

MONTHLY REPORT OF THE DEUTSCHE BUNDESBANK

JANUARY 1963

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

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The Economic Situation in the Federal Republic of Germany in the Winter of 1962/63

Money and Credit

Lendings

Lendings to business enterprises, private persons and public authorities by the credit institutions rendering monthly returns continued at a high level in the last months of the past year. The tendency towards an increase of lendings at longer term still prevailed, while those at short term kept on rising only relatively little. The trends during the first ten months of 1962, indicated in our Monthly Report for last November, have accordingly continued. Last November and December the total increase of credit¹⁾ amounted to nearly DM 6.1 billion as against not quite DM 5.3 billion in the corresponding months of 1961. In this the short-term lendings had a share of some DM 1.8 billion against about DM 2.1 billion in the comparable months of 1961; the lendings at medium and long term accounted for some DM 4.1 billion against only about DM 3.1 billion a year before. By comparison the rise in the banks' holdings of securities from issues by non-banks was only slight; it was limited to about DM 150 million in November and December of 1962, as against roughly DM 80 million in those months of 1961. The holdings of bank bonds (which have to be left out of account in ascertainment of the credit granted to non-banks so as to avoid duplication) actually declined in November and December together, whereas they had previously as a rule shown the greater part of the fresh addition to banks' securities. Possibly the banks' reluctance to acquire securities is due to the faster rise in their direct lendings. The greater strain on liquidity in the banking system no doubt also produced a retarding effect.

In the whole of 1962 the increase of the banks' credit and security commitment to their non-bank customers amounted to about DM 24.4 billion. It was thus only a little greater than in 1961 although, as the table on page 4 shows, it grew in the course of the year, solely because of faster expansion in the lendings at medium and long term. In such lendings the 1962 increase exceeded that of a year earlier by nearly DM 3.1 billion, whereas the rise in those at short term

was less than in 1961 by about DM 2.6 billion; the increase of security holdings was about as great in 1962 as in 1961. One important reason for the greater borrowing at banks no doubt lies in the narrowing of profit margins, which in the case of fresh capital projects entails more financing from outside sources. The marked advance of longer-term bank lendings indicates that the banking system played an important part in the satisfaction of these financing needs, the more so since — largely because the Securities Tax increases the cost — recourse to the bond market by industrial issuers remained within relatively narrow limits during 1962, and many enterprises had to refrain from share issues because of the unfavourable trend in prices on the share market.

A substantial share in the increase of bank lendings was taken by loans at medium term, that is with an agreed life of between six months and four years. These grew in 1962 by almost DM 3.6 billion, against DM 2.2 billion in 1961 and DM 1.5 billion in 1960; in the fourth quarter of 1962 alone they increased by DM 1.4 billion as compared with not quite DM 0.5 billion in the corresponding quarter a year before. The banks' long-term lendings rose by almost DM 16.3 billion in 1962 against DM 14.6 billion in 1961. Apart from the above-mentioned loans to industry the lendings for house construction would seem to have been of chief significance here. The amounts paid out on mortgage by real-estate credit institutions and savings banks in 1962 reached over DM 6.5 billion against DM 5.4 billion in 1961. For the whole of 1962 the mortgage loans newly promised for house-building amounted to almost DM 8.3 billion; promises were thus again substantially greater than out-payments, so that the carry-over of loans promised but not yet paid out correspondingly rose. Since last October the mortgage loans promised by issuing institutions have also been greater on comparison with a year before, whereas from June to September they had not equalled the previous year's amounts. In the case of the savings banks, as the table on page 5 shows, new mortgage loans continued throughout the year to be promised at a high rate.

Altogether, because of the greater interest shown in longer-term borrowing, the credit commitment of

¹⁾ Comprising the short, medium and long-term lendings and investments in securities, other than interbank claims. Of the banks' Treasury bill and non-interest-bearing Treasury bond holdings only the domestic paper, although not the mobilisation paper, is included; in the investments in securities the holdings of bank bonds are disregarded as being a component of interbank indebtedness.

Lendings¹⁾ and Investments of the Monthly Reporting Credit Institutions

Millions of DM

Items	Year	Total	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	October	November	December P)	Position at end of month	
			Increase (+) or decrease (—)								
I. Short-term lendings ²⁾ , total	1961	+ 6,292	+1,905	+2,429	+ 575	+1,383	— 679	+ 523	+1,539	49,140	
	1962	+ 3,730 P)	+ 831	+2,061	+ 155	+ 683 P)	—1,118	+ 358	+1,443 P)	52,780 P)	
(a) to business enterprises and individuals	1961	+ 6,323	+1,853	+2,280	+1,022	+1,168	— 807	+ 510	+1,465	47,268	
	1962	+ 3,383 P)	+1,000	+1,879	+ 131	+ 373 P)	—1,101	+ 198	+1,276 P)	50,646 P)	
(b) to public authorities ³⁾	1961	— 31	+ 52	+ 149	— 447	+ 215	+ 128	+ 13	+ 74	1,872	
	1962	+ 347 P)	— 169	+ 182	+ 24	+ 310 P)	— 17	+ 160	+ 167 P)	2,134 P)	
II. Medium and long-term lendings, total	1961	+16,787	+3,461	+3,871	+4,738	+4,717	+1,576	+1,612	+1,529	113,379	
	1962	+19,842 P)	+3,409	+4,616	+5,446	+6,371 P)	+2,245	+2,010	+2,116 P)	132,856 P)	
(a) to business enterprises and individuals	1961	+13,445	+2,517	+3,168	+3,925	+3,835	+1,226	+1,363	+1,246	89,609	
	1962	+16,595 P)	+2,681	+4,017	+4,555	+5,342 P)	+1,888	+1,756	+1,698 P)	105,954 P)	
(b) to public authorities	1961	+ 3,342	+ 944	+ 703	+ 813	+ 882	+ 350	+ 249	+ 283	23,770	
	1962	+ 3,247 P)	+ 728	+ 599	+ 891	+1,029 P)	+ 357	+ 254	+ 418 P)	26,902 P)	
(1) Medium-term lendings, total	1961	+ 2,195	+ 339	+ 897	+ 491	+ 468	+ 118	+ 274	+ 76	14,689	
	1962	+ 3,570 P)	+ 16	+1,034	+1,110	+1,410 P)	+ 437	+ 455	+ 518 P)	18,239 P)	
(a) to business enterprises and individuals	1961	+ 2,170	+ 352	+ 908	+ 461	+ 449	+ 62	+ 236	+ 151	13,380	
	1962	+ 3,642 P)	+ 167	+1,037	+1,059	+1,379 P)	+ 436	+ 433	+ 510 P)	17,002 P)	
(b) to public authorities	1961	+ 25	— 13	— 11	+ 30	+ 19	+ 56	+ 38	— 75	1,309	
	1962	— 72 P)	— 151	— 3	+ 51	+ 31 P)	+ 1	+ 22	+ 8 P)	1,237 P)	
(2) Long-term lendings, total	1961	+14,592	+3,122	+2,974	+4,247	+4,249	+1,458	+1,338	+1,453	98,690	
	1962	+16,272 P)	+3,393	+3,582	+4,336	+4,961 P)	+1,808	+1,555	+1,598 P)	114,617 P)	
(a) to business enterprises and individuals	1961	+11,275	+2,165	+2,260	+3,464	+3,386	+1,164	+1,127	+1,095	76,229	
	1962	+12,953 P)	+2,514	+2,980	+3,496	+3,963 P)	+1,452	+1,323	+1,188 P)	88,952 P)	
(b) to public authorities	1961	+ 3,317	+ 957	+ 714	+ 783	+ 863	+ 294	+ 211	+ 358	22,461	
	1962	+ 3,319 P)	+ 879	+ 602	+ 840	+ 998 P)	+ 356	+ 232	+ 410 P)	25,665 P)	
III. Holdings of securities and syndicate participations excluding bank bonds	1961	+ 898	+ 114	+ 228	+ 424	+ 132	+ 55	+ 131	— 54	8,124	
	1962	+ 830 P)	+ 341	+ 127	+ 256	+ 106 P)	— 45	+ 81	+ 70 P)	8,954 P)	
Lendings to non-banks, total (I to III)	1961	+23,977	+5,480	+6,528	+5,737	+6,232	+ 952	+2,266	+3,014	170,643	
	1962	+24,402 P)	+4,581	+6,804	+5,857	+7,160 P)	+1,082	+2,449	+3,629 P)	194,590 P)	
Note:											
Holdings of Treasury bills and non-interest-bearing Treasury bonds, total	1961	+ 612	+1,394	— 709	+ 557	— 630	+ 429	— 531	— 528	6,614	
	1962	— 842 P)	— 555	+ 51	— 658	+ 320 P)	+1,268	— 106	— 842 P)	5,772 P)	
of which: Mobilisation paper ³⁾	1961	+ 106	+ 836	— 711	+ 664	— 683	+ 416	— 609	— 490	4,234	
	1962	— 862 P)	— 351	+ 17	— 350	— 178 P)	+1,167	— 81	—1,264 P)	3,457 P)	
Other domestic Treasury bills and non-interest Treasury bonds	1961	— 310	— 176	+ 22	— 250	+ 94	+ 49	+ 56	— 11	1,185	
	1962	+ 499 P)	— 145	+ 113	— 16	+ 547 P)	+ 161	— 26	+ 412 P)	1,599 P)	
Foreign Treasury bills and non-interest Treasury bonds	1961	+ 816	+ 734	— 20	+ 143	— 41	— 36	+ 22	— 27	1,195	
	1962	— 479 P)	— 59	— 79	— 292	— 49 P)	— 60	+ 1	+ 10 P)	716 P)	
Holdings of securities and syndicate participations, total	1961	+3,573	+ 839	+1,093	+ 951	+ 690	+ 366	+ 285	+ 39	22,278	
	1962	+3,580 ⁵⁾ P)	+1,913	+ 840	+ 748	+ 79 ⁵⁾ P)	— 39	+ 179 ⁵⁾	— 61 ⁵⁾ P)	25,608 P)	
among which: Bank bonds ⁴⁾	1961	+2,675	+ 725	+ 865	+ 527	+ 558	+ 311	+ 154	+ 93	14,154	
	1962	+2,750 ⁵⁾ P)	+1,572	+ 713	+ 492	— 27 ⁵⁾ P)	+ 6	+ 98 ⁵⁾	— 131 ⁵⁾ P)	16,654 P)	

¹⁾ Excluding interbank credits. — ²⁾ Including holdings of domestic Treasury bills and non-interest-bearing Treasury bonds, but excluding "mobilisation paper". — ³⁾ That is, Federal Treasury bills and non-interest-bearing Treasury bonds resulting from exchange for a corresponding partial amount of the Deutsche Bundesbank's equalisation claim, the taking over of which paper by the banks does not represent any additional granting of credit to non-banks. — ⁴⁾ Including loans issued by the Equalisation of Burdens Fund with the commitment of the Equalisation of Burdens Bank, which in the securities statistics — in contrast to this table — are counted as part of the public authorities' loan issues. — ⁵⁾ After elimination of internal book transfers within the sphere of the Postal Administration. — P) Provisional.

Financing of House Construction by Credit Institutions

Millions of DM

Banking groups	1960					1961					1962				
	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	Total	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	Total	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	Total
Mortgage Loans Promised during period															
Issuing institutions ¹⁾	606	608	797	846	2,857	922	1,236	1,243	920	4,321	950	1,175	1,029	1,152	4,306
Savings banks	825	842	607	587	2,861	611	678	832	1,006	3,127	873	924	1,051	1,109	3,957
Total	1,431	1,450	1,404	1,433	5,718	1,533	1,914	2,075	1,926	7,448	1,823	2,099	2,080	2,261	8,263
Mortgage Loans Paid Out during period															
Issuing institutions ¹⁾	450	537	592	689	2,268	457	565	767	1,018	2,807	672	787	967	1,203	3,629
Savings banks	489	581	724	797	2,591	533	595	680	812	2,620	512	619	813	976	2,920
Total	939	1,118	1,316	1,486	4,859	990	1,160	1,447	1,830	5,427	1,184	1,406	1,780	2,179	6,549
Amount of Mortgage Loans Promised but Not Yet Paid Out at end of period															
Issuing institutions ¹⁾	2,261	2,289	2,461	2,592	..	3,005	3,633	4,070	3,951	..	4,055	4,408	4,431	4,339	..
Savings banks	2,371	2,575	2,421	2,176	..	2,213	2,256	2,374	2,528	..	2,847	3,124	3,323	3,392	..
Total	4,632	4,864	4,882	4,768	..	5,218	5,889	6,444	6,479	..	6,902	7,532	7,754	7,731	..

¹⁾ Private and public mortgage banks, and central giro institutions.

institutions which specialise in long-term lending business has risen by more than that of the commercial banks. At the savings banks the total "earning assets"¹⁾ rose by 14.0 per cent between the end of November 1961 and the end of November 1962²⁾, and at the private and public mortgage banks by 14.4 per cent. At the commercial banks (in each case excluding the "mixed" mortgage banks, with security issuing rights, contained in this group) on the other hand the growth over the same period amounted to only 8.6 per cent, while for all banks rendering monthly returns taken together it was 12.0 per cent. At the same time the commercial banks also have of late granted loans at longer — mostly medium — term on a greater scale than before. The proportion borne by medium-term lendings to their total earning assets amounted at the end of November 1962 to 12.1 per cent as against 10.7 per cent one year and 9.4 per cent three years before. The long-term lendings also grew somewhat faster at the commercial banks than the total earning assets; consequently their proportion of these rose to 8.1 per cent, as compared with 7.8 per cent at the end of November 1961 and 7.5 per cent at the end of November 1959.

Addition to Savings Deposits,

Proceeds of Banks' Security Issues and Borrowing

The liabilities-side business done by the monthly reporting banks with business enterprises, individuals

¹⁾ These comprise all interest-bearing assets, including equalisation claims and interbank claims.

²⁾ For December 1962, monthly banking statistics concerning the individual groups of banks were not yet available as this Report was completed.

and public authorities has of late been specially characterised by

a large addition to savings deposits,

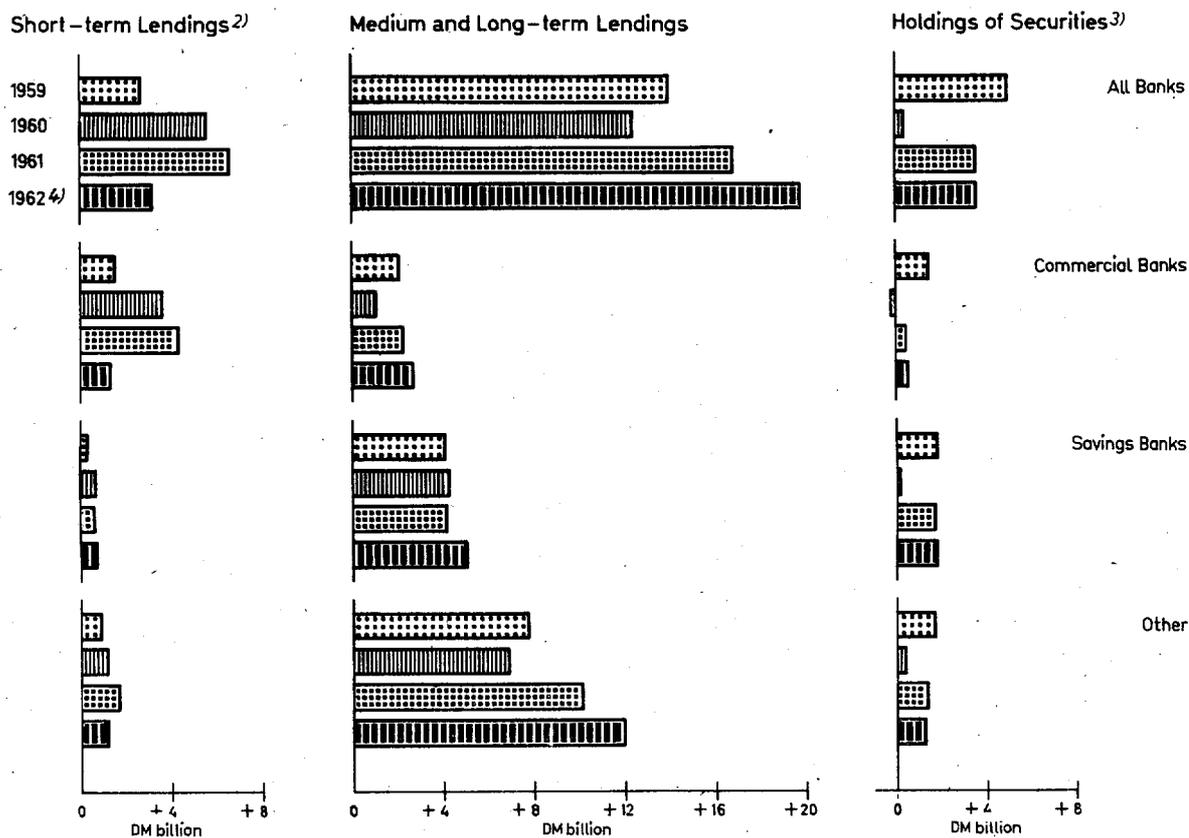
relatively great sales of bank bonds to the public, and

a gradual increase in the obtaining of monies and loans from private institutional investors, especially insurance companies.

These processes will now be described. The movement of sight and time deposits, as well as of the other bank liabilities not discussed in detail, can be seen from the table on page 7.

The addition to *savings deposits* amounted in the fourth quarter of 1962 to DM 3.27 billion. It was thus substantially greater than in the last quarter of 1961; at that time however the legal blocking period had expired for a particularly large amount (about DM 2 billion) of savings deposits carrying tax concessions, whereupon a large part of the released savings deposits was transferred to other employment, whereas such influences virtually were no longer of any importance in the last quarter of 1962. The growth of savings deposits was further increased in the fourth quarter of 1962 through the crediting — mainly at the year's end — of interest, which increases from year to year if only because of the steady rise in the amount of savings deposits. In December 1962 interest was credited on savings accounts to the extent of over DM 2 billion; this was about DM 180 million more than at the end of 1961. Because of these special influences it is not

LENDINGS¹⁾ AND INVESTMENTS OF THE MONTHLY REPORTING CREDIT INSTITUTIONS
Yearly increase or decrease



1) Excluding interbank credit. - 2) Excluding Treasury bills and non-interest-bearing Treasury bonds. - 3) Including syndicate participations and bank bonds. - 4) For December 1962 breakdown by banking groups estimated.

BBk

easy to assess the trends of current savings formation on savings accounts. It is however noticeable that the accrual of savings deposits in the second half of 1962 showed no such strongly marked seasonal rise as in earlier years. One reason may have been that the growth of mass incomes somewhat slackened in the second half of 1962. Another factor possibly was that savers are evidently beginning by degrees to turn on a relatively greater scale to other forms of investment, especially in securities, a process which would appear quite natural in view of the improvement in the income and the financial circumstances of wide sections of the people. So far, it is true, there have been no appreciable shifts of this kind. But according to our calculations, which we shall publish in a special study in the Monthly Report for February this year, in the second half of 1962 the sale of securities to private households did show a notable advance as a form of saving by such households.

In some measure the monthly banking statistics confirm these tendencies, inasmuch as the sales of *bank bonds* (including medium-term notes issued by banks) to the public, that is to takers other than domestic credit institutions, remained relatively great in the last months of 1962. In the fourth quarter of that year they amounted to DM 1.14 billion as compared with DM 0.99 billion in the corresponding period a year before. In the two previous quarters too, although not in the first quarter of 1962, the placing of bank bonds with the public had been above the level of a year earlier, in the third quarter by as much as over DM 600 million. Incidentally, the acquiring of bank bonds by private subscribers in order to obtain a savings premium was only a very small factor. The security deposits formed at banks on initial acquisition of all kinds of securities with the benefit of premiums rose altogether by only about DM 70 million in the fourth quarter of 1962, with a peak in December; this was

even a little less than in the corresponding period of the previous year.

Among the more recent trends in the banks' liabilities-side business another is the fact that of late the banks not only continued to take large amounts of monies and loans from public authorities, but took them to a slightly increased extent also from "business enterprises and individuals". The private creditors would seem to have been to a large extent insurance com-

panies, which in certain cases evidently also reach agreement with the banks about the use of the funds. From "private" quarters the credit institutions obtained monies and loans in the last quarter of 1962 to the extent of roughly DM 250 million as compared with DM 85 million in the corresponding period of 1961. For the whole of 1962 the amount accruing was about DM 770 million, against DM 460 million in 1961 and DM 410 million in 1960. But much the greater part of

Bank Liabilities of the Monthly Reporting Credit Institutions
Millions of DM

Items	Year	Total	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	October	November	December P)	Position at end of month
			Increase (+) or decrease (-)							
I. Sight deposits	1961	+5,092	-2,586	+2,129	+1,034	+4,515	+ 835	+ 991	+2,689	36,489
	1962	+3,548 P)	-3,891	+2,178	+ 874	+4,387 P)	+ 625	+ 997	+2,765 P)	40,037 P)
(a) of business enterprises and individuals	1961	+4,468	-2,033	+1,908	+ 903	+3,690	+1,172	+ 500	+2,018	32,046
	1962	+2,650 P)	-3,167	+1,878	+ 809	+3,130 P)	+1,011	+ 404	+1,715 P)	34,696 P)
(b) of public authorities	1961	+ 624	- 553	+ 221	+ 131	+ 825	- 337	+ 491	+ 671	4,443
	1962	+ 898 P)	- 724	+ 300	+ 65	+1,257 P)	- 386	+ 593	+1,050 P)	5,341 P)
II. Time deposits	1961	+1,313	+ 947	+ 697	- 88	- 243	+ 169	- 153	- 259	21,430
	1962	+1,706 P)	+ 734	+ 501	- 71	+ 542 P)	+ 281	+ 201	+ 60 P)	23,133 P)
(a) of business enterprises and individuals	1961	- 20	+ 603	- 255	- 327	- 41	+ 328	- 252	- 117	11,895
	1962	+1,111 P)	+ 156	+ 121	- 45	+ 879 P)	+ 514	- 12	+ 377 P)	13,003 P)
(b) of public authorities	1961	+1,333	+ 344	+ 952	+ 239	- 202	- 159	+ 99	- 142	9,535
	1962	+ 595 P)	+ 578	+ 380	- 26	- 337 P)	- 233	+ 213	- 317 P)	10,130 P)
III. Savings deposits	1961	+7,310	+2,453	+1,171	+1,166	+2,520	+ 756	+ 65	+1,699	60,424
	1962	+9,279 P)	+3,175	+1,399	+1,436	+3,269 P)	+ 650	+ 295	+2,324 P)	69,705 P)
(a) of individuals	1961	+6,330	+2,177	+1,058	+ 960	+2,135	+ 685	- 19	+1,469	54,087
	1962	+8,088 P)	+2,797	+1,206	+1,265	+2,820 P)	+ 552	+ 174	+2,094 P)	62,177 P)
among which: carrying tax privileges and premiums	1961	-1,911	- 89	+ 153	- 466	-1,509	- 15	- 782	- 712	2,712
	1962	+1,317 P)	+ 241	+ 264	+ 181	+ 631 P)	+ 78	+ 84	+ 469 P)	4,029 P)
(b) of business enterprises	1961	+ 174	+ 51	+ 11	+ 54	+ 58	+ 42	- 8	+ 24	1,679
	1962	+ 173 P)	+ 58	+ 21	+ 36	+ 58 P)	+ 52	-	+ 6 P)	1,852 P)
(c) of public authorities	1961	+ 806	+ 225	+ 102	+ 152	+ 327	+ 29	+ 92	+ 206	4,658
	1962	+1,018 P)	+ 320	+ 172	+ 135	+ 391 P)	+ 46	+ 121	+ 224 P)	5,676 P)
IV. Circulation of bank bonds, total ¹⁾	1961	+5,976	+1,888	+1,472	+1,068	+1,548	+ 551	+ 477	+ 520	35,268
	1962	+6,566 P)	+2,250	+1,550	+1,656	+1,110 P)	+ 307	+ 468	+ 335 P)	41,834 P)
among which: Circulation without banks' holdings	1961	+3,301	+1,163	+ 607	+ 541	+ 990	+ 240	+ 323	+ 427	21,114
	1962	+3,816 ²⁾ P)	+ 678	+ 837	+1,164	+1,137 ²⁾ P)	+ 301	+ 370 ²⁾ P)	+ 466 ²⁾ P)	25,180 P)
V. Monies and loans taken from non-banks	1961	+4,763	+1,565	+1,034	+1,172	+ 992	+ 190	+ 279	+ 523	38,081
	1962	+4,013 P)	+1,261	+ 832	+ 230	+1,690 P)	+ 369	+ 509	+ 812 P)	42,029 P)
(a) from business enterprises and individuals	1961	+ 462	+ 214	+ 79	+ 84	+ 85	+ 19	+ 28	+ 38	3,702
	1962	+ 769 P)	+ 227	+ 204	+ 85	+ 253 P)	+ 96	+ 101	+ 56 P)	4,436 P)
(b) from public authorities	1961	+4,301	+1,351	+ 955	+1,088	+ 907	+ 171	+ 251	+ 485	34,379
	1962	+3,244 P)	+1,034	+ 628	+ 145	+1,437 P)	+ 273	+ 408	+ 756 P)	37,593 P)

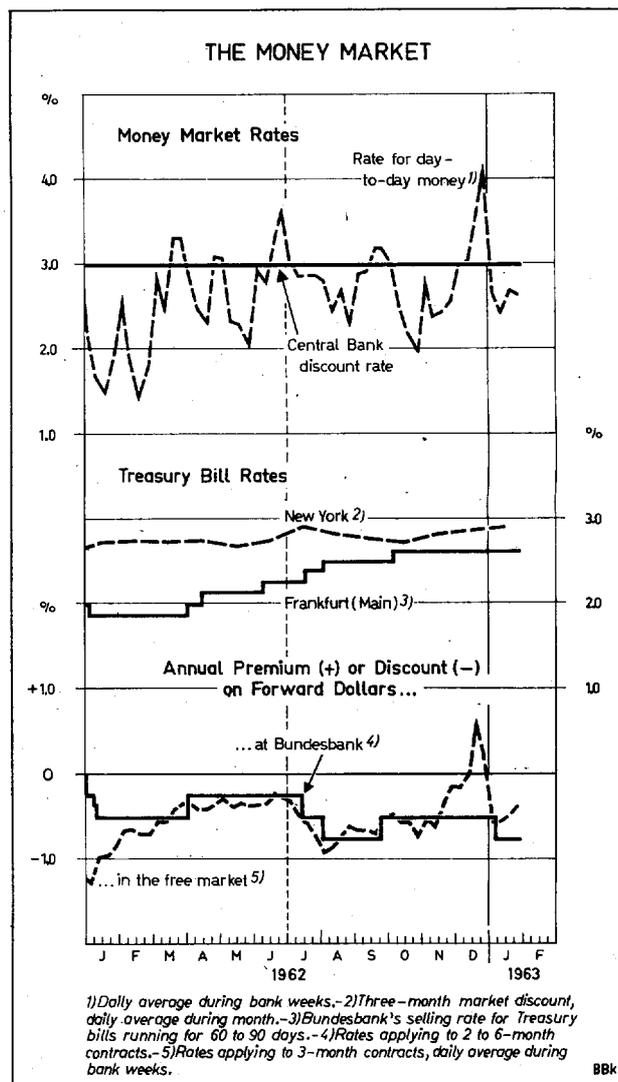
¹⁾ Excluding bonds of own issues in the credit institutions' portfolios. — ²⁾ After elimination of internal book transfers within the sphere of the Postal Administration. — P) Provisional.

the total monies and loans taken by the banks continues to come from public authorities, which channel through the banking system certain capital development loans, especially where budgetary funds are made available for house construction.

Money Market and Bank Liquidity

The course of the money market and bank liquidity during recent months, as usual about the turn of the year, presented a highly varying picture. Towards the end of last year strong tendencies to tightness prevailed for a time, since the banks were subject to considerable strains on their liquidity and were moreover trying to show a high cash ratio in their annual balance sheets. After the close of the year, on the other hand, tendencies to greater liquidity predominated, this being due to seasonal influences, such in particular as the decrease of the note and coin circulation and the re-employment of Central Bank balances which credit institutions had accumulated for window-dressing purposes at the end of the year. The course of money-market rates clearly reflected these fluctuations. On the average for all business days in December the rate for day-to-day money was 3.43 %/o, as compared with 2.55 %/o in November and 2.40 %/o in October, while on the last day of the year up to 6 %/o was paid in individual cases for such money. In January the rate dropped back to a daily average of 2.60 %/o, although its level was consistently higher than a year before; it had in fact averaged 3 %/o in December 1961 and 1.80 %/o in January 1962. Towards the end of last year, and at the beginning of the new year, money at one and three months was also dearer than a year previously. Thus one-month money cost about 4 1/2 %/o to 5 1/8 %/o in December 1962 against 4 %/o to 4 1/4 %/o in December 1961, and three-months money changed hands from October onwards at roughly 4 1/4 %/o to 4 5/8 %/o, whereas the rate a year earlier had been between 3 1/2 %/o and 4 1/4 %/o. This clearly reflects the influence of the repeated rises applied during 1962 to the Bundesbank's selling rates for money-market paper, and also the decrease in the degree of liquidity shown by the banking system in comparison with the end of 1961 and beginning of 1962, although during recent months this decrease has persisted only to a small extent. The banks' most important liquidity reserves (that is their holdings of domestic Treasury bills and non-interest-bearing Treasury bonds together with their short-term foreign assets) would seem to have amounted to about DM 9.25 billion at the end of January. They were thus noticeably smaller than in January last year, when they had been particularly

large at DM 11.3 billion; although by comparison with their level of around DM 9.0 to 9.1 billion in October and November of last year they have slightly increased in absolute terms, they have recently continued their definite decline in relation to the deposits of non-banks.



These movements were, as usual, the result of several factors some of which were strongly opposed to each other. In the last two months of 1962 the public's demand for notes and coin in particular produced a tightening effect, whereas during the previous months the rise in that demand had been no more than relatively moderate. On the average of the month's four bank-return dates the note and coin circulation last December, at DM 25.6 billion, was above the level of last October by some DM 1.6 billion; on a daily average the increase was as much as roughly DM 1.75 billion. At the close of the year the banks were thereby

deprived of more resources than during the corresponding period of 1961, although for the past year as a whole the increase of the note and coin circulation remained within much narrower limits than in 1961. Evidently the seasonal factors (such in particular as the payment of Christmas bonuses, the increase in retail turnovers and the accumulation of public holidays) produced this year an especially marked influence on the note and coin circulation, whereas in the first ten or eleven months it had become clear that the rise of the note and coin circulation was no longer so great as in 1961 because special factors, such as the change in that year to the five-day week in banking, did not operate in 1962 and, moreover, the rise in mass incomes was no longer quite so steep as a year before. By way of reaction to the seasonal "end-of-year peak" in the note and coin circulation there began in January a considerable return flow to the banks, although this did not fully make good the withdrawals of November and December. On the daily average for January the note and coin circulation amounted to DM 23.7 billion; it was thus smaller by DM 1.87 billion than in the corresponding period of December, but roughly as much as in that of October, last year.

