that the weather delayed the spring upswing. Vacancies on the other hand show a slight decrease in the demand for fresh labour. At 278,000 the February addition to vacancies for permanent employment was smaller by about one-fifth than a year before. At 568,000 at the end of April, however, the number of vacancies remaining was still as high as a year previously.

The prospects of reduction in the labour shortage from the side of supply are impaired, not least, by the steady decline in the net addition to the number of



gainfully employable persons. Whereas in 1961 gainfully active persons rose in number by about 400,000, for the current year an increase of only some 200,000 is to be expected. The prospect is that the "natural" movement in the labour force, that is the arrival of school-leavers on the one hand and on the other the decline on grounds of age, disability and otherwise, will be negative in 1962. According to expert esti-

mates this trend will continue at least until 1965. It is uncertain whether this can be offset through a rise in the proportion of gainfully employable persons, especially among women, particularly since contrary tendencies such as lengthening of the time spent on education and early retirement from active life are growing in importance. Any increase in the number of gainfully active persons will therefore essentially depend, in 1962 and still more in the subsequent years, on the "immigration gain" in the sense mainly of the inflow of foreign workers.

Prices and Wages

The rise of prices became somewhat quicker in recent months, especially if one takes account of the further — although partly seasonal — rise in food costs. Of the most important indices, that for producers' prices of farm products rose between December 1961 and March 1962 by 2.6 per cent, that for the cost of living by 1.7 per cent and that for producers' prices of industrial products by 0.5 per cent.

The rise in price of *farm products* results chiefly from the relatively small supply of green vegetables, fruit and potatoes. In the case of these products last year's crop was relatively poor not only at home but also in the countries from which such imports mostly come. In addition during the first months of this year the lengthy frost hindered both the opening of potato and vegetable pits and the transport. In March 1962 producers' prices were above those for March 1961 by nearly 50 per cent in the case of fruit, almost 100 per cent in that of potatoes and close on 200 per cent in that of green vegetables. In the case of other farm products however the price movement was fairly calm. In accordance with the seasonal tendency, producers' prices of animal products actually declined by 4.3 per cent in the first quarter of 1962. The chief contributing cause was the great — but entirely seasonal — fall in prices for fat hogs and eggs, which fall was greater than the (likewise seasonal) rise in those for fat cattle.

In the case of *industrial products* the tendency apparent since mid-1961 to a renewed gradual rise of prices continued in recent months. Whereas in the second quarter of 1961 under the influence of DM revaluation the index for producers' prices of industrial products had fallen by 0.2 per cent, and in the next two quarters had risen by 0.4 and 0.3 per cent respectively, in the first quarter of 1962 it rose by 0.5 per cent. With the exception of basic materials, nearly all the major sub-groups had their share in this. Thus between December 1961 and March 1962

the price of consumer goods rose by an average of 0.5 per cent, and that of capital goods by 1.4 per cent; the prices for finished products, shown of late as sub-groups of the overall index, actually rose in the group for consumer goods by 0.9 per cent and in that for capital goods by 1.9 per cent. In the capital goods industries the timing of the price rises was closely connected with the new wage scale for metalworkers, which came into force on 1 January 1962 and which caused wages (including compensation for shorter working hours) to rise by 9.5 per cent. The reason why the adjustment of prices to the higher costs proceeded relatively fast (and according to reports on prices at the Hanover Industries Fair may continue to proceed) lies doubtless in the still fairly good state of orders in those industries. This applies in the first place to mechanical engineering and to electrical capital goods; in addition the raising of home-market prices by most car producers was no doubt partly influenced by the fact that recently the placing of orders in that industry has again been very favourable.

Prices at the consumer stage largely followed the changes in producers' prices. This applies primarily to food prices, which according to the sub-index for food within the cost of living rose by 3.1 per cent between December 1961 and March 1962. The remaining consumer prices rose in those three months by 0.9 per cent. Nearly all groups of goods and a number of services had their share in this process. Household goods for instance became dearer by 0.7 per cent, and clothing by 1.2 per cent, while the price indices for cleaning and personal care as well as for education and recreation each rose by roughly 2 per cent; only rents and the prices for electricity and transport services — these being prices chiefly affected by governmental influence — rose relatively little. The overall cost-of-living index rose in the first quarter by 1.7 per cent; in March this year it was accordingly above the level of a year earlier by 3.8 per cent.

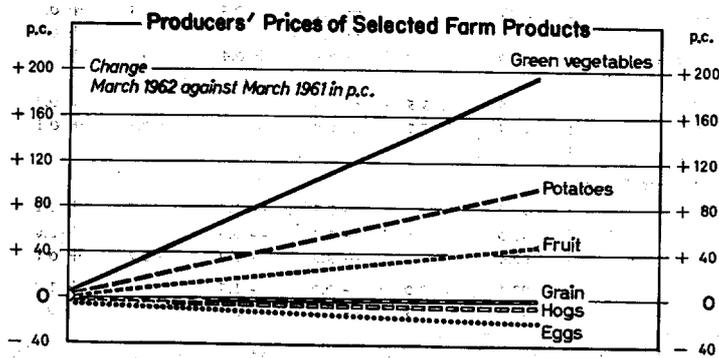
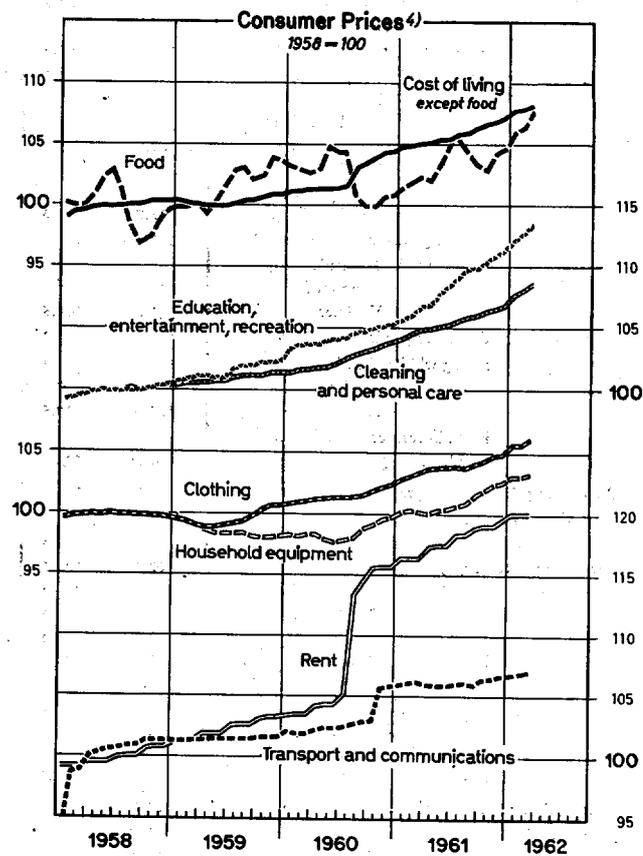
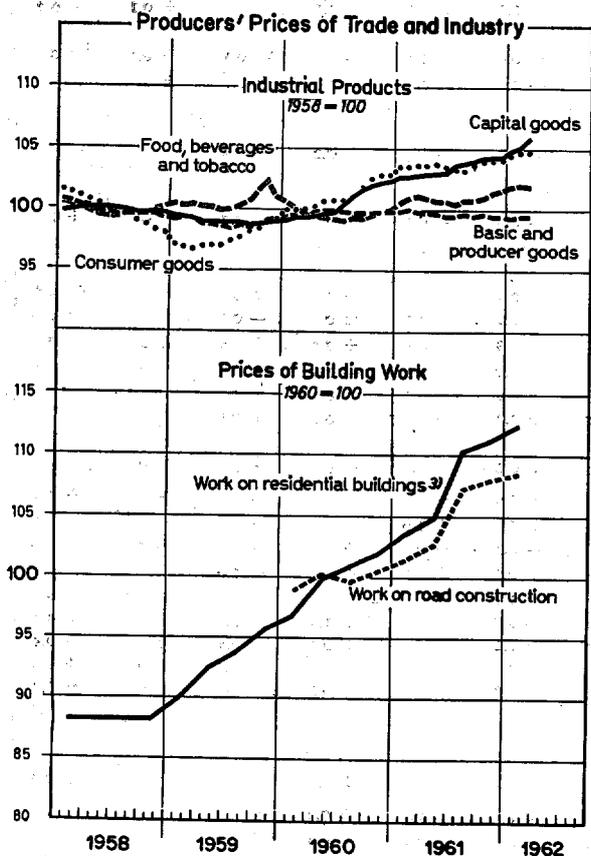
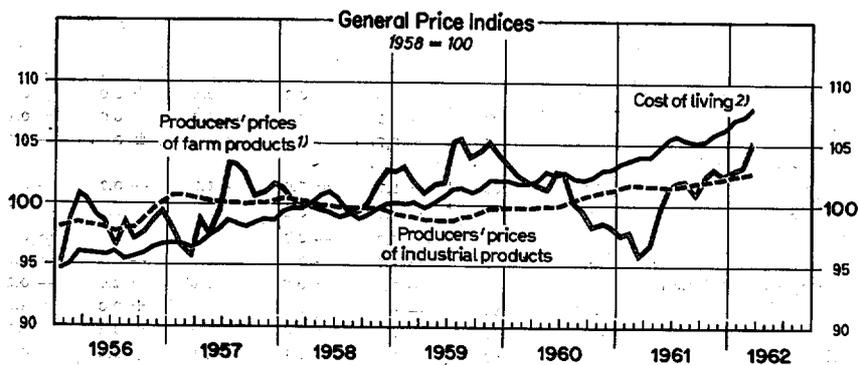
The rise of wages continued almost undiminished in the months under report. This applies above all to collectively agreed wages. According to our information increases of collectively agreed wage and salary rates came into force in the first three months of this year for some 6.3 million employed persons (against 5.7 million in the first quarter of 1961). The agreed wage and salary rises, including the increases allowed in hourly wages in respect of cuts in working hours, amounted to 7.7 per cent. If one eliminates those increases in hourly earnings which are based solely on agreements about working hours, many of the collectively agreed increases actually exceeded this average

Price Movements¹⁾

	1961	1962	March 1962 against March 1961 P)	Change against preceding month					
	March	March P)		Oct. 1961	Nov. 1961	Dec. 1961	Jan. 1962	Feb. 1962	March P) 1962
	1958 = 100			per cent					
Home Market									
Basic material prices, total ²⁾	98	100	+ 2.0	+ 0.2	+ 0.4	+ 0.0	- 0.1	+ 0.1	+ 0.4
of which: Industrial products	101	100	- 0.3	+ 0.2	- 0.0	+ 0.0	+ 0.1	+ 0.1	- 0.1
among which: Bricks	108	117	+ 7.7	± 0	± 0	± 0	- 1.1	+ 0.5	± 0
Copper (semi-finished goods)	106	108	+ 1.7	+ 1.0	- 1.7	- 0.2	- 0.2	+ 1.4	- 0.3
Farm, forest and plantation products	95	100	+ 4.7	+ 0.2	+ 0.9	+ 0.0	- 0.2	- 0.3	+ 0.9
among which: Cotton	93	91	- 5.2	- 0.0	+ 0.4	+ 1.4	+ 0.9	+ 0.2	- 0.4
Raw wool, foreign	95	100	+ 3.8	- 2.9	- 0.0	- 0.5	+ 0.9	+ 2.4	+ 2.7
Timber (trunks), domestic	105	103	- 1.9	+ 0.7	+ 1.6	+ 2.0	- 0.2	- 0.8	± 0
Crude rubber	102	96	- 4.7	- 3.5	- 7.3	+ 2.0	+ 2.6	+ 3.3	- 3.0
Potatoes	79	156	+98.6	+ 1.0	+ 3.9	+ 9.4	+11.2	+ 2.3	+11.4
Hogs	102	99	- 2.7	- 0.1	- 2.4	- 2.6	- 0.4	- 1.6	- 4.6
Producers' prices of industrial products, total ³⁾	101.8	102.8	+ 1.0	+ 0.2	+ 0.1	+ 0.1	+ 0.2	+ 0.1	+ 0.2
among which: Basic and producer goods industries ⁴⁾	100.0	99.6	- 0.4	+ 0.0	- 0.1	- 0.0	- 0.1	+ 0.1	± 0
among which: Iron and steel	99.7	98.5	- 1.2	- 0.4	± 0	- 0.2	± 0	± 0	± 0
Non-ferrous metals and non-ferrous semi-finished goods	103.0	102.1	- 0.9	+ 0.3	- 1.5	+ 0.2	- 0.2	+ 0.8	- 0.4
Wood-pulp, cellulose, paper and cardboard	97.7	97.0	- 0.7	- 0.0	- 0.4	+ 0.1	- 0.2	± 0	+ 0.1
Capital goods industries ⁴⁾	103.0	106.0	+ 2.9	+ 0.2	+ 0.1	- 0.0	+ 0.5	+ 0.3	+ 0.7
among which: Mechanical engineering products	105.6	111.3	+ 5.4	+ 0.5	+ 0.2	+ 0.0	+ 0.8	+ 0.5	+ 0.9
Vehicles	100.8	101.5	+ 0.7	- 0.1	+ 0.2	± 0	- 0.1	± 0	± 0
Consumer goods industries ⁴⁾	103.8	104.9	+ 1.1	+ 0.3	+ 0.1	+ 0.0	+ 0.5	± 0	± 0
among which: Textiles	101.9	98.9	- 2.9	- 0.0	- 0.0	- 0.1	+ 0.3	± 0	- 0.1
Clothing	103.1	107.1	+ 3.9	+ 0.8	+ 0.3	+ 0.1	+ 0.6	+ 0.3	+ 0.3
Furniture	105.0	109.5	+ 4.3	+ 0.7	+ 0.6	+ 0.2	+ 0.1	+ 0.3	+ 0.1
Food, beverages and tobacco industries ⁴⁾	101.3	102.1	+ 0.8	+ 0.2	+ 0.4	+ 0.3	+ 0.3	+ 0.1	- 0.1
Producers' prices of farm products, total ⁵⁾	96.1	105.3	+ 9.6	+ 1.3	+ 0.6	- 0.5	- 0.7	+ 0.3	+ 1.9
of which: Vegetable products	89.0	121.2	+36.2	+ 5.4	+ 1.0	+ 2.0	+ 5.0	+ 3.1	+ 8.1
Animal products	98.8	99.3	+ 0.5	- 0.1	+ 0.5	+ 0.2	- 2.9	- 0.8	- 0.7
Retail prices, total ⁶⁾	102.4	106.5	+ 4.0	+ 0.1	+ 0.5	+ 0.2	+ 1.0	+ 0.3	+ 0.5
among which: Foodstuffs	100.9	106.2	+ 5.3	- 0.4	+ 0.6	+ 0.4	+ 1.2	+ 0.4	+ 0.8
among which: Green vegetables	91.7	124.1	+35.3	- 3.7	+ 2.7	+ 1.9	+ 8.1	+ 3.6	+ 8.2
Textiles and footwear	102.5	105.2	+ 2.7	+ 0.2	+ 0.3	+ 0.1	+ 0.9	± 0	+ 0.4
Household goods and furnishings	103.7	107.5	+ 3.7	+ 0.6	+ 0.5	+ 0.2	+ 0.4	+ 0.4	+ 0.2
among which: Hardware	106.5	109.8	+ 3.1	+ 0.3	+ 0.3	+ 0.2	+ 0.4	+ 0.5	+ 0.3
Furniture	103.2	107.2	+ 3.9	+ 1.0	+ 0.7	+ 0.1	+ 0.4	+ 0.1	+ 0.2
Electric appliances (excluding radio sets)	101.6	104.4	+ 2.8	+ 0.2	+ 0.6	+ 0.0	+ 0.4	+ 0.1	+ 0.4
Cost-of-living index, total ⁷⁾	104.1	108.1	+ 3.8	+ 0.0	+ 0.6	+ 0.2	+ 0.8	+ 0.2	+ 0.7
among which: Foodstuffs	102.4	107.9	+ 5.4	- 0.5	+ 1.2	+ 0.3	+ 1.3	+ 0.4	+ 1.3
Heating and lighting	103.8	106.0	+ 2.1	+ 0.9	+ 0.3	+ 0.1	+ 0.8	+ 0.1	± 0
Household equipment	100.3	103.4	+ 3.1	+ 0.4	+ 0.5	+ 0.1	+ 0.5	± 0	+ 0.2
Clothing	103.6	106.3	+ 2.6	+ 0.3	+ 0.3	+ 0.2	+ 0.8	± 0	+ 0.5
Cleaning and personal care	105.0	108.7	+ 3.5	+ 0.4	+ 0.1	+ 0.2	+ 0.7	+ 0.4	+ 0.5
Education, entertainment, recreation	106.8	113.5	+ 6.3	+ 0.5	+ 0.4	+ 0.4	+ 0.7	+ 0.5	+ 0.6
Transport and communications	106.3	107.1	+ 0.8	+ 0.3	+ 0.1	+ 0.1	+ 0.2	+ 0.1	+ 0.1
World Market ⁸⁾									
Price index of Hamburgisches Welt-Wirtschafts-Archiv									
Total	96.6	93.6	- 3.1	- 0.8	- 0.2	+ 0.2	± 0	+ 0.2	+ 0.3
of which: Basic food- and feedingstuffs	90.0	88.6	- 1.5	- 0.6	+ 0.7	+ 0.8	- 0.6	- 0.1	+ 1.6
Industrial raw materials	99.4	95.6	- 3.8	- 0.9	- 0.7	+ 0.1	+ 0.2	+ 0.4	- 0.3
Moody's index	93.1	93.0	- 0.0	- 1.5	- 1.5	+ 1.8	+ 0.8	- 1.5	- 0.5
Reuter's index	99.8	99.5	- 0.3	- 0.8	+ 0.0	+ 0.7	- 1.0	+ 0.2	+ 0.6

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⁾ Combined in groups, categories, or classes of goods. — ⁷⁾ Provisional.

PRICE MOVEMENTS



1) Original basis 1957/59=100. - 2) For consumers in medium income group; until January 1957 based on consumer habits as of 1950. - 3) Original basis 1958=100. - 4) According to the cost-of-living index.

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rate. On the average for the first quarter of 1962, reckoned on an hourly wage basis, the overall level of collectively agreed wages and salaries was 8.7 per cent higher than in the corresponding period a year before. The cumulation of new agreements in the first quarter will however now cause a certain slowing in the rise of the collectively agreed level of earnings in the summer — or in the autumn at the latest — since in that period the duration of existing agreements makes

are no collective agreements, but whose associations have also announced salary claims, being included). The employers' resistance to new claims has indeed become stronger, so that a general slowing of wage increases in new agreements appears not impossible. Even more than in the case of collectively agreed rates this is to be expected in that of effective earnings. Increasing signs already indicate that the rate of growth in these latter is slowing down, although

Rises in Collectively Agreed Earnings in the Area of the Federal Republic¹⁾

Period	Number of persons employed whose standard earnings were raised ²⁾		Extent of the various rises in standard earnings ²⁾ in per cent			Level of standard earnings ⁴⁾			
	in thousands	in p. c. of employed covered by collective-agreement statistics ³⁾	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 ^{P)}	15,470	89	8.5	0.1	8.4	121.9	+ 8.5	119.1	+ 8.3
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 ^{P)} 1st qtr.	5,710	33	5.4	0.1	5.3	118.0	+ 8.6	115.3	+ 8.3
2nd qtr.	5,300	31	9.6	0.1	9.5	120.5	+ 8.9	117.7	+ 8.7
3rd qtr.	5,130	30	6.7	0.1	6.6	123.7	+ 8.4	120.9	+ 8.3
4th qtr.	2,010	12	7.8	0.1	7.7	125.4	+ 7.9	122.5	+ 7.8
1962 ^{P)} 1st qtr.	6,330	36	7.7	2.7	5.0	128.3	+ 8.7	124.4	+ 7.9

¹⁾ Excluding Berlin (West); from 1960 onwards including Saarland. — The rises in standard earnings 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 earnings 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 rises in earnings in the course of one year the persons employed are recorded only once, and the rises in earnings 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. — ^{P)} Provisional partial figures.

fewer terminations possible. At present however the collective agreements have been denounced for roughly 6 million employed persons, including some 3 million in the public service (the officials, for whom there

it still remains faster than that for collectively agreed earnings. If this tendency continues, then at least the widening hitherto apparent of the margin between collectively agreed and actual earnings will stop.