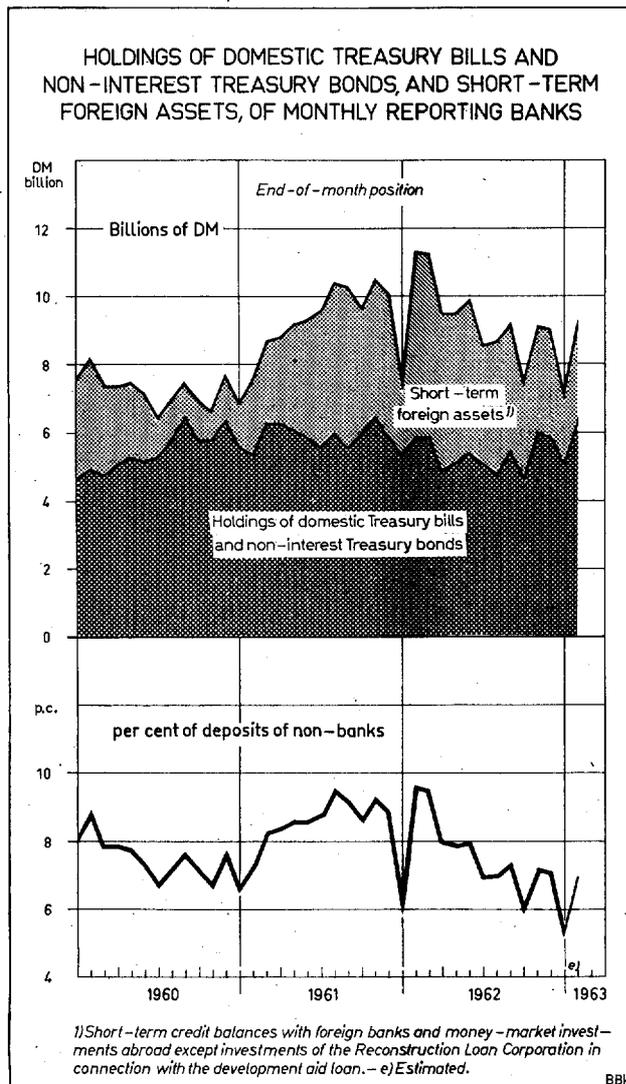
Some narrowing of the banks' free liquidity margin also resulted from the further rise in the *minimum reserve requirements* consequent on growth of the reserve-carrying liabilities. The minimum reserve required of banks (other than the Postal Cheque and Postal Savings Bank Offices) amounted last December to DM 9.8 billion, as compared with something over DM 9.5 billion in September and not quite DM 9.0 billion in February 1962, the last month when relaxations of the minimum reserve requirements had taken effect. For January this year also the required minimum reserve may be expected to have increased by at least a further DM 200 million, so that the sterilising of liquid resources of banks through the "growth-induced" raising of minimum reserve requirements can be estimated for the last eleven months at roughly DM 1 billion. During the corresponding period of the years 1961/62 the required minimum reserve had on the contrary been reduced by about DM 3 billion through the numerous reductions of reserve ratios. Hence on a long view the minimum reserve requirements are exerting a highly important restrictive effect on the banks' free liquidity margin, so long as bank balance sheets are expanding while reserve ratios remain unchanged.

On the other hand the banks' liquidity position was eased, at least in the last quarter of 1962, through the

fact that for the first time in a somewhat lengthy period there was a net reflow of money into internal circulation from the *central public authorities'* Bundesbank accounts. As explained in the chapter on Public Finances, the central authorities had an increasing cash deficit in the last months of 1962. Apart from relatively large foreign payments the contributing factors also comprised domestic payments on a substantial scale, public expenditure causing Central Bank money to flow directly to the banks and strengthen their liquidity. The amount in question would seem to have been in the order of several hundred million DM on the average of the fourth quarter, although there were substantial fluctuations according to the size of current in-payments and out-payments as well as the taking of cash advances by the Federal Government. In January 1963 however the receipts of the central public authorities again materially exceeded their domestic expenditure; even in their overall account those authorities actually showed in that month an excess of receipts, especially if the proceeds of bond issues are reckoned among these latter. The amount of that surplus was of course largely affected by seasonal factors.

Foreign payments further increased bank liquidity during recent months. In itself the balance of payments in that period showed a net deficit, it is true, even if the movements in the exchange positions of the Bundesbank and the other banks are combined; on the whole, therefore, there was certainly a money outflow. Here however it must be borne in mind that the deficit (regarded purely in terms of amount) was due solely to the Federal Government's various foreign payments, which, while they are a normal charge on the balance of payments and tend pro tanto to reduce the domestic economy's money holdings, can nevertheless not be regarded in an analysis of bank liquidity like the present one as a direct charge, because they do not take any money directly from the banks but operate only through the public authorities' tax revenues and loan proceeds, that is through processes the effect of which on bank liquidity is already recorded under the head of those authorities' cash transactions affecting liquidity. If, on the other hand, the public authorities' foreign payments are disregarded in the foreign exchange movement so as to reflect more clearly its direct effects on bank liquidity, there was a continued predominance of the accruals on the basis of which the banks received additional resources (including any employed for short periods abroad). For some time, however, this afflux of funds has been a good deal smaller than in the years of large surpluses on the

balance of payments; accordingly it does less than before to offset the restrictive influences, and consequently on a longer view does not prevent a gradual tightening of bank liquidity.



In the light of all these tendencies it was to be expected that in December, as usual at this time of year, bank liquidity and the money market would be subjected to a relatively heavy strain. In the case of the money market there was moreover reason to reckon with the normal tightening effects of window-dressing at the close of the year, that is with the banks' effort to show on the date of their annual balance sheets the largest possible cash holding in the shape of Central Bank balances, even though it is questionable whether such balance-sheet-date manipulations can really affect any at all searching assessment of a bank's position enough to pay for the expense of window-dressing. In themselves such temporary strains on liquidity are

of course not dangerous; in a modern banking system, moreover, there is enough flexibility to carry them without troublesome effects. Since however the banks can also even out a great deal of the fluctuations in their liquidity by drawing on liquid reserves maintained abroad, and on foreign sources of credit, major domestic strains on liquidity have always induced a comparatively large inflow of money from abroad. But in the existing international state of payments this concomitant is undesirable because it unnecessarily disturbs the exchange markets and, even though only for a time, strains the market for the international key currencies most affected by such operations. For some time therefore the Bundesbank's money-market and exchange policy has aimed, through suitable action on the banks' liquidity arrangements, at reducing the repercussions thus produced by domestic money-market fluctuations on foreign-exchange movements — even though it will be hardly possible altogether to prevent such repercussions so long as the fluctuation of the money market, and its effect on money rates, are greater in the Federal Republic than in other countries.

With this object, as already stated three months ago in these columns, the Bundesbank has in particular tried to induce the banks so far as possible not to keep in foreign countries, on a major scale, those parts of their liquidity reserves which fluctuate most widely. That purpose was in the first place served by last year's gradual raising of selling rates for the money-market paper issued by the Bundesbank in the course of its open-market operations; this improved the return on certain domestic liquid investments, which at the beginning of last year had in some cases fallen well below that on money employed abroad. A similar effect was produced by the fact that from October 1962 onwards the Bundesbank concluded no further forward dollar transactions maturing in December; this prevented the banks from putting out abroad, at the Bundesbank's swap rates which were then temporarily still somewhat lower than the market level, funds which they wished to have available for repatriation at the close of the year — the result being that many money exports planned for only short periods were not effected, the funds being employed from the outset at home.

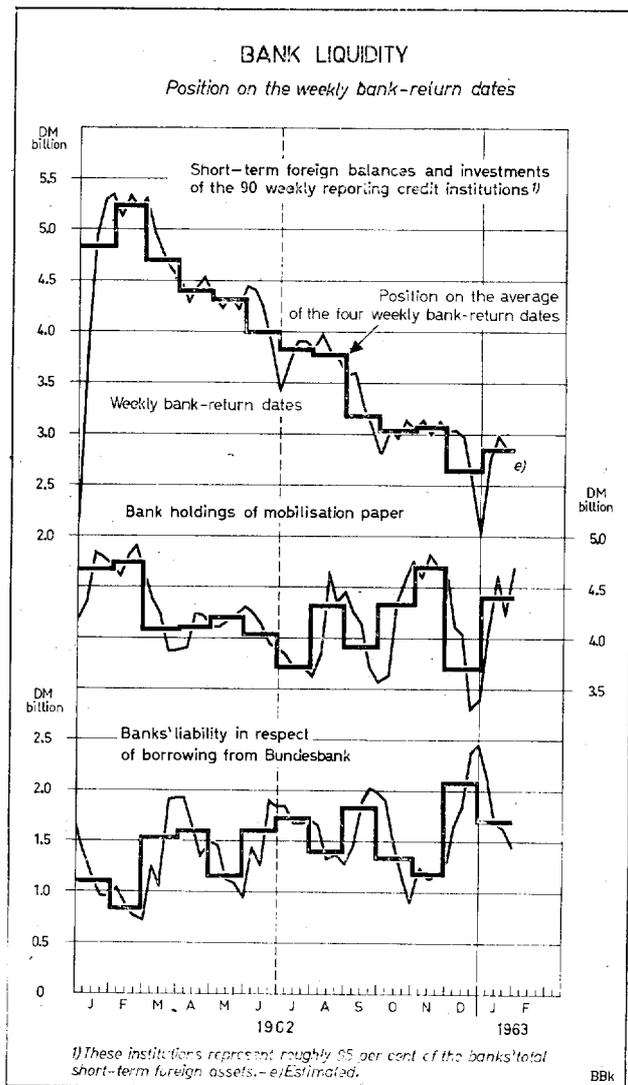
In December 1962 the Bank took two further steps with a view to checking the foreign exchange accruals which might be expected in that month as a result of the banks' short-term money transactions. One was in the class of moral suasion. In a letter to the banking associations the Bundesbank invited all credit institutions, in connection with the in any case questionable practice of window-dressing to refrain so far as possible

from repatriating foreign assets and above all from borrowing at short term abroad. So as to make it easier for credit institutions to respond to this appeal, the Bundesbank furthermore established more favourable conditions for the realising of domestic money-market paper in order to procure Central Bank balances, declaring itself prepared in the course of its open-market operations between 7 December and 4 January to repurchase Treasury bills and non-interest-bearing Treasury bonds at its selling rate, that is to refrain from charging the discount usual on resale of such paper before maturity; during that period it was thus possible to procure Central Bank money more cheaply than usual through resale of open-market paper to the Bundesbank. Of course only those banks were able to take direct advantage of this facility which had such paper available, but there was a certain chance that this would promote money-market lendings and thereby also benefit the other institutions.

In fact these steps, together with the money-market and foreign-exchange policy already pursued in preceding months, did achieve some success. It is true that, as was to be expected, at the turn of the year there were considerable short-term money-flows between the Federal Republic and foreign countries this time also, but on the whole these remained within much narrower limits than in December and January 1961/62. In December 1962, the banks' short-term foreign balances and investments declined by about DM 970 million, whereas in December 1961 they had done so by over DM 2 billion. The greater short-term borrowing abroad by German banks, which had been feared in some quarters, also failed to materialise in December. According to our statistics the total amount of such borrowing rose in December by not quite DM 30 million, being thus on about the same scale as a year before. True, such borrowing had already risen by over DM 300 million in the previous months, especially August and October, after having decreased by about an equal amount in the first half-year and having risen only slightly in the second half of 1961. On the whole however the banks' use of their own and borrowed foreign money was much smaller than a year before, particularly since a complete reversal took place on the forward exchange market in December, when the previous discount on forward dollars was replaced by a premium. On dollars employed over the turn of the year the banks were thus able to obtain a premium, and this induced a number of institutions (the state of whose liquidity permitted it) to effect fresh money exports before the year ended, so that the repatriations

in December were at least partly offset and on certain days even outweighed.

In January of this year there began on a wide front a replenishment of the banks' short-term foreign assets, although — like the repatriation in December — this replenishment was not nearly so great as a year earlier, in the first place because owing to the general



trend of liquidity the banks had much less money available for the purpose than at the beginning of 1962, and further because the altered money-market and foreign-exchange policy caused more of the available funds to be employed at home. The short-term foreign balances and investments of the 90 credit institutions which report their external position weekly, and which account for some 95 per cent of German banks' total short-term foreign assets, increased between the end of December and 23 January by about DM 780 million as against some DM 3.2 billion in the

corresponding period a year before. Credits taken abroad were at the same time reduced by roughly DM 370 million; thus on 23 January 1963 they were lower by DM 210 million than on the corresponding date a year earlier. The Bundesbank's facilities were used only on a small scale to fix forward rates for the new exports of money, because with effect from 7 January it had raised its swap rates again (to 1 0/0 for contracts with a life of 1 to 2 months and to 3/4 0/0 for those with lives of 2 to 6 months), and these rates were less favourable than those in the free market. After a relatively small rise in the first week of the year, therefore, the Bundesbank's swap commitment again declined; at the end of January this year it amounted to only about DM 290 million as against DM 4.1 billion a year previously, when it had reached its peak.

In the Bundesbank's *open-market operations* the recent variations of liquidity have of course produced all the more effect, this being in line with the Bank's effort so far as possible to limit the effect of such variations on foreign exchange transactions. In December the market made use on a quite considerable scale of the facilities for procuring cheap money as a result of the Bundesbank's having lowered its rates for the repurchase of open-market paper. On 6 December 1962, that is before the lowering of the repurchase rates, the amount of mobilisation paper sold to credit institutions had been nearly DM 4.4 billion. By 24 December it had dropped to about DM 3.3 billion, and at the end of December it stood at DM 3.4 billion after a temporary rather sharp rise resulting from purchases by individual institutions whose Central Bank balances had already risen to or even above the desired level. After the turn of the year the seasonal increase of liquidity as usual caused a strong buying movement, in consequence of which the amount of paper sold to credit institutions reached DM 4.7 billion at the end of January. It was thus about as great as a year before, while the banks' short-term foreign balances and investments were some DM 2.5 billion below their level at the end of January 1962. This clearly reveals the tendency — at which the Bundesbank has aimed for a year — to switch the widely fluctuating liquidity reserves from foreign to domestic forms of investment; but at the same time it also reflects the downward tendency of total liquidity reserves, which despite this shift has prevented the banks from increasing their holdings of mobilisation paper.

The movements in the *Bundesbank's assistance to the other banks* this winter have also reflected, more

than usual, the variations in the banking system's liquidity. The banks' liability to the Bundesbank on discounts and advances rose in the last months of 1962 from about DM 0.9 billion on 31 October to roughly DM 1.2 billion on 30 November and over DM 2.4 billion on 31 December; it was thus higher by about DM 0.8 billion than at the end of 1961. In January, as usual, it fell back sharply. Even so, at DM 1.4 billion on 31 January 1963 it was higher by DM 470 million than on the corresponding date in 1962. This too indicates the gradual straining of bank liquidity. Nevertheless the credit institutions in present circumstances continue to depend only slightly on Central Bank credit, so that in their present rediscount quotas they still have substantial liquidity reserves — quite apart from their short-term foreign assets, their holding of domestic money-market paper and their credit facilities at foreign banks. At the above-mentioned DM 1.4 billion at the end of January this year the Bundesbank's credit assistance to other banks was only just on two-fifths of the total which the then Central Banking System's corresponding credits had reached at the end of 1951, when the great increase of the other banks' liquidity through the balance-of-payments surpluses had not yet begun. Yet in the meantime the banks' balance-sheet total has been multiplied several times over.

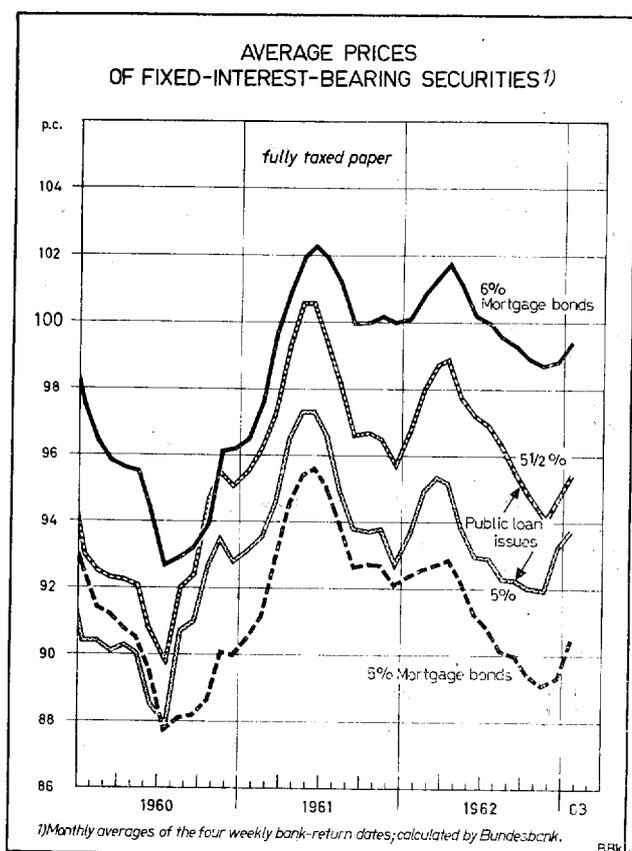
Security Markets

On the *bond market* the tendency to weakness, which had characterised it in the second and third quarters of 1962, gave place in the last few months to gradual consolidation. The market remains sensitive, however, as was especially apparent in the second half of January, when the upward movement of prices was interrupted by conjectures that there might be a heavy strain on the market in the new year.

The first signs of firming up appeared in November, evidently owing to the successful settlement of the Cuban conflict. In particular the prices for industrial bonds, some of which had been under considerable downward pressure in the summer, began definitely to rise. But on the remaining markets too a recovery soon set in; it did so in especially marked degree, after some delay, in real-estate credit institutions' issues. Notable rises occurred in the quotations for tax-free bonds in particular; some of them indeed reached new record levels, whereas in September and October precisely these bonds had been subject to major price falls. Among normally taxed bonds the main recovery was among those bearing 5 0/0 and 5 1/2 0/0 interest; on the

average the prices for these rose by two or three points. Price movements remained on the other hand within somewhat narrower limits in the case of the 6% series, as well as in that of the past year's issues, some of which are still the subject of unofficial dealings. Even for these, however, price gains of two points or more were not rare.

The market for new issues likewise showed an increase of absorptive power. The 6% DM 250 million Federal loan offered at the end of October was placed without trouble. The fact that it runs for only ten years, and that the issuer waived the right to call and repay before maturity, was no doubt a help; according



to report these terms have actually led to switching into the new loan from older Federal issues which bear the same nominal interest, but carry other conditions less favourable to takers. Sales of two public utility companies' 6% bonds in November were not so easy, although at 99.5 their issue price was half a point per cent below that of the Federal loan. To some extent this may have been because remainders of various loans issued in September were then weighing on the market. Towards the close of the year, however, definitely good conditions prevailed in the market for issuers. The Federal Railways' DM 250 million 6%

loan, offered at the beginning of December on the same terms regarding duration and repayment as the Federal loan of October, was rapidly taken. At the same time the real-estate credit institutions were able to place mortgage and communal bonds on a substantial scale, while cutting bonuses and raising issue prices, raising them for instance from 99 to par in the case of the generally predominant 6% bonds. In the new year similar good conditions for issuers again prevailed. At the beginning of January the Federal Government offered a DM 400 million 6% loan, which was placed just as smoothly as the one issued at the end of October, although with the issue price unchanged at par the total life had been extended to 15 years, the effect for the bondholder being however partly offset by the fact that the right to accelerate redemption and to call before maturity was renounced for ten years. Subsequent issues by "occasional" issuers (i. e., issuers other than real-estate credit institutions), including loans of DM 200 million for the Reconstruction Loan Corporation and DM 150 million for the Equalisation of Burdens Bank, both bearing 6% and issued at par, were fully subscribed immediately they were offered.

Apart from the fact that in the last months of the past year the conviction gradually gained ground that further falls in price or increases in yield could hardly be expected, the crucial reason for the improvement in the market was no doubt that its normal absorptive capacity usually rises for seasonal reasons about the turn of the year. At that season especially the general public receive substantial amounts of investable monies, such in particular as Christmas bonuses, royalties, dividends and interest paid. The half-yearly interest due on 1 January on fixed-interest securities alone amounted to more than half a billion DM. Besides this there was about DM 2 billion of interest on savings deposits. The monies accruing from repayments have also gained progressively in importance as the circulation of bonds has increased. In December the total repayments reached about DM 240 million, and in the whole of 1962 over DM 2.3 billion, against something over DM 1.6 billion and not quite DM 1 billion in the two preceding years. In the new year repayments are likely to remain high because apart from ordinary redemption of long-term issues a growing amount of medium-term notes (which of course run for only 3 to 4 years) are coming up for repayment, while moreover many issuers will make use of their option to call before maturity their high-interest bonds dating from 1956/57. Finally the bond market would also appear to have benefited from the renewed weakness of the share market in December, this having certainly

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										
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 ²⁾	25.3	—	2,231.1 ²⁾	421.5	2,652.6
3rd qtr.	864.2	541.9	135.1	—	257.1 ²⁾	28.7	12.0	1,839.0 ²⁾	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
2nd qtr.	796.6	575.0	312.7	219.4	410.2	85.2	—	2,399.1	428.5	2,827.6
3rd qtr.	1,071.1	540.2	362.3	341.7	1,073.6	107.9	—	3,496.8	292.0	3,788.8
4th qtr.	1,066.0	390.7	89.1	180.0	559.4	85.0	—	2,370.2	466.5	2,836.7
October	357.0	119.7	24.6	40.0	308.8	24.7	—	874.8	107.5	982.3
November	272.8	138.1	50.7	140.0	0.6	30.0	—	632.2	134.8	767.0
December	436.2	132.9	13.8	—	250.0	30.3	—	863.2	224.2	1,087.4
Redemption										
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
2nd qtr.	66.4	134.9	64.7	59.0	123.1	0.1	—	448.2	—	448.2
3rd qtr.	162.7	228.0	40.1	283.8	71.9	—	—	786.5	—	786.5
4th qtr.	150.1	106.0	56.3	60.8	259.5	3.5	3.5	639.7	—	639.7
October	96.1	51.9	16.4	11.0	14.9	3.5	—	193.8	—	193.8
November	18.9	8.1	16.3	24.8	139.3	—	—	207.4	—	207.4
December	35.1	-46.0	23.6	25.0	105.3	0.0	3.5	238.5	—	238.5
Net placing ³⁾										
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
2nd qtr.	730.2	440.1	248.0	160.4	287.1	85.1	—	1,950.9	428.5	2,379.4
3rd qtr.	908.4	312.2	322.2	57.9	1,001.7	107.9	—	2,710.3	292.0	3,002.3
4th qtr.	915.9	284.7	32.8	119.2	299.9	81.5	3.5	1,730.5	466.5	2,197.0
October	260.9	67.8	8.2	29.0	293.9	21.2	—	681.0	107.5	788.5
November	253.9	130.0	34.4	115.2	-138.7	30.0	—	424.8	134.8	559.6
December	401.1	86.9	-9.8	-25.0	144.7	30.3	3.5	624.7	224.2	848.9

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.

caused many potential buyers of shares to put their investable funds for the moment into bonds.

On the other hand the banks have greatly reduced their purchases of fixed-interest securities in recent months. In the fourth quarter of last year they bought on balance only a little over DM 20 million of domestic fixed-interest securities, against roughly DM 800 million in each of the two previous quarters and on the quarterly average for 1961. In the first quarter of last year their purchases in the bond market had actually amounted to almost DM 1.9 billion. The reasons for the decline no doubt lay mainly in the tendency towards narrowing of the liquidity margin, and in the increase of the banks' direct lending, as already indicated. This, however, is not intended to suggest

any forecast for the future. In recent years the banks' security purchases have repeatedly shown wide fluctuation. In the event of a recession, which reduced the economy's need for direct loans, they would possibly rise again, if only for this reason.

Foreign takers, unlike the banks, have continued their investments in German fixed-interest securities since the autumn on the same scale as before. At a total of over DM 240 million their net purchases (excluding German external bonds) in the fourth quarter of 1962 were roughly as great as those of about DM 230 million in the previous quarter, while actually exceeding the average of just under DM 160 million for the first two quarters of 1962. In relation to the simultaneous net sales of domestic fixed-interest

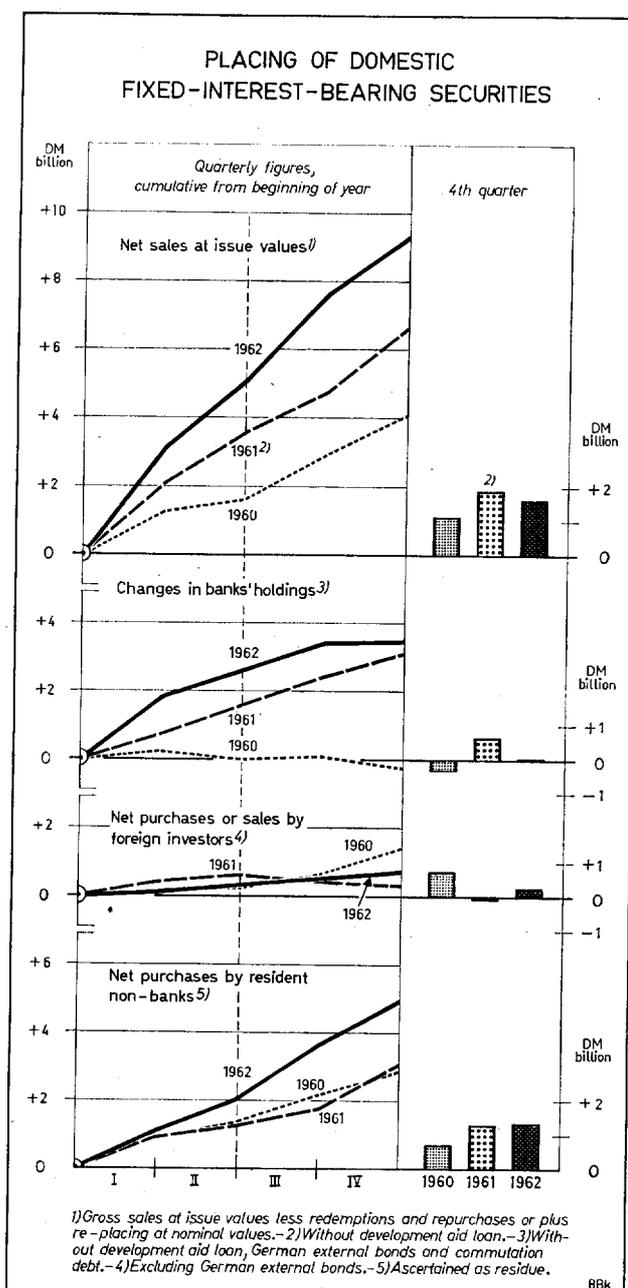
securities (reckoned at sale value) the proportion borne by foreigners' purchases steadily rose last year. It amounted in the fourth quarter to about 15 per cent, against roughly 9 per cent in the third, 7.5 per cent in the second and 5.5 per cent in the first quarter of 1962.

What has especially risen of late, however, is the buying of securities by the domestic non-banking public, especially by individuals as well as private and public institutional investors. The net purchases of fixed-interest securities effected by such buyers in the fourth quarter of 1962 totalled DM 1.44 billion. This was not quite up to the previous quarter's particularly high level of DM 1.60 billion, it is true, but was well above the level for most earlier quarters.

The placings of new fixed-interest securities in the fourth quarter of 1962 fell considerably short of those in the previous quarter. The total gross sale of such new securities in the said period reached not quite DM 2.4 billion as against some DM 3.5 billion in the third quarter. After deduction of the relatively large repayments — amounting to DM 640 million as compared, however, with nearly DM 800 million in the third quarter of 1962 — the net placings work out at DM 1.7 billion as compared with DM 2.7 billion in the previous quarter and DM 1.9 billion in the corresponding period of 1961.

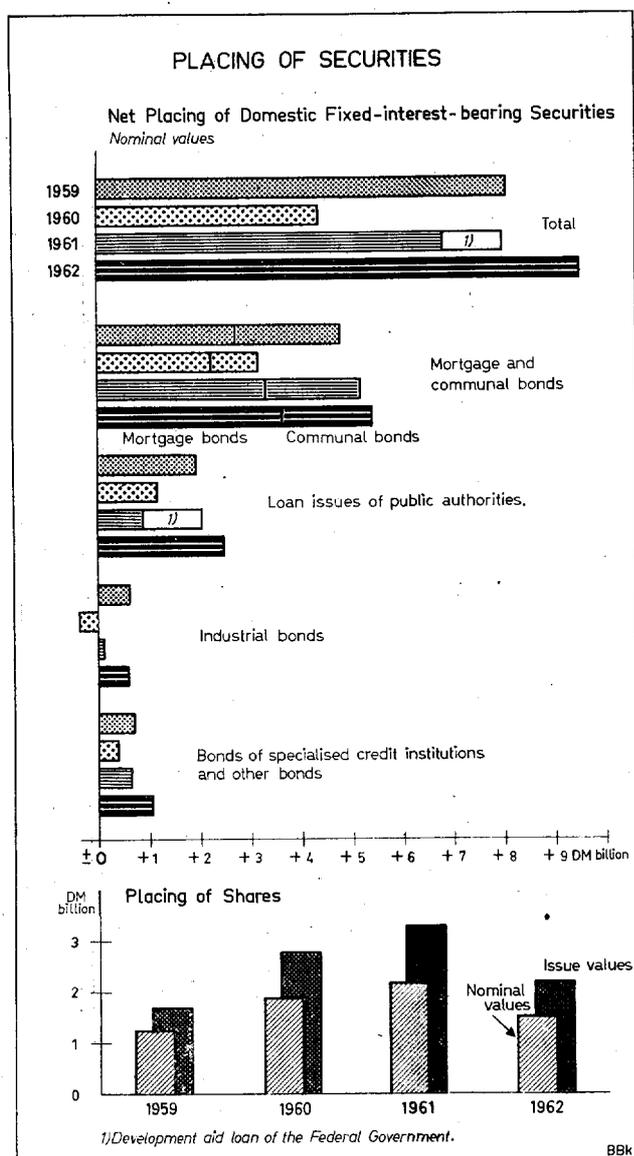
The fall which thus took place in sales was exclusively confined to offerings by occasional issuers, who in the fourth quarter of 1962 took only half a billion DM from the market; this was approximately one-third of the exceptionally large amount which they had placed in the previous quarter. Thus, the placings of public authorities' bonds amounted to only about DM 300 million net, against a billion DM in the third quarter. The reason lay not only in reduced issues, however, but to some extent also in greater repayments. There was moreover a notable drop in the sale of bonds by specialised credit institutions, which in the fourth quarter sold new bonds to the net extent of only about DM 30 million against over DM 320 million in the quarter before.

Unlike the occasional issuers, the real-estate credit institutions did resort to the bond market on a substantial scale in the fourth quarter of 1962. The mortgage and communal bonds which they sold in that period totalled DM 1.20 billion net, that is after deducting repayments; this was only a little below the total of DM 1.22 billion sold in the third quarter of 1962. At least as regards the institutions as a whole there was therefore no cut in the offering of new mortgage and communal bonds, as suggested in some



quarters, quite apart from the fact that the sales showed a clearly rising tendency in the individual months of the fourth quarter. On the other hand, as can be seen from the table on page 5, the real-estate credit institutions have also been subject of late to increased demands in their lending business.