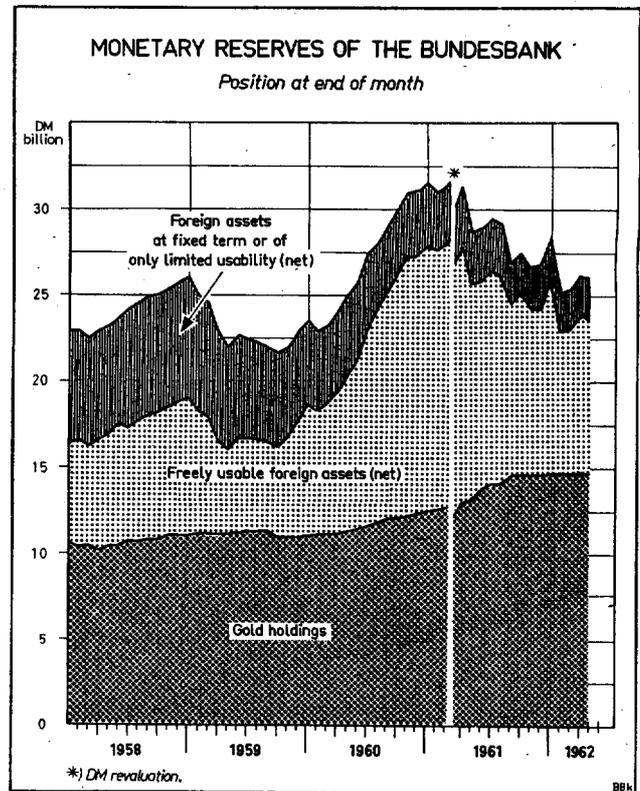
Foreign Trade and the Balance of Payments

During recent months the Bundesbank's gold and exchange holding continued, with great fluctuations, to decline. After a decrease in January by DM 3,010 million (which represented a reaction to the large December addition of DM 1,524 million) it rose in February by DM 167 million and in March by DM 788 million, but in April declined again by DM 147 million. Thus at the end of April the net central reserves amounted to DM 26.1 billion, against DM 28.3 billion on 31 De-

cember 1961 and DM 27.5 billion at the end of September 1961. So they continued to fall by comparison with last autumn as well, after extensive special payments had already caused them to drop by DM 3.9 billion in the second and third quarters of that year. The last few months' great variations largely reflect alterations in the other banks' exchange position. According to the movement in domestic liquidity the credit institutions have in fact replenished or

reduced their foreign assets. That process was especially pronounced in January this year, when after the considerable repatriation of foreign assets in December the banks' exchange position improved again by DM 4 billion; but in March it showed relatively great deterioration. On the whole however the banks' external position has shown since last autumn an improvement, the extent of which has lately tended to decrease, it is true, this being in accordance with the gradual straining of the banking system's liquidity.

If the movement in the Bundesbank's gold and exchange holding is combined with that in the credit institutions' foreign position, the last few months' changes were on the whole only slight. For the period from the end of September 1961 to the end of March 1962 there is deterioration by only just on DM 150 million. The relatively large decrease by almost DM 1.2 billion in December 1961 was nearly made good again in January this year, when there was an increase by not quite DM 1 billion, and in all the other months the movements of exchange between the Bundesbank and the credit institutions largely cancelled each other out. In April also there seems to have been no material change in this respect. Precise data for that month are at present available only in respect of the Bundesbank (the central reserves decreased by DM 147 million); but on the basis of isolated data concerning the banks'



foreign position it may be assumed that this showed no major changes. Special factors, which above all in the second and third quarters of 1961 greatly affected

Data on the Balance of Payments
in millions of DM

Items	1961						1962			
	Total	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	December	1st qtr.	Jan.	Feb.	March
(1) Net increase (+) or decrease (—) in the Bundesbank's monetary reserves	—1,927 ¹⁾	+1,213 ¹⁾	—1,892	—1,995	+ 747	+1,524	—2,055	—3,010	+ 167	+ 788
(2) Improvement (+) or deterioration (—) of the other banks' foreign exchange position among which: Reconstruction Loan Corporation ²⁾	+ 264	+1,898	+ 606	— 51	—2,189	—2,705	+3,362	+3,977	+ 262	— 877
	(+ 643)	(+ 677)	(+ 124)	(+ 16)	(— 174)	(+ 1)	(— 16)	(— 1)	(— 9)	(— 6)
(3) Current influx or efflux of foreign exchange (1 + 2)	—1,663	+3,111	—1,286	—2,046	—1,442	—1,181	+1,307	+ 967	+ 429	— 89
(4) Special factors										
I.M.F. transactions	—1,321	— 181	— 362	—1,070	+ 292	—	+ 301	— 44	+ 220	+ 125
of which: DM drawings on I.M.F.	(—2,022)	(— 181)	(— 363)	(—1,430)	(— 48)	(—)	(— 59)	(— 44)	(—)	(— 15)
DM purchases by I.M.F. against gold	(+ 360)	(—)	(—)	(+ 360)	(—)	(—)	(—)	(—)	(—)	(—)
Repayments by I.M.F.	(+ 341)	(—)	(+ 1)	(—)	(+ 340)	(—)	(+ 360)	(—)	(+ 220)	(+ 140)
Credits granted by Bundesbank to I.B.R.D. ³⁾	— 880	— 100	— 50	— 250	— 480	— 240	—	—	—	—
Prepayment of debts resulting from post-war economic aid	—3,125	—	—3,125	—	—	—	—	—	—	—
Total	—5,326	— 281	—3,537	—1,320	— 188	— 240	+ 301	— 44	+ 220	+ 125
(5) Current influx or efflux of foreign exchange after elimination of special factors (3 less 4)	+3,663	+3,392	+2,251	— 726	—1,254	— 941	+1,006	+1,011	+ 209	— 214

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 agreed in August 1960.

the course of the balance of payments and led to an exchange outflow of nearly DM 4.9 billion, were of only relatively small importance in that connection. On balance moreover they resulted not in outflows but on the contrary in an inflow of foreign exchange. As the result of repayments which the United Kingdom and Australia made in respect of International Monetary Fund credits, and which the IMF passed on to the Federal Republic so far as they were effected in DM, the Bundesbank has received since the end of September last year DM 840 million (including DM 140 million in April), this being DM 253 million more than it made available at the same time to the International Bank for Reconstruction and Development through grants of credit and to the IMF in respect of DM drawings. The net exchange inflow was confined exclusively to that of DM 441 million in the first four months of 1962, whereas in the last quarter of 1961 withdrawals had predominated.

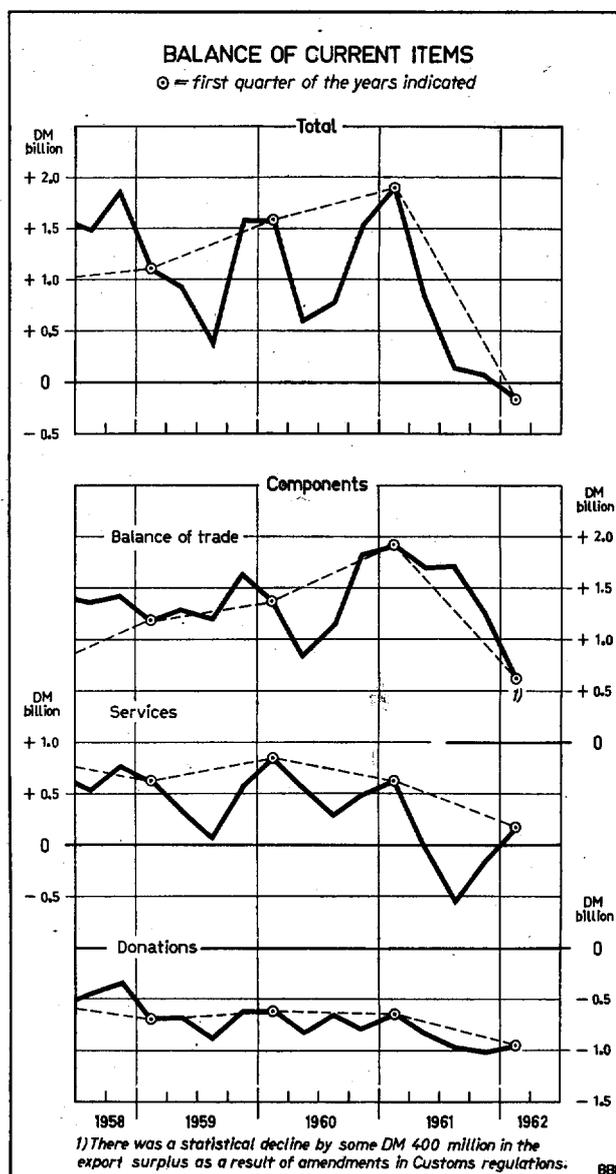
Accordingly the Federal Republic's balance of payments, even if not measured solely by the change in Bundesbank reserves but with that in the other banks' position included, has for some time shown a slight deficit also in the absence of large special payments to foreign countries. The most important cause lies in deterioration of the balance on current account.

Current Items

Current items, comprising goods and service transactions as well as donations, showed in the quarter under report for the first time since the beginning of 1951 a deficit (of DM 160 million), after the surpluses in the course of 1961 had already declined very steeply from DM 1.9 billion in the first quarter to only DM 80 million in the fourth. The main reason for the deficit lay in the course of foreign trade, the surpluses on which have progressively decreased since the spring of 1961. It is true that, in accordance with the seasonal tendency, services showed a surplus after the relatively large deficits in the third and fourth quarters of 1961; but at about DM 180 million this surplus amounted to less than one-third of that achieved in the corresponding quarter of last year. The longer-term tendency to deterioration in this section of the balance of payments on current account was thus again strongly marked. In donations the trend was similar. The excess of outgoings fell somewhat short of that in the previous quarter, when a large special payment had been made; it was however greater than in the first quarter of 1961 by nearly a half.

The *trade surplus*, which had amounted in the first quarter of 1961 to about DM 1.9 billion and had already fallen in the fourth quarter to not quite DM 1.3 billion, dropped to DM 616 million in the first quarter of 1962; at this level it was lower than in any other quarter since the autumn of 1956. To some extent a purely statistical rise of imports (by over DM 400 million) contributed to the decline in the first quarter; it did so especially in January and February, when the total surplus was only DM 42 million. But even apart from this the surplus, at an estimated DM 1 billion, would have been considerably smaller than the quarterly average for the last five years.

The decrease of trade surpluses in the first quarter was solely due to the movement of *imports*. At DM 12.0 billion these were DM 1.7 billion, or 16.5 percent, above their level of a year earlier in terms of value;



contrary to the seasonal tendency they fell little short of the total for the previous quarter. The curve for the seasonally adjusted values rose steeply up till February, no further figures being yet available. In the first quarter of 1962 however the import figures were somewhat exaggerated by the fact that, owing to amendments of Customs law, goods which until the end of 1961 were in stocks — since liquidated — in bond under importers' control are now by degrees being recorded as imports into free circulation. This applied in the first quarter to goods worth DM 411 million. But even after elimination of this special factor the imports increased appreciably more by comparison with their value of a year earlier than they had previously done.

Food imports contributed appreciably to this result; at almost DM 3.5 billion they were above their level for the first quarter of 1961 by nearly 40 per cent. A fact of some importance here will have been that the above-mentioned change in foreign trade statistics produced its effects chiefly in this category (a large part of the goods concerned being grain, beverages and tobacco), although this was not the main reason for the sharp rise. Again in March, when the influence of the changes in Customs regulations was a good deal smaller than in the two preceding months, the annual growth-rate of food imports was unchanged at nearly 40 per cent. A much more important cause of the vigorous expansion was probably the influence of the relatively poor 1961 crop yields.