Despite the above-described contraction of sales in the fourth quarter the amount of new fixed-interest securities placed in the whole of 1962 showed a considerable increase. The total net sales of such securities at issue value amounted in 1962 to about DM 9.5 billion, against DM 7.8 billion — or even as little as DM 6.7 billion if the Federal development assistance loan issued in January 1961 is disregarded — in the previous



year. The total also exceeded, by about DM 1.3 billion, the highest annual total so far achieved at roughly DM 8.2 billion in 1959. Here however it must be borne in mind that the amount of shares sold has greatly declined last year. At issue value new shares for only about DM 2.2 billion were sold in 1962 as against roughly DM 3.3 and 2.8 billion respectively in the two previous years. Altogether therefore the securities placed last year amounted at issue value to about DM 11.7 billion net against something over DM 9.9 billion (excluding the development assistance loan) in 1961; the increase was thus a good deal smaller than in the case of fixed-interest securities alone. It must further be borne in mind that total monetary capital formation has considerably increased in recent years. The proportion borne to this by security buying was about 36 per cent in 1962 against some 39 per cent in 1959. As an intermediary between

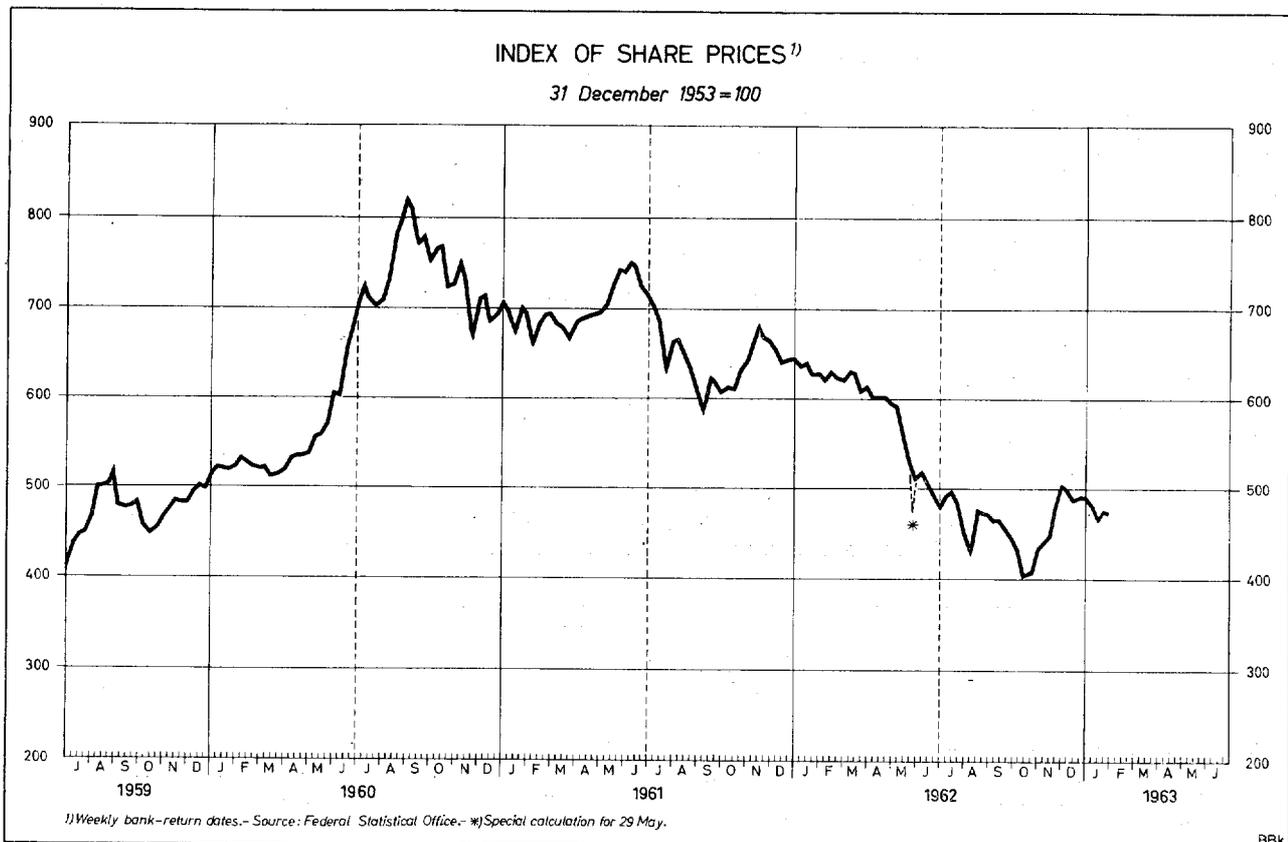
formation and use of capital the security market has thus not yet quite reattained the importance which it had already reached in 1959 before the great bond market setback which accompanied the restrictive 1960 credit policy.

On the *share market*, it is true, the level of prices during recent months was generally above that to which it had fallen at the end of October 1962 after the rather sharp decline in the summer and early autumn of last year; but the position remains definitely unstable, corresponding pro tanto to the state of the business cycle.

As to details, there was for a time a vigorous recovery at the end of October and in November. The settling of the Cuban conflict, and the passing into other hands of a large-scale commitment threatened through the calling of loans, may have been contributing factors. At the end of November the Federal Statistical Office's price index (31 December 1953 = 100) stood at 506 against 405 on 24 October, the low point of the decline at that time. In December, however, the level of quotations began to fall once more; with some fluctuation it had fallen by 23 January to 476, as measured by the Federal Statistical Office's index, and then approximately maintained that level in the further course of the month. Thus on balance it was about 17 per cent above the October low point, but only about as high as on 29 May 1962, generally described as a "black day" in German stock exchange history. In comparison with the end of August 1960, the peak of the vigorous boom which the German share market had enjoyed since 1958, it was lower by fully two-fifths (42 per cent).

In some categories the course of prices diverged considerably from the overall movement described above. Price gains well above the average were shown by building and department store shares, the quotations for which have improved by about one-third since their low point in October. On the other hand the rise was especially small in coal and steel shares, the index for this group having risen by only about 4 per cent as compared with the above-mentioned 17 per cent for all quoted shares.

The amount of new shares placed in the last quarter of 1962 was roughly the same as in the previous quarter. The nominal total was DM 467 million, with an issue value of DM 510 million as compared with DM 515 and 616 million in the third and second quarters. It is true that a large part of the total placings — roughly DM 325 million, or nearly two-thirds, reckoned at issue value — represented capital increases by subsidiaries of foreign companies and by publicly



held enterprises. Of the remaining share issues worth about DM 185 million at issue value only a few were handled through stock exchanges, the subscription rights being quoted in all cases at less than the calculated parity.

The most important buyers in the fourth quarter of 1962 were foreign investors, who acquired German dividend-bearing securities to a net total extent of almost DM 310 million, of which however DM 180 million represented the above-mentioned capital increases by German subsidiaries alone. In the previous quarter foreign investors' purchases had amounted to only about DM 140 million. The banks acquired dividend-bearing securities to the net extent of not quite DM 120 million in the fourth quarter of 1962

after having reduced their holdings in the previous quarter by the small margin of about DM 25 million. If one deducts from the total placing of shares at issue value the net purchases by foreigners and by the banks, so as to ascertain the proportion of share purchases for which other domestic takers accounted, one finds that these latter acquired shares to the extent of not quite DM 90 million net against DM 400 and 480 million respectively in the two preceding quarters. If the above-mentioned amounts (totalling DM 145 million) placed by public authorities at the disposal of enterprises in their hands in connection with the latter's capital increases are eliminated, it would seem that in the fourth quarter of 1962 the remaining resident non-bank customers actually reduced their holding of dividend-bearing securities.

Public Finances

The public authorities' cash position in recent months was marked by considerable excesses of expenditure, which were partly seasonal in that they were due to the final payments usual at the end of the financial year and — in the case of the Federal Government — to certain defence budget expenditure

exceeding appropriations, but nevertheless also reflect a longer-term trend.

At the same time the rise of receipts is in itself still considerable, since incomes and turnovers are continuing to increase and, owing to the progressive tax scales, the growth of incomes is reflected even more

strongly in the tax revenues. Nevertheless the rise in revenues became notably slower last year because the increase of the national product was no longer so rapid as before, and also because assessment — effected with a relatively long time-lag — has by now shown up the slowing which has been taking place for some time in the growth of profits. The course of expenditure has not conformed to this; on the contrary the expenditure of the Federal Government, Länder and Equalisation of Burdens Fund rose last year more than in 1961, particularly since numerous relatively long-term spending programmes drawn up during the period of especially marked increase of revenues, and of the reserve formation which this permitted, were not fully carried out until 1962. In percentage terms the increase

poorer by some DM 3.5 billion. This was reflected in both a decrease of cash and an increase of indebtedness. At DM 316 million the decrease of the cash resources remained within relatively narrow limits; but by comparison with the two previous years, when the cash reserves were considerably enlarged, this represents a change. The change in the movement of indebtedness was even more marked. Whereas the central authorities' indebtedness had declined by over DM 700 million in 1961, last year it rose by some DM 1.25 billion. As can be seen from the accompanying table it was especially the bonds in circulation which increased, by over DM 700 million, a decrease by DM 87 million in medium-term notes having against it a rise of about DM 800 million in bonded loans proper. The Bundes-

Finances of the Central Public Authorities on a Cash Basis
in millions of DM

	1960	1961						1962				
		Total	1st half	2nd half			Total	1st half	2nd half			
				Total	3rd qtr.	4th qtr.			Total	3rd qtr.	4th qtr.	
I. Cash Surplus (+) or Deficit (—)												
(1) Federal Government	—1,358	+ 324	+1,845	—1,521	— 334	—1,187	—1,543	+ 437	—1,980	— 807	—1,173	
(2) Equalisation of Burdens Fund	— 140	— 165	— 44	— 121	+ 77	— 198	— 352	— 93	— 259	— 190	— 69	
(3) Länder	+1,543	+1,730	+1,232	+ 498	+ 573	— 75	+ 190	+1,657	—1,467	— 201	—1,266	
Total	+ 45	+1,889	+3,033	—1,144	+ 316	—1,460	—1,705	+2,001	—3,706	—1,198	—2,508	
II. Financing												
(1) Increase (+) or decrease (—) of cash resources, total	+1,182	+1,254	+2,865	—1,611	— 92	—1,519	— 316	+1,650	—1,966	— 102	—1,864	
(a) at the Bundesbank	+1,307	+1,049	+2,683	—1,634	— 30	—1,604	— 128	+1,732	—1,860	— 102	—1,758	
(b) Other	— 125	+ 205	+ 182	+ 23	— 62	+ 85	— 188	— 82	— 106	—	— 106	
(2) Borrowing (—) or credit repayment (+), total	—1,045	+ 729	+ 211	+ 518	+ 433	+ 85	—1,285	+ 401	—1,686	—1,070	— 616	
(a) Book credits of Bundesbank	+ 167	— 85	+ 78	— 163	—	— 163	— 576	+ 163	— 739	—	— 739	
(b) Money-market indebtedness	— 435	+ 609	+ 237	+ 372	+ 243	+ 129	+ 8	+ 240	— 232	+ 22	— 254	
(c) Bonded loans and medium-term notes (Kassenobligationen)	— 588	— 114	— 173	+ 59	+ 27	+ 32	— 718	— 116	— 602	— 538	— 64	
(d) Other indebtedness	— 189	+ 319	+ 69	+ 250	+ 163	+ 87	+ 1	+ 114	— 113	— 554	+ 441	
(3) Amounts credited in respect of coinage (—)	— 92	— 94	— 43	— 51	— 25	— 26	— 104	— 50	— 54	— 26	— 28	
Total 1 to 3	+ 45	+1,889	+3,033	—1,144	+ 316	—1,460	—1,705	+2,001	—3,706	—1,198	—2,508	

in the central public authorities' expenditure in 1962 as compared with the previous year was 14 per cent.

The central authorities as a whole have for some time been spending more than their ordinary receipts, whereas in 1961 they had still recorded revenue surpluses. In the fourth quarter of 1962 the expenditure of the Federal Government, the Länder and the Equalisation of Burdens Fund not covered by current ordinary receipts totalled DM 2.5 billion, or roughly twice as much as in the previous quarter and over DM 1 billion more than the amount for the fourth quarter of 1961. Despite the surpluses obtained in its first half, therefore, the year 1962 as a whole showed cash deficits amounting to some DM 1.7 billion. By comparison with 1961, when surpluses of about DM 1.9 billion had accrued, the result was thus

bank's book credits also were appreciably larger at the end of 1962 than a year earlier, although this represented an interim advance which was taken to finance end-of-year Federal budget payments and was repaid in January 1963.

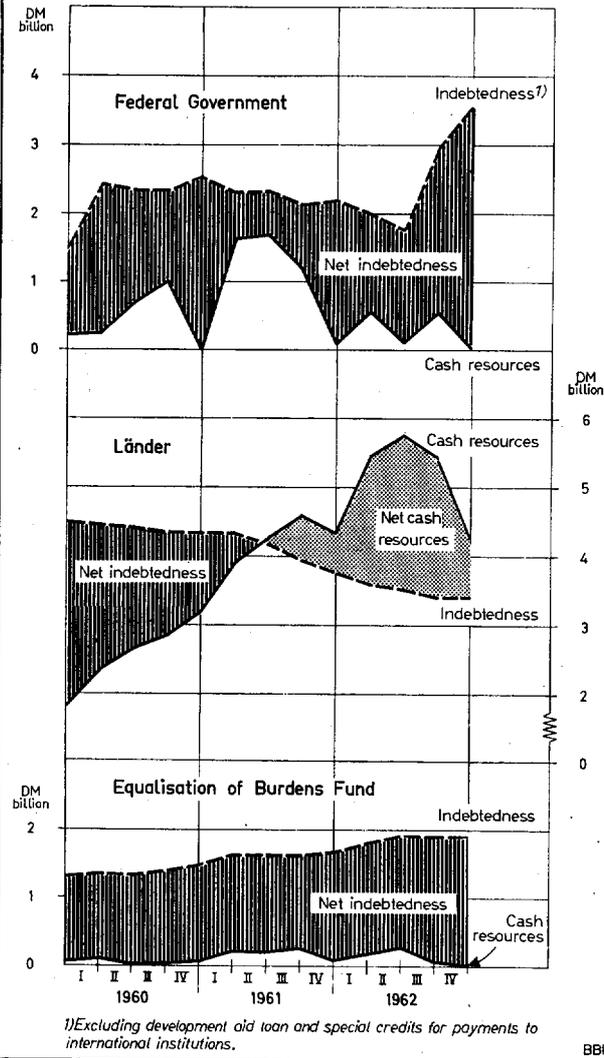
As a result of the great increase in expenditure, and of the fact that at the same time expenditure exceeded the current ordinary receipts — for some time now, indeed, also in the case of domestic cash transactions —, the central public authorities have in recent months clearly been an expansive factor in economic developments.

Tax Revenues

Taxes yielded the Federal Government and Länder last year about DM 73.25 billion, that is more than

CASH RESOURCES AND CREDIT MARKET INDEBTEDNESS OF THE CENTRAL PUBLIC AUTHORITIES

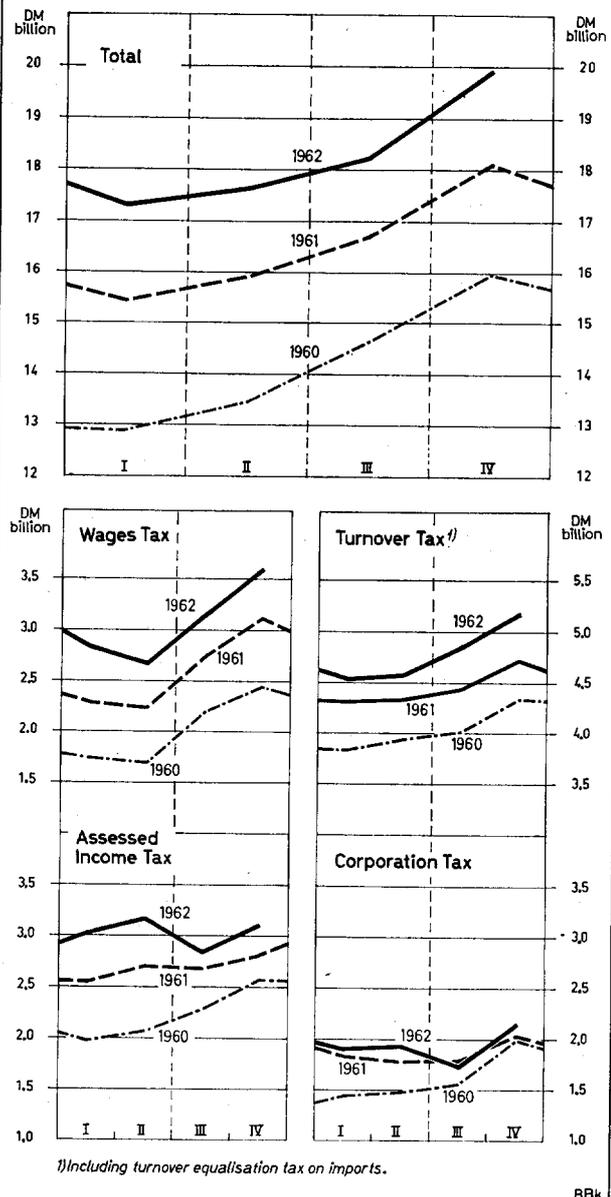
Position at end of quarter



in 1961 by roughly DM 7 billion or 10.6 per cent. Thus the rate of growth was once again greater than that of the national product. But by comparison with 1961, when the additional receipts had amounted to around DM 9.25 billion or 16.2 per cent, the rise has become definitely slower. This applies in particular to the proceeds of the Income Taxes. In the case of the Corporation Tax the additional receipts declined in 1962 to about DM 300 million (growth-rate about 4 per cent) against nearly DM 1 billion (about 15 per cent) in 1961; similarly at about DM 1.4 billion (13 per cent) in the case of the Assessed Income Tax they fell appreciably short of the DM 1.85 billion (21 per cent) addition in 1961. The reason was no doubt that the assessment in 1961 had related in part to the income of 1959, and in part to that of 1960, that is to periods when profits had been very sharply

rising, whereas part of the 1962 assessment already related to 1961, when profits had only increased little further. In the yield of the Wages Tax the trend was similar, although in its case the rate of growth remained very high at about 18 per cent (against about 29 per cent in 1961). Nevertheless the slowing of the rise was greater than in the case of wages and salaries, which is to be explained by the fact that there were certain shortfalls due to amendments of tax law providing for greater exemptions, deductions in respect of special expenditure, and special concessions for Berlin. The proceeds of the Turnover Tax — at some

TAX REVENUES OF FEDERAL GOVERNMENT AND LÄNDER



DM 19.2 billion (including Turnover Equalisation Tax) they were greater than in the previous year by some DM 1.3 billion, or 7.5 per cent — roughly reflect the simultaneous increase of total turnovers.

Just as in the two previous years the tax revenues of the Länder, in percentage terms, rose by more than those of the Federal Government. They increased in fact by 13 per cent, and the Federal Government's by about 9 per cent. One reason was that the Länder received the greater part of the proceeds of the Income Taxes, the rate of growth in which was higher at 12.5 per cent than that in total tax revenues; another was that, mainly owing to final payments of Property Tax, the proceeds of the Länder's taxes rose by the especially wide margin of about 15 per cent. Nevertheless the Länder's total tax revenues fell considerably short of the amounts estimated in the 1962 budgets, being smaller by altogether DM 630 million or 2.2 per cent. This was exclusively due to incorrect estimating of the yield from Income Taxes, the estimates for the other taxes of the Länder having been materially exceeded. In the case of the Federal Government too the budget estimates were not attained; the shortfalls in that budget amounted to DM 570 million or 1.2 per cent.

Federal Budget

As already mentioned, the Federal Government's payments towards the end of last year were especially great. Whereas expenditure in October and November had still been rising at a relatively slow rate, in December it went up with a jump. At DM 6.64 billion it was above the average for the first eleven months of the year by DM 2.69 billion, and above the corresponding level a year earlier by about DM 1.3 billion or 24 per cent. A factor of special importance was defence expenditure in excess of appropriations, most of it going abroad. Consequently at over DM 1 billion the total foreign payments in December were very considerable; but at nearly DM 5.5 billion the Federal Government's domestic payments also reached a new record level higher by about half a billion DM than the previous record reached in December 1961. Owing to the large December payments the whole quarter's expenditure, at about DM 15 billion, was extremely high as compared with DM 10.7 billion in the first quarter, DM 11.6 billion in the second and DM 12.7 billion in the third. It is true that at the same time the Federal Government's receipts also very greatly rose. In that period, as is usual on seasonal grounds, tax revenues exceeded those of the previous quarters; in addition most of the contributions prom-

ised by the Länder towards squaring the Federal budget were received in October and December. It was solely because of the transfers from the Länder that, at about DM 1.2 billion, the cash deficit which regularly occurs in the fourth quarter was no greater than a year before.

For the year 1962 as a whole, however, the cash results of the Federal budget were appreciably less favourable than in 1961. Instead of the 1961 cash surplus of DM 324 million, and despite the contribution by the Länder, there was a deficit of DM 1.54 billion in 1962. The reason lay in the great rise of expenditure; by comparison with the previous year the cash expenditure was up by about DM 6.7 billion or 16 per cent. The significance of defence expenditure in this connection has already been mentioned; for the whole of 1962 the rise of expenditure on defence can be put at between DM 4.5 and 5 billion. By comparison the increase of civil expenditure was less important, although it was quite considerable in some cases, for

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

	1961		1962	
	Total	among which: 4th qtr.	Total	among which: 4th qtr.
I. Cash Transactions				
(1) Income	43,651	11,870	48,506	13,799
(2) Outgo	43,327	13,057	50,049	14,972
(3) Surplus (+) or deficit (—)	+ 324	—1,187	—1,543	—1,173
II. Financing				
(1) Increase (+) or decrease (—) in cash resources				
(a) at the Bundesbank	— 8	—1,180	+ 10	— 532
(b) other	+ 85	+ 85	— 85	—
(2) Borrowing (—) or credit repayment (+) ¹⁾	+ 348	— 53	—1,389	— 616
(3) Amounts credited in respect of coinage (—)	— 94	— 27	— 104	— 28
(4) Balance of clearing transactions with Equalisation of Burdens Fund ²⁾	— 7	— 12	+ 25	+ 3
Total 1 to 4	+ 324	—1,187	—1,543	—1,173
<i>Note:</i>				
Payments to international institutions financed by way of special credits granted by Bundesbank (not contained in the amounts under I and II, 2)	1,322	— 292	— 480	— 72
*) The cash transactions recorded in this table concern in-payments on, and out-payments from, the Federal accounts at the Deutsche Bundesbank (excluding Special Funds). Cash income and outgo deviate from the results of the Federal Government's financial statistics primarily because they are recorded not at the time they are entered in the budgetary accounts but at the time of the actual receipt or out-payment, and because the incurring of debt is eliminated from the income, and the expenditure on debt redemption (including repurchase of bonds) from the outgo. — ¹⁾ Excluding development aid loan. — ²⁾ Resulting from the transfer of Equalisation of Burdens levies received on the account of the Federal Chief Cash Office (Bundeshauptkasse).				

instance in that of aid for Berlin, the grants to pension insurance, the expenditure on roadmaking and agriculture, and the payments to the Federal Railways.

It is also noteworthy that at the above-mentioned amount the cash deficit was greater by fully DM 100 million than was to be expected according to the budget estimates, whereas in all other years since 1950 the results had always been much more favourable than estimated. One reason was that tax revenues fell short of the estimates by about DM 570 million, as already mentioned, although this shortfall was largely made good through additional administrative receipts (especially through the levies on food imports). The decisive factor however was that last year, unlike most earlier years, expenditure almost reached the estimated total¹⁾. In the individual items the movements differed greatly, however. The appropriations were for instance considerably exceeded in the case of the defence budget, whereas they were not fully spent in the cases of, for example, debt service (including guarantees), civil defence and promotion of agriculture.

How the cash deficit for the fourth quarter and the whole financial year was financed can be seen from the accompanying table. Here it should be mentioned that, of the net borrowing shown for 1962 at about DM 1,390 million, roughly DM 650 million represented "floating debt" in the form of book credits from the Bundesbank (DM 579 million) and Treasury bonds (DM 71 million), while the remaining DM 738 million consisted of loans obtained at medium and long term, especially in bonded form. The taking of book credits of course represented only very short-term interim financing. As early as 2 January 1963 the greater part of such credits was repaid out of the proceeds of the DM 400 million Federal loan, which was issued on that day; the remainder was repaid out of that month's ordinary receipts.

In January, as usual at the start of the new financial year, there was a sharp drop in expenditure; and since in that month relatively large receipts were obtained, especially from the Turnover Tax, the Federal budget showed a cash surplus of roughly DM 400 million against DM 519 million in January 1962. The rate of expenditure will probably remain relatively low in the coming months, since the budget for 1963 has not yet been passed, and this is known from experience to retard the rise in expenditure. For the whole of 1963 however, as already indicated in these columns three

¹⁾ The cash figures shown in the table fall short of the estimated total expenditure by about DM 850 million; it must however be borne in mind that the budget shows all receipts and expenditure gross, while owing to offsets between receipt and expenditure items there are often no corresponding cash transactions.

months ago¹⁾, the Cabinet's draft budget puts the expenditure (less offsetting items and expenditure on debt repayment) higher by DM 3.85 billion, or 7.6 per cent, than in the 1962 budget law. More than half represents defence, while the increase estimated for civil expenditure is about 5 per cent. By comparison with the actual 1962 expenditure, which was only a little smaller than the total estimated for that year, the rise is about 8 per cent. Further increases are not ruled out, however; they are indeed probable. An increase of the appropriation is especially to be expected in defence expenditure, entered in the draft budget at DM 17 billion; and in the case of war victims' pensions and the allocations for agriculture new charges are also arising, although they are as yet of uncertain extent. Experience has indeed shown that in certain circumstances even substantial additional charges may be cancelled out through the fact that in other categories the actual expenditure does not reach the appropriations; it is however unlikely that this could happen for the total of the additional expenditure here in question, unless energetic economy measures are adopted. Further additions to expenditure, however, would certainly pro tanto force the rise in expenditure up to over 8 per cent.

The Federal Government's ordinary receipts for 1963 are estimated 7.5 per cent higher than for 1962. It is true that in view of the planned additional payments by the Länder — instead of last year's contribution amounting to a little over DM 1 billion they are expected this year to provide about DM 2 billion through the increase from 35 to 40.5 per cent in the Federal share of Income Tax proceeds — the rise is relatively small, this being because for reasons already described last October the estimate of tax revenues is based on the assumption of a rise in the national product, in nominal terms, by only 5%. Should the national product rise by more than was assumed in the revenue estimate, every further one per cent would give the Federal Government additional receipts amounting to some DM 400 million. On the other hand however it must be borne in mind that the Länder have not so far assented to a change so far-reaching as that proposed by the Federal Government in the apportionment of taxes. Inasmuch as they have allowed for any such change at all in their budgets, they have taken into account only about one-half of what the Federal Government expects in the shape of additional receipts. If the Länder in fact renounced

¹⁾ See the Monthly Report of the Deutsche Bundesbank, Vol. 14, No. 10, October 1962, page 21.

Public Finances
in millions of DM

	1961				1962							
	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	Sep. ^{*)}	Oct.	Nov.	Dec. ^{*)}
Deposits of Public Budgets with the Bundesbank ^{*)}												
Total	5,329	5,656	5,479	3,853	5,761	5,777	5,721	3,815	5,721	4,545	3,538	3,815
Federal Government	1,637	1,635	1,211	31	572	144	573	41	573	294	19	41
Equalisation of Burdens Fund	203	181	241	77	168	276	56	10	56	33	266	10
E.R.P. Special Fund ¹⁾	280	250	117	87	239	282	329	163	329	306	275	163
Länder	3,187	3,551	3,885	3,625	4,751	5,045	4,733	3,554	4,733	3,896	2,953	3,554
Local authorities and social insurance institutions	22	39	25	33	31	30	30	47	30	16	25	47
Deposits of German Public Authorities with Credit Institutions ^{*)}												
Total	15,570	16,838	17,317	18,273	18,435	19,295	19,480	20,758	19,480	18,909	19,803	20,758
Sight deposits	3,098	3,321	3,454	4,272	3,556	3,895	3,979	5,211	3,979	3,589	4,162	5,211
Time deposits	8,395	9,338	9,532	9,343	9,901	10,250	10,216	9,899	10,216	9,989	10,216	9,899
Savings deposits	4,077	4,179	4,331	4,658	4,978	5,150	5,285	5,648	5,285	5,331	5,425	5,648
Indebtedness of Public Budgets ^{*)}												
Domestic credit-market indebtedness ^{*)}												
Total	21,604	22,407	23,552	23,734	23,785	24,115	25,337	26,380 ^{p)}	25,337	.	.	26,380 ^{p)}
Federal Government	4,688	5,365	6,254	6,017	5,526	5,444	6,385	6,928	6,385	6,082	6,103	6,928
Equalisation of Burdens Fund	1,638	1,640	1,635	1,680	1,834	1,930	1,922	1,922	1,922	1,989	2,011	1,922
Länder ⁴⁾	4,348	4,202	3,963	3,777	3,625	3,541	3,430	3,430	3,430	.	.	3,430
Local authorities ⁴⁾	10,930	11,200	11,700	12,260	12,800	13,200	13,600	14,100	13,600	.	.	14,100
Equalisation claims												
Total	20,563	20,499	20,517	20,407	20,359	20,272	20,278	20,179	20,278	20,277	20,277	20,179
Federal Government	11,175	11,167	11,185	11,142	11,134	11,108	11,114	11,110	11,114	11,113	11,113	11,110
Länder	9,388	9,332	9,332	9,265	9,225	9,164	9,164	9,069	9,164	9,164	9,164	9,069
Covering claims (Equalisation of Burdens Fund)	.	.	.	2,080	.	.	.	...	.	.	.	...
External indebtedness												
Federal Government ⁵⁾	6,535	3,455	3,464	3,465	3,462	3,412	3,405	3,403	3,405	.	.	3,403
Länder	157	157	156	211	207	205	204	...	204	.	.	...
Indebtedness of Public Enterprises ^{*)}												
Domestic credit-market indebtedness ^{*)}												
Federal Railways	5,777	5,916	6,161	6,445	6,852	7,147	7,388	7,900 ^{p)}	7,388	7,505	7,694	7,900 ^{p)}
Federal Postal Administration	4,794	5,036	5,243	5,490	5,935	6,036	6,367	6,925	6,367	6,687	6,697	6,925
Receipts from Taxes and Levies												
Tax receipts of Federal Government and Länder												
Total	15,448	15,919	16,733	18,134	17,360	17,681	18,267	19,947 ^{p)}	7,967	5,194	5,355 ^{p)}	9,397 ^{p)}
among which:												
Income Taxes ⁶⁾	6,904	7,083	7,630	8,107	8,045	8,142	8,206	9,061	4,808	1,588	1,542	5,931
Turnover Tax	4,320	4,356	4,459	4,730	4,559	4,594	4,868	5,185	1,611	1,660	1,787	1,738
Excise and Customs Duties	2,962	3,207	3,370	3,810	3,234	3,424	3,689	4,228	1,199	1,532	1,349	1,347
Equalisation of Burdens Levies	505	505	459	555	577	588	445	482	30	67	367	48
Local Taxes	2,560	2,620	2,659	2,686	2,707	2,811	2,824	...	.	.	.	.
Federal Budget												
Cash income	10,426	10,440	10,915	11,870	11,327	11,452	11,928	13,799	4,756	4,040	3,917	5,842
Cash outgo	8,611	10,410	11,249	13,057	10,719	11,623	12,735	14,972	3,936	4,103	4,230	6,639
Cash surplus (+) or deficit (-)	+1,815	+ 30	- 334	-1,187	+ 608	- 171	- 807	-1,173	+ 820	- 63	- 313	- 797
Equalisation of Burdens Fund												
Cash income ⁷⁾	839	858	863	1,014	942	1,027	769	1,158	135	241	617	300
Cash outgo ⁷⁾	866	875	786	1,212	987	1,075	959	1,227	279	334	390	503
Cash surplus (+) or deficit (-)	- 27	- 17	+ 77	- 198	- 45	- 48	- 190	- 69	- 144	- 93	+ 227	- 203
Workers' and Employees' Pension Insurance Funds												
Contribution receipts	3,563	3,653	3,825	4,226	3,955	3,993	4,336	4,569	1,384	1,554	1,450	1,565
Pension payments	3,783	3,815	3,881	3,906	4,087	4,117	4,205	4,239	1,394	1,401	1,420	1,418
Unemployment Insurance Fund ⁸⁾												
Receipts	497	561	400	108	91	291	469	487	133	162	138	187
Expenditure	404	220	195	230	524	365	211	255	61	69	70	116

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. — ¹⁾ Not including deposits deriving from partial denationalisation of the Volkswagen Works. — ²⁾ 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). — ³⁾ Post-currency-reform indebtedness; excluding own bonds in portfolio. — ⁴⁾ Partly estimated. — ⁵⁾ From the second quarter 1961 onwards excluding indebtedness to the Bundesbank in respect of acquired claims resulting from post-war economic aid. — ⁶⁾ Wages tax, assessed income tax, corporation tax and capital yield tax. — ⁷⁾ Credits and debits to the account kept by the Federal Equalisation of Burdens Office with the Bundesbank, less transactions involving changes in indebtedness. — ⁸⁾ Federal Institution for Labour Exchanges and Unemployment Insurance. — ^{p)} Months with comparable tax maturities. — ⁹⁾ Provisional.

only DM 1 billion of receipts in favour of the Federal Government, even a nominal increase of the national product by 7 per cent would not suffice fully to make good the resulting shortfall.

Finances of the Länder

Under the influence of exceptional payments — the contributions to the Federal Government (about DM 950 million) and grants advanced to the Equalisation of Burdens Fund for account of 1963 (roughly DM 275 million) — the budgets of the Länder showed in the fourth quarter of last year a cash deficit of DM 1,266 million. It was met, in the main, through drawing on the cash resources held at the Bundesbank. In the absence of the special charges the Länder would have shown in that period a deficit of some DM 40 million, thereby somewhat improving the relationship between their ordinary receipts and expenditure as compared with the previous quarter, when there had been a deficit of roughly DM 200 million. Evidently this was due to the fact that in the third quarter, in anticipation of the end of the year, the Länder had already materially expanded their expenditure, especially for capital purposes.

For the whole financial year the Länder, unlike the Federal Government and Equalisation of Burdens Fund, showed a cash surplus, which however at about DM 190 million was only small by comparison with that of DM 1,730 million for 1961. It did roughly equal the amount which was to be expected according to the original budget estimates of the Länder, although in this connection account must be taken of the fact that the estimates did not provide for any payments to the Federal Government, still less for any anticipatory grants to the Equalisation of Burdens Fund. As measured by the budget estimates therefore, just as in earlier years, the actual course of the Länder's finances was on the whole more favourable than expected. Since the financial statistics are at present available only for the first three quarters it is not yet possible to gain a clear view of the circumstances which produced that result. Evidently however, contrary to what was the case in previous years, they do not lie in receipts greater than the estimates. The tax revenues accruing to the Länder (excluding local taxes of the City States) actually fell short of the estimates by some DM 630 million. This shortfall would seem indeed to have been largely offset, but hardly outweighed, through other receipts being larger. Apparently therefore the expenditure fell considerably short of the appropriations, which contained reserves large enough for the "contributions towards balancing the Federal budget" and

Länder Finances in millions of DM

	1961		1962	
	Total	1st to 3rd quarters	Total	1st to 3rd quarters
I. According to Länder financial statistics ¹⁾				
(1) Total receipts	37,350	26,894	·	30,215
among which:				
(a) Tax revenue ²⁾	24,573	17,755	27,654 ^{P)}	20,283
(b) Federal allocations	5,005	3,621	·	4,067
(2) Total expenditure	35,946	25,323	·	28,930
among which:				
(a) Expenditure on personnel	12,101	8,937	·	9,468
(b) Current allocations to local authorities	3,337	2,356	·	3,353
(c) Investments	9,643	6,229	·	7,170
(d) Länder contributions to 1962 Federal budget	—	—	950	—
(3) Surplus (+)	+1,404	+1,571	·	+1,285
II. Change in net cash position				
(1) Cash reserves	+1,160	+1,420	— 157	+1,108
(2) Credit market indebtedness	— 570	— 385	— 347	— 348
Balance (1 less 2) ³⁾	+1,730	+1,805	+ 190	+1,456

¹⁾ Incurring of credit market indebtedness and withdrawals from the reserves have been eliminated from the receipts and, correspondingly, spending on debt redemption and allocations to reserves from the expenditure; as far as possible receipts and expenditure have been attributed to the period in which they actually occurred. — ²⁾ Except local taxes of the City States (West Berlin, Hamburg and Bremen). — ³⁾ The difference from the surpluses ascertained from the financial statistics is chiefly due to the time-lag between cash receipts or out-payments and the respective book entries. — ^{P)} Provisional.

the advances to the Equalisation of Burdens Fund to be financed without the original estimates being exceeded. According to the data available the actual rise in expenditure by comparison with 1961 was nevertheless very considerable. In the first three quarters of 1962, according to the financial statistics, the expenditure was greater by altogether 14 per cent than in the corresponding period of 1961, and for the year as a whole the increase (apart from the above-mentioned special transactions totalling about DM 1.25 billion) may be estimated at 12 per cent.

In the case of the Länder also, according to the budgets so far available (with the exception of that for Hesse the budgets have in all cases been introduced into the Land diets, and in some cases already passed), the total expenditure for 1963 has on the average been put higher by between 7 and 8 per cent than in the original budgets for 1962. The charges which were added in most Länder in the course of 1962 through subsequent budgeting of the "contribution towards balancing the Federal budget" have however not been taken into account in the 1962 expenditure figures, but have been treated as shortfalls in receipts so as to facilitate comparison with 1963. Since however the Länder's 1962 expenditure (despite its great increase) was lower by perhaps DM 1 billion than the total estimated, the appropriations for 1963 would if realised increase expenditure by about 10 per cent, quite apart

from the fact that the generally considerable residues of expenditure appropriations carried over from earlier years would permit further expansion of spending for capital purposes in particular. But even the estimated rise of expenditure exceeds not only the prospective increase of the national product, but also the increase expected by the Länder in their ordinary receipts. This will be especially so if the apportionment of tax revenues between the Federal Government and the Länder is amended in the manner proposed by the Federal Government.

Equalisation of Burdens Fund

Thanks to the payments made by the Länder in anticipation of 1963 grants, the Equalisation of Burdens Fund had quite substantial receipts in the fourth quarter and was therefore largely able to meet out of ordinary resources its expenditure, which once again rose sharply towards the close of the year. At about DM 70 million its cash deficit was materially less than that of DM 190 million in the previous quarter; in the main it was financed out of the Fund's cash holdings, which however had been nearly exhausted by the end of Decem-

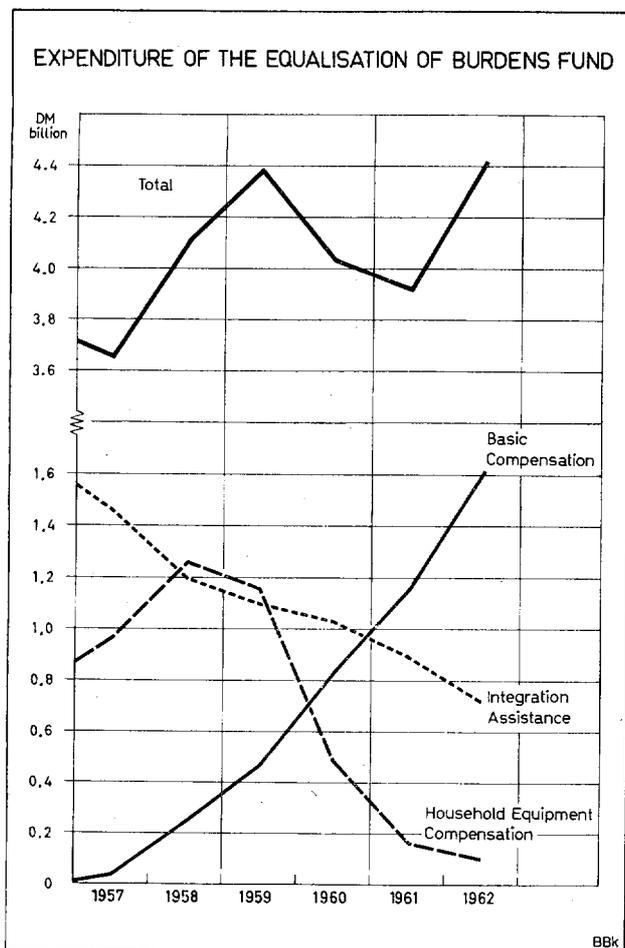
ber. At something over DM 1.9 billion the market indebtedness remained practically unchanged; in the fourth quarter the Fund took a further DM 106 million of loans against its notes, but at the same time it repaid DM 100 million of medium-term notes.

In the case of the Equalisation of Burdens Fund too the expenditure rose sharply in 1962. It amounted altogether to about DM 4.4 billion, being thus greater by almost DM 500 million or around 13 per cent than in 1961, while exceeding the estimate in the 1962 Economic Plan by some DM 350 million. The additional expenditure was almost exclusively due to the fact that basic compensation was paid out faster than originally contemplated. For this purpose more than DM 1.6 billion was spent as against about DM 1.17 billion in 1961. This was possible only because the receipts from levies were comparatively large, despite their basically downward trend, owing to extensive lump-sum payments; because moreover the above-mentioned advances by the Länder came in towards the end of the year; and finally because in the first three quarters the Fund was able to resort to borrowing on a scale greater than in the two previous years. At

Receipts and Expenditure of the Equalisation of Burdens Fund between 1959 and 1963
in millions of DM

	Actual figures for the calendar years				Budget estimates for 1963 without | after deduction of advances made by Länder at the end of 1962	
	1959	1960	1961	1962 ^{p)}		
I. Ordinary Receipts, total	3,898	3,834	3,792	4,064	3,479	3,203
(1) Equalisation of Burdens levies, total	2,343	2,026	2,025	2,092	1,735	1,735
(a) Current levies	1,911	1,740	1,756	1,667	1,600	1,600
(b) Composition payments	432	286	269	425	135	135
(2) Payments by Federal Govt. and Länder	1,127	1,353 ⁷⁾	1,248 ⁷⁾	1,488 ⁷⁾	1,278	1,002
(3) Other receipts ¹⁾	428	455	520	484	466	466
II. Expenditure, total	4,393	4,041	3,930	4,414	3,554	3,278
(1) Compensation payments	2,141	1,846	1,853	2,325	1,597	1,321
among which: Basic Compensation	475	845	1,165	1,619	921	645
Household Equipment						
Compensation	1,164	496	176	104	85	85
(2) Maintenance Assistance	895	941	1,003	1,153	1,130	1,130
(3) Integration Assistance	1,101	1,030	905	718	655	655
among which: Housing	703	675	557	392	350	350
(4) Other expenditure ²⁾	256	224	169	218	172	172
III. Deficit (I less II)	- 495	- 207	- 137	- 350	- 75	- 75
Transitory items ³⁾	- 65	+ 67	- 28	- 2	-	-
IV. Cash Deficit	- 560	- 140	- 165	- 352	- 75	- 75
financed by means of						
(1) Cash resources ⁴⁾	- 63	- 17	- 17	84	-	-
(2) Credit market funds	629	177	189	243	75	75
(a) Gross borrowing	694	189	200	368	300	300
(b) Repayments ⁵⁾	65	12	11	125	225	225
(3) Clearing with Federal Government ⁶⁾	- 6	- 20	- 7	25	-	-

Source: Federal Equalisation Office (I to III) and Bundesbank (IV). — ¹⁾ Chiefly interest and redemption payments on loans granted previously. — ²⁾ Interest, administrative cost and repayment of Federal credit. — ³⁾ Mainly resulting from time-lags between actual cash receipts or expenditure and the respective book entries. — ⁴⁾ Minus sign indicates an addition to cash resources. — ⁵⁾ Including price-support. — ⁶⁾ Resulting from the channelling of the Equalisation of Burdens levies through the account of the Federal Chief Cash Office (Bundeshauptrkasse). — ⁷⁾ Taking account of advances made by the Federal Government (1960 and 1961) and the Länder (1962) to the debit of the succeeding financial year. In the 1963 budget estimates the advances made by the Länder at the end of 1962 (DM 276 million) were deducted in the last column; the larger amount shown in the preceding column represents the official budget appropriation. — ^{p)} Provisional.



roughly DM 350 million the cash deficit, largely financed through borrowing, was more than twice as great as in 1961.

Since the 1962 anticipations in respect of payments which otherwise would have been received at a later date will not recur in 1963, expenditure this year will of course have to remain within narrower limits. In the Equalisation of Burdens Fund's Economic and Finance Plan for the current year expenditure, at DM 3.55 billion, is in fact estimated over half a billion DM smaller than a year earlier. This does not take account of the fact that the advance of DM 276 million received at the end of 1962 on the Länder's grants for 1963 involved anticipation of a corresponding amount of expenditure in the year 1962. Considerable restriction of expenditure will therefore be inevitable in 1963 unless a greater proportion than provided for in the Economic Plan is financed by borrowing, which would be undesirable in view of the general economic situation and the state of the capital market. In assessing these facts it should be borne in mind that for the reasons described above the Equalisation of Burdens Fund's expenditure was exceptionally high in 1962; a marked decline in the current year would therefore represent a natural reaction to the height of the 1962 level which was only made possible by anticipating receipts.

Economic Conditions*)

General Survey

Until the onset in December of the cold spell, which in fact led to a much greater reduction of outdoor work than is usual at this season, the Federal Republic's economy was marked by a persistence of great activity with generally continuing very high employment of the reserves of production factors, especially of the available labour. The picture presented by economic trends has however become even more differentiated than before. The number of sectors where production was stationary or actually had to be lowered increased rather than decreased, the process being influenced not only by structural shifts, such as are inevitable in a growing economy, but also by cyclical factors, especially in the iron and steel industry. So far, however, such partial slowing down has not become determinative of the overall economic picture. Up till November indeed industrial production rose somewhat faster than usual at the season, so that at 5.7 per cent its annual rate

*) Unless stated otherwise, the figures mentioned in this chapter relate to the area of the Federal Republic excluding Berlin (West).

of growth was higher again in the fourth quarter than in the first half-year. The fact that in the recessive industries workers were no longer "hoarded" to the previous extent, but in some cases there were on the contrary dismissals, undoubtedly benefited the industries which are expanding; these easily absorbed the released labour, and with its aid were able to raise their output more than they could otherwise have done.

The possibility cannot be excluded that this relatively favourable movement of output may have been partly due to the fact that work was done in advance in view of the pause in work to be expected for the end of 1962 owing to the incidence of the holidays; for years indeed, if only because of works holidays or works closures between cumulating public holidays, certain changes have been taking place in the seasonal run of production. But the decisive reason would seem to have been that in wide sections of the economy the prevailing pull of demand is still so strong that enterprises remain under compulsion to raise their output as much as they can. In this connection great impor-

tance attaches to the carry-over of orders, repeatedly described in these Reports, from the boom years 1959 to 1961. But in addition the current inflow of orders, although it has now been tending downwards in some important industries for one or two years, is on the whole still so considerable that the reduction of order backlogs proceeds only at a slow pace. In the summer and autumn months of 1962 the new orders in some cases actually showed a fresh cyclical rise as regards not only those from abroad, where the influence of the Cuban crisis may have been at work, but also those from the home market. That no doubt is a sign of the expansive tendencies still immanent in the economy. Even in the capital goods industries, where however on an overall view the inflow of orders in the second half of 1962 dropped appreciably below the level of current sales, the picture is not uniform. In many of them too the volume of new orders is still considerable, whether because (as experience shows) capital development plans once made are abandoned only unwillingly, or because many enterprises at the moment still hope to master the effect on their profits of undesirable cost increases, possibly, through greater capital expenditure on rationalisation. Further support comes from private consumption, which under the influence of rising wages and salaries is of course increasing, although of late it has done so a good deal more slowly and thereby clearly demonstrated that in the long run an increase in consumption induced by wage and salary rises cannot sustain a cyclical upswing. Above all however demand is now appreciably inflated through the growing expenditure of public authorities, whether in the shape of the rise in spending on defence, of the heavy capital expenditure by the Länder, local authorities and Federal Special Funds or — not least — of the subsidies by which the Länder in particular are supporting house construction. The demand for such construction is further stimulated by the tax concessions under Article 7b of the Income Tax Law, although the very large and still increasing carry-over of unfinished building projects plainly shows that demand on its present scale cannot be met at all by the available capacities, but merely drives prices for building work further and further upwards.

In the light of current trends there is fairly certain for the present to be a continuance of general excess demand, that is an excess of nominal demands on the national product over its prospective real growth. On the building market the gap between demand and supply will actually open more widely than before, owing to the considerable shortfall in output entailed by this winter's cold spell, unless the public authorities

decide to oppose this tendency by dint of the powerful influence which they can exert on the demand for building.

In these circumstances the answer to the question whether a recession threatens is for the immediate future certainly no. If matters are regarded not merely from the angle of the short-term prospects for production and employment, however, it is evident that in the longer run the present trend nevertheless entails dangers which must not be treated lightly. With the present tendency of demand the labour market in particular will be overstrained during 1963 to an extent little smaller than last year, especially if the cuts in working hours continue. Accordingly the market situation will favour further wage and salary rises exceeding the growth in overall productivity, especially since in the existing general situation the trade unions can claim that "moderation is not being observed" in other quarters either. This threatens continuance of the cost inflation which, as the EEC Commission's Economic Policy Committee at Brussels recently observed, is to be regarded as the most dangerous aspect of the economic situation in the Federal Republic.

If cost inflation continues, persistence of certain upward price tendencies must in the first place be expected, especially where the wage element in the value of goods and services ready for consumption and investment is great, and where the state of competition at least in some measure still permits the passing on of higher costs in prices, as it does more particularly in those trades which are less exposed to the competition of foreign countries with their generally more stable price and cost levels.

But even apart from these possible effects on prices any further cost inflation would entail undesirable tendencies. The more the level of costs in Germany is raised above that abroad the more difficult it will become to maintain exports and to meet foreign competition. At the moment this danger may still appear slight, particularly since the Federal Republic has large monetary reserves and from the purely monetary point of view could well stand a few years with deficits in the balance of payments. But experience shows that rises in costs are hard to reverse, or cannot be reversed at all. In the longer run the emergence of a wider cost differential as against foreign countries might therefore very well create serious difficulties as regards both employment and the balance of payments — one need only think of the experience made in the United States or United Kingdom. The more costs rise, and the harder it becomes to pass them

on fully or even only partly in prices, so that they compress profit margins, the greater will moreover be the danger (repeatedly mentioned in these columns) that investment will rapidly decline and that as a result, in view of the existing production structure, disturbances will occur in the economic process. When profit margins are compressed, the capacity for self-financing of capital expenditure declines. That of course need produce no damaging effects if borrowing could take the place of self-financing. There is however no certainty that it can. In the first place the productiveness of the capital market is evidently not growing to the same extent as the economy's capital needs are increasing, particularly since the public authorities' demands are likewise rising, while house construction consistently absorbs a large part — which, for the moment, is hardly decreasing — of the capital formation. So long moreover as the rate of interest on capital remains high, while at the same time profit margins and hence the income obtainable by means of the borrowed capital decline, the change-over from self-financing to borrowing runs into obstacles if only on grounds of profitability. In addition many enterprises at present are reluctant to raise the proportion borne by borrowed capital to their total capital resources, because they fear further deterioration of the ratio — already felt in many cases to be unfavourable — between their own resources and their borrowed funds. But to procure funds from outside in the shape of equity capital, that is in the main through share issues, is practically impossible for many enterprises in the present state of the share market, which likewise is largely attributable to the narrowed profit margins. The decrease which is for these reasons already apparent in the propensity to invest, as indicated above all in the decrease of orders reaching the capital goods industries, should therefore not be dismissed lightly. At the moment it certainly contributes towards reducing excess demand, and hence towards restoring cyclical conditions to normal; but if it were only the decrease of investment (and of foreign demand) which had to ensure equilibrium as between total demand and production potential, this might easily lead to incongruities, which would be unfortunate not only from the point of view of longer-term growth prospects and of international competitive power but also from that of employment policy.

The Bundesbank therefore takes the view that removal of the excess demand which on the whole still exists, with a tendency towards rising costs and prices, should not be left to the cyclical "self-adjustment" which would take place primarily through a

decrease of foreign demand and of investment activity, but that such removal should be extended, through an appropriate economic policy, to other spheres of demand as well. As matters stand, curbing of public expenditure is particularly necessary in this connection. Most public authorities, including the Federal Government, have budgeted for the current year an increase of expenditure going materially beyond the prospective real rise in the national product; there is moreover reason to fear that some of the expenditure appropriations will be further increased. These tendencies must be counteracted with the utmost energy; if expenditure increases are unavoidable in specific cases, they should be counterbalanced by reductions elsewhere. This ought to be possible especially in the case of capital development expenditure and loans, which by no means all have to be effected at fixed dates. In particular the monies which the Länder make available or transmit for house-building could be reduced, or at least their outflow could be retarded. This would check excess demand in the economy at a decisive point, since, as already mentioned, the building market threatens this year (even more than last) to be subject to tensions which inevitably would affect other spheres as well. A cut in depreciation facilities for house-builders, a measure which the Bundesbank has advocated for years and which has now been under discussion for months, is for this reason another especially urgent measure. It would indeed produce no immediate effect on actual building, any more than the reduction of official subsidies by way of capital and interest would do, because the number of building projects already licensed but not yet started or not yet completed is too great; but it would prevent a further rise in the carry-over of outstanding orders, and would thereby cool the hothouse temperature which still prevails in the building trade.

If in addition to these and similar demand-reducing measures steps could also be taken to promote an increase of supplies, that would of course be welcome in the interest of relieving market tensions. The possibilities in that connection should not be over-estimated, however, since the Federal Republic has already gone very far towards easing imports (the measure to be mainly considered), and since in present circumstances further steps in that direction could in practice be taken only through a lowering of the Community's external tariff, that is in agreement with the other five EEC countries, which of course would be desirable for higher political considerations as well. Nor are any further great effects to be expected from efforts to clear the labour bottleneck through increased recruiting of

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

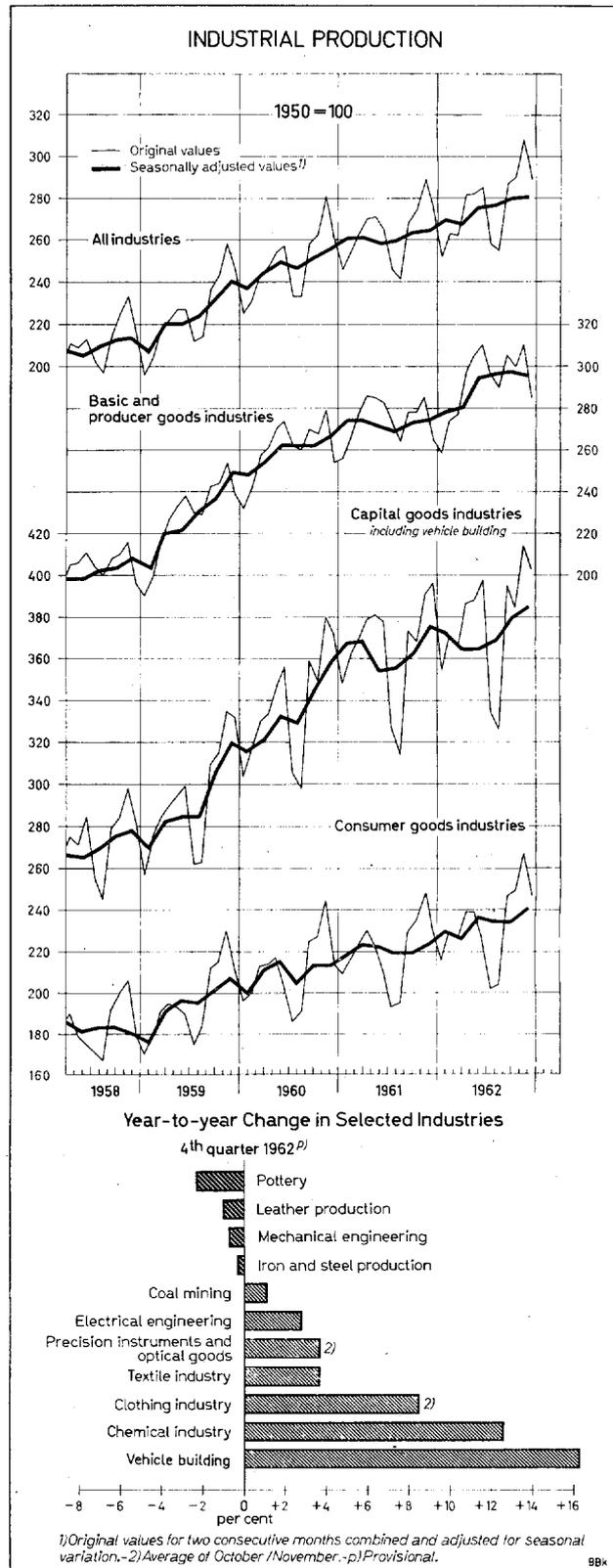
	1961					1962						Change 4th qtr. 1962 against 4th qtr. 1961 in p. c. P)
	Oct.	Nov.	Dec.	3rd qtr.	4th qtr.	Oct.	Nov. P)	Dec. P)	2nd qtr.	3rd qtr.	4th qtr. P)	
				Monthly averages					Monthly averages			
Index of Industrial Production ¹⁾ (per working day ²⁾ , 1950 = 100)												
Total	274	289	276	251	280	289	308	289	283	266	296	+ 5.7
Building	256	262	195	259	239	275	279	201	293	278	252	+ 5.4
Basic materials and producer goods	278	285	265	272	276	300	310	285	304	296	298	+ 8.0
Capital goods	369	391	396	338	385	385	414	403	391	350	401	+ 4.2
among which:												
Mechanical engineering	310	325	358	295	330	296	324	361	332	297	327	- 0.7
Vehicle building	563	585	555	487	567	670	703	606	639	548	660	+16.3
Consumer goods	295	248	231	205	238	249	267	246	235	217	254	+ 6.9
among which:												
Textiles	179	189	177	156	181	186	197	182	182	160	188	+ 3.7
Hard Coal Mining ('000 tons)												
Output per day worked in mining	541.4	561.2	553.6	518.9	552.1	540.9	564.3	554.9	527.7	521.1	553.4	+ 0.2
Pithead stocks (hard coal and coke ³⁾)	12,039	12,317	11,988	11,959	11,988	10,357	10,609	9,935	10,080	10,041	9,935	-17.1
Hard coal imports (excluding coke ³⁾)	637	609	655	618	634	620	546	579	711	692	582	- 8.2
Iron and Steel Industry ('000 tons)												
Output of pig iron per calendar day	68.1	67.3	61.9	70.2	65.8	68.0	65.4	59.2	66.3	68.5	64.2	- 2.4
Output of raw steel per production day	96.4	93.8	94.1	98.4	94.8	100.3	100.8	95.6	100.9	103.6	98.9	+ 4.3
Finished rolling mill products ⁴⁾)												
Deliveries	1,775	1,684	1,557	1,801	1,672	1,850	1,774	1,467	1,743	1,858	1,697	+ 1.5
New orders booked	1,611	1,668	1,752	1,591	1,677	1,651	1,642	1,462	1,798	1,692	1,585	- 5.5
Orders on hand ⁵⁾)	3,900	3,785	3,948	4,137	3,948	3,460	3,246	3,207	4,324	3,694	3,207	-18.8
New Orders booked in Industries ¹⁾ (Values per calendar month in per cent of 1954 sales)												
Total	212	215	193	194	207	231	221	188	211	201	213	+ 3.0
Basic material industries	180	176	164	181	173	203	191	167	194	191	187	+ 7.8
Capital goods industries	261	267	252	242	260	268	265	237	254	243	257	- 1.3
among which:												
Mechanical engineering	263	290	253	242	255	238	226	238	229	234	234	- 8.5
Vehicle building	286	297	259	233	281	323	317	271	310	274	304	+ 8.1
Consumer goods industries	193	201	155	146	183	220	203	153	177	156	192	+ 5.0
among which:												
Textile industry	158	169	139	123	155	183	172	135	143	130	164	+ 5.4
Building												
Hours worked (millions ⁶⁾)												
Total	239.0	226.9	158.6	240.5	208.2	256.5	231.2	149.2	241.3	246.8	212.3	+ 2.0
Residential buildings	98.0	92.7	62.3	98.7	84.3	102.5	92.0	...	98.5	98.4	97.3 ^{x)}	+ 2.0 ^{x)}
Buildings for public and transport purposes	82.9	79.2	55.5	82.8	72.5	97.0	87.4	...	86.4	92.1	92.2 ^{x)}	+13.8 ^{x)}
Buildings for trade and industry	50.9	48.6	36.8	51.1	45.4	50.0	46.0	...	49.0	48.8	48.0 ^{x)}	- 3.5 ^{x)}
Planned building expenditure for approved buildings (millions of DM)												
Total	2,813.7	2,593.7	2,349.4	2,840.6	2,585.6	3,217.6	2,887.1	...	2,994.2	3,120.3	3,052.4 ^{x)}	+12.9 ^{x)}
Dwelling houses	1,803.7	1,630.3	1,541.5	1,811.1	1,658.5	2,176.6	1,834.4	...	1,863.5	2,043.3	2,005.5 ^{x)}	+16.8 ^{x)}
Other buildings	1,010.0	963.4	807.9	1,029.5	927.1	1,041.0	1,052.7	...	1,130.7	1,077.0	1,046.9 ^{x)}	+ 6.1 ^{x)}
Housing mortgage loans by institutional investors (millions of DM ⁶⁾) ⁷⁾												
Amounts promised per month	1,035.1	920.2	879.6	1,067.1	945.0	1,117.8	1,223.0	...	1,056.9	1,132.9	1,170.4 ^{x)}	+19.7 ^{x)}
Out-payments per month	925.1	841.8	1,099.7	821.1	955.5	1,081.2	1,048.8	...	794.3	981.3	1,065.0 ^{x)}	+20.6 ^{x)}
Retail Sales (1954 = 100)												
Values												
Total	184	198	266	164	216	202	214	273	185	175	230	+ 6
of which:												
Food, beverages and tobacco	160	163	216	162	180	176	175	220	173	168	190	+ 6
Clothing, linen and footwear	193	215	295	147	234	209	234	304	180	155	249	+ 6
Household equipment and furniture	214	232	313	189	253	231	247	319	191	201	266	+ 5
Other	192	205	290	178	229	214	224	299	208	197	246	+ 7
Labour-Market (thousands)												
Unemployed ⁸⁾												
Total	98.6	113.1	222.5	94.9	222.5	92.9	120.8	218.9	87.6	83.2	218.9	- 1.6
Men	59.3	68.8	157.1	57.9	157.1	56.2	75.7	156.5	54.2	51.0	156.5	- 0.4
Women	39.3	44.3	65.4	37.0	65.4	36.7	45.1	62.4	33.4	32.2	62.4	- 4.6
Employed wage and salary earners ⁸⁾)			20,796.9	20,933.6	20,796.9			21,170.2	21,223.2	21,298.9	21,170.2	+ 1.8

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⁾ On the basis of the 5.2-day week. — ⁵⁾ Not including life assurance companies. — ⁶⁾ Building industry proper, total. — ⁷⁾ Including Berlin (West). — ⁸⁾ Provisional. — ^{x)} October/November.

workers abroad, through encouraging labour to move from branches of activity where demand is declining to others — in which connection it is necessary to think, not least, of the full utilisation of the reservoir which agriculture might afford for years to come — or through similar measures. Still, even the small possibilities ought to be exploited systematically. In present circumstances it is altogether of great importance to convince the public that everything is being done to establish a better balance between the nominal demands on the national product and the real possibility of expanding this latter, and that in this connection the public authorities are not failing to contribute their share. The more the public are convinced of this the easier will it be to induce employers and employed to follow a more restrictive course than — under the stimulus of market circumstances — they have hitherto pursued.