Imports of industrial finished goods also rose considerably. After the increase by comparison with a year earlier had amounted in the fourth quarter of 1961 to only DM 325 million, or about 8 per cent, it was almost three times as high in the first quarter of this year at DM 832 million or 24 per cent. There was a particularly large rise in imports of so-called finally finished products, which in 1961 had accounted for over 60 per cent of all finished goods imports. Under the influence of the continuing relatively fast growth in private consumption, the imports of typical consumer goods in particular have risen. The vigorous rise in the category of industrial finished goods was probably due among other things to a further fall in import prices, since in the first quarter the index for average values of the import unit on the basis 1954 = 100 was below the value of a year earlier by 3.8 per cent. Consequently the volume of imports rose by much more than their value. It exceeded in this quarter by 29 per cent its level for the corresponding period in 1961.

By way of contrast to the considerable rise in imports of food and finished goods those of industrial raw materials remained in the first months of the year below their level of a year earlier, although only slightly, whereas imports of semi-finished goods did reattain their level of the first quarter of 1961. In the case of raw material imports too the position altered, inasmuch as they were greater than in the third and

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

Period	I. Net move- ment of gold and ex- change	II. Balance of transactions in goods, services, donations and capital											III. Residual item of the balance of pay- ments (less II)		
		Balance on current account					Balance on capital account (outflow: —, inflow: +)							Net balance of trans- actions in goods, services, dona- tions 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	+4,526	+7,442	+5,223	+2,219	-2,916	+1,700	- 458	+ 982	-1,440	+2,158	+2,912	- 754	+6,226	+1,781
1961	-1,927	+2,983	+6,481	+6,615	- 134	-3,498	-5,154	-5,584	+ 888	-6,472	+ 430	+ 341	+ 89	-2,171	+ 244
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	+1,528	+2,327	+1,826	+ 501	- 799	+ 798	+ 625	+ 995	- 370	+ 173	+ 425	- 252	+2,326	- 763
1961 1st qtr.	+1,213	+1,894	+2,537	+1,919	+ 618	- 643	-1,106	+ 393	+ 821	- 428	-1,499	-1,453	- 46	+ 788	+ 425
2nd qtr.	-1,892	+ 865	+1,724	+1,708	+ 16	- 859	-3,760	-3,713	+ 145	-3,858	- 47	- 98	+ 51	-2,895	+1,003
3rd qtr.	-1,995	+ 145	+1,126	+1,720	- 594	- 981	-1,544	-1,635	- 98	-1,537	+ 91	- 5	+ 96	-1,399	- 596
4th qtr.	+ 747	+ 79	+1,094	+1,268	- 174	-1,015	+1,256	- 629	+ 20	- 649	+1,885	+1,897	- 12	+1,335	- 588
1962 1st qtr. ^{P)}	-2,055	- 159	+ 798	+ 616	+ 182	- 957	-3,032	+ 376	+ 270	+ 106	-3,408	-2,967	- 441	-3,191	+1,136
Jan.	-3,010	- 227	+ 59	+ 33	+ 26	- 286	-3,778	+ 120	+ 176	- 56	-3,898	-3,808	- 90	-4,005	+ 995
Feb.	+ 167	- 176	+ 95	+ 9	+ 86	- 271	- 87	+ 24	- 45	+ 69	- 111	- 94	- 17	- 263	+ 430
March ^{P)}	+ 788	+ 244	+ 644	+ 574	+ 70	- 400	+ 833	+ 232	+ 139	+ 93	+ 601	+ 935	- 334	+1,077	- 289

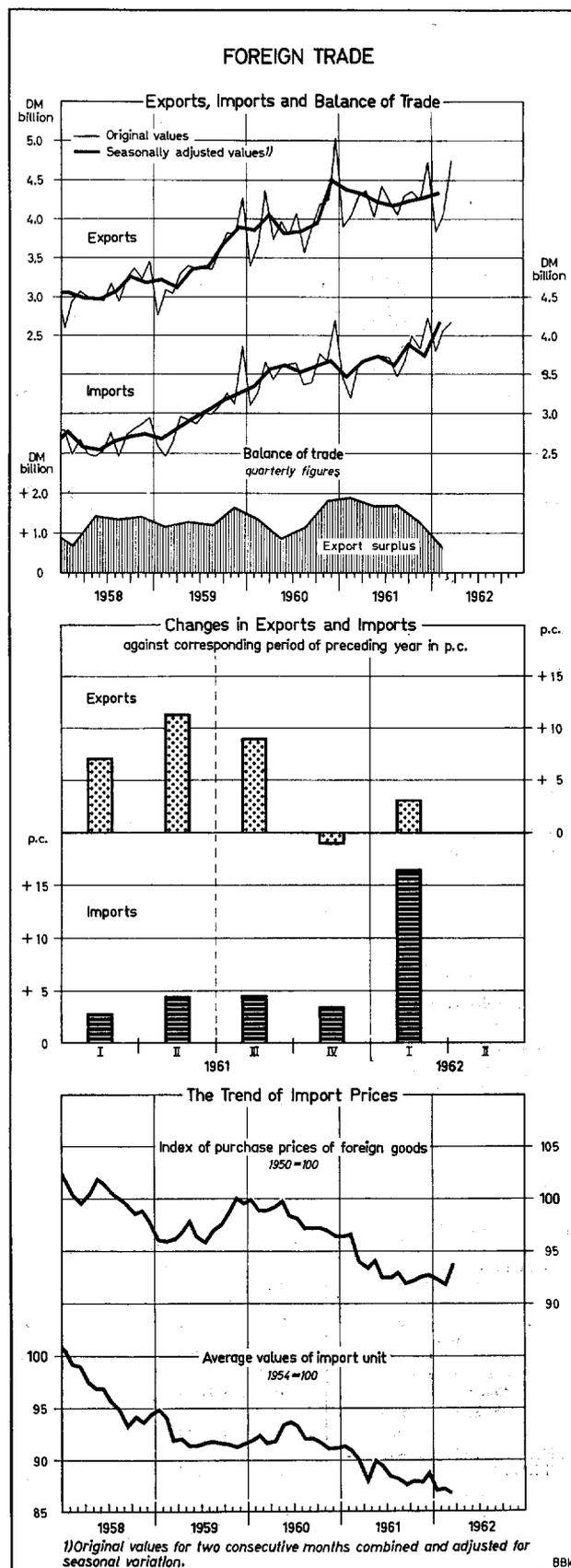
*) Data on previous periods and explanations will be found in Table VII 2 in the Statistical Section of this Report. — P) Provisional.

fourth quarters of last year. This may be due to the fact that enterprises have meantime run down their stocks of raw materials to a level below which they probably can in general hardly go, so that from this side at least no further limiting influences are being exerted on imports.

In the first quarter of 1962, unlike the fourth quarter of 1961, the decline of the export surplus was no longer due to a decrease of exports. On the contrary, just as in the first three quarters of 1961, these were above their level for the corresponding period a year before. They amounted to over DM 12.6 billion, which made them greater than in the first quarter of 1961 by nearly DM 400 million or 3.2 per cent. Their annual rate of growth fell considerably short, however, of that in the first three quarters of 1961. The renewed rise of exports did not begin until March, when they were above their level of a year previously by 10.5 per cent and in terms of absolute amount they were even somewhat above the very high value reached in December 1961. At present it cannot yet be said whether the recent course of exports indicates an incipient change of tendency. Even so the seasonally adjusted export values, which still take no account of the high March figures, contrast with those at the middle of last year in again showing a rise, although only a small one.

As to details the exports of capital goods, which account for more than one-half of all exports, evidently somewhat increased in the first quarter. Vehicle exports for instance, which in the fourth quarter of 1961 had been about 9 per cent below the — very high — level reached in the months from October to December 1960, were in the first quarter of 1962 once again about 2 per cent above their level of a year before. In exports of electrical equipment, precision instruments and optical goods the annual rates of growth were also greater than during the fourth quarter of 1961. As against this the growth-rate for products of mechanical engineering fell slightly, from 13.3 to 12.7 per cent, although it was in itself considerably higher than that for all other capital goods exports. Apart from this the rise — only slight on the whole — of the export figures for capital goods was confined to March, possibly as a result of chance factors. The orders reaching the capital goods industries from abroad have until recently continued to decline, although so far the large order backlogs have not been appreciably reduced.

The tendency to persistent deterioration in the balance of services — in the first quarter of 1962, according to data some of which are still estimated,



there was a surplus of about DM 180 million as against DM 620 million in the corresponding period of last

Foreign Trade and Payments*)
in millions of DM

	1961							1962			
	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	Jan.	Feb.	March	1st qtr. x)	Jan.	Feb.	March x)
Foreign Trade											
Monthly averages or figures											
All countries ¹⁾											
Exports (f.o.b.)	4,083	4,274	4,194	4,442	3,900	4,047	4,302	4,216	3,827	4,065	4,754
Imports (c.i.f.)	3,443	3,704	3,621	4,019	3,482	3,194	3,654	4,010	3,794	4,056	4,180
Balance	+ 640	+ 570	+ 573	+ 423	+ 418	+ 853	+ 648	+ 206	+ 33	+ 9	+ 574
Groups of countries ²⁾											
E.M.A. countries:											
Exports	2,975	3,159	3,075	3,220	2,863	2,946	3,116	3,162	2,892	3,030	3,563
Imports	2,422	2,630	2,559	2,776	2,450	2,267	2,549	2,796	2,652	2,763	2,972
Balance	+ 553	+ 529	+ 516	+ 444	+ 413	+ 679	+ 567	+ 366	+ 240	+ 267	+ 591
United States of America and Canada:											
Exports	310	339	337	372	257	329	344	324	269	335	368
Imports	609	630	597	728	617	539	670	715	674	784	688
Balance	- 299	- 291	- 260	- 356	- 360	- 210	- 326	- 391	- 405	- 449	- 320
Eastern Bloc countries:											
Exports	167	143	139	157	169	165	167	132	110	123	163
Imports	128	122	136	160	131	120	134	147	161	129	151
Balance	+ 39	+ 21	+ 3	- 3	+ 38	+ 45	+ 33	- 15	- 51	- 6	+ 12
Other countries:											
Exports	620	621	631	680	600	596	663	586	544	565	649
Imports	277	315	322	346	275	260	295	343	300	368	362
Balance	+ 343	+ 306	+ 309	+ 334	+ 325	+ 336	+ 368	+ 243	+ 244	+ 197	+ 287
Terms of Trade											
1954 = 100											
Average values of export unit	105.0	104.0	104.7	104.2	105.5	104.7	105.0	104.1	104.7	103.6	104.0
Average values of import unit	90.9	89.3	88.2	88.4	91.5	91.1	90.1	87.1	87.2	87.3	86.9
Terms of Trade ³⁾	115.6	116.5	118.7	118.0	115.3	114.9	116.5	119.5	120.1	118.7	119.6
Monetary Reserves of the Deutsche Bundesbank ⁴⁾											
Position at end of period indicated											
Gold holdings and freely usable foreign assets											
Total	28,329	27,378	25,746	26,166	27,974	28,222	28,329	24,354	23,261	23,427	24,354
of which:											
Gold holdings	12,969	14,053	14,576	14,654	12,594	12,724	12,969	14,665	14,655	14,656	14,665
Freely usable foreign assets	15,360	13,325	11,170	11,512	15,380	15,498	15,360	9,689	8,606	8,771	9,689
Foreign assets at fixed term or of only limited usability											
Total	3,417	3,142	2,477	2,452	3,495	3,494	3,417	2,437	2,452	2,451	2,437
of which:											
Bilateral claims from former credits to E.P.U.	1,730	1,718	1,054	1,039	1,744	1,743	1,730	1,026	1,038	1,037	1,026
I.B.R.D. debt certificates ⁵⁾	1,352	1,352	1,352	1,352	1,400	1,400	1,352	1,352	1,352	1,352	1,352
Earmarked money-market investments	252	—	—	—	265	265	252	—	—	—	—
Consolidation loans to foreign Central Banks	82	72	70	61	86	86	82	59	61	61	59
Foreign liabilities											
Total	325	991	689	337	333	290	325	565	442	440	565
Balance of Payments											
Monthly averages or monthly figures											
I. Net movement of gold and exchange ⁶⁾ (surplus: +)	+ 404 ⁷⁾	- 631	- 665	+ 249	- 492	+ 290	+ 1,415 ⁷⁾	- 685	- 3,010	+ 167	+ 788
II. Net transactions in goods, services, donations and capital	+ 263	- 965	- 466	+ 445	- 1,179	+ 462	+ 1,505	- 1,064	- 4,005	- 263	+ 1,077
(1) Current account	+ 631	+ 288	+ 48	+ 26	+ 354	+ 838	+ 702	- 53	- 227	- 176	+ 244
of which: Goods and services	+ 845	+ 574	+ 375	+ 364	+ 563	+ 1,048	+ 926	+ 266	+ 59	+ 95	+ 644
Donations (outflow: -)	- 214	- 286	- 327	- 338	- 209	- 210	- 224	- 319	- 286	- 271	- 400
(2) Capital transactions (outflow: -)	- 368	- 1,253	- 514	+ 419	- 1,533	- 376	+ 803	- 1,011	- 3,778	- 87	+ 833
of which: at long term	+ 131	- 1,238	- 545	- 209	+ 102	+ 194	+ 97	+ 125	+ 120	+ 24	+ 232
at short term	- 499	- 15	+ 31	+ 628	- 1,635	- 570	+ 706	- 1,136	- 3,898	- 111	+ 601
III. Net errors and omissions ⁸⁾ (I less II)	+ 141	+ 334	- 199	- 196	+ 687	- 172	- 90	+ 379	+ 995	+ 430	- 289