Supply

The hindrance of production through the frosty weather had not yet been strongly reflected in the production figures, available when this Report went to press, none of which go beyond December 1962. In December on the contrary the industrial production index, calculated per working day, fell by less than usual at the season; it was above the level of a year earlier by 5 per cent against an average of 6 per cent in October and November. The differentiation of output as between individual categories was even more marked in the fourth quarter than before. The greatest increase was shown by the consumer goods industries, the seasonally adjusted index for which (see the graph) rose during recent months somewhat more vigorously even than in the early autumn; it was above its level of a year earlier by 6.9 per cent in the fourth quarter as against 5.7 per cent in the third, and about 5 per cent in the first half-year. The production of the capital goods industries has also risen somewhat cyclically, that is with seasonal fluctuations eliminated, during recent months, although almost solely because of rapid expansion of motor vehicle production, intended largely for private consumption, the annual rate of growth in this branch during the fourth quarter of 1962 having been 16 per cent. The trend of output in the other capital goods industries, where the production programmes have a greater proportion of capital goods, was on the other hand downward. The long declining tendency of orders reaching the mechanical and electrical engineering industries has enforced a partial reduction of output. The basic industries' pro-



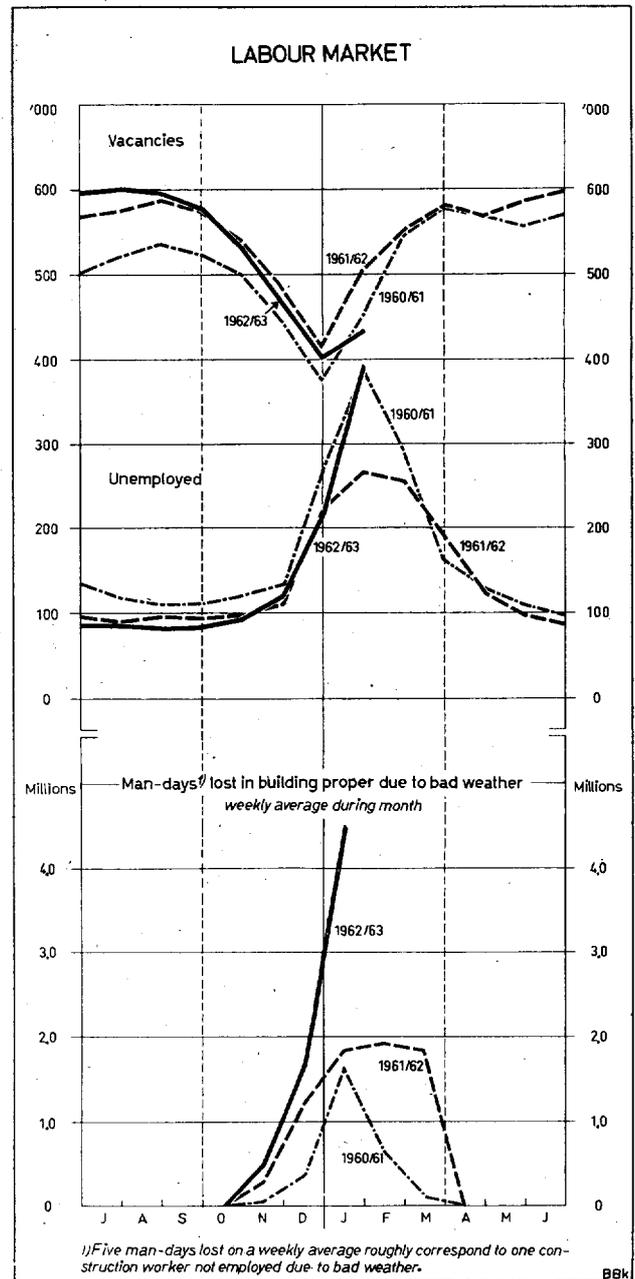
duction has no longer shown any non-seasonal rise during recent months but has remained stationary at the high level reached in the first half-year, so that in the fourth quarter it was still above the level of a year earlier by 8 per cent. Against continuing rises in,

for example, chemicals and stones and earths there were relatively great reductions in other industries, especially iron and steel.

The rise of production was accompanied by virtually undiminished strain on the labour market. Although the statistical evidence points to some decrease of the labour shortage, the movements are too small to permit the conclusion that the state of the market has basically altered. Since October 1962 the number of vacancies recorded at labour exchanges has been somewhat below the level of a year earlier, and the number of unemployed in November 1962 was for the first time a little greater than a year before — a state of affairs which, while it was not repeated in December, did recur in January 1963. This recurrence was of course primarily due to the extremely cold weather, which enforced temporary stoppages of work in outdoor callings. The unemployment figures were however affected much less than in earlier years, because the bad-weather allowance now in force for building workers makes it possible to maintain employment in that line even when building work is stopped by the weather. The number of building workers for whom this arrangement was brought into play would seem to have averaged around 900,000 in January, as measured by the man-days lost in the first four weeks. Although the statistical picture of the labour market still shows no major changes, there were more frequent reports suggesting that at least in industry the disparity between the demand for labour and the supply has begun to lessen. Not the least of the contributing causes probably was the fact that between the sectors where the demand for labour is great and those where it is relatively small a considerable flow of workers has started. This made it possible for instance in vehicle building to raise the total number employed by 15 per cent in the course of the last year, while in industry as a whole the number employed remained almost unaltered. The addition — estimated at about 360,000 on the annual average for 1962 — to the number of employed wage and salary earners benefited almost exclusively the non-industrial categories, that is to say building (where the number employed rose by about 80,000) and the "tertiary sector", which is to be regarded as comprising all the mainly service-rendering activities such as trade, banking, insurance and public administration. As a result of this trend, which is characteristic of a highly developed industrial country, more and more people are taken for employment in those activities where little if any progress can be achieved in productivity. Like the tendency for consumption to grow at the expense of investment, a

tendency with which it has indeed a close connection, it confirms that the prospect of maintaining the present rates of growth in the economy is deteriorating.

The continuance of tension on the labour market is in great part the result of further reductions in working hours. In industry the number of hours worked per week in August 1962, the last month for which figures are to hand, was 38.5 as against 39.5 in August 1961. Since then further reductions of working time have come into force in some important categories, or have been agreed for a later date. The consequent reduction of total work done has already exceeded the simultaneous net addition to the numbers employed. The total work done will in future be reduced even more if full



effect is given to the reductions of working hours already decided, let alone those demanded for the immediate future, since the number of gainfully active persons will rise only little further in 1963. In this year the natural movement of population will probably lead to a decrease rather than an increase in the number of gainfully active residents, while relatively narrow limits are set to expansion of the numbers employed through immigration into the Federal Republic and through the afflux of temporarily employed foreign workers. Already in the course of last year the inflow of workers from abroad became smaller; at 706,000 in September 1962 the number of such workers in the Federal Republic (excluding Berlin) was greater than a year previously by 160,000, whereas the increase between September 1960 and September 1961 had been about 200,000.

Besides domestic production *imports* also materially contributed in the last months of the past year towards enlarging supplies on home markets, although the rate of increase became somewhat slower. Imports into the area of the Federal Republic and Berlin (West) amounted in the fourth quarter of 1962 to DM 13.2 billion, being thus above the level of a year earlier by 9.2 per cent as against 10.8 per cent in the third quarter and about 13 per cent in the first half of last year. The slight slowing of the rise is primarily due to the relatively low level of agricultural imports, which at DM 3.5 billion in the fourth quarter fell short of the DM 3.7 billion imported in the corresponding quarter of the previous year. This was partly because a year previously the imports of vegetable products had been accelerated owing to the poor West German harvest. In addition, before the coming into force of the EEC market arrangement in the summer of 1962 importers had effected large additional imports, which were for the time being stored but are now being put on to the market and hence are temporarily reducing the need for imports of animal products in particular. Another fact which to some extent slowed the rise in imports was that among the commercial imports of industrial products those of raw materials were slightly declining in the fourth quarter, just as they had already been earlier in the year. But the continuing rise in commercial imports of industrially produced semi-finished and finished goods, and in particular the great increase in the import of defence goods, outweighed these downward tendencies.

Demand

On the side of demand the tendencies which had already been at work during previous months continued

generally in the last quarter of the past year; but nevertheless the situation became further differentiated through continuance in certain spheres of the tendencies which operated to produce in some cases a further increase, but in others a decrease of the orders in hand. In the building trade in particular, and in certain industries closely connected with it as ancillaries, the excess of current demand over supply continued and the carry-over of unsatisfied demand therefore further increased. In house-building alone the carry-over of buildings in course of construction, plus those approved but not yet begun, rose from about 720,000 at the end of 1961 to some 800,000 at the end of 1962; in non-residential building the corresponding carry-over increased from 186 million cubic metres, in terms of cubic content, to 210 million. It is not apparent how, with the present relationship between the licensing and completion of buildings, the position regarding orders could be restored to normal in the near future. In other sectors (for instance in many service-rendering occupations), where, much as in the building trade, supplies can hardly be enlarged through imports and where owing to the large amount of labour required the domestic "production" can be raised only relatively little, the excess demand is also likely to remain quite substantial even though it cannot be statistically demonstrated. On the other hand within industry in the narrower sense (that is without building) the current demand became adjusted more and more to the possibilities of supply during 1962; since the middle of that year the current inflow of new orders has in fact been consistently lower than the simultaneous deliveries, so that the existing (in some cases materially over-expanded) order backlogs were steadily reduced. How far this process has by now gone is shown for example by the latest results of the trend check carried out by the Ifo Institute for Economic Research, according to which at the end of December 1962 the order backlogs in the capital and consumer goods industries represented 3.2 months' production as against 3.5 at the end of December 1961 and 4.0 at the end of June 1961. In comparison with the lowest point reached in the preceding cycle, namely 2.3 months in December 1958, the order backlogs are indeed still considerable. In accordance with the extent of slackening in demand such backlogs have declined most in the capital goods industries, especially mechanical and electrical engineering; here, as measured by the current level of production, they were lower by one-third at the end of 1962 than at the peak of the last investment boom in June 1961. In the consumer goods industries on the other hand order

backlogs declined only slightly in the course of 1962, having indeed in many cases even slightly risen, although not by so much as production, so that even here the "reach" has shortened. In the basic industries, not included in the enquiry mentioned above, the trend was probably similar to that in capital goods; in the case of rolled steel, for which accurate data are available, the orders on hand at the end of 1962 were only half as great as in the spring of 1960.

Further Weakening of the Private Propensity to Invest

The most important reason for the reduction of industrial order backlogs in industry is the weakening of enterprises' propensity to invest. This indeed was reflected only in the decline in ordering, while enterprises' actual expenditure for capital purposes has continued to rise as the result of orders previously given, at least so far as equipment investments are concerned, even though the cyclical rise has become slower. The total home-market orders reaching the capital goods industries, which include not only equipment but also consumer durables, were smaller by 4 per cent in the fourth quarter of 1962 than in the corresponding period of the previous year, whereas in the second and third quarters they had been above the level of a year earlier by respectively 4 and 1 per cent. In mechanical engineering, which merits special interest as a typical producer of equipment, this trend was most strongly marked; in that industry the value of home-market orders received in the months from October to December 1962 was below the level of a year earlier by 12 per cent. On the average of all capital goods industries the incoming home-market orders in the fourth quarter were below the simultaneous deliveries by 11 per cent. As a result of the orders on hand the deliveries, and accordingly capital expenditure of enterprises, have been growing until very recently; but the fact that the new orders for capital goods have for some time been below the current expenditure shows that enterprises are at the moment trying to reduce their spending for capital purposes. One reason no doubt is that in some cases expansions of capacity are no longer regarded as especially urgent — more particularly in categories where the extent to which capacities are employed has for some time been falling, and occasionally has dropped below the desirable optimum. But a still more important reason is no doubt that the course of profits is more and more reducing enterprises' financing power, and is impairing the profitability of new capital projects at least in cases where it is uncertain whether the rationalisation effect produced by fresh investment

will suffice to offset the persistent rise in the price of important elements of costs. According to the available evidence not only did the profit margins of enterprises continue to narrow last year, but undrawn profits also noticeably declined in absolute amounts. According to the Federal Statistical Office's first figures for national product and national income the gross income from entrepreneurial activity and wealth did rise by 4 per cent in 1962; but its proportion to the gross national product (as a measure of the movement in total turnovers) dropped from 29.2 per cent in 1961 (and 30.4 per cent in 1960) to 28.0 per cent. At about DM 13 billion the undistributed profits of all enterprises in 1962 were lower by about one-sixth than in the previous year. The decrease in the propensity to invest is also evident from the first questionnaire addressed to enterprises about their capital development plans for 1963, since 37 per cent of all those questioned said that they intended to reduce their capital expenditure, while only 19 per cent intended to expand it.

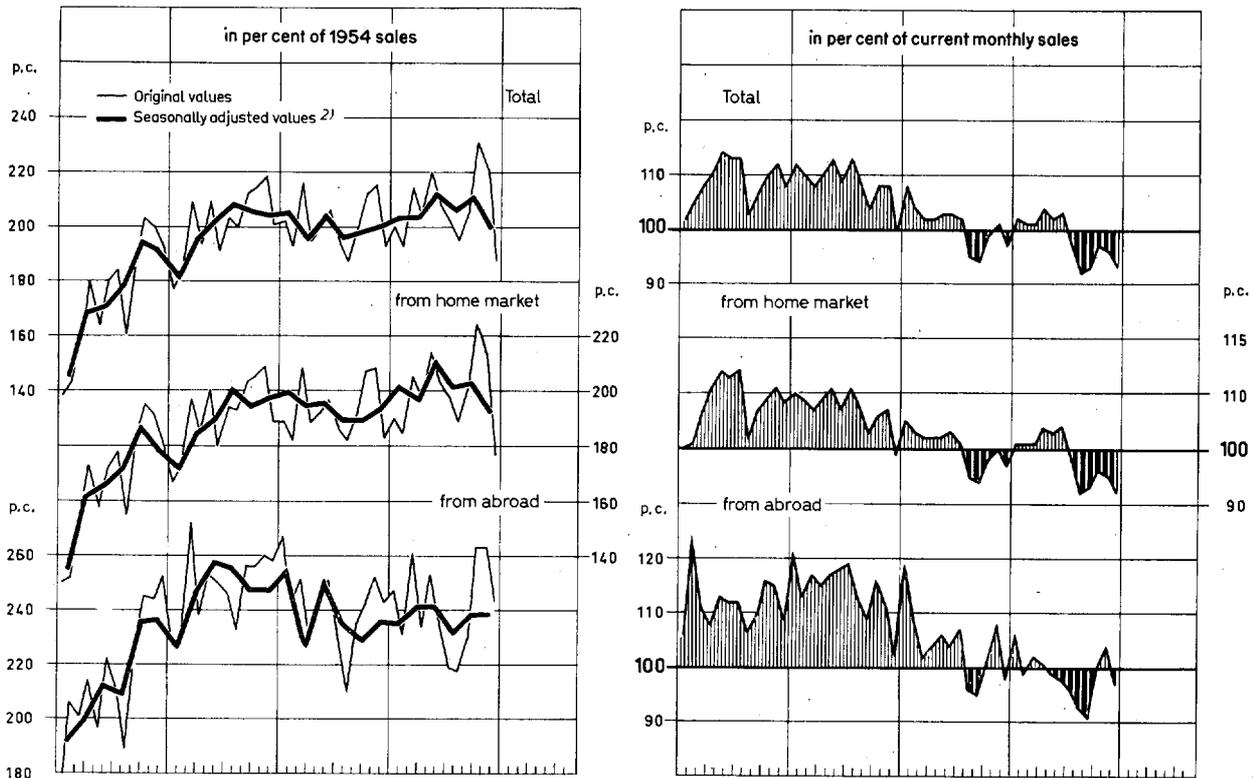
Foreign Demand Stationary

A further factor of material significance for the reduction of order backlogs was the course of foreign demand, the inflow of export orders having been smaller since the spring than the current deliveries. In the fourth quarter, it is true, new orders exceeded sales by 1 per cent; but even in that period, if allowance is made for a cancellation ratio of between 2 and 3 per cent, the net accrual of orders was smaller than the deliveries. To judge by the seasonally adjusted movement of orders arriving from abroad, however, the downward tendency apparent for nearly two years has not continued from the autumn of 1962 onwards; in October and November, indeed, export orders rose by more than is usual at that season. This may have been partly because the Cuban crisis caused somewhat more orders to be given to German industry. In December the inflow of orders from abroad was somewhat smaller again, although this decline cannot be regarded as a typical reaction to the previous rise, so that the overall movement of the last few months can be assessed as indicating that the competitive position of the German economy, although weaker than in the preceding year, is still remarkable.

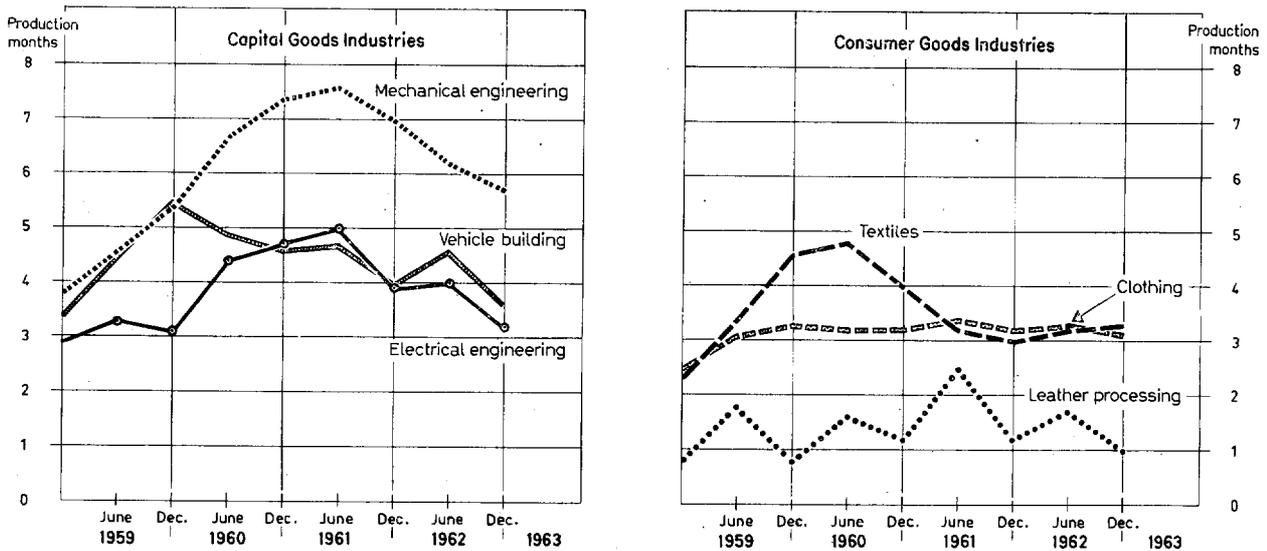
Actual exports continued to rise slightly in the last months of 1962, although this may have been due less to the latest trend of incoming orders than to the fact that until recently the order backlogs were still substantial. That is suggested if only by the fact that the

THE ORDER SITUATION IN INDUSTRY

Inflow of Orders¹⁾



Orders on Hand Reach in Individual Branches, Expressed in Production Months³⁾



¹⁾New orders received; cancellations of old orders have been disregarded.—²⁾Original values; for two consecutive months combined and adjusted for seasonal variation.—
³⁾According to trend check carried out by the Ifo Institute for Economic Research.

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mechanical and electrical engineering industries' exports increased, unlike the incoming orders, whereas on the contrary the exports of the vehicle building and consumer goods industries rose by less than the orders reaching them. At DM 14.1 billion in the fourth

quarter of 1962 the total exports from the area of the Federal Republic including Berlin (West) were greater by 6 per cent than in the corresponding period a year before, whereas in the previous three quarters the annual rate of growth had been consistently about

3 per cent; here it must of course be borne in mind that exports in the fourth quarter of 1961 had been relatively small. Apart from that a further reason why undue importance must not be attached to this latest rise in the rate of growth is that certain special influences, such as the above-mentioned brief increase of the propensity to buy during the Cuban conflict as well as shifts in the seasonal tendency, may have been at work. Finally, as already mentioned, the shortening of delivery periods which accompanies the reduction of order backlogs in the main exporting industries may also have contributed towards this relatively favourable trend of actual exports.

Private Consumption rising more slowly

In the sphere of private consumption, where great changes of demand are as a rule much less frequent than in the sectors previously described, the rise of demand did continue during recent months, but did so more slowly than in the earlier course of 1962. *Retail turnovers*, which especially in the months outside the holiday season afford a fairly reliable pointer to the course of ultimate demand, rose by much less than usual towards the end of 1962. Their growth by comparison with the corresponding period a year earlier amounted to 6 per cent in the fourth quarter, against 7 per cent in the third, and 10 per cent in the first half of 1962. In October, at the height of the Cuban conflict, there was temporarily a marked rise of sales in the retail food trade in particular; but on the average of November and December the annual rate of growth in retail trade as a whole was only 5 per cent. This slight slowing was chiefly due to the similar movement in *mass incomes*. The statistics so far available (in most cases they extend to the end of November) show that the rate of growth in wage and salary incomes has diminished. Thus the total wages and salaries paid in industry between September and November 1962 were above the level of a year earlier by 9.8 per cent as against 11.4 per cent in the first eight months of 1962. The reason was that the number of persons employed no longer rose, while at the same time the average number of hours worked was reduced. Hourly earnings seem, on the other hand, to have increased as much as ever. Outside industry the rise in total wages and salaries may not have slowed down by so much, because there the number of persons employed was still rising, while shortly before the close of the year the earnings collectively agreed or (as in the case of Federal officials) based on legal enactment were raised in some important categories. In addition the pace of the rise

in income transfers declined, not least owing to the decrease in the number of war-disabled and bereaved persons entitled to benefit, as well as of people receiving war damage pensions and other current benefits under the Equalisation of Burdens. Finally, the propensity to save seems to all appearances to have become slightly stronger towards the end of 1962, which is the more noteworthy inasmuch as the world political tensions in October undoubtedly made consumers for a time uncertain in their decisions to save. According to the data so far available it may be assumed that *saving by private households* was greater by 14 per cent in the fourth quarter than a year before, so that in percentage terms it rose by almost twice as much as private households' disposable income.

Of late therefore private consumption has already perceptibly reacted to the change in the general cyclical situation, thereby confirming the thesis that in the longer run it can hardly be expected to exert autonomous impulses on the course of economic activity. By now the slackening of the rise in consumption has evidently also caused traders to show some caution in their buying. The *inflow of orders* from domestic customers to the "traditional" consumer goods industries was greater than a year before by only 5 per cent in the fourth quarter as against 7 per cent in the third quarter and 8 per cent in the first half of 1962. The new orders for durable consumer goods, which are not included in these figures, would seem — at least so far as electrical engineering products are concerned — to have risen even less or actually declined. One reason was that the dullness already apparent since 1961 in radio, television and sound-reproducing appliances was reinforced in the course of 1962 by a marked flattening out of the rise, previously rapid, in washing-machine business. In addition the more cautious attitude shown by traders in the placing of orders is doubtless due to the high level of their stocks in hand. According to an index calculated by the Institute for Trade Research at Cologne University the stocks held by retail traders at the end of 1962 were greater by 34 per cent than at the end of 1961. The largest increase — by 39 per cent — took place in the inventories of shops selling household goods and furnishings, this group also including electrical appliances. Since on a yearly average retail sales rose by only 8 per cent in 1962, the inventories rose by much more than they need have done in the light of the movement in sales. It is therefore not impossible that traders will for a time continue to limit their ordering so that they may at least prevent their stocks from rising further.

*Governmental Orders for Building Increase the
Disequilibrium in the Building Market*

As already mentioned, the building market was the most important sphere in which excess demand continued to rise markedly in 1962. In the near future at least, no relaxation can be expected; there is on the contrary reason to fear that because of the shortfalls in output due to the lengthy frost, together with the continued rising trend of demand for building services, the disequilibrium will become greater still. In October and November, the last months for which the figures are to hand, the authorities concerned granted *permits for building projects* on which the estimated expenditure was greater by 13 per cent than a year previously, as against 9 per cent in the first three quarters of 1962. After adjustment for price the year-to-year growth of building permits in October and November 1962 amounted to not quite 5 per cent, while allowance must be made for the fact that the total of a year earlier was already well above the realisable increase of building output. The latest expansion in the demand for building was mainly due to official projects plus the further rise of planned house construction encouraged by direct or indirect official support. On the average of October and November the estimated expenditure on approved residential building projects was above the level of a year earlier by 17 per cent (against 12 per cent in the first nine months); with allowance for the simultaneous rise in building costs this represents an increase of volume by about 8 per cent. Altogether about 630,000 dwellings would appear to have been newly approved in the whole of 1962, but only some 530,000 completed; thus the carry-over increased to approximately 800,000 dwelling units. From the financing angle the latest growth of demand was much

assisted by the provision of public monies; the grants of capital assistance by the Länder in the last three months for which figures are available, namely September to November 1962, were greater by almost 20 per cent than a year before. The amount of mortgage loans promised by institutional investors likewise rose, although not on the same scale. An even greater contribution to the rise in the demand for building was made by official construction projects; on the basis of the estimated expenditure the annual rate of growth in the permits granted for such projects in October and November was about 26 per cent. Most prominent were the permits for institutional buildings (hospitals and the like) and schools, but also for office buildings (see the table). The temporary stoppage of building permits, which also applies to certain categories of official projects (for example office buildings), has thus so far remained largely ineffective in the governmental and local-authority sectors. It would appear to have produced more significant effect in connection with commercial, industrial and farm building, although here the slowing is in part attributable to cyclical tendencies. In October and November the estimated expenditure on approved building projects in that category was less by 6 per cent than in the corresponding period of the previous year; the expenditure on permitted office buildings, which as a rule are subject to the stoppage of licensing, dropped to one-half. It would seem that in so far as building permits have hitherto been refused, or in view of the present prohibition not requested at all (the Federal Ministry of Economics put the probable non-granting of building permits in the period from June 1962 to June 1963 at between DM 0.8 and 1.0 billion), this has mainly applied to building on private account. After expiry

Approved Building Expenditure in 1962

Buildings	1962 (monthly averages)				Change 1962 against corresponding period of preceding year			
	1st qtr.	2nd qtr.	3rd qtr.	Oct./Nov.	1st qtr.	2nd qtr.	3rd qtr.	Oct./Nov.
	in millions of DM				in per cent			
Residential buildings	1,458.0	1,863.5	2,043.3	2,005.5	+ 14.3	+ 8.4	+ 12.8	+ 16.8
Private buildings for trade, industry and farming	535.1	718.5	638.2	569.5	+ 2.0	+ 4.2	- 6.3	- 6.1
among which:								
Office buildings	67.3	113.1	54.5	38.4	+ 5.5	- 3.7	- 50.6	- 47.3
Public buildings	317.3	412.2	438.8	477.3	- 3.7	+ 15.8	+ 25.8	+ 25.8
among which:								
Institution buildings	69.1	80.7	104.4	116.1	- 23.9	- 15.8	+ 35.1	+ 28.3
Office buildings	30.0	59.5	30.0	39.5	- 0.9	+131.0	+ 3.4	+ 32.5
Schools	89.2	111.1	137.3	116.5	+ 5.3	+ 21.4	+ 45.6	+ 9.1

Price Movements¹⁾

	1961	1962	Dec. 1962 against Dec. 1961 P)	Change against preceding month					
	Dec.	Dec. P)		July 1962	Aug. 1962	Sep. 1962	Oct. 1962	Nov. 1962	Dec. P) 1962
	1958 = 100			per cent					
Home Market									
Basic material prices, total ²⁾	100.7	100.3	- 0.4	- 0.2	± 0	+ 0.4	- 0.1	+ 0.2	+ 0.2
of which: Industrial products	100.0	99.9	- 0.1	+ 0.1	± 0	+ 0.1	- 0.1	- 0.1	± 0
among which: Bricks	116.9	123.2	+ 5.4	+ 0.7	± 0	± 0	± 0	± 0	± 0
Copper	107.8	108.8	+ 0.9	- 0.5	- 0.1	+ 0.1	+ 0.1	+ 0.2	± 0
Farm, forest and plantation products	101.7	100.8	- 0.9	- 0.8	+ 0.1	+ 0.8	± 0	+ 0.5	+ 0.5
among which: Cotton	88.7	85.7	- 3.4	- 1.1	- 0.5	- 1.5	- 0.2	+ 1.0	+ 0.9
Raw wool, foreign	94.9	103.4	+ 9.0	- 0.8	- 3.1	- 0.9	+ 2.6	+ 2.0	+ 2.3
Timber (trunks), domestic	104.1	93.4	-10.3	- 2.1	- 1.8	- 1.7	+ 0.1	+ 1.2	± 0
Crude rubber	93.2	96.6	+ 3.6	- 0.1	- 1.9	+ 0.5	+ 4.0	+ 1.6	- 0.1
Potatoes for industrial processing	108.1	108.0	- 0.1	± 0	± 0	+ 1.1	- 1.2	± 0	± 0
Hogs	105.9	109.6	+ 3.5	+ 1.7	+ 7.4	+ 3.4	- 0.6	+ 0.1	- 2.1
Producers' prices of industrial products, total ³⁾	102.3	103.4	+ 1.1	± 0	± 0	+ 0.1	± 0	+ 0.1	+ 0.1
among which: Basic and producer goods industries ⁴⁾	99.6	99.0	- 0.6	- 0.2	- 0.3	+ 0.1	- 0.1	- 0.1	± 0
among which: Iron and steel	98.5	97.1	- 1.4	+ 0.1	- 1.3	± 0	- 0.2	± 0	± 0
Non-ferrous metals and non-ferrous semi-finished goods	101.9	101.1	- 0.8	- 0.5	- 0.2	+ 0.2	+ 0.4	+ 0.4	- 0.2
Wood-pulp, cellulose, paper and cardboard	97.1	96.3	- 0.8	+ 0.1	- 0.2	± 0	- 0.8	± 0	- 0.1
Capital goods industries ⁵⁾	104.5	107.4	+ 2.8	± 0	+ 0.1	± 0	+ 0.1	- 0.1	± 0
among which: Mechanical engineering products	108.8	112.8	+ 3.7	± 0	+ 0.2	± 0	± 0	± 0	- 0.1
Vehicles	101.6	103.7	+ 2.1	+ 0.1	± 0	- 0.1	± 0	+ 0.1	± 0
Consumer goods industries ⁵⁾	104.4	105.6	+ 1.2	- 0.1	+ 0.1	+ 0.3	+ 0.2	+ 0.1	+ 0.2
among which: Textiles	98.7	98.7	± 0	- 0.2	+ 0.1	+ 0.1	± 0	+ 0.1	+ 0.2
Clothing	105.9	108.6	+ 2.5	+ 0.1	+ 0.3	+ 0.3	+ 0.2	+ 0.4	± 0
Furniture	109.0	112.2	+ 2.9	± 0	+ 0.3	+ 0.5	+ 0.5	+ 0.2	+ 0.3
Food, beverage and tobacco industries ⁵⁾	101.8	103.4	+ 1.6	+ 0.1	+ 0.1	± 0	± 0	+ 0.5	+ 0.3
Producers' prices of farm products, total ⁴⁾ ²⁾	103.9	104.4	+ 0.5	+ 0.4	- 5.6	+ 0.4	± 0	+ 0.8	+ 1.4
of which: Vegetable products	104.2	104.3	+ 0.1	+ 0.5	-21.2	- 2.2	+ 1.0	+ 2.0	+ 2.5
Animal products	103.8	104.4	+ 0.6	- 0.2	+ 2.1	+ 1.8	+ 0.9	- 0.9	+ 0.9
Retail prices, total ³⁾ ²⁾	105	108	+ 3.0	+ 1.9	- 2.2	- 0.4	+ 0.2	+ 0.4	+ 0.4
among which: Foodstuffs	104	106	+ 2.4	+ 4.2	- 5.5	- 1.2	- 0.2	+ 0.3	+ 0.8
among which: Green vegetables	102	104	+ 1.1	+20.8	-27.9	-13.4	- 3.7	- 0.8	+ 4.5
Textiles and footwear	104	107	+ 2.9	+ 0.1	+ 0.1	+ 0.2	+ 0.3	+ 0.1	+ 0.3
Household goods and furnishings	106	110	+ 3.4	+ 0.2	+ 0.2	+ 0.3	+ 0.4	+ 0.2	+ 0.2
among which: Hardware	109	113	+ 4.3	+ 0.2	+ 0.2	+ 0.2	+ 0.2	+ 0.1	+ 0.4
Furniture	106	110	+ 3.5	+ 0.1	+ 0.1	+ 0.8	+ 0.7	+ 0.3	+ 0.2
Electric appliances (excluding radio sets)	104	106	+ 2.6	± 0	+ 0.1	+ 0.2	± 0	+ 0.3	+ 0.1
Cost-of-living index, total ³⁾	106.3	109.4	+ 2.9	+ 0.5	- 1.6	- 0.3	+ 0.2	+ 0.3	+ 0.6
among which: Foodstuffs	104.7	108.3	+ 3.4	+ 0.7	- 4.5	- 0.9	± 0	+ 0.5	+ 1.4
Heating and lighting	105.2	107.7	+ 2.4	+ 0.6	+ 0.6	+ 0.8	+ 0.7	+ 0.3	+ 0.2
Household equipment	102.7	104.3	+ 1.6	+ 0.2	+ 0.2	+ 0.2	+ 0.2	± 0	+ 0.1
Clothing	105.0	108.0	+ 2.9	+ 0.1	+ 0.1	+ 0.3	+ 0.2	+ 0.2	+ 0.2
Cleaning and personal care	107.0	111.3	+ 4.0	+ 0.2	+ 0.5	+ 0.2	+ 0.1	+ 0.1	+ 0.1
Education, entertainment, recreation	111.4	116.8	+ 4.8	+ 0.2	+ 0.8	+ 0.3	+ 0.2	+ 0.9	+ 0.1
Transport and communications	106.7	108.5	+ 1.7	+ 0.1	+ 0.1	+ 0.2	+ 0.1	+ 0.2	± 0
World Market ²⁾									
Price index of Hamburgisches Welt-Wirtschafts-Archiv									
Total	93.0	95.1	+ 2.2	+ 0.5	+ 0.1	± 0	+ 0.2	+ 1.0	+ 1.5
of which: Basic food- and feedingstuffs	87.9	96.7	+10.0	+ 1.9	+ 0.8	± 0	+ 1.2	+ 2.2	+ 3.5
Industrial raw materials	95.3	94.3	- 1.1	- 0.2	± 0	- 0.1	- 0.2	+ 0.6	+ 0.6
Moody's index	94.2	93.5	- 0.8	+ 0.7	- 0.0	- 0.7	- 1.3	+ 0.4	+ 1.6
Reuter's index	99.7	103.7	+ 4.0	+ 0.2	- 0.1	- 0.2	+ 0.6	+ 2.1	+ 2.4

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⁾ Change in per cent calculated from the indices on the original basis with one decimal place. — ³⁾ Re-calculated from original basis 1950 = 100. — ⁴⁾ Original index 1957/59 = 100. — ⁵⁾ Combined in groups, categories, or classes of goods. — P) Provisional.

of the specified period (that is 1 July 1963) the stoppage of permits is to remain in force, although in a relaxed form, until 31 October 1964. But the amended version of the Law will permit considerable exceptions, so that the measure cannot be expected to afford appreciable relief to the building market, nor, in particular, to reduce the excess demand. In the longer run it will hardly be possible to restore the building market to normal through any such prohibitory law. It will on the contrary be important effectively to reduce the demand for building; to this end — as already indicated in the General Survey — the public authorities could make a decisive contribution when requesting, voting and spending money on their own projects and when granting financial assistance for house-building.

Prices and Wages

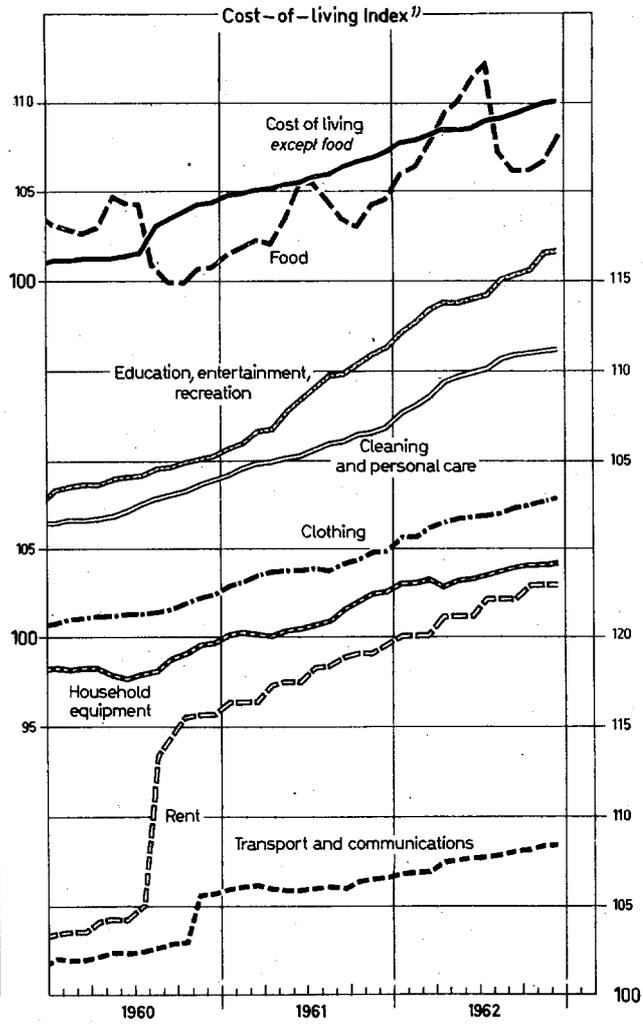
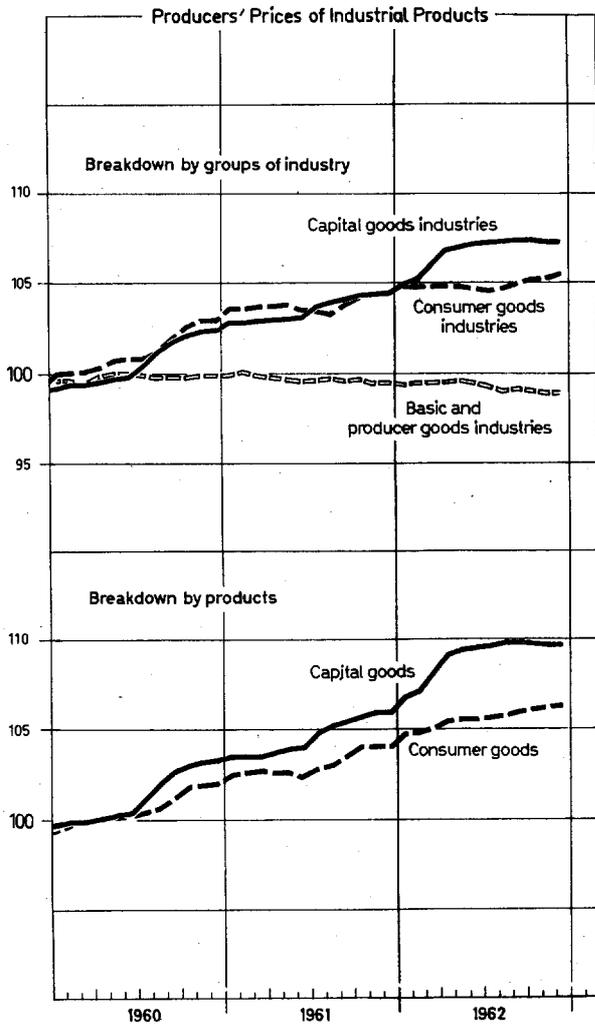
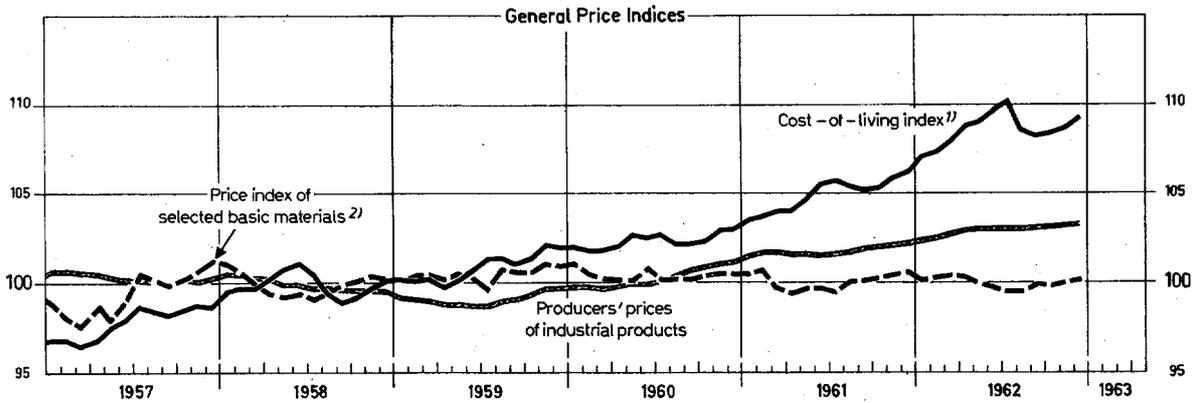
After months of considerable stability the price level again tended more strongly upwards towards the end of last year. The expansive factors were largely of a seasonal nature and hence, at least so far as they depended on the weather, were present in especially marked degree. In the case of agricultural products, in particular, there were some quite considerable price rises at the producer and consumer stages. The raising of producers' prices for farm products in the fourth quarter of 1962 by 2.2 per cent, and of consumer prices for foodstuffs by 2.0 per cent, was however also due to the introduction of the EEC market arrangement, through which the domestic prices for some important products have been raised by way of higher import prices. In the case of seasonal goods the price rises continued again in January, and combined with the raising of some governmentally influenced prices to reinforce the upward tendency in prices of consumer goods. Producers' prices for industrial products, which are more sensitive to cyclical trends, rose only relatively little in the fourth quarter, although their rise was no longer so insignificant as in the third. Apart from the upward tendencies recently emanating from world raw-material markets this was doubtless also due to the fact that, in the consumer goods industries in particular, it was possible to pass on to buyers a part of the domestic cost increases which became increasingly significant during the fourth quarter as the result of wage rises in some important categories.

The most important reason for the reversal of the tendency in prices for *agricultural products*, which had for a time been downward after the start of the new harvest, was the early onset of frosty weather, which impaired the harvesting of late vegetables, and the

transport of vegetables, and often prevented the opening of storage pits. For this reason producers' prices for vegetables rose in November and December far more than usual for the season. At the middle of December they were higher by 35 per cent than in December 1961, and nearly twice as high as in December 1960. Because of the cold there was also a decrease — quite contrary to the seasonal tendency — in the supply of eggs, so that at the end of 1962 the prices for these at the producer stage were almost 30 per cent above their level at the end of 1961. In the case of eggs however, and of some other products subject to the EEC market regulation, the latest price rise was also due to the very high official import prices. The ensuing rise in prices was especially marked in the case of rye, fodder barley and oats; at the end of 1962 it amounted to respectively 2, 6 and 10 per cent as compared with the end of 1961. The increase in the price of fat hogs is also due to the new EEC market arrangement, although evidently the trend on the internal market operated in the same direction. Some market prices for poultry also notably rose, although owing to the abolition of subsidies the proceeds received by producers were somewhat lower than before the introduction of the new market arrangement.

Producers' prices for industrial products as a whole rose in the fourth quarter by 0.2 per cent; they were above their level of a year earlier by 1.1 per cent. Thus in comparison with the third quarter the upward tendencies have become a little stronger again, although solely because of price rises for products of the food industry, which rises are largely seasonal. In a number of other industries the prices even in the fourth quarter were on the contrary stable — as for instance in the capital goods industries, where price rises had been rather marked up till the middle of the year; or else, as was the case in most of the basic industries, they even continued slightly to decline. One reason why this latter is noteworthy is that on the world raw-material markets, with which the prices for basic materials are closely connected, when the Cuban crisis broke out the price fall which had lasted for years gave place to a rise which, although only slight, continued until very recently. In the traditional consumer goods industries the rise of prices in the fourth quarter of 1962 was slightly greater than in the preceding months. More particularly in those industries where collectively agreed wages were raised during recent months, for instance in glass-making and in the printing trade, relatively large price increases were recorded.

PRICE MOVEMENTS
1958 = 100



1) Family budgets of employed persons in medium income group; until January 1957 based on consumer habits as of 1950. - 2) Of German and foreign origin

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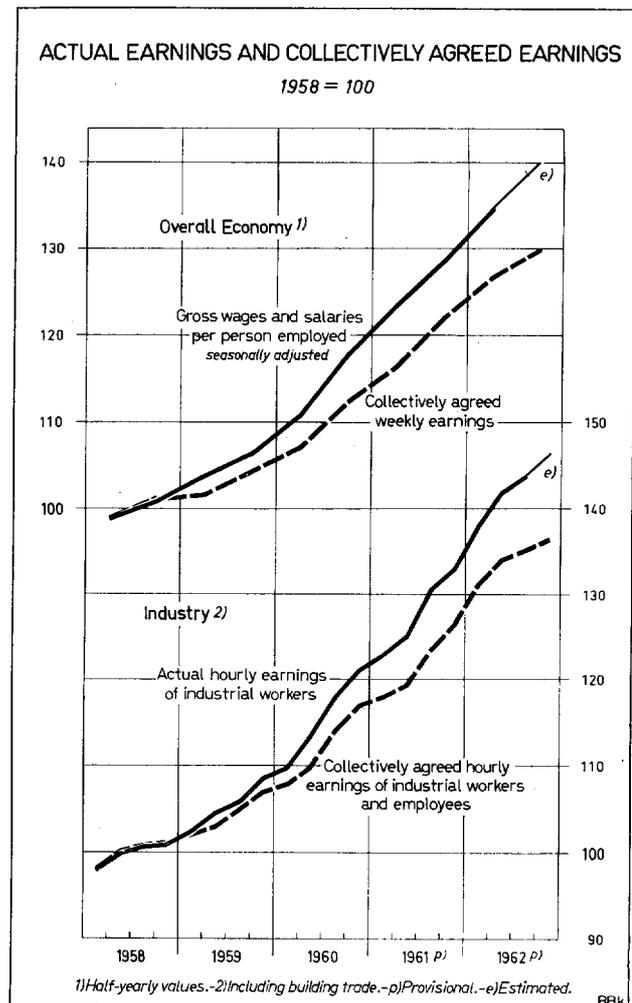
At the consumer stage the trend of prices was again fairly strongly upward during recent months. Between October and December the cost-of-living index rose by 1.0 per cent; of this amount roughly two-thirds was due to the rise in foodstuffs, prices for which increased

by about 2 per cent. The prices for foodstuffs of vegetable origin, however, still remained lower (by about 10 per cent) than before last year's harvest became available. On the other hand the prices for animal products rose somewhat more strongly in the

fourth quarter, and in December 1962 were above their level of July last year by fully 4 per cent. This above all reflected the above-mentioned increase in the price of products — eggs, poultry and meat — covered by the EEC marketing arrangement. Consumer prices for industrially produced goods, as well as for services and utilities, rose in the fourth quarter by 0.6 per cent or by somewhat less than in the third. There was again a particularly marked increase in the price of services, while prices for industrially produced goods would seem to have risen in the fourth quarter by only about 0.4 per cent.

The rise of consumer prices was hastened in the first weeks of the new year by certain impulses independent of the business cycle. First, as a result of the exceptionally long continuance of frosty weather, the rises in vegetable and fuel prices became more marked; secondly, at the start of the year some governmentally regulated prices were raised. The Federal Railways' charges for both normal passenger traffic and occupational traffic were raised, and the Law in force concerning the removal of housing control permitted the raising (up to a maximum specified in the Law) of those rents, on pre-currency-reform dwellings, which had not already been raised in 1960 by more than 15 per cent of what they had then been. In both cases it was a matter of delayed adjustments to the rise in the level of prices and costs. Increases were also announced in the case of postal charges, and of the governmentally regulated price for household milk — quite apart from the hardly foreseeable effects which the releasing of rents on pre-currency-reform dwellings may produce from July of this year onwards in the so-called "white districts", mainly comprising urban and rural districts where the calculated housing shortage has dropped below 3 per cent. These inescapable burdens placed on consumers cause stabilisation of prices in the remaining sectors of private consumption to appear all the more urgent.

In recent months the *course of wages*, it is true, showed signs of some slackening in the upward tendencies; but the actual wage increases, converted to an annual basis, still amounted to more than twice the overall growth of productivity. One fact typical of these slackening tendencies was that many of the wage negotiations took longer, so that the life of the old contracts was prolonged. But in addition the agreed rates of increase have of late been somewhat smaller than before. Hence in the fourth quarter of 1962 the year-to-year rate of increase in collectively agreed



wages and salaries (reckoned on an hourly basis) amounted to 7.3 per cent, against 8.1 per cent in the third quarter and 9.7 per cent in the second quarter of 1962. On actual earnings, however, this slackening has not so far produced an equal effect. It is true that in the third quarter their rise became somewhat slower; average hourly industrial earnings in August were above their level of a year previously by 10.4 per cent as against 13.4 per cent in May. According to the partial data so far available for the fourth quarter, however, this tendency has for the time being not continued. Consequently, as can be seen from the graph above, the gap between collectively agreed and actual earnings has opened more widely. Although this does not necessarily permit the conclusion that employers are as ready as ever to grant additional wage increases, it does at least show that because of the continuing heavy strain on the labour market collectively agreed wage increases, on the whole, are hardly as yet being absorbed through any reduction of the margin between effective and standard earnings.

Rises in Collectively Agreed Wages and Salaries in the Area of the Federal Republic ¹⁾

Period	Number of persons employed whose standard wages and salaries were raised ²⁾		Extent of the rise, for each period indicated, in standard wages and salaries ²⁾ in per cent			Level of standard wages and salaries ⁴⁾			
	in thousands	in p. c. of employed covered by collective-agreement statistics ³⁾	on an hourly basis	Adjustment for cut in working time	on a weekly basis	on an hourly basis		on a weekly basis	
						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	16,170	94	8.9	0.1	8.8	122.2	+ 8.7	119.4	+ 8.5
1962 ^{P)}	14,920	84	8.0	1.6	6.4	132.8	+ 8.6	128.4	+ 7.5
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 1st qtr.	5,710	33	5.4	0.1	5.3	118.0	+ 8.6	115.3	+ 8.3
2nd qtr.	5,540	32	9.7	0.1	9.6	120.6	+ 9.0	117.8	+ 8.8
3rd qtr.	5,440	32	6.9	0.1	6.8	124.1	+ 8.7	121.2	+ 8.7
4th qtr.	2,640	15	8.3	0.0	8.3	126.1	+ 8.4	123.2	+ 8.4
1962 ^{P)} 1st qtr.	7,030	40	7.8	2.5	5.3	129.5	+ 9.7	125.7	+ 9.0
2nd qtr.	4,440	25	7.2	0.4	6.8	132.2	+ 9.7	127.9	+ 8.5
3rd qtr.	3,530	20	6.1	0.1	6.0	134.1	+ 8.1	129.6	+ 6.9
4th qtr.	2,630	15	4.2	1.8	2.4	135.3	+ 7.3	130.4	+ 5.9

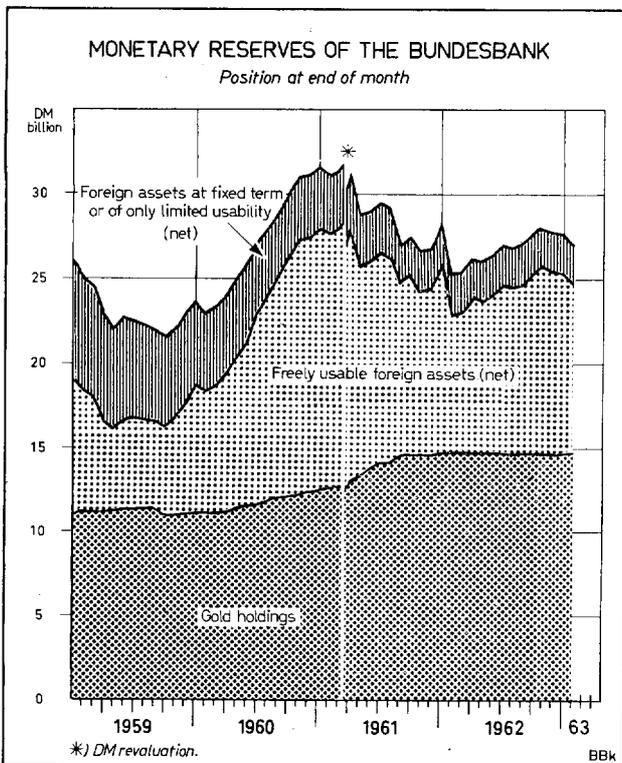
¹⁾ Excluding Berlin (West); from 1960 onwards including Saarland. — The rises in standard wages and salaries are here counted as comprising also rises in the earnings of officials. In the case of a cut in the employees' and officials' working time with monthly earnings remaining unchanged, a corresponding rise in standard salaries on an hourly basis is calculated and a corresponding compensation in earnings 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 wages and salaries in the course of one year the persons employed are recorded only once, and the rises in wages and salaries at their total annual amount, in the annual figures. — ³⁾ Altogether the collective agreements of about 85 per cent of all employed wage and salary earners are covered. — ⁴⁾ Yearly and quarterly results are computed as average of the end-of-month figures. — ^{P)} Provisional results, not yet complete.

External Position

The Bundesbank's gold and foreign exchange holding has declined appreciably since November of last year after having considerably grown in the preceding months. In October the increase had still amounted to DM 274 million, following rises of DM 733 million in the third quarter and DM 767 million in the second. In November however the central monetary reserves decreased by DM 164 million, in December by DM 107 million and in January by DM 645 million. Up to a point these movements were due to fluctuations in the other banks' foreign exchange position, i. e., above all to the extent to which the banks increased their short-term foreign assets or repatriated part of them. This applies especially to the period about the turn of the year, since in December 1962, as already described in the chapter on Money and Credit and in the same way as in all previous years, the banks withdrew money from abroad on a substantial scale and in January put large amounts out again. The comparatively large foreign exchange losses which the Bundesbank showed in January were evident-

ly due to this rebuilding of the banks' liquid foreign reserves that had been reduced in December. Unlike 1961, in December 1962 the repatriation of such foreign assets had not however produced any accrual of foreign exchange at the Bundesbank; in that month, as already mentioned, the latter's gold and exchange holding on the contrary declined by DM 107 million (against an increase by more than DM 1.5 billion in December 1961), although at the same time the other banks' exchange position deteriorated by almost DM 1.2 billion (mainly because, for the purpose of procuring DM liquidity, they proceeded at least up till the end of the year to transfer to the Bundesbank substantial sums previously held abroad). The reason why the Bundesbank's reserves nevertheless declined was that in December the Federal Government made payments beyond schedule for defence purposes to the United States and the United Kingdom; thus the foreign exchange sales by the banks had against them a heavy foreign exchange demand by the authorities. This time, therefore, the deterioration in the banks'

exchange position was added to a similar process at the Bundesbank; altogether the net monetary reserves dropped by nearly DM 1.3 billion in December and by DM 1.1 billion in the whole fourth quarter of 1962. Even the usual January replenishment of the banks' foreign assets did not fully make good this decline. In fact, at an estimated DM 900 million in that month the combined improvement in the foreign positions of the Bundesbank and the other banks fell short by about DM 200 million of the deterioration in the fourth quarter of 1962. This was undoubtedly due to the accumulation of defence payments in December; but when it is borne in mind that the normal rate of such payments also greatly rose last year, and that a considerable build-up of external reserves in January is a regular occurrence, it becomes clear that the last few months' exchange losses also reflect the deficit in the basic balance of payments,



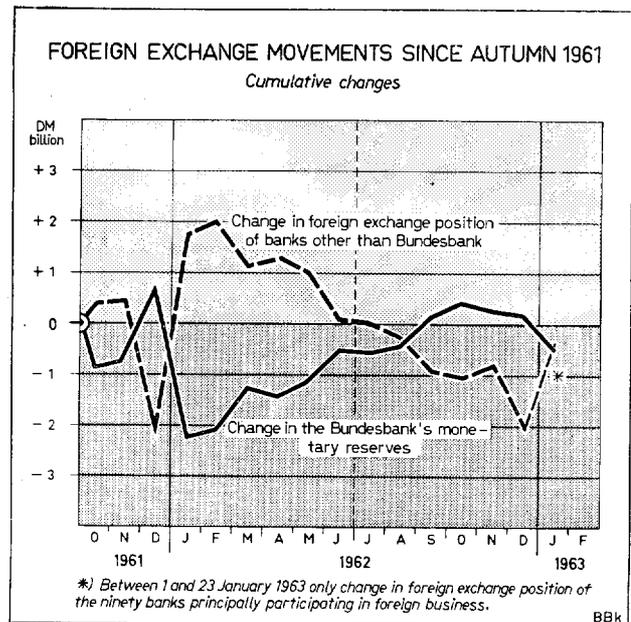
as described in the subsequent special study dealing with the provisional balance-of-payments statistics for 1962.

Details of the balance of payments for the last quarter of 1962 will be found in the following table.

Changes on Current Account

In the fourth quarter of 1962 the current items again showed a deficit. At not quite DM 400 million this was somewhat smaller than that for the previous quarter, which had amounted to more than half a billion DM owing to the heavy spending on

travel. It is however characteristic of the longer-term tendency to deterioration that, for the first time since 1950, the current items did show a deficit at that season. In the fourth quarter of 1961 they had still yielded a surplus of about DM 100 million, against



DM 1.5 billion in the fourth quarter of 1960 and DM 1.6 billion in the corresponding period of 1959.

One reason for the deficit lay in *foreign trade*. It is true that, as is shown in the chapter on Economic Conditions, exports rose in the fourth quarter of 1962 (at DM 14.1 billion in that period they were DM 1.1 billion above the previous quarter's level, and were greater than in the fourth quarter of 1961 by DM 800 million or 6.0 per cent); but imports rose to approximately the same extent, or even a little more. They amounted in the fourth quarter of 1962 to DM 13.2 billion, so that like exports they were greater by DM 1.1 billion than in the previous quarter. They were actually 9.2 per cent above their level in the last quarter of 1961, when large food imports had raised them to the high level of over DM 12 billion; accordingly they have grown more vigorously than exports. Increased armament imports were an important factor in that connection; they outweighed the decrease of food imports which followed the good 1962 harvest and the large precautionary purchases that had been effected, in the first half of the year, in view of the prospective coming into force of the EEC agricultural arrangements. At about DM 950 million, therefore, the trade surplus remained at the previous quarter's level, whereas in earlier years it had usually reached its annual peak in the fourth quarter. In comparison with the fourth quarter of 1961 the export surplus was smaller by about DM 320 million, and in

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

Period	I. Net movement of gold and exchange	II. Balance of total transactions (goods and services, transfer payments and capital movements)												III. Residual item of the balance of payments (I less II)	
		Net-balance of current items						Net capital transactions (outflow: —; inflow: +)							
		Total	Net transactions in goods and services			Net transfer payments (outflow: —)	Net total of capital transactions	Net long-term capital transactions			Net short-term capital transactions				Net balance of total transactions
			Total	Balance of trade	Net services			Total	Private	Official	Total	Private	Official		
1960	+8,007	+4,545	+7,423	+5,223	+2,200	-2,878	+1,698	-257	+982	-1,239	+1,955	+2,909	-954	+6,243	+1,764
1961	-1,928	+2,998	+6,481	+6,615	-134	-3,483	-5,160	-4,233	+887	-5,120	-927	+339	-1,266	-2,162	+234
1962 P)	-552	-1,291	+2,486	+3,476	-990	-3,777	+446	+17	+1,077	-1,060	+429	+276	+153	-845	+293
1961 1st qtr.	+1,212	+1,881	+2,522	+1,919	+603	-641	-1,106	+574	+821	-247	-1,680	-1,454	-226	+775	+437
2nd qtr.	-1,892	+867	+1,724	+1,708	+16	-857	-3,761	-3,351	+145	-3,496	+410	-98	-312	-2,894	+1,002
3rd qtr.	-1,995	+156	+1,129	+1,720	-591	-973	-1,545	-535	-99	-436	-1,010	-5	-1,005	-1,389	-606
4th qtr.	+747	+94	+1,106	+1,268	-162	-1,012	+1,252	-921	+20	-941	+2,173	+1,896	+277	+1,346	-599
1962 1st qtr.	-2,055	-174	+770	+617	+153	-944	-3,023	+84	+281	-197	-3,107	-2,966	-141	-3,197	+1,142
2nd qtr.	+767	-223	+787	+938	-151	-1,010	+620	+185	+69	-224	+775	+1,000	-225	+397	+370
3rd qtr.	+733	+510	+210	+968	-758	-720	+1,603	+90	+378	-288	+1,513	+1,292	+221	+1,093	-360
4th qtr. ¹⁾	+3	-384	+719	+953	-234	-1,103	+1,246	-2	+349	-351	+1,248	+950	+298	+862	-859
Jan.	-3,010	-222	+64	+33	+31	-286	-3,780	+163	+175	-12	-3,943	-3,809	-134	-4,002	+992
Feb.	+167	+220	+110	+9	+21	-270	-79	-185	+34	-151	+106	-96	+202	+239	+406
March	+788	+208	+596	+575	+21	-388	+836	+106	+140	-34	+730	+939	-209	+1,044	-256
April	-147	-59	+436	+480	-44	-495	-301	-97	+29	-126	-204	-199	-5	-360	+213
May	+308	+24	+295	+303	-8	-271	+349	-14	+125	-139	+363	+236	+127	+373	-65
June	+606	-188	+56	+155	-99	-244	+572	-44	-85	+41	+616	+963	-347	+384	+222
July	-45	-463	-206	+280	-486	-257	+407	-86	+169	-255	+493	+202	+291	-56	+11
Aug.	+130	-223	+24	+217	-193	-247	+407	+144	+155	-11	+263	+372	-109	+184	-54
Sep.	+648	+176	+392	+471	-79	-216	+789	+32	+54	-22	+737	+718	+39	+965	-317
Oct.	+274	-44	+222	+446	-224	-266	+292	+3	+110	-107	+289	+97	+192	+248	+26
Nov.	-164	-46	+207	+147	+60	-253	+83	+25	+103	-78	+58	-268	+326	+37	-201
Dec. ^{P)}	-107	-294	+290	+360	-70	-584	+871	-30	+136	-166	+901	+1,121	-220	+577	-684

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

comparison with the last quarter of 1960 by more than DM 870 million.

The net position on *services* improved in the fourth quarter, if only for seasonal reasons; but it remained in deficit, by about DM 230 million according to first calculations, as against DM 760 million in the previous quarter and DM 160 million in the fourth quarter of 1961. This is the more remarkable since not only did the travel deficit drop from DM 1.2 billion in the third quarter to about DM 400 million in the fourth, in accordance with the seasonal trend, but in addition the receipts from foreign troops at the same time reached the exceptionally high level of DM 1,225 million in the last months of 1962, against an average of DM 1,030 million for the previous three quarters. On the other hand an adverse effect was produced, during the last months, chiefly by the large investment income payments to foreign countries. As a result of the interest credited at the end of the year to non-residents' accounts kept at German banks, and also of large dividends paid by German enterprises to foreign investors, the income payments to foreigners rose in the fourth quarter to nearly DM 800 million. After offsetting the

corresponding receipts the overall investment income account accordingly showed a deficit of DM 580 million, against DM 245 million in the previous quarter and DM 470 million in the last three months of 1961. The remittances to their home countries by foreign workers employed in the Federal Republic would also seem to have been much greater in recent months than in the corresponding period a year before, although the upward trend of this load-factor normally produces its chief effect in the summer months, since many of the foreigners are seasonal workers.

On *transfer payments**) the deficit rose in the fourth quarter of 1962; at DM 1.1 billion it was higher than in any previous quarter. The increase by comparison with the quarter before, when it had amounted to DM 720 million, was mainly due to the providing of DM 308 million for the European Economic Community's Development Fund. At about DM 520 million the expenditure on indemnification was also greater than in the previous quarter; but it fell short again of the DM 600 million reached in the corresponding quarter a year earlier.

*) In accordance with IMF terminology, unilateral transfers are termed "transfer payments".