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. — ¹⁰⁾ Mainly due to changes in terms of payment. — ¹¹⁾ Partly provisional figures.

year and approximately DM 840 million in the first quarter of 1960 — continued to be primarily due to greater investment-income payments to foreign countries (DM 230 million net against not quite DM 100 million in the first three months of 1961) and to growing net foreign exchange outlays on travel (estimated at DM 300 million against DM 160 million in the first quarter of last year). There is the further fact that in merchanting trade, which in our current statements of the balance of payments is included not in the figures for trade in goods (which are confined to those given in the official foreign trade statistics) but among service transactions, an excess of purchases gave rise to deficits, whereas sales had predominated in the first months of 1961.

As already mentioned the position on *donations*, the third main section of the current account, also tended further to deteriorate. At not quite DM 960 million the deficit was somewhat smaller than in the previous quarter, when under the influence of contributions paid to the European Economic Community's Development Fund it had reached its highest level to date at DM 1,015 million; it was however above its level of a year previously by more than DM 300 million. The reason lay in the course of indemnification payments, on which nearly DM 750 million was spent in the period under report as against about DM 470 million in the first three months of 1961. Of such payments made in the first quarter of 1962 so-called individual indemnification took DM 554 million (against DM 441 million in the first quarter of 1961), while DM 183 million went on payments made under the indemnification agreements with Belgium, France and Greece.

Capital Transactions

In the first quarter of 1962, under the influence of the above-mentioned changes in the foreign position of the banks, the capital payments statistically recorded in detail showed relatively great fluctuations. In January they resulted in a deficit of not quite DM 3.8 billion; in February on the other hand they showed a deficit of only about DM 90 million, and in March there was a surplus of roughly DM 830 million. The result for the whole first quarter was accordingly a deficit of something over DM 3 billion, as compared with a surplus of DM 1.3 billion in the last quarter of 1961 and a deficit of DM 1.1 billion in the first quarter of that year.

Changes in the *banks' foreign position* alone led in the first quarter of 1962 to a net money and capital export of DM 3.4 billion. As also already stated, at

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	+1,700	- 269	+2,254	- 285	- 189	- 96
1961	-5,154	-5,326	- 264	+ 436	- 258	+ 694
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.	-1,106	- 281	-1,898	+1,073	+ 674	+ 399
2nd qtr.	-3,760	-3,537	- 606	+ 383	- 176	+ 559
3rd qtr.	-1,544	-1,320	+ 51	- 275	- 315	+ 40
4th qtr.	+1,256	- 188	+2,189	- 745	- 441	- 304
1962 1st qtr.	-3,032	+ 301	-3,362	+ 29	+ 75	- 46
January	-3,778	- 44	-3,977	+ 243	+ 164	+ 79
February	- 87	+ 220	- 262	- 45	- 196	+ 151
March	+ 833	+ 125	+ 877	- 169	+ 107	- 276

¹⁾ For breakdown see table on page 40. — ²⁾ Deterioration: +.

DM 4 billion the improvement in the credit institutions' exchange position was especially great during January; in February it amounted to only about DM 260 million and in March, for reasons already described on page 3 et seq. in this Report, the position deteriorated by almost DM 880 million. If the figures for the first quarter are regarded as a whole, the rise in the foreign assets accounted for something over DM 2.6 billion and the decrease in foreign liabilities for more than DM 700 million of the improvement in the foreign position. Among the foreign assets there was in particular an increase in balances at foreign banks, and among these especially in time deposits. Such balances rose by nearly DM 2.5 billion to something more than DM 4 billion. The amount of credit granted to foreigners also rose, although in much lesser degree. It increased by about DM 260 million, the claims in respect of credit granted having thus risen to DM 1.4 billion. There was on the other hand a slight decrease in investments in foreign money-market paper; these dropped by about DM 70 million to less than DM 1.2 billion, the decrease being partly due to resales of U.S. Treasury bills, in which parts of the proceeds of the development assistance loan issued last year had been employed. At the end of March the monies so employed by the Reconstruction Loan Corporation accounted for DM 627 million of all foreign money-market paper held by German banks, against DM 643 million at the end of December and DM 817 million at the end of September last year. Altogether the short-term foreign assets of German credit institutions amounted at the end of March 1962 to DM 6.6 billion (against DM 3.9 billion at the end of December 1961

Change in Foreign Exchange Position of Banks other than Bundesbank¹⁾
in millions of DM

Items	1960	1961 ²⁾	1960			1961				1962			
			2nd qtr.	3rd qtr.	4th qtr.	1st qtr. ³⁾	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	Jan.	Feb.	March
A. Short-term Foreign Assets²⁾													
Credit balances with foreign banks	- 361	+ 621	- 709	-150	+236	+1,131	+1,635	-468	-1,677	+2,453	+3,128	- 4	-671
of which: Monies payable on demand	(- 228)	(+ 125)	(- 156)	(-101)	(+ 37)	(+ 48)	(+ 51)	(+ 12)	(+ 14)	(+ 138)	(+ 109)	(+ 47)	(- 18)
Time deposits	(- 133)	(+ 496)	(- 553)	(- 49)	(+199)	(+1,083)	(+1,584)	(-480)	(-1,691)	(+2,315)	(+3,019)	(- 51)	(-653)
Money-market paper	- 867	+ 842	- 482	- 28	+ 65	+ 720	- 16	+172	- 34	- 69	+ 121	- 35	-155
among which: Investments of Reconstruction Loan Corporation ⁴⁾	(-)	(+ 643)	(-)	(-)	(-)	(+ 677)	(+ 124)	(+ 16)	(- 174)	(- 16)	(- 1)	(- 9)	(- 6)
Short-term credit	+ 125	+ 95	+ 13	- 16	- 18	+ 212	- 68	+ 74	- 123	+ 256	+ 130	+ 52	+ 74
Total	-1,103	+1,558	-1,178	-194	+283	+2,063	+1,551	-222	-1,834	+2,640	+3,379	+ 13	-752
B. Short-term Foreign Liabilities²⁾													
Foreigners' deposits	+ 231	+ 344	+ 99	-155	+317	- 140	+ 335	-339	+ 488	- 383	- 341	-156	+114
of which: Banks	(- 128)	(+ 248)	(+ 17)	(-161)	(+ 59)	(+ 32)	(+ 153)	(-266)	(+ 329)	(- 269)	(- 202)	(-136)	(+ 69)
Non-banks	(+ 359)	(+ 96)	(+ 82)	(+ 6)	(+258)	(- 172)	(+ 182)	(- 73)	(+ 159)	(- 114)	(- 139)	(- 20)	(+ 45)
Short-term credit	+ 920	+ 950	+ 333	+276	+175	+ 305	+ 610	+168	- 133	- 339	- 257	- 93	+ 11
Total	+1,151	+1,294	+ 432	+121	+492	+ 165	+ 945	-171	+ 355	- 722	- 598	-249	+125
C. Balance (net foreign exchange position)²⁾	-2,254	+ 264	-1,610	-315	-209	+1,898	+ 606	- 51	-2,189	+3,362	+3,977	+262	-877

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: —).

and DM 6.1 billion on 30 November 1961, the return date before repatriation took place at the close of that year). At this level they were already DM 750 million below their previous peak of something over DM 7.3 billion, reached at the end of February, whereas in March last year they had risen by more than DM 100 million. According to the partial data so far available, it does not look moreover as though the foreign assets (including the granting of credit) had grown in April this year; in April of last year, on the other hand, they had increased by DM 500 million without counting the above-mentioned investments of the Reconstruction Loan Corporation. One reason for this movement is that of late the banks' liquidity margin, as shown in detail in connection with bank liquidity (see page 3 et seq.), has if anything narrowed to some extent. Besides this a further important fact was that the measures which the Bundesbank had adopted in 1960 and 1961, mainly in connection with its policy concerning swap rates and minimum reserves with a view to promoting the "export of money" by credit institutions, have during recent months been mitigated.

In the first quarter the foreign liabilities declined by about DM 720 million, also with the movement being particularly large in January. The greater part of the decline was due to the drop in foreigners' deposits, in which connection some influence may have been produced by the fact that investment income, which at

the end of last year had been credited to foreigners' accounts conducted at German banks, has now either been transferred abroad or re-employed in Germany. The amount of foreign credits taken also declined in the first quarter. Altogether the German banks' foreign liabilities amounted at the end of March to DM 5.5 billion, at which level they were below the foreign assets by DM 1.1 billion.

It has already been mentioned that in the first three months of 1962, unlike last year, the *special factors in capital transactions* led no longer to an export but to an import of capital. This resulted exclusively from transactions with the International Monetary Fund. When offset against the DM drawings by the Philippines and the United Arab Republic (totalling DM 59 million) the repayments of credit by the United Kingdom and Australia in the first quarter caused an accrual of funds amounting to DM 301 million, followed in April by a further afflux of DM 140 million. Thus the amount which the Fund can call within the limits of the German subscription rose again to DM 1,042 million, or 33 per cent of the German quota (U.S. \$ 787.5 million = DM 3,150 million), whereas by October of last year it had fallen — largely owing to the great amounts taken by the United Kingdom in the summer of 1961 — to DM 261 million or 8 per cent of the quota.

If the changes in the banks' foreign position and the special payments are eliminated from capital transactions, the remaining capital movements were in balance apart from an insignificant surplus of DM 29 million; in the last quarter of the past year they had on the other hand shown a deficit of DM 750 million.

For the period from January to March, with special payments excluded, the *balance of long-term capital transactions* showed a surplus of DM 75 million as compared with a deficit of about DM 440 million in the previous quarter. Against the current official capital payments of about DM 200 million to foreign countries there were capital inflows in the private sector to the extent of DM 270 million. It is true that in the first quarter private German investments abroad grew by nearly DM 600 million, that is by more than in any other quarter since the spring of 1959; but this outflow of funds was outweighed by foreigners' large investments in the German economy. Prime

importance attached here to the purchases of German securities by foreign investors; these amounted in the January-March period to DM 523 million, against DM 238 million in the fourth and DM 63 million in the third quarter of last year (in the first half of 1961, however, foreigners' buying had reached more than DM 1.3 billion). Of the first quarter's total, DM 377 million represented the taking of dividend-bearing securities — partly in connection with the acquisition of a German enterprise by foreigners — and DM 146 million investments in fixed-interest securities. One reason why in the first months of this year foreigners on balance again acquired German fixed-interest securities after having parted with something over DM 300 million net in the second half of 1961, especially in the summer months, probably lay in the easing of the world political situation; another reason may however have been the expectation that the German interest-rate level will fall further. There was also an increase in the granting of credits and loans

Private Security Transactions with Foreign Countries
in millions of DM

Items ¹⁾	1960	1961	1960			1961				1962			
			2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	Jan.	Feb.	March
A. Transactions in Foreign Securities													
(1) Foreign securities purchased by residents	1,717	1,206	341	500	315	324	323	241	318	530	121	313	96
of which: (a) Dividend-bearing	(1,543)	(1,068)	(303)	(472)	(280)	(295)	(290)	(188)	(295)	(387)	(108)	(201)	(78)
(b) Fixed-interest-bearing	(174)	(138)	(38)	(28)	(35)	(29)	(33)	(53)	(23)	(143)	(13)	(112)	(18)
(2) Foreign securities sold by residents	1,009	1,006	301	278	228	321	213	191	281	236	83	77	76
of which: (a) Dividend-bearing	(811)	(867)	(240)	(240)	(190)	(253)	(188)	(165)	(261)	(204)	(77)	(60)	(67)
(b) Fixed-interest-bearing	(198)	(139)	(61)	(38)	(38)	(68)	(25)	(26)	(20)	(32)	(6)	(17)	(9)
Net purchases (—) or sales (+) of foreign securities by residents	— 708	— 200	— 40	— 222	— 87	— 3	— 110	— 50	— 37	— 294	— 38	— 236	— 20
of which: (a) Dividend-bearing	(— 732)	(— 201)	(— 63)	(— 232)	(— 90)	(— 42)	(— 102)	(— 23)	(— 34)	(— 183)	(— 31)	(— 141)	(— 11)
(b) Fixed-interest-bearing	(+ 24)	(+ 1)	(+ 23)	(+ 10)	(+ 3)	(+ 39)	(— 8)	(— 27)	(— 3)	(— 111)	(— 7)	(— 95)	(— 9)
B. Transactions in Domestic Securities ²⁾													
(1) Domestic securities purchased by foreigners	4,342	4,408	759	1 418	1,629	1 232	1 367	921	888	1,013	273	338	402
of which: (a) Dividend-bearing	(2,483)	(2,697)	(572)	(868)	(737)	(562)	(861)	(619)	(655)	(624)	(135)	(191)	(298)
(b) Fixed-interest-bearing	(1,859)	(1,711)	(187)	(550)	(892)	(670)	(506)	(302)	(233)	(389)	(138)	(147)	(104)
(2) Domestic securities sold by foreigners	2,276	2,762	536	662	580	466	788	858	650	490	184	146	160
of which: (a) Dividend-bearing	(1,790)	(1,354)	(432)	(557)	(421)	(228)	(457)	(343)	(326)	(247)	(85)	(70)	(92)
(b) Fixed-interest-bearing	(486)	(1,408)	(104)	(105)	(159)	(238)	(331)	(515)	(324)	(243)	(99)	(76)	(68)
Net purchases (+) or sales (—) of domestic securities by foreigners	+2,066	+1,646	+223	+756	+1,049	+766	+579	+ 63	+238	+523	+ 89	+192	+242
of which: (a) Dividend-bearing	(+ 693)	(+1,343)	(+140)	(+311)	(+ 316)	(+334)	(+404)	(+276)	(+329)	(+377)	(+ 50)	(+121)	(+206)
(b) Fixed-interest-bearing	(+1,373)	(+ 303)	(+ 83)	(+445)	(+ 733)	(+432)	(+175)	(— 213)	(— 91)	(+146)	(+ 39)	(+ 71)	(+ 36)
C. Net Balance (A + B)													
of which: (a) Dividend-bearing	+1,358	+1,446	+183	+534	+ 962	+763	+469	+ 13	+201	+229	+ 51	— 44	+222
(b) Fixed-interest-bearing	(— 39)	(+1,142)	(+ 77)	(+ 79)	(+ 226)	(+292)	(+302)	(+253)	(+295)	(+194)	(+ 19)	(— 20)	(+195)
	(+1,397)	(+ 304)	(+106)	(+455)	(+ 736)	(+471)	(+167)	(— 240)	(— 94)	(+ 35)	(+ 32)	(— 24)	(+ 27)

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

as well as in the taking of business and capital interests not in share form. Altogether such capital imports amounted to DM 380 million as against DM 100 million in the last quarter of 1961. In great part they too, like the taking of dividend-bearing securities, represented the provision of funds for enterprises in foreign hands.

Among private German investments abroad, which increased in the first quarter of 1962 by a total of about DM 600 million, the investments in securities showed a particularly large rise. Purchases of foreign securities amounted to DM 294 million net, against DM 37 million in the preceding quarter and DM 200 million in the whole of 1961. The increase is largely explained by subscription to the DM 96.5 million loan issued by the Municipality of Osaka on the German capital market, and by a German banking syndicate's purchase of Ford shares worth DM 114 million. The increase of German security buying abroad incidentally largely offset the increased foreign buying of German securities, so that at DM 229 million in the first quarter the surplus on securities as a whole was only a little greater than that of DM 201 million in the previous quarter. The credits and loans granted to foreigners (including the taking of business and capital interests) amounted in the January-March period this year to almost DM 240 million against DM 130 million in the previous quarter. Here however the rise in German payments to foreign countries did not keep pace with the increase of foreigners' corresponding investments in the Federal Republic.

In respect of long-term *official capital movements* there was in the quarter under report, after elimination of special payments in the shape of transactions with the IMF, a deficit of not quite DM 200 million against about DM 460 million in the previous quarter. The decrease is explained by the fact that the public authorities' loans to development countries, the outpayment of which varies greatly from quarter to quarter, amounted to only DM 160 million as against DM 350 million in the previous three months. In the light of the assurances of credit given by the Federal Government it may however be expected that in the coming months such payments will contribute on a growing scale towards increasing the export of capital.

Short-term capital movements showed in the first quarter of 1962 a deficit of just under DM 50 million if alterations in the banks' exchange position are eliminated. In that connection the public authorities'

payments to foreign countries were relatively large at approximately DM 450 million; but, against these, in the private sector there were DM 400 million of net accruals of funds, whereas in the previous quarter outgoing payments had predominated at a total of nearly DM 300 million. The increase of liabilities has been confined to a relatively small number of German enterprises, many of which are known to be wholly or mainly in foreign possession. Many signs indicate that in this category also, just as in connection with some of the longer-term capital imports, the rise in liabilities was due to the fact that foreign parent companies conveyed resources to their German branch establishments in order to finance capital projects.

Residual Item in the Balance of Payments

The statistically unidentifiable balance-of-payments residual item, which in the fourth quarter of 1961 had shown a deficit of DM 0.6 billion, showed in the first quarter of 1962 a surplus of DM 1.1 billion. The fact that nearly DM 1 billion of this occurred in January alone, after the residual item had shown a deficit of DM 580 million in December, suggests that in great part — contrary to what is usual — it was a matter not so much of unrecorded money and credit movements but rather of statistically induced changes, due to the fact that the precise allocation of payments to separate periods is extremely difficult about the turn of the year. A further significant fact was that in the first quarter of 1962 the trade surplus was reduced, through the previously mentioned inclusion in imports of goods coming out of deposits in bond under importers' control, below the level which resulted from incoming and outgoing payments in connection with trade. Within the framework of the overall balance of payments this movement, most marked in January and February, has its arithmetical offset in a corresponding surplus within the residual item. The changes in the residual item which are due to unrecorded money and credit movements, and which evidently still tend to produce a deficit, were temporarily outweighed by these movements. In March, when the question how to allocate payments to separate periods was hardly any longer important and when moreover the increase of imports for reasons of Customs technique was only relatively small, the residual item in the balance of payments again showed a deficit, to the extent of not quite DM 300 million.

The Expansion of the Bank Office Network in 1961

The latest report on the expansion of the bank office network has been published in these columns in February 1961. Meanwhile there has come into force with effect from 1 January 1962 the Banking Law of 10 July 1961, which no longer requires any justification of need in connection with the licensing of credit institutions and branches. In Article 24, paragraph 1, item 7 it is merely laid down that credit institutions shall immediately report the establishment of branch offices to the Federal Banking Supervisory Office and the Deutsche Bundesbank. In point of fact even before the coming into force of the Banking Law, since the justification of need had ceased to be obligatory as a result of the well-known Judgments delivered by the Federal Supreme Administrative Court on 10 July 1958, there existed only the possibility of refusing applications for the licensing of new credit institutions. Hence in 1961 already, the year on which we shall now report, the provisions of Article 3 of the (old) Banking Law concerning permission for establishing branch offices had only formal significance.