Foreign Trade and Payments
millions of DM

Items	1961				1962						
	4th qtr.	Oct.	Nov.	Dec.	1st qtr.	2nd qtr.	3rd. qtr.	4th qtr. ^{*)}	Oct.	Nov.	Dec. ^{*)}
Foreign Trade											
Monthly averages or figures											
All countries ¹⁾											
Exports (f.o.b.)	4,442	4,356	4,241	4,729	4,216	4,402	4,333	4,708	4,729	4,591	4,803
Imports (c.i.f.)	4,019	3,999	3,833	4,226	4,010	4,089	4,010	4,390	4,283	4,444	4,443
Balance	+ 423	+ 357	+ 408	+ 503	+ 206	+ 313	+ 323	+ 318	+ 446	+ 147	+ 360
Groups of countries ²⁾											
E.M.A. countries:											
Exports	3,220	3,192	3,048	3,421	3,162	3,272	3,245	3,517	3,574	3,434	3,541
Imports	2,776	2,829	2,643	2,855	2,796	2,796	2,779	3,074	3,126	3,075	3,020
Balance	+ 444	+ 363	+ 405	+ 566	+ 366	+ 476	+ 466	+ 443	+ 448	+ 359	+ 521
United States of America and Canada:											
Exports	372	370	363	381	324	384	369	414	464	388	389
Imports	728	682	712	791	715	747	713	775	607	841	876
Balance	- 356	- 312	- 349	- 410	- 391	- 363	- 344	- 361	- 143	- 453	- 487
Eastern Bloc countries:											
Exports	157	133	151	187	132	140	133	197	118	183	291
Imports	160	143	143	193	147	150	151	167	169	164	169
Balance	- 3	- 10	+ 8	- 6	- 15	- 10	- 18	+ 30	- 51	+ 19	+ 122
Other countries:											
Exports	680	648	666	726	586	594	572	563	556	570	564
Imports	346	337	328	374	343	389	360	368	375	358	373
Balance	+ 334	+ 311	+ 338	+ 352	+ 243	+ 205	+ 212	+ 195	+ 181	+ 212	+ 191
Terms of trade											
1954 = 100											
Average values of export unit	104.2	103.8	103.9	104.9	104.1	104.2	104.3	104.1	104.7	103.5	104.0
Average values of import unit	88.4	88.1	88.0	89.0	87.1	87.9	86.7	87.5	85.4	88.5	88.5
Terms of trade ³⁾	118.0	117.9	118.1	117.9	119.5	118.5	120.2	119.0	122.7	116.9	117.5
Monetary Reserves of the Deutsche Bundesbank ⁴⁾											
Position at end of period indicated											
Gold holdings and freely usable foreign assets											
Total	26,166	24,793	24,681	26,166	24,354	24,932	25,891	25,786	26,217	25,898	25,786
of which:											
Gold holdings	14,654	14,591	14,591	14,654	14,665	14,667	14,673	14,716	14,674	14,676	14,716
Freely usable foreign assets	11,512	10,202	10,090	11,512	9,689	10,265	11,218	11,070	11,543	11,222	11,070
Foreign assets at fixed term or of only limited usability											
Total	2,452	2,476	2,472	2,452	2,437	2,422	2,318	2,299	2,317	2,314	2,299
of which:											
Bilateral claims from former credits to E.P.U.	1,039	1,053	1,050	1,039	1,026	1,013	913	897	912	909	897
I.B.R.D. debt certificates ⁵⁾	1,352	1,352	1,352	1,352	1,352	1,352	1,352	1,352	1,352	1,352	1,352
Consolidation loans to foreign Central Banks	61	70	70	61	59	57	53	50	53	53	50
Foreign liabilities											
Total	337	604	396	337	565	361	483	356	534	376	356
Balance of Payments											
Monthly averages or monthly figures											
I. Net movement of gold and exchange ⁶⁾ (surplus: +)	+ 249	- 869	+ 92	+ 1,524	- 685	+ 256	+ 244	+ 1	+ 274	- 164	- 107
II. Net balance of total transactions	+ 449	- 781	+ 28	+ 2,099	- 1,066	+ 132	+ 364	+ 287	+ 248	+ 37	+ 577
(1) Current items	+ 31	+ 147	+ 219	- 272	- 58	- 74	- 170	- 128	- 44	- 46	- 294
of which: Goods and services	+ 369	+ 399	+ 521	+ 186	+ 257	+ 262	+ 70	+ 239	+ 222	+ 207	+ 290
Transfer payments (outflow: -)	- 338	- 252	- 302	- 458	- 315	- 336	- 240	- 367	- 266	- 253	- 584
(2) Capital transactions (outflow: -)	+ 418	- 928	- 191	+ 2,371	- 1,008	+ 206	+ 534	+ 415	+ 292	+ 83	+ 871
of which: at long term	- 307	- 342	- 341	- 238	+ 28	- 52	+ 30	- 1	+ 3	+ 25	- 30
at short term	+ 725	- 586	+ 150	+ 2,609	- 1,036	+ 258	+ 504	+ 416	+ 289	+ 58	+ 901
III. Net errors and omissions ⁷⁾ (I less II)	- 200	- 88	+ 64	- 575	+ 381	+ 124	- 120	- 286	+ 26	- 201	- 684

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⁾ 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. — ²⁾ Including imports and exports of ships' fuel and other supplies, etc., which are not classified by countries. — ³⁾ Imports according to selling countries; exports according to buying countries. — ⁴⁾ Average values of export unit in per cent of average values of import unit. — ⁵⁾ 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. — ⁶⁾ Change in the Deutsche Bundesbank's monetary reserves. — ⁷⁾ Mainly due to changes in terms of payment. — ^{*)} Partly provisional figures.

Foreign Exchange Position of Banks other than Bundesbank¹⁾

Millions of DM

Items	Position at end of year or quarter					Change during period under report ²⁾							
	1961	1962				1962							1963 ⁴⁾
		1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	Oct.	Nov.	Dec.	1 to 23 January
(1) Short-term foreign assets													
Particularly liquid foreign assets													
Credit balances with foreign banks	1,557	4,032	2,998	2,489	1,802	+2,453	-1,034	- 509	- 687	+ 283	+ 13	- 983	+ 784
of which: Deposits payable on demand	(651)	(811)	(668)	(664)	(1,022)	(+ 138)	(- 143)	(- 4)	(+ 358)	(+ 24)	(+ 21)	(+ 313)	(- 224)
Time deposits	(906)	(3,221)	(2,330)	(1,825)	(780)	(+2,315)	(- 891)	(- 505)	(-1,045)	(+ 259)	(- 8)	(-1,296)	(+1,008)
Money-market paper (except investments of Reconstruction Loan Corporation)	578	525	502	391	353	- 53	- 17	- 111	- 38	- 65	+ 10	+ 17	- 2
Particularly liquid foreign assets (money exports), total	2,135	4,557	3,500	2,880	2,155	+2,400	-1,051	- 620	- 725	+ 218	+ 23	- 966	+ 782
Investments of Reconstruction Loan Corporation ⁵⁾	643	627	610	398	371	- 16	- 17	- 212	- 27	- 12	- 8	- 7	- 12
Short-term credit	1,148	1,382	1,425	1,407	1,569	+ 256	+ 43	- 18	+ 162	+ 31	+ 136	- 5	+ 154
Short-term foreign assets, total	3,926	6,566	5,535	4,685	4,095	+2,640	-1,025	- 850	- 590	+ 237	+ 151	- 978	+ 924
(2) Short-term foreign liabilities													
Foreigners' deposits	3,985	3,580	3,682	3,600	3,932	- 383	+ 102	- 82	+ 332	+ 119	+ 38	+ 175	- 330
of which: Banks	(2,044)	(1,753)	(1,718)	(1,632)	(1,723)	(- 269)	(- 35)	(- 86)	(+ 91)	(+ 166)	(+ 25)	(- 100)	(- 22)
Non-banks	(1,941)	(1,827)	(1,964)	(1,968)	(2,209)	(- 114)	(+ 137)	(+ 4)	(+ 241)	(- 47)	(+ 13)	(+ 275)	(- 308)
Short-term credit	2,203	1,886	1,886	2,102	2,284	- 339	+ 0	+ 216	+ 182	+ 232	- 78	+ 28	- 368
Short-term foreign liabilities, total	6,188	5,466	5,568	5,702	6,216	- 722	+ 102	+ 134	+ 514	+ 351	- 40	+ 203	- 698
(3) Balance of short-term foreign assets and liabilities (net foreign exchange position)	-2,262	+1,100	- 33	-1,017	-2,121	+3,362	-1,127	- 984	-1,104	- 114	+ 191	-1,181	+1,622

¹⁾ See the footnotes to 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⁾ After elimination of statistical changes. — ⁴⁾ Only change in foreign exchange position of the ninety weekly reporting credit institutions which, at the end of December 1962, accounted for 97 per cent of the foreign assets and 93 per cent of the foreign liabilities of all banks. — ⁵⁾ Investment of funds deriving from the German industry's development aid loan in U.S. Treasury bills out of the Bundesbank's holdings.

Principal Results on Capital Account

During recent months, as usual in this season, the balance of capital transactions was subject to very wide fluctuations owing to the considerable movements in the banks' exchange position due to the strain on liquidity in December, to window-dressing at the end of the year and to the fact that substantial bank resources became free again after the year ended. Some account of these movements has been given in the chapter on Money and Credit, as well as in the initial section of this chapter. The outflows of funds which resulted in January from the banks' actions were greater than the corresponding inflows in December; they also exceeded the afflux in the whole fourth quarter of 1961. In other words the recent movement of short-term bank monies was again characterised by "money exports". These however would seem in the main to be something temporary, due to the extremely large seasonal increase of bank liquidity in January. In fact, the basic factors determining such money movements

do not point, in the longer run, to any renewed rise of money exports. Thus, after the "January effect", bank liquidity will hardly tend to rise further; money rates abroad — apart from the United States — are in general likely to fall rather than rise; and the Bundesbank's policy continues to be in the direction of no longer promoting the accumulation of liquidity reserves abroad, regarding which it may be assumed that in the event of a strain on domestic liquidity they would be promptly brought home.

Another striking factor among the last few months' short-term capital movements is the great increase of advance payments for armament imports¹⁾. In December half a billion DM was transferred for such purposes. Here however it must be borne in mind that in the preceding months the total amount of unused advance payments had declined because there were very large actual armament imports, while fresh advance payments were relatively small. In part the December

¹⁾ The advance payments, which are included in the capital account, are computed as difference between total payments for defence material and actual imports.

payments therefore only offset the movement in the preceding months. Apart from that they would seem to be due to the planned increase of imports for defence purposes, since on the giving of orders a certain payment on account normally has to be made.

According to the information collected by us the taking of direct short-term foreign credit by German business enterprises did not continue in the last quarter of 1962. The returns rendered to us show that the total amount of such credit actually dropped by about DM 160 million between the end of October and the end of December, whereas in the first three quarters it had risen — with fluctuations — by about half a billion DM. In 1961, too, there was a decrease in the fourth quarter, unlike the first three. This may in part have been a seasonal movement due to window-dressing.

In the sphere of long-term capital movements the chief point worth mentioning is that the inflow of foreign capital through security purchases has continued, and even somewhat increased. Further details regard-

ing this are contained in the table below. It shows that foreigners' net purchases of German securities (shares and fixed-interest) in the fourth quarter of 1962 were greater by DM 478 million than German investors' buying of foreign securities. In comparison with the previous quarter this meant an increase by over DM 140 million, and with the fourth quarter of 1961 by DM 280 million. The rise in the fourth quarter was due to the taking of shares in two German subsidiaries by their foreign parent companies. Even so, at about DM 360 million the remaining net security purchases by foreigners were relatively great for one quarter, although they did not nearly equal the substantial amounts recorded in 1960 and at the beginning of 1961. Nevertheless the balance of long-term capital transactions was on the whole largely in equilibrium in the fourth quarter, since the inflows in the private sector had against them approximately equal capital exports in the public sphere, mainly as the result of development assistance loans.

Private Security Transactions with Foreign Countries
Millions of DM

Items ¹⁾	1961	1962	1961				1962				Oct.	Nov.	Dec.
			1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr. ²⁾			
A. Transactions in Foreign Securities													
(1) Foreign securities purchased by residents	1,205	1,387	324	323	240	318	576	408	199	204	54	91	59
of which: (a) Dividend-bearing	(1,067)	(1,129)	(295)	(290)	(187)	(295)	(433)	(355)	(165)	(176)	(42)	(83)	(51)
(b) Fixed-interest-bearing	(138)	(258)	(29)	(33)	(53)	(23)	(143)	(53)	(34)	(28)	(12)	(8)	(8)
(2) Foreign securities sold by residents	1,006	812	321	213	191	281	236	240	175	161	59	48	54
of which: (a) Dividend-bearing	(867)	(669)	(253)	(188)	(165)	(261)	(204)	(190)	(141)	(134)	(47)	(40)	(47)
(b) Fixed-interest-bearing	(139)	(143)	(68)	(25)	(26)	(20)	(32)	(50)	(34)	(27)	(12)	(8)	(7)
Net purchases (—) or sales (+) of foreign securities by residents	— 199	— 575	— 3	—110	— 49	— 37	—340	—168	— 24	— 43	+ 5	— 43	— 5
of which: (a) Dividend-bearing	(— 200)	(— 460)	(— 42)	(—102)	(— 22)	(— 34)	(—229)	(—165)	(— 24)	(— 42)	(+ 5)	(— 43)	(— 4)
(b) Fixed-interest-bearing	(+ 1)	(— 115)	(+ 39)	(— 8)	(— 27)	(— 3)	(—111)	(— 3)	(+ 0)	(— 1)	(— 0)	(— 0)	(— 1)
B. Transactions in Domestic Securities²⁾													
(1) Domestic securities purchased by foreigners	4,408	3,432	1,232	1,367	921	888	1,013	740	738	941	455	248	238
of which: (a) Dividend-bearing	(2,697)	(1,840)	(562)	(861)	(619)	(655)	(624)	(409)	(313)	(494)	(276)	(126)	(92)
(b) Fixed-interest-bearing	(1,711)	(1,592)	(670)	(506)	(302)	(233)	(389)	(331)	(425)	(447)	(179)	(122)	(146)
(2) Domestic securities sold by foreigners	2,762	1,832	466	788	858	650	490	542	380	420	174	132	114
of which: (a) Dividend-bearing	(1,354)	(967)	(228)	(457)	(343)	(326)	(247)	(338)	(175)	(207)	(72)	(73)	(62)
(b) Fixed-interest-bearing	(1,408)	(865)	(238)	(331)	(515)	(324)	(243)	(204)	(205)	(213)	(102)	(59)	(52)
Net purchases (+) or sales (—) of domestic securities by foreigners	+1,646	+1,600	+766	+579	+ 63	+238	+523	+198	+358	+521	+281	+116	+124
of which: (a) Dividend-bearing	(+1,343)	(+ 873)	(+334)	(+404)	(+276)	(+329)	(+377)	(+ 71)	(+138)	(+287)	(+204)	(+ 53)	(+ 30)
(b) Fixed-interest-bearing	(+ 303)	(+ 727)	(+432)	(+175)	(—213)	(— 91)	(+146)	(+127)	(+220)	(+234)	(+ 77)	(+ 63)	(+ 94)
C. Net Balance (A + B)													
of which: (a) Dividend-bearing	+1,447	+1,025	+763	+469	+ 14	+201	+183	+ 30	+334	+478	+286	+ 73	+119
(b) Fixed-interest-bearing	(+1,143)	(+ 413)	(+292)	(+302)	(+254)	(+295)	(+148)	(— 94)	(+114)	(+245)	(+209)	(+ 10)	(+ 26)
	(+ 304)	(+ 612)	(+471)	(+167)	(—240)	(— 94)	(+ 35)	(+124)	(+220)	(+233)	(+ 77)	(+ 63)	(+ 93)

¹⁾ Dividend-bearing securities including investment fund certificates. — ²⁾ Deviations from the data on transactions in domestic dividend-bearing paper as given on page 17 are due to statistical reasons. — ³⁾ Including German external bonds.

Provisional Survey of the Balance of Payments for 1962

The following article gives a first survey of the balance of payments for the year 1962. Some of the data are still based on provisional calculations; this applies in particular to services. It will be possible only at a later date to publish more fully classified surveys based on more accurate statistics.

Overall Trends

The balance of payments of the Federal Republic of Germany (including West Berlin) remained in deficit during 1962. Measured by the net movement of the central monetary reserves, that is the Bundesbank's gold and exchange holding, the deficit for that year amounted to DM 552 million against DM 1,928 million in 1961, while there had been a surplus of DM 8,007 million in 1960. Just as in previous years however, although not nearly so much as then, the change was influenced by special transactions and by variations in net short-term capital movements, especially by alterations in the banks' foreign exchange position. In 1962 the special transactions showed a surplus of DM 480 million, and short-term capital movements a

deficit of about DM 50 million. In 1961 on the other hand the special transactions had stood on the outgoing side of the capital account at over DM 5.3 billion (the premature repayment of debts in respect of post-war economic aid having been the governing factor), while short-term capital movements had yielded a surplus of DM 395 million. Whereas therefore in 1961 special transactions and short-term capital movements together had greatly impaired the balance of payments, in 1962 they produced an improvement. If these largely temporary influences are eliminated, the concept of the basic balance (which has been coming increasingly to the fore during recent years) thus being accepted, the picture presented by the balance of payments becomes completely different. According to this concept, which better reflects the longer-term tendencies, the 1962 balance of payments was in fact adverse to the extent of nearly DM 1.3 billion, while on the same classification there had been surpluses of DM 2.8 and 4.4 billion for 1961 and 1960.

Thus for the first time since 1950 the Federal Republic's balance of payments in 1962 was in deficit as the result not only of special payments and of outgoings on short-term capital transactions, but of more deep-seated movements. As the accompanying table shows, the relatively large deficit on current items was the deciding factor. In concrete terms: *The surplus on trade so greatly declined that it no longer sufficed to cover the deficit — much increased in comparison with previous years — on services and on transfer payments (i. e. transactions without quid pro quo); on the contrary it fell short of that deficit by nearly DM 1.3 billion.*

Since current capital transactions were almost balanced in both the long-term and the short-term category, it was due solely to certain special receipts — namely repayment of credits granted in earlier years through the International Monetary Fund — and to accruals the origin of which cannot be statistically ascertained that, on the other hand, the Bundesbank's gold and exchange holdings declined by only a little over half a billion DM.

Summary of the Balance-of-Payments Results*)

Millions of DM

Items	1958	1959	1960	1961	1962
A. Basic balance					
I. Balance of current items					
(1) Balance of trade	+4,954	+5,361	+5,223	+6,615	+3,476
(2) Services	+2,880	+1,625	+2,200	- 134	- 990
(3) Transfer payments	-1,854	-2,902	-2,878	-3,483	-3,777
Net balance on current account	+5,980	+4,084	+4,545	+2,998	-1,291
II. Long-term capital transactions (except special transactions)	-1,568	-2,623	- 157	- 228	+ 17
Net basic balance (I + II)	+4,412	+1,461	+4,388	+2,770	-1,274
B. Special capital transactions	- 271	-1,432	- 269	-5,327	+ 480
C. Short-term capital transactions (except special transactions)	- 553	-2,193	+2,124	+ 395	- 51
Net balance of total transactions (A+B+C)	+3,588	-2,164	+6,243	-2,162	- 845
D. Unidentified difference between movement of gold and exchange and balance of total transactions	- 400	- 40	+1,764	+ 234	+ 293
E. Movement of gold and exchange (change in net monetary reserves of Deutsche Bundesbank)	+3,188	-2,204	+8,007	-1,928	- 552

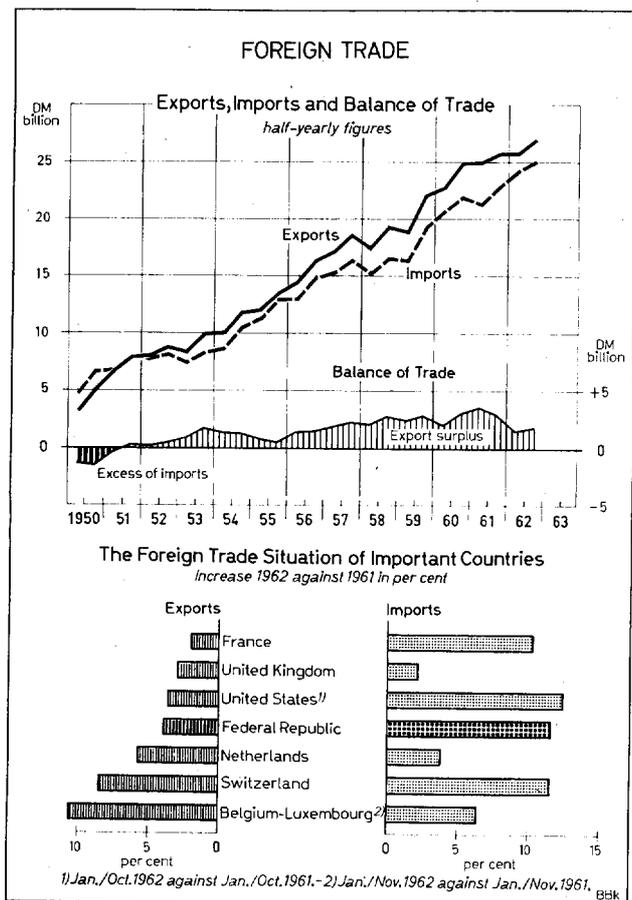
*) For further breakdown and explanations see survey on page 50.

Individual Current Items

Foreign Trade

In 1962 the chief feature of foreign trade was the fact that — unlike 1961 — imports increased appreciably more than exports, so that the *export surplus* dropped to DM 3.5 billion as against DM 6.6 billion in the preceding year. In the last quarter of 1962 the rise of exports somewhat quickened; but the surplus reached only about the same level as in the second and third quarters, since at the same time imports rose by about as much as exports.

The value of *imports* amounted in 1962 to DM 49.5 billion as against DM 44.4 billion in the previous year. It thus increased by 11.6 per cent, whereas in 1961 it had grown by only 3.8 per cent. Since import prices (which had appreciably fallen immediately after the DM revaluation) continued to decline, although much more slowly, the volume of imports actually rose by almost 14 per cent. Special influences were of some importance in that connection. Among these the first to mention is a purely statistical factor. As a result of amendments to Customs law certain goods worth DM 465 million, which at the end of 1961 had been in the temporary import stores that have since been abolished, were included in the first half-year's import figures.



Imports by Categories of Goods

Period	Total ¹⁾	Food	Industrial raw materials	Semi-finished goods	Finished goods
Millions of DM					
1960	42,723	11,246	9,269	8,061	13,746
1961	44,363	11,677	9,095	7,542	15,550
1962	49,499	13,681	8,822	7,862	18,691
1962 1st qtr.	12,030	3,458	2,247	1,945	4,290
2nd qtr.	12,267	3,691	2,223	1,815	4,428
3rd qtr.	12,032	3,014	2,212	2,066	4,633
4th qtr.	13,170	3,518	2,140	2,036	5,340
Change ²⁾ in per cent					
1960	+19.3	+ 4.8	+19.6	+34.9	+24.6
1961	+ 3.8	+ 3.8	- 1.9	- 6.4	+13.1
1962	+11.6	+17.2	- 3.0	+ 4.2	+20.2
1962 1st qtr.	+16.5	+38.6	- 4.2	+ 0.0	+24.1
2nd qtr.	+10.4	+33.7	- 6.0	- 5.5	+11.8
3rd qtr.	+10.8	+ 8.9	- 0.3	+11.0	+19.0
4th qtr.	+ 9.2	- 3.7	- 1.2	+12.2	+26.0

¹⁾ Including returns and replacements. — ²⁾ As compared with corresponding period of preceding year.

A further fact contributing to increase imports was that defence materials were imported on a far greater scale than in 1961. But even after elimination of both these special influences there remains, for 1962, an increase of imports by 9 per cent in comparison with the previous year. A factor of material significance here was the exceptionally large rise in food imports; at DM 13.7 billion these were above the level of a year earlier by some 17 per cent. In great part the rise was due to the fact that, under the influence of the relatively poor 1961 harvest and the resulting price rises, considerably more foodstuffs were imported in the first half of 1962 than in the comparable period of 1961. In view of the rise expected in import prices on the coming into force of the EEC agricultural market regulations, moreover, a good deal of precautionary buying took place in the first half of the year. Imports of industrial raw materials however, which already in 1961 had not quite reached their level of the previous year, were again down in 1962. At DM 8.8 billion they were smaller by 3 per cent than in 1961, although this represented not a drop in quantity but a result of the persistent fall in raw material prices that stopped only in the autumn. On the other hand the imports of semi-finished goods, which had likewise decreased in 1961, were in 1962 above the previous year's level. Altogether, therefore, the imports of industrial raw materials and semi-finished goods in 1962 were roughly as great as in the preceding year. At DM 18.7 billion in 1962, against DM 15.5 billion in the previous year and DM 13.7 billion in 1960, finished goods imports again showed the largest rise. The chief reason may

have been the continuing expansion of mass incomes, together with the improvement in foreign suppliers' competitive power due to the DM revaluation and the rise of internal German costs. No doubt the tariff reductions effected as per 1 January and 1 July 1962 on trade with EEC member countries were also a factor. Among the imports of finished goods those of consumer goods showed especially marked growth. But the rise of armament imports was also of material importance, these having been almost 60 per cent greater in 1962 than in 1961.

Exports rose last year to DM 53.0 billion against DM 51.0 billion in 1961. Thus they increased by only 3.9 per cent, whereas since 1950 (with only a single exception in 1958) the annual rates of growth had been regularly greater. In this connection two factors were especially important. One was the fact, already mentioned in connection with imports, that the Federal

Exports by Groups of Industry

Period	Total ¹⁾	Capital goods industries			Basic industries	Consumer goods industries
		Total	among which:			
			Mechanical engineering	Vehicle building		
Millions of DM						
1960	47,946	25,277	9,065	6,327	14,122	6,596
1961	50,978	27,606	10,985	6,529	14,491	6,826
1962	52,975	29,177	11,777	7,096	14,221	7,399
1962 1st qtr.	12,647	6,790	2,784	1,626	3,577	1,774
2nd qtr.	13,205	7,291	2,965	1,861	3,573	1,771
3rd qtr.	13,000	7,074	2,955	1,627	3,521	1,878
4th qtr.	14,123	8,022	3,073	1,982	3,550	1,976
Change ²⁾ in per cent						
1960	+16.4	+15.0	+17.9	+13.4	+19.4	+15.1
1961	+ 6.3	+ 9.2	+21.2	+ 3.2	+ 2.6	+ 3.5
1962	+ 3.9	+ 5.7	+ 7.2	+ 8.7	- 1.9	+ 8.4
1962 1st qtr.	+ 3.2	+ 4.3	+12.7	+ 1.6	- 1.3	+ 8.0
2nd qtr.	+ 3.0	+ 4.6	+ 8.2	+ 4.7	- 0.7	+ 4.9
3rd qtr.	+ 3.3	+ 4.2	+ 5.7	+ 6.5	- 1.6	+ 9.9
4th qtr.	+ 6.0	+ 9.4	+ 3.2	+22.0	- 3.7	+10.6

¹⁾ Including returns, replacements and other exports. — ²⁾ As compared with corresponding period of preceding year.

Republic's international competitive position has somewhat weakened; the other was the fact that, owing to their internal cyclical trends or to the state of their balance of payments, some important purchasing countries' absorptive power remained stationary or at all events no longer grew so fast as before. Details on the movement in exports classified by groups of industry are presented in the above table.

Services

The net position on services again deteriorated considerably in 1962. With receipts at DM 13.9 billion and outgoings at DM 14.9 billion the deficit rose to

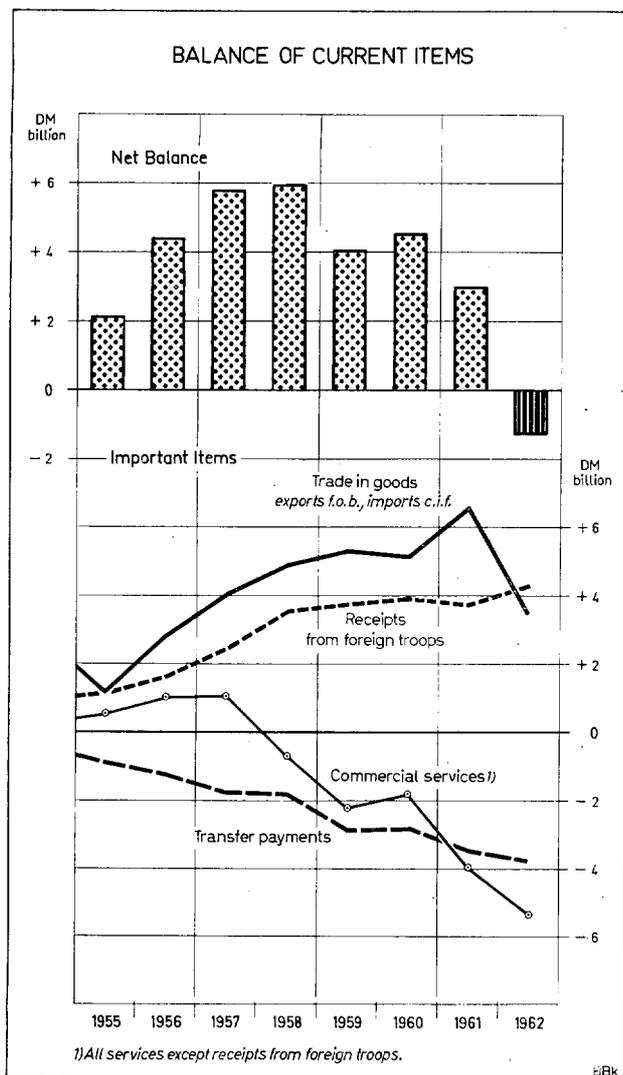
DM 1 billion as against something over DM 130 million in the preceding year. In earlier years on the other hand services had shown surpluses, sometimes considerable; at their record level to date in 1957 these had amounted to DM 3.6 billion.

On any assessment of the services account it should be borne in mind that the receipts from the NATO powers' troops stationed in the Federal Republic are entered among services. Such receipts amounted last year to DM 4.3 billion, being thus greater by half a billion DM than in the year before. To offset the foreign exchange burden which these transactions imposed on the countries with forces stationed in Germany, the German armament imports from those countries were also materially increased in 1962, as already mentioned; between this incoming service item and the decrease of the trade surplus there is thus a certain connection. Apart from the receipts from troops, the remaining mainly "commercial" service transactions with foreign countries yielded a deficit of DM 5.3 billion in 1962, against DM 4.0 billion in the previous year and DM 1.8 billion in 1960.

This trend continued to be primarily due to the growing deficits on travel¹⁾. German tourists' expenditure abroad rose in 1962 by DM 1.1 billion, or by almost one-third, to DM 4.6 billion. Since the receipts from foreign tourists rose by only about DM 150 million in the same period, to DM 2.2 billion, the deficit grew to DM 2.4 billion as against DM 1.5 billion in the year before and roughly DM 800 million in 1960.

The deficit on investment income also increased. With DM 0.9 billion coming in and DM 2.3 billion going out this deficit reached nearly DM 1.4 billion in 1962, against DM 1.25 billion in the preceding year and DM 820 million in 1960. Of the receipts approximately one-half represented interest received by the Bundesbank, showing that the Federal Republic's foreign assets still consist largely of the Central Bank's exchange holdings. Among the outgoings the income received by foreigners on their investments in German industry take first place. In part however these profits were not transferred but reinvested, which gave rise to correspondingly greater capital imports; the reinvestment mostly took place through the taking of shares in the profit-distributing enterprise, or through the acquiring of participations. Interest payments under the London Debt Agreements, which for a long time had determined the course of net investment income, were of only subordinate importance in 1962 because

¹⁾ As to this see also the article on Foreign Travel in the Monthly Report of the Deutsche Bundesbank, Vol. 14, No. 12, December 1962, page 3 and following pages.



such debts had been largely repaid (see the table on page 54).

Another factor contributing to the larger deficit on services was the further considerable increase in the transfer of *wages and salaries* to foreign countries. In 1962, according to our calculations, such payments including social insurance and retirement pensions amounted to about DM 1.6 billion against DM 1.3 billion in the previous year and DM 870 million in 1960. The main reason for this rise lay in remittances by foreign workers employed in the Federal Republic, whose number had risen by the end of September 1962 to more than 710,000 as against 545,000 at the corresponding date in 1961. According to data provisionally ascertained by us the transfers by such persons in 1962 amounted to DM 700 million (in 1961 DM 540 million). In addition remuneration for other wage or salary-earning work amounted to DM 250 million (in 1961 DM 220 million), that for self-employed activity to DM 350 million (against DM 300 million), and

transfers of social insurance and retirement pensions to DM 300 million (against DM 260 million).

Among the remaining service expenditure items the amounts spent by German firms on licences and patents (including film business) as well as on commissions, publicity and trade fair expenses rose to upwards of DM 2.2 billion against DM 2.1 billion in the previous year. On use of foreigners' services for building and assembly work DM 450 million was spent as against DM 350 million in 1961.