The Number of Credit Institutions

The number of credit institutions declined further between the end of 1960 and the end of 1961, falling by 107 from 13,259 to 13,152. This decrease is due almost exclusively to the closing of agricultural credit cooperatives, the number of which fell by 115 in the year under report, namely from 10,858 to 10,743. The amalgamating of small farmers' credit cooperatives (Raiffeisenkassen) with neighbouring institutions by way of a rationalisation process deliberately fostered by the German Association of Farmers' Credit Cooperatives (Deutscher Raiffeisenverband e.V.), the dissolved institutions being conducted as branches, has thus continued. In all other groups of credit institutions no noteworthy changes in the number of institutions occurred.

Establishment of Branches

Unlike the number of credit institutions, that of their branches again substantially increased in 1961, rising by 1,348 from 16,768 to 18,116. But the growth in density of the branch network was not so rapid in 1961 as in 1960, when 1,697 new branch offices were

opened. In the 1961 increase in the number of branches the savings banks in particular shared with 636, the agricultural credit cooperatives with 241 (including a high proportion through mergers), the industrial credit cooperatives with 193, the big three banks with 152, the state, regional and local banks with 70 and the instalment credit institutions with 37 branch offices.

Growing Density of the Bank Office Network

At the end of 1961 there were in the Federal Republic 31,268 bank offices (head offices and branches). Between the end of 1960 and the end of 1961 the bank office network grew by 1,241 offices, that is by 4 per cent of the end-of-1960 total. In this increase the under-mentioned groups in particular shared as follows:

	Number	per cent	Total at end of 1961
Big banks	152	14	1,238
Industrial credit cooperatives	194	9	2,268
Instalment credit institutions	40	7	628
Savings banks	636	6	11,615
State, regional and local banks	71	5	1,556
Agricultural credit cooperatives	126	1	13,153.

The pace at which branch offices were established, and at which the entire office network of the banks grew in density, slowed down appreciably in 1961 as compared with 1959 and 1960. Whether this means that the trend on which anxiety was expressed in earlier Reports has been replaced by the start of consolidation cannot yet be seen. It would be a welcome fact if the movement in 1961 could be regarded as a first result of the banks' own attempt to keep the establishment of branches within reasonable limits through self-control. At all events it would be in the interest of the credit system as a whole if these efforts were increased. The individual banking groups still cannot be certain that considerations involving operational and rational aspects will automatically limit excessive extension of branch networks.

Bank Offices in the Area of the Federal Republic
(not including mere deposit-receiving agencies)

Banking groups	End-of-year position						Increase in the year 1961	
	1960 ¹⁾			1961				
	Credit institu- tions	Branches	Bank offices	Credit institu- tions	Branches	Bank offices	number	per cent
a	b	a + b	a	b	a + b			
(1) Big banks and their subsidiaries	6	1,080	1,086	6	1,232	1,238	152	14
(2) State, regional and local banks	73	1,412	1,485	74	1,482	1,556	71	5
(3) Private bankers	232	141	373	230	157	387	14	4
(4) Specialised commercial banks	35	19	54	35	18	53	- 1	- 2
(5) Branches of foreign banks	16	5	21	16	5	21	—	—
Commercial banks, total (1 + 2 + 3 + 4 + 5)	362	2,657	3,019	361	2,894	3,255	236	8
(6) Public mortgage banks, including those granting loans to local authorities	16	11	27	16	11	27	—	—
(7) Private mortgage banks, ship mortgage banks and real-estate credit institutions without right to issue bonds	26	11	37	26	11	37	—	—
(8) Central giro institutions (including Deutsche Girozentrale)	13	18	31	13	18	31	—	—
(9) Savings banks	867	10,112	10,979	867	10,748	11,615	636	6
(10) Central institutions of industrial credit cooperatives (including Deutsche Genossenschaftskasse)	7	7	14	7	7	14	—	—
(11) Industrial credit cooperatives	742	1,332	2,074	743	1,525	2,268	194	9
(12) Central institutions of agricultural credit cooperatives	12	87	99	12	92	104	5	5
(13) Agricultural credit cooperatives	10,858	2,169	13,027	10,743	2,410	13,153	126	1
(14) Other member credit institutions of associations of cooperative societies	23	6	29	23	6	29	—	—
(15) Credit institutions with special functions	18	30	48	18	29	47	- 1	- 2
(16) Instalment credit institutions	262	326	588	265	363	628	40	7
(17) Investment companies	10	1	11	11	1	12	1	9
(18) Security-clearing institutions (Kassenvereine)	7	1	8	7	1	8	—	—
(19) Other credit institutions	36	—	36	40	—	40	4	11
Total	13,259	16,768	30,027	13,152	18,116	31,268	1,241	4

¹⁾ Some figures relating to end-1960 have been revised as compared with those published in the Monthly Report for February 1961.

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2. Bank Liquidity and the Credit Institutions'

in millions

Calculation based on the average of the

Period	Influx (+) or efflux (-) of funds at credit institutions										
	Net position of German non-banks in relation to Deutsche Bundesbank *)										Net foreign exchange purchases or sales of the Deutsche Bundesbank
	Notes and coin in circulation	German public authorities *)						Other German depositors (business and private customers)	Foreign depositors		
		Total	Federal Government (without Länder and Equalisation of Burdens Authorities)		Balances from special transactions †)	Other public authorities ‡)			Total	among which: agencies of former occupying powers	
Total			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	+5,503
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	-	-	+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	-382	-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
1962 1st qtr.	+739	-1,241	-1,570	-1,692	+45	+77	+85	+329	-	-	-846
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	-	-	+385
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	-	+55	+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
1962 Jan.	+1,428	+374	+282	+194	-10	+98	-185	+92	-	-	-1,723
Feb.	-72	-118	-232	-38	-10	-184	+260	+114	-	-	+89
March	-617	-1,497	-1,620	-1,848	+65	+163	+10	+123	-	-	+788

*) 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 †). — ‡) As from July 1959 including the Saarland; the Volkswagen Works.

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
			millions of DM									
<i>note:</i>												
Balance-sheet total ⁴⁾)	241,133 ⁵⁾	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. — ⁴⁾ 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 ²⁾	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 ^{3) 4)}	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	

¹⁾ Until 31 July 1957 rates of Bank deutscher Länder and of Land Central Banks.
²⁾ This is also the rate for cash advances to public authorities and to the Reconstruction Loan Corporation; cf. footnotes ³⁾ and ⁴⁾. The discount rate for bills expressed in foreign currency was uniformly fixed at 3 % for the time being, by a decision adopted by the Board of Directors of the Bank deutscher Länder on 3 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⁾. —
³⁾ Promissory notes arising under the export promotion scheme of the Reconstruction Loan Corporation were discounted at the preferential rate of 4 % even after the raising of the discount rate on 27 October 1950 (Decision of 29/30 November 1950). This privilege in regard to the interest rate was cancelled by decision of 7/8 November 1951; and it could then be claimed only for promissory notes arising from credits which were granted or promised not later than 7 November 1951. —
⁴⁾ Under a decision taken by the Board of Directors of the Bank deutscher Länder on 20 December 1950 the interest rate for cash advances to the Reconstruction Loan Corporation was fixed, with effect from 27 October 1950, at 4 % in the case of lendings to agriculture, maritime shipping and housebuilding, and at 5 1/2 % in the case of lendings serving other purposes. —
⁵⁾ From 29 May 1952 there was in effect only the special arrangement mentioned under ⁴⁾ for lendings to be used for financing agriculture, maritime shipping and housebuilding, to which lendings until their redemption the rate of 4 % applied. —
⁶⁾ 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 1/2	2 1/2	2 1/2	2 1/2	2 1/2	3 1/2	2 1/4	2 1/2
April 9	2	2 1/2	2 1/2	2 1/2	2 1/2	3	2 1/2	2 1/4
April 15	1 1/2	2	2 1/4	2 1/2	2 1/2	2 1/2	2	2 1/2
Sep. 4	2 1/2	2 1/2	2 1/2	3	3 1/2	3 1/2	2 1/2	2 1/2
Sep. 23	2 1/2	2 1/2	2 1/2	3	3 1/2	3 1/2	2 1/2	2 1/2
Sep. 30	2 1/2	2 1/2	3	3 1/2	3 1/2	3 1/2	2 1/2	2 1/2
Oct. 16	2 1/2	2 1/2	2 1/2	3 1/2	3 1/2	3 1/2	2 1/2	2 1/2
Oct. 23	3 1/2	3 1/2	3 1/2	4 1/2	4 1/2	4 1/2	3 1/2	3 1/2
Oct. 28	3 1/2	3 1/2	3 1/2	4 1/2	4 1/2	4 1/2	3 1/2	3 1/2
Dec. 21	3 1/2	3 1/2	4	4 1/2	4 1/2	4 1/2	3 1/2	3 1/2
1960 Feb. 29	3 3/4	3 1/2	4 1/2	4 1/2	4 1/2	4 1/2	3 1/2	4
Mar. 3	3 3/4	4	4 1/2	4 1/2	4 1/2	4 1/2	4	4 1/2
June 3	4 3/4	4 1/2	5 1/2	5 1/2	5 1/2	5 1/2	4 1/2	4 1/2
Nov. 3	4 1/2	4 1/2	5	5 1/2	5 1/2	5 1/2	4 1/2	4 1/2
Nov. 3	4 1/2	4 1/2	4 1/2	4 1/2	4 1/2	4 1/2	4 1/2	4 1/2
Nov. 11	3 1/2	4	4 1/2	4 1/2	4 1/2	4 1/2	4	4 1/2
Dec. 20	3 1/2	3 1/2	4	4 1/2	4 1/2	4 1/2	3 1/2	3 1/2
1961 Jan. 20	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2
Feb. 9	3	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2
Feb. 14	2 1/2	3	3 1/4	3 1/2	3 1/2	3 1/2	3	3 1/2
Mar. 3	2 1/2	2 1/2	3 1/2	3 1/2	3 1/2	3 1/2	2 1/2	3
Mar. 8	2 1/2	2 1/2	3	3 1/2	3 1/2	3 1/2	2 1/2	3
Mar. 17	2 1/2	2 1/2	2 1/2	3	3 1/2	3 1/2	2 1/2	2 1/2
Mar. 23	2 1/2	2 1/2	2 1/2	2 1/2	3	3 1/2	2 1/2	2 1/2
Apr. 26	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	3	2 1/2	2 1/2
May 5	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2
Oct. 4	2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2
Oct. 20	1 1/2	2	2 1/2	2 1/2	2 1/2	2 1/2	2	2 1/2
1962 Jan. 4	1 3/4	1 1/2	2 1/4	2 1/2	2 1/2	2 1/2	1 1/2	2
Mar. 30	1 1/2	2	2 1/4	2 1/2	2 1/2	2 1/2	2	2 1/2
April 13	2	2 1/2	2 1/4	2 1/2	2 1/2	3	2 1/2	2 1/2

(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 July 25	2 1/2	2 1/2
Aug. 1	2 3/4	2 1/4
9	2 1/2	2 1/2
15	2 1/2	2 1/2
18	2 1/2	2 1/2
Sep. 31	2 1/2	2 1/2
4	2 1/2	2 1/2
22	2 1/2	2 1/2
Oct. 25	2 1/2	2 1/2
4	2 1/2	2 1/2
6	2 1/2	2 1/2
10	2 1/2	2 1/2
31	2 1/2	2 1/2
Nov. 20	2 1/2	2 1/2
21	2 1/2	2 1/2
Dec. 1	2 1/2	2 1/2
5	2 1/2	2 1/2
6	2 1/2	2 1/2
15	2 1/2	2 1/2
27	2 1/2	2 1/2
1962 Jan. 2	2 1/2	2 1/2
3	2 1/2	2 1/2
4	2 1/2	2 1/2
29	2 1/2	2 1/2
Feb. 1	2 1/2	2 1/2
5	2 1/2	2 1/2
12	2 1/2	2 1/2
28	2 1/2	2 1/2
Mar. 1	2 1/2	2 1/2
9	2 1/2	2 1/2
15	2 1/2	2 1/2
16	2 1/2	2 1/2
19	2 1/2	2 1/2
Apr. 9	2 1/2	2 1/2
11	2 1/2	2 1/2

¹⁾ For rates during first half of 1961, see Monthly Report of the Deutsche Bundesbank, Vol. 14, No. 1, January 1962, p. 110.

(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 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										
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	1/8% 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	1/8% 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	1/8% per month	7	1/8% per month	6 1/2-7	1/8% 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 institutions 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% per month, minimum DM —.50		not fixed		not fixed		1/2% per month		not fixed	
Creditor Interest Rates⁷⁾, 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										
(b) with agreed period of notice ⁹⁾ of										
(1) 6 months to less than 12 months	3 1/4		3 1/4		3 1/4		3 1/4		3 1/4	
(2) 12 months and over	3 1/2		3 1/2		3 1/2		3 1/2		3 1/2	
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. — notice will only be permissible after expiry of a period of six months, such period to commence on the day of deposit. — ⁵⁾ 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% 1/6% per month	6 1/2 ⁶⁾	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 100, minimum DM —.50		DM 2.— 1/2% per 100, minimum DM —.50		DM 2.— 1/2% per 100, minimum DM —.50		DM 2.— 1/2% per 100, minimum DM —.50		DM 2.— 1/2% per 100, minimum DM —.50		DM 2.— not fixed	
Creditor Interest Rates ⁷⁾ , in per cent per annum											
3/8	3/4	3/8	3/4	3/8	3/4	3/8	3/4	3/8	3/4	3/8	3/4
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 1/4
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	2 1/4	1 3/4	2 1/4	1 3/4	2 1/4	1 3/4	2 1/4	1 3/4	2 1/4	1 3/4	2 1/4
2 1/4	2 3/4	2 1/4	2 3/4	2 1/4	2 3/4	2 1/4	2 3/4	2 1/4	2 3/4	2 1/4	2 3/4
2 3/4	3 1/2	2 3/4	3 1/2	2 3/4	3 1/2	2 3/4	3 1/2	2 3/4	3 1/2	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	3 1/2
1 3/4	2 1/4	1 3/4	2 1/4	1 3/4	2 1/4	1 3/4	2 1/4	1 3/4	2 1/4	1 3/4	2 1/4
2 1/4	2 3/4	2 1/4	2 3/4	2 1/4	2 3/4	2 1/4	2 3/4	2 1/4	2 3/4	2 1/4	2 3/4
2 3/4	3 1/2	2 3/4	3 1/2	2 3/4	3 1/2	2 3/4	3 1/2	2 3/4	3 1/2	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	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. — ³⁾ Also for bills on places where there is no branch establishment of the Deutsche Bundesbank. — ⁴⁾ These maximum rates apply to transactions with non-banker ⁵⁾ No interest is paid, at the Hamburg clearing banks, on giro accounts amounting to not more than DM 10,000.— — ⁶⁾ 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 specification of the rates, see Table 2 (h) 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 1958	1959 ¹⁾	1960	1961	1962 January to March	Total since Currency Reform	1948 (2nd half) to 1958	1959 ¹⁾	1960	1961	1962 January to March	Total since Currency Reform
1) Agriculture, forestry and fisheries	—	—	—	—	—	—	3.7	—	—	2.6	0.8	7.1
2) Mining, production and processing of stones and earths	1,045.7	260.0	10.0	—	135.0	1,450.7	748.3	96.4	105.6	168.5	—	1,118.8
3) Production and processing of iron and metal	936.7	100.0	—	—	75.0	1,111.7	358.2	178.7	413.3	192.4	16.9	1,159.5
4) Power production and public utilities	1,351.0	288.9	13.7	115.0	75.0	1,843.6	959.9	127.2	213.6	327.0	54.8	1,682.5
5) Steel and iron construction, machine, vehicle and ship building, hardware, precision instruments, optical goods and electrical engineering	463.6	50.0	—	150.0	50.0	713.6	1,401.4	141.9	400.5	385.4	20.8	2,350.0
6) Chemicals, mineral oil processing, coal derivatives, rubber, plastics	1,012.2	171.0	—	—	—	1,183.2	1,741.2	435.2	330.8	569.9	134.4	3,211.5
7) Food, beverages and tobacco, feedingstuffs	11.1	—	—	—	—	11.1	198.3	41.1	30.3	40.7	7.5	317.9
8) Other processing industries (pottery, glass, sawing, wood, paper, leather, textiles, clothing)	118.1	—	—	0.9	—	119.0	237.5	29.0	66.6	66.7	3.3	403.1
9) Building and allied trades	40.9	3.8	3.8	3.7	—	52.2	33.1	1.5	10.6	15.9	5.0	66.1
10) Housing and real estate	—	—	—	—	—	—	161.3	29.3	25.7	73.5	11.7	301.5
11) Sundry services	—	—	—	—	—	—	50.0	4.9	0.8	8.1	0.5	64.3
12) Commerce, banking, insurance companies	53.0	45.0	—	50.0	—	148.0 ²⁾	1,224.9	221.0	279.4	318.5	60.0	2,103.8
13) Transport	85.0	—	—	—	—	85.0	278.1	76.1	27.2	21.8	4.0	407.2
14) Public services	—	—	—	—	—	—	6.3	0.7	0.1	1.4	—	8.5
Total	5,117.3	918.7	27.5	319.6	335.0	6,718.1	7,402.2	1,383.0	1,904.5	2,192.4	319.7	13,201.8

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. Gross Placing of Fixed-interest-bearing Securities in March 1962

classified by categories of securities and interest rates, issue prices and maturities
Nominal value in millions of DM

Interest rates %	Issue prices	Bonds of German issuers						Loans of foreign issuers	Fixed-interest-bearing securities, total
		Mortgage bonds (including ship mortgage bonds)	Communal (and similar) bonds	Bonds of specialised credit institutions	Industrial bonds (including convertible bonds)	Loans of public authorities	Other bonds		
4 1/2	—	—	47.5	—	—	—	39.0	—	86.5
	of which:								
	99 to less than 100	—	30.9	—	—	—	—	—	—
	100 " " " 101	—	16.6	—	—	—	39.0	—	—
5	16.6	2.0	—	—	—	0.3	—	—	18.9
	of which:								
	less than 93	1.0	0.0	—	—	—	—	—	—
	93 to less than 94	7.8	0.0	—	—	—	—	—	—
	94 " " " 95	0.6	0.0	—	—	—	—	—	—
	95 " " " 96	6.0	2.0	—	—	—	—	—	—
	96 " " " 97	0.2	—	—	—	—	—	—	—
	97 " " " 98	—	—	—	—	—	—	—	—
	98 " " " 99	—	—	—	—	—	—	—	—
	99 and over	1.0	—	—	—	0.3	—	—	—
5 1/2	272.1	152.7	2.0	—	—	—	—	—	426.8
	of which:								
	less than 94	4.0	—	—	—	—	—	—	—
	94 to less than 95	0.5	—	—	—	—	—	—	—
	95 " " " 96	0.5	—	—	—	—	—	—	—
	96 " " " 97	10.8	5.4	0.0	—	—	—	—	—
	97 " " " 98	81.7	54.0	0.0	—	—	—	—	—
	98 " " " 99	156.1	69.2	1.0	—	—	—	—	—
	99 " " " 100	18.3	4.1	1.0	—	—	—	—	—
	100 " " " 101	0.2	20.0	—	—	—	—	—	—
	101 and over	—	—	—	—	—	—	—	—
5 3/4	99	—	—	—	—	7.4	—	—	7.4
6	69.3	46.0	1.6	75.0	0.2	—	—	—	192.1
	of which:								
	less than 99	4.3	1.2	—	—	—	—	—	—
	99 to less than 100	2.7	1.4	—	—	—	—	—	—
	100 " " " 101	26.0	7.7	—	75.0	0.2	—	—	—
	101 " " " 102	21.6	25.8	1.6	—	—	—	—	—
	102 " " " 103	14.7	9.9	—	—	—	—	—	—
	103 and over	—	—	—	—	—	—	—	—
6 1/2	102	—	0.0	—	—	—	—	—	0.0
Total		358.0	248.2	3.6	75.0	7.9	39.0	—	731.7
of which, with agreed periods to maturity of no more than 5 1/2 years among which: medium-term notes (Kassenobligationen)		3.0	47.5	—	—	—	39.0	—	89.5
over 5 1/2 to no more than 10 1/2 years		(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
over 10 1/2 to no more than 20 1/2 years		0.2	22.3	—	—	—	—	—	22.5
20 1/2 years and over		12.1	2.2	1.6	75.0	7.9	—	—	98.8
		342.7	176.2	2.0	—	—	—	—	520.9

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)	21,634	8,675 4)	7,599	5,294	66	—
(2) Decrease in holdings						
(a) linear and premature redemption	1,126	—	691	430	5	—
(b) repurchases and offsets by debtors	149	—	123	26	—	—
(3) Balance (1 less 2)	20,359	8,675	6,785	4,838	61	—
(4) Change of creditor						
(a) sales to the Fund for the Purchase of Equalisation Claims	—	—	-/. 289	-/. 93	-/. 5	+ 387
(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 March 1962	20,359	8,724 5)	6,651	4,543	54	387
note: of which, converted into money-market paper	4,294	4,294 5)	—	—	—	—
	II. Holdings at the end of March 1962 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	14,363	8,177	6,034	—	—	152
(c) 3 1/2 % Equalisation Claims	4,892	—	204	4,533	54	101
(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	11,134	8,675	459	1,910	—	90
(b) Länder	9,225	49	6,192	2,633	54	297
(3) Total (1 a to 1 f = 2 a + 2 b)	20,359	8,724 5)	6,651	4,543	54	387
note: of which, converted into money-market paper	4,294	4,294 5)	—	—	—	—
<p>*) 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 6). — 5) The holding of DM 4,430 million shown in the Return of the Deutsche Bundesbank as of 31 March 1962 (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 4,294 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.</p>						