Altogether in 1962 the above-mentioned commercial service items yielded a deficit of DM 8 billion. As against this the only considerable incoming item was the surplus on *transport*. According to the provisional evidence this amounted, just as in the previous year, to DM 2.6 billion. Here it must be borne in mind that the expenditure on transport of imported goods is already contained in the trade balance, since goods imports are entered there at c.i.f. value.

Transfer Payments

The deficit on (unrequited) transfer payments rose further in 1962. It amounted to roughly DM 3.8 billion, against DM 3.5 billion in the year before and DM 2.9 billion in 1960. Contrary to the position in earlier years, however, the increase in the deficit was due not to indemnification but to larger payments under other heads. At DM 2,455 million in 1962 the amount spent on indemnification was below the previous year's level by DM 60 million. The decrease was due to a decline in payments under indemnification agreements concluded within the framework of "comprehensive arrangements" with various European countries and with the Refugee Commissioner of the United Nations¹⁾. For this purpose just on DM 230 million was paid in 1962 (including DM 133 million to France) against about DM 300 million in the previous year and DM 74 million in 1960. At DM 250 million the deliveries under the indemnification agreement concluded with Israel in 1952, and providing for payment of altogether DM 3,450 million, corresponded to the contractually agreed amount. Out of the Federal Republic's total obligations under this agreement, therefore, DM 2,650 million or 77 per cent had been cleared off by the end of 1962; the rest will be paid by 1965. Payments to victims of National Socialist

¹⁾ The total payment obligations under the agreements concluded by the end of 1962, some of which have however not yet been ratified, amount to about DM 1.5 billion. Of this total DM 1 billion represents indemnification, on which DM 600 million has so far been paid. The remaining obligations (about DM 500 million) regulate the settlement of claims on social insurance institutions, payments to expelled persons, and the meeting of certain other financial claims arising from the war and post-war periods. Of that amount about DM 140 million had been repaid by the end of 1962.

Important Items of the Balance of Payments
Millions of DM

Items	1956	1957	1958	1959	1960	1961	1962	1961		1962	
								1st hf.	2nd hf.	1st hf.	2nd hf.
A. Basic balance											
I. Balance of current items											
(1) Goods and services											
Balance of trade											
(exports f.o.b., imports c.i.f.)	+2,897	+4,083	+4,954	+5,361	+5,223	+6,615	+3,476	+3,627	+2,988	+1,555	+1,921
Receipts from foreign troops	+1,673	+2,519	+3,598	+3,814	+3,960	+3,824	+4,336	+2,001	+1,823	+2,085	+2,251
Commercial services ¹⁾	+1,029	+1,037	- 718	-2,189	-1,760	-3,958	-5,326	-1,382	-2,576	-2,083	-3,243
Net balance of goods and services	+5,599	+7,639	+7,834	+6,986	+7,423	+6,481	+2,486	+4,246	+2,235	+1,557	+ 929
(2) Transfer payments											
among which:											
Indemnification	(- 924)	(-1,396)	(-1,405)	(-1,592)	(-2,102)	(-2,514)	(-2,455)	(-1,153)	(-1,361)	(-1,459)	(- 996)
Net balance on current account (1+2)	+4,410	+5,809	+5,980	+4,084	+4,545	+2,998	-1,291	+2,748	+ 250	- 397	- 894
II. Long-term capital transactions (except special transactions) ²⁾											
(1) German investments abroad (increase: -)											
Private	- 325	- 675	-1,142	-2,022	-1,435	-1,022	-1,476	- 472	- 550	- 981	- 495
Official	- 263	- 321	- 548	- 954	- 825	-1,024	- 889	- 423	- 601	- 376	- 513
Total	- 588	- 996	-1,690	-2,976	-2,260	-2,046	-2,365	- 895	-1,151	-1,357	-1,008
(2) Foreign investments in the Federal Republic (increase: +)											
Private	+ 455	+ 910	+ 624	+ 870	+2,417	+1,909	+2,553	+1,438	+ 471	+1,331	+1,222
Official	- 426	- 541	- 502	- 517	- 314	- 91	- 171	- 45	- 46	- 45	- 126
Total	+ 29	+ 369	+ 122	+ 353	+2,103	+1,818	+2,382	+1,393	+ 425	+1,286	+1,096
Net long-term capital transactions	- 559	- 627	-1,568	-2,623	- 157	- 228	+ 17	+ 498	- 726	- 71	+ 88
Net basic balance (I+II)	+3,851	+5,182	+4,412	+1,461	+4,388	+2,770	-1,274	+3,246	- 476	- 468	- 806
B. Special capital transactions											
Transactions with the International Monetary Fund ³⁾	-	-	- 271	- 529	- 169	-1,322	+ 480	- 544	- 778	+ 161	+ 319
Prepayment on debts resulting from post-war economic aid	-	-	-	- 903	-	-3,125	-	-3,125	-	-	-
Bundesbank credit to I.B.R.D. ⁴⁾	-	-	-	-	- 100	- 880	-	- 150	- 730	-	-
Total	-	-	- 271	-1,432	- 269	-5,327	+ 480	-3,819	-1,508	+ 161	+ 319
C. Short-term capital transactions (except special transactions) ⁵⁾											
Private: Changes in foreign exchange position of banks other than Bundesbank (improvement: -)	+ 912	- 25	- 734	-1,035	+2,254	- 264	- 147	-2,504	+2,240	-2,235	+2,088
Other private capital transactions	- 18	+ 22	- 3	- 158	+ 655	+ 603	+ 423	+ 952	- 349	+ 269	+ 154
Official	- 287	-1,810	+ 184	-1,000	- 785	+ 56	- 327	+ 6	+ 50	- 527	+ 200
Net short-term capital transactions	+ 607	-1,813	- 553	-2,193	+2,124	+ 395	- 51	-1,546	+1,941	-2,493	+2,442
Net balance of total transactions (A+B+C)	+4,458	+3,369	+3,588	-2,164	+6,243	-2,162	- 845	-2,119	- 43	-2,800	+1,955
D. Unidentified difference between movement of gold and exchange and balance of total transactions ⁶⁾											
	+ 556	+1,753	- 400	- 40	+1,764	+ 234	+ 293	+1,439	-1,205	+1,512	-1,219
E. Movement of gold and exchange (change in net monetary reserves of Deutsche Bundesbank) (increase: +)											
	+5,014	+5,122	+3,188	-2,204	+8,007	-1,928 ⁷⁾	- 552	- 680 ⁸⁾	-1,248	-1,288	+ 736
Note: Movement of gold and exchange without special capital transactions	+5,014	+5,122	+3,459	- 772	+8,276	+3,399 ⁸⁾	-1,032	+3,139 ⁸⁾	+ 260	-1,449	+ 417

¹⁾ All services except receipts from foreign troops. — ²⁾ Capital transactions are classified as "Private" or "Official" according to the sector to which the German party engaged in the transaction belongs. — ³⁾ In our standard balance-of-payments compilation transactions with the International Monetary Fund are shown partly under long-term and partly under short-term capital movements (see explanations in the Monthly Report for June 1962, page 10). — ⁴⁾ Only drawing on the roughly DM 1 billion credit agreed upon in August 1960. — ⁵⁾ Calculated as difference between the net balance of total transactions and the movement of gold and exchange. — ⁶⁾ Disregarding the decrease by DM 1,419 million in the Deutsche Bundesbank's monetary reserves due to the DM revaluation.

persecution resident abroad, that is "individual" indemnification, showed little change in 1962 after having risen sharply at times in the preceding years. Altogether DM 1,980 million was spent under this heading last year against DM 1,960 million in the year before and DM 1,770 million in 1960. No doubt the reason why individual indemnification showed practically no further increase, having in the second half of 1962 actually been slightly below the level of a year earlier, is that in recent years the claims under the existing indemnification arrangements have been largely satisfied. The number of persons entitled to compensation is moreover gradually declining. In the coming years a downward tendency in payments may accordingly be expected, although at present it is not yet possible to foresee in detail what payment obligations will result from the contemplated final enactments regarding indemnification.

The remaining official transfer payments amounted in 1962 to about DM 760 million (net), against DM 490 million in 1961 and DM 390 million in 1960. In great part the rise is due to the fact that under the contractual agreements the Federal Republic had to make DM 308 million available for the European Economic Community's Development Fund as compared with DM 165 million in the previous year. Thereby the Federal Republic's agreed payments, equivalent to 200 million units of account (that is 200 million US dollars) for the initial 1958-62 five-year period, have been fully made¹⁾; this contribution corresponds to 34 per cent of the total, namely 581

¹⁾ A charge on the overall balance of payments was however only entailed to the extent of the monies so far called, namely DM 127 million, since those not yet called (DM 673 million) appear in the balance of capital transactions as an increase of foreigners' assets, that is a capital import.

Indemnification Payments to Foreign Countries Millions of DM

Period	Total	Individual indemnification ¹⁾	Indemnification under agreements with European countries ²⁾	Indemnification under Israel Agreement
1951	219	219	—	—
1952	197	197	—	—
1953	480	212	—	268
1954	508	154	—	354
1955	617	350	—	267
1956	924	679	—	245
1957	1,396	1,171	—	225
1958	1,405	1,144	—	261
1959	1,592	1,326	—	266
1960	2,102	1,769	74	259
1961	2,514	1,962	297	255
1962	2,455	1,976	229	250
1951 to 1962	14,409	11,159	600	2,650

¹⁾ Until end-1953 mainly private restitution, from 1954 onwards almost exclusively official indemnification; no figures are available for the period prior to 1951. — ²⁾ Including payments to the U.N. High Commissioner for Refugees at Geneva.

million units of account, made available by EEC countries. With a view to continuing the Development Fund it has been laid down that in the next five years the EEC countries will provide resources amounting to a further 730 million units of account, of which again 34 per cent (that is 246.5 million units of account or DM 986 million) fall on the Federal Republic. These agreements, however, still require the assent of the national parliaments.

Private transfer payments rose to DM 560 million (net) in 1962, against DM 480 million in 1961 and DM 390 million in 1960. They chiefly comprised maintenance payments, payments by charitable organisations and transfers by German industry to the European Coal and Steel Community (in 1962 DM 50 million) in respect of the General Levy.

Capital

The balance of capital transactions individually recorded in the statistics showed in 1962 a surplus, that is a net capital *import* of about DM 450 million, whereas in the previous year there had been a deficit, namely a net capital *export* of nearly DM 5.2 billion. The reversal was due to changes in "special transactions". As already mentioned these caused a net inflow of DM 480 million in 1962, whereas in the previous year — chiefly owing to repayment before maturity of debts in respect of post-war economic aid — they had burdened the capital account to the extent of DM 5.3 billion. By comparison, the variations in the remaining capital items were only slight. The long-term capital movements in 1962 indeed virtually cancelled each other out, whereas they had shown a deficit of about DM 230 million in the previous year; the short-term movements in 1962 showed a slight deficit, after having produced a net capital import of DM 395 million in 1961.

Special Capital Transactions

The capital movements diverging more or less from the ordinary run were confined in 1962 to transactions with the International Monetary Fund. As a result of DM drawings by some member countries the Federal Republic placed altogether DM 462 million at the Fund's disposal in 1962; the most important transaction was the providing of DM 320 million in connection with measures to stabilise the Canadian balance of payments. On the other hand the Federal Republic received DM 942 million through repayments, especially by the United Kingdom. Such repayments accordingly exceeded the lendings by DM 480 million, whereas in the previous year, on the contrary, the

Transactions with the International Monetary Fund
(subscription payments excluded)
Millions of DM

Items	1952 to 1959	1960	1961	1962	1952 to 1962
(1) Drawings, total	318	169	2,022	462	2,971
of which by:					
Argentina	29	74	48	40	191
Australia	—	—	220	—	220
Brazil	—	38	100	—	138
Canada	—	—	—	320	320
Ceylon	—	—	23	—	23
Chile	—	—	103	—	103
France	189	—	—	—	189
Iceland	—	10	—	—	10
India	—	—	180	—	180
Indonesia	—	—	72	—	72
Iran	—	21	30	—	51
Philippines	—	—	—	44	44
South Africa	—	26	52	—	78
Turkey ¹⁾	71	—	20	—	91
United Arab Republic (Egypt)	—	—	20	58	78
United Kingdom	—	—	1,080	—	1,080
Yugoslavia	29	—	74	—	103
(2) Repayments, total	—	—	340	942	1,282
of which by:					
Australia	—	—	—	140	140
Iran	—	—	—	82	82
United Kingdom	—	—	340	720	1,060
(3) DM purchases by I.M.F. against gold	—	—	360	—	360
Balance ²⁾	- 318	- 169	- 1,322	+ 480	- 1,329

¹⁾ Including the DM drawing by Turkey in 1953, of DM 18 million, which was counted towards the Federal Republic's "repurchase obligation". —
²⁾ Drawings exceeding repayments and DM purchases: —.

funds provided had been greater by DM 1,322 million than those returning. Thus the amount which the Fund can call within the German quota (US \$ 787.5 million = DM 3,150 million) had risen to DM 1,080 million again by the end of 1962. Incidentally further possibilities of drawing result from the Federal Republic's accession to the special credit agreements concluded by ten countries with the Fund. In that connection the Bundesbank has undertaken, on certain conditions, to make available to the Fund up to DM 4 billion outside the German quota¹⁾. The "General Arrangements to Borrow" came into force in October 1962, the required conditions (the assent of at least seven members having a total commitment of not less than US \$ 5.5 billion) having been fulfilled.

Long-term Capital

The balance of long-term capital movements, with the "special transactions" eliminated, showed in 1962

¹⁾ As to this see: The Provision of Additional Resources for the International Monetary Fund through "General Arrangements to Borrow", in the Monthly Report of the Deutsche Bundesbank, Vol. 14, No. 2, February 1962, page 14 and following pages.

a surplus of only DM 17 million; it was thus practically in equilibrium after having in the previous years shown deficits, although these were of greatly varying amount. At the same time, however, both German investments abroad and foreigners' long-term investments in the Federal Republic again showed considerable growth in 1962. Thus the Federal Republic's capital links with foreign countries were further strengthened appreciably.

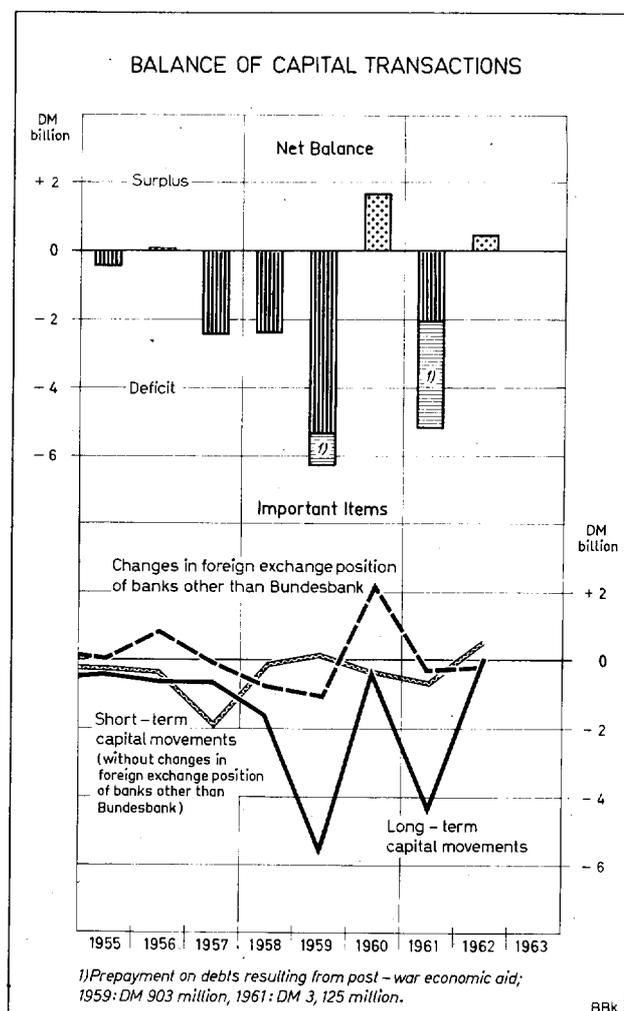
German long-term investments abroad increased in 1962 by DM 2.4 billion. This increase was greater than in any previous year except 1959. By comparison with 1961, when a total of DM 2.0 billion had been invested at long term abroad, foreign investment on private account increased last year while that on public account somewhat declined. The private investments amounted in 1962 to nearly DM 1.5 billion, against DM 1.0 billion in the previous year and DM 1.4 billion in 1960. The increase over the previous year was due mainly to security transactions. On the acquisition of foreign shares and fixed-interest securities a net sum of DM 575 million was spent last year, as compared with DM 200 million in the previous year and as much as DM 715 and 1,460 million respectively in 1960 and 1959 (see the table on page 45). For the increase of private capital exports through security purchases two major individual transactions were significant, namely a German banking syndicate's buying of Ford Motor Company shares (DM 119 million) and the taking of a DM 100 million bonded loan issued by the Osaka municipal authorities. Through the granting of credits and loans, and through the acquisition of business interests not embodied in securities, almost DM 680 million (net) went abroad in 1962 as against DM 640 million in 1961. Finally, business enterprises and individuals applied almost DM 200 million to buying real properties abroad, against DM 180 million in 1961; a notable feature here is the rise by comparison with earlier years, such purchases having according to our information amounted to only DM 45 million in 1958 for example.

The public authorities' long-term capital exports amounted to nearly DM 0.9 billion in 1962 against DM 1.0 billion in the previous year and DM 0.8 billion in 1960. The slight decrease was due to variations in the amounts paid out in respect of loans to developing countries. On these nearly DM 700 million was expended in 1962 as compared with DM 900 million in the year before, DM 700 million in 1960 and not quite DM 500 million in 1959. The Federal Government's grants of bilateral credit, it is true, represent

only a part of the total development assistance provided by the Federal Republic. Such assistance also includes contributions to the EEC Development Fund, capital payments to the International Bank for Reconstruction and Development and to international development organisations, payments for technical aid and certain private capital contributions. According to statistics of the Federal Ministry of Economics the total (official and private) expenditure on development assistance amounted in 1960 to almost DM 2.6 billion, and in 1961 to more than DM 3.3 billion; in 1962 — for which year no full data are yet to hand — such expenditure would seem, mainly owing to the stoppage of exceptional payments to the IBRD, to have been somewhat smaller than in the previous year. In coming years also, however, substantial expenditure on assisting development is to be expected. Thus according to the available estimates the promises of financing given by public authorities alone amounted at the end of 1962 to DM 6.2 billion, of which DM 4.5 billion was bilateral credit, DM 1.2 billion multilateral credit and DM 0.5 billion technical aid.

Among the other official capital exports in 1962 the granting of a DM 150 million credit to Portugal was of special importance. Besides this the Federal Government paid the third instalment of DM 41 million on its obligations, totalling DM 214 million, to the International Development Association (IDA), and took DM 40 million of the United Nations' reorganisation loan.

Foreigners' long-term investments in the Federal Republic also grew faster during 1962 than in the preceding years. With fresh investment at DM 5.3 billion, and liquidations at DM 2.9 billion, the net increase amounted to DM 2.4 billion. Of this amount DM 1.6 billion represented additional purchases of German securities, comprising DM 870 million of shares and DM 730 million at fixed interest. In the course of the year such purchases varied greatly; they amounted to DM 520 million in the first quarter, dropped to DM 200 million in the second and rose again to DM 360 and 520 million in the third and fourth respectively. The reason for these fluctuations lay in purchases of dividend-bearing securities. On the other hand the acquisition of fixed-interest securities proceeded much more steadily. Share purchases were much lower than in the previous year, when they had reached DM 1.3 billion; on the other hand the buying of fixed-interest securities increased, the larger issues of public authorities' bonds having no doubt been a factor. Since as already mentioned the German purchases of foreign securities amounted in 1962 to DM

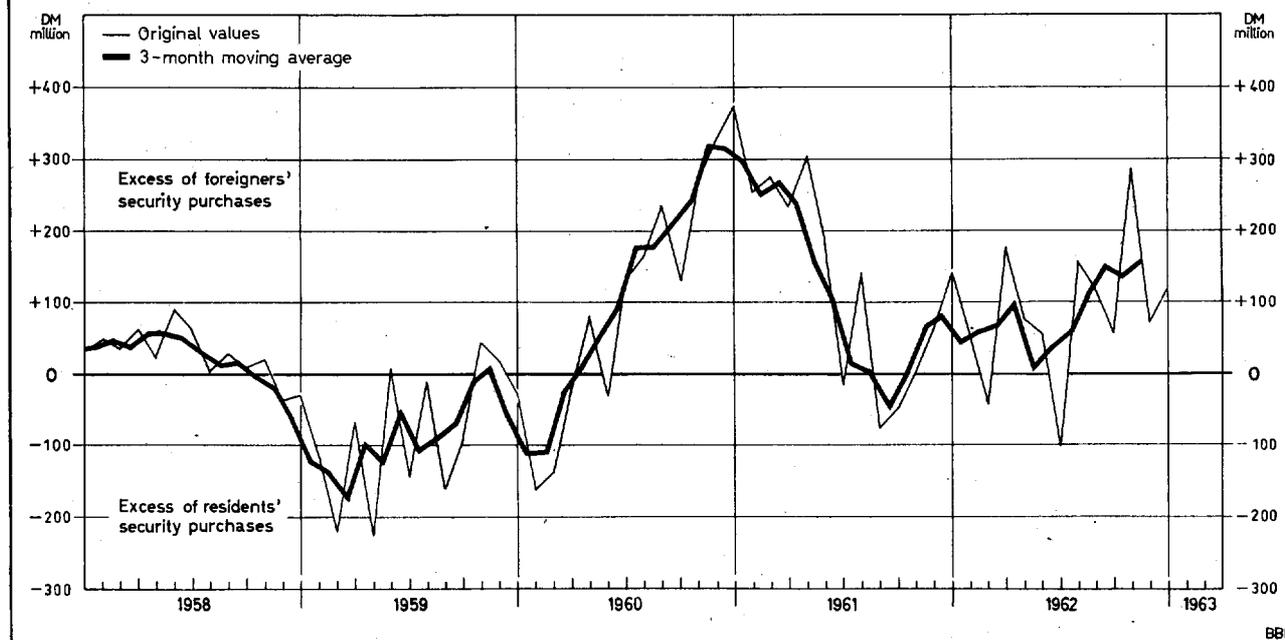


575 million, the two-way security transactions for that year showed a surplus of about DM 1 billion; for 1961 there had been one of more than DM 1.4 billion. Without the excess of foreigners' security purchases over German buying of foreign securities the 1962 balance of current long-term capital transactions, which as already mentioned showed a small surplus, would have been in deficit to the extent of about DM 1 billion.

The second most important factor in the afflux of long-term foreign capital was credits and loans granted to German enterprises. On balance these amounted to DM 580 million in 1962 against DM 140 million in the previous year.

The rest of the long-term capital imports mostly comprised the acquisition by foreigners of interests in German enterprises. Through such transactions DM 510 million were received in 1962 against DM 410 million in the previous year. On the other hand foreigners' real property holdings in the Federal Republic declined; in that category their sales exceeded their purchases by DM 105 million.

PRIVATE SECURITY TRANSACTIONS WITH FOREIGN COUNTRIES



The official capital payments recorded in connection with the movements of foreigners' investments in the Federal Republic are largely identical with the redemptions effected by the Federal Government and the Länder under the London Debt Agreements. For that purpose DM 166 million had to be provided last year, being applied to redemption of debts incurred before the war (including debt certificates of the Conversion Office, Dawes and Young Loans, and "mixed claims"). Together with private repayments, and the interest payments recorded under the head of services, the total payments made in 1962 under the London Debt Agreements amounted to DM 271 million.

In the period of almost ten years which has elapsed since the signing of the London Debt Agreements on 27 February 1953¹⁾ the Federal Republic has made, in respect of these debts, interest and redemption payments amounting to nearly DM 10.5 billion. The redemption alone, including repayments of post-war economic aid before maturity, amounted to DM 8.4 billion. The actual indebtedness to foreign countries declined by even more, through open-market repurchase of external bonds; such repurchases, including those already effected when the London Debt Agreements came into force, may be estimated at about DM 1.5 billion net. Of the total external debts settled in the London Agreements (about DM 13 billion at the

old parity) some DM 2.7 billion were still outstanding at the end of 1962; this figure takes account of the decrease (by about DM 0.4 billion) produced through the change of parity in the DM equivalent of the liabilities expressed in foreign currencies. Of the liabilities still outstanding not quite DM 0.5 billion are private and some DM 2.2 billion public external debts, mostly pre-war debts. The debts in respect of post-war economic aid have been repaid except for DM 843 million, the sole creditor in respect of this residue being the United States.

Payments under the London Debt Agreements
Millions of DM

Year	Redemptions ¹⁾				Interest ¹⁾	Total
	Total	Private	Official			
			Total	among which: before maturity ²⁾		
1953	329	59	270	—	123	452
1954	648	423	225	—	295	943
1955	517	252	265	—	290	807
1956	452	126	326	—	288	740
1957	529	147	382	—	228	757
1958	522	86	436	—	233	755
1959	1,474	163	1,311	903	212	1,686
1960	410	117	293	—	182	592
1961	3,334	128	3,206	3,125	138	3,472
1962	197	31	166	—	74	271
1953 to 1962	8,412	1,532	6,880	4,028	2,063	10,475

¹⁾ Payments made in respect of German-held external bonds are excluded in the case of redemptions from 1958, and in the case of interest from 1956 onwards. — ²⁾ Prepayment on debts resulting from post-war economic aid.

¹⁾ The Agreements came into force on 16 September 1953.

Short-term Capital

Short-term capital transactions (excluding those with the IMF) showed in 1962 a deficit of about DM 50 million, whereas in the two preceding years there had been surpluses of not quite DM 400 million and of DM 2.1 billion respectively. On the result for the year, therefore, the wide fluctuations evident in the course of 1962 cancelled each other out almost completely. This applies in particular to the movements in the banks' foreign exchange position. As can be seen from the figures in the following table, extensive money exports caused the position to improve by more than DM 4.2 billion in the first two months of 1962. In the succeeding months the influence of the gradual strain on bank liquidity, the raising of the Bundesbank's selling rates for domestic money-market paper as well as that of the swap fees¹⁾ charged by the Bundesbank on monies employed in US dollars caused a reversal of tendency, which was reinforced at the close of the year by the repatriations effected on seasonal grounds. For these reasons the credit institutions' net position on short-term foreign assets and liabilities deteriorated

¹⁾ As to this see the graph on page 8.

between the beginning of March and the end of December 1962 by DM 4.1 billion (December alone accounting, as mentioned elsewhere, for about DM 1.2 billion). Thus for the whole of 1962 the banks exported short-term capital to the net extent of DM 150 million as against DM 260 million in the previous year; in 1960 on the other hand, under the influence of speculative movements, there had been in that sphere a net capital import of nearly DM 2.3 billion.

As to details the balances at foreign banks increased by DM 220 million between the end of 1961 and the end of 1962, rising to DM 1.8 billion, the movement of demand deposits being the main factor (the table below shows details of the fluctuations in the course of the year 1962). Since however the banks (excluding the Reconstruction Loan Corporation) at the same time reduced their investments in foreign money-market paper by the same amount, their total holding of especially liquid short-term foreign assets showed no net change; in 1961 on the other hand the capital account was burdened to the extent of DM 820 million through "money exports". Of the US Treasury Bills in which it had during 1961 employed

Foreign Exchange Position of Banks other than Bundesbank
Millions of DM

Items	Position at end of year or month ¹⁾									Change during 1962 ²⁾			
	1955	1956	1957	1958	1959	1960	1961	1962		Total	of which:		
								Feb. ³⁾	Dec.		Jan./Feb.	March/Dec.	
(1) Short-term foreign assets													
Particularly liquid foreign assets													
Balances with foreign banks	319	375	327	559	1,297	936	1,557	4,703	1,802	+ 223	+3,124	-2,901	
of which: Deposits payable on demand	(312)	(362)	(307)	(431)	(754)	(526)	(651)	(829)	(1,022)	(+ 349)	(+ 156)	(+ 193)	
Time deposits	(7)	(13)	(20)	(128)	(543)	(410)	(906)	(3,874)	(780)	(- 126)	(+2,968)	(-3,094)	
Money-market paper (except investments of Reconstruction Loan Corporation)	1	4	448	481	1,246	379	578	674	353	- 219	+ 96	- 315	
Particularly liquid foreign assets (money exports), total	320	379	775	1,040	2,543	1,315	2,135	5,377	2,155	+ 4	+3,220	-3,216	
Investments of Reconstruction Loan Corporation ⁴⁾	—	—	—	—	—	—	643	633	371	- 272	- 10	- 262	
Short-term credit	204	336	545	879	928	1,053	1,148	1,308	1,569	+ 443	+ 182	+ 261	
Short-term foreign assets, total	524	715	1,320	1,919	3,471	2,368	3,926	7,318	4,095	+ 175	+3,392	-3,217	
(2) Short-term foreign liabilities													
Foreigners' deposits	1,473	2,114	2,650	2,893	3,410	3,641	3,985	3,466	3,932	- 31	- 497	+ 466	
of which: Banks	(730)	(1,197)	(1,580)	(1,702)	(1,924)	(1,796)	(2,044)	(1,684)	(1,723)	(- 299)	(- 338)	(+ 39)	
Non-banks	(743)	(917)	(1,070)	(1,191)	(1,486)	(1,845)	(1,941)	(1,782)	(2,209)	(+ 268)	(- 159)	(+ 427)	
Short-term credit	448	910	955	577	333	1,253	2,203	1,875	2,284	+ 59	- 350	+ 409	
Short-term foreign liabilities, total	1,921	3,024	3,605	3,470	3,743	4,894	6,188	5,341	6,216	+ 28	- 847	+ 875	
(3) Balance of short-term foreign assets and liabilities (net foreign exchange position)	-1,397	-2,309	-2,285	-1,551	- 272	-2,526	-2,262	+1,977	-2,121	+ 147	+4,239	-4,092	

¹⁾ At the end of February 1962 the banks' net foreign exchange position was the most favourable to date. — ²⁾ See footnotes to Table VII 4 in the Statistical Section of this Report. — ³⁾ Increase in assets and liabilities: +, decrease: -; improvement in balance (net foreign exchange position): +, deterioration: -. — ⁴⁾ After elimination of statistical changes. — ⁵⁾ Investment of funds deriving from the German industry's development aid loan in U.S. Treasury bills out of the Bundesbank's holdings.

part of the proceeds of the development assistance loan issued at that time, the Reconstruction Loan Corporation resold DM 272 million to the Bundesbank in order to use the funds thereby released for financing long-term lendings to developing countries. The short-term credit granted by German banks to foreign countries also rose in 1962, increasing by DM 440 million to nearly DM 1.6 billion. The expansion was greater than in any previous year since 1950, this being doubtless due not least to a greater commitment in connection with export financing. Altogether the banks' short-term foreign assets amounted on 31 December 1962 to nearly DM 4.1 billion, against DM 3.9 billion at the end of 1961 and DM 2.4 billion on 31 December 1960.

During 1962 there was also little change, as a whole, in the German banks' short-term foreign liabilities. The slight increase in borrowing abroad was accompanied by an almost equal decrease of foreigners' deposits. On balance the external liabilities rose by only DM 28 million, against DM 1.3 and 1.2 billion respectively in the two preceding years. The total liabilities amounted at the end of 1962 to DM 6.2 billion, of which deposits accounted for DM 3.9 billion and borrowing for DM 2.3 billion. If the assets are set against the liabilities, therefore, the credit institutions' *net* exchange position at the end of 1962 showed a deficit of DM 2.1 billion as against DM 2.3 and 2.5 billion respectively at the ends of 1961 and 1960.

The *other private short-term capital movements* in 1962 yielded a surplus of over DM 400 million as compared with DM 600 million in the year before. This was due to changes in the amounts which German firms borrowed abroad direct, that is without the intermediary of German banks. Such borrowings increased by DM 320 million net, which together with the simultaneous reduction of foreign assets by DM 150 million meant a net capital import of DM 470 million. According to the data available to the Bundesbank the outstanding financial loans directly obtained abroad by German enterprises amounted at the end of 1962 to more than DM 2.2 billion against DM 1.9 billion at the end of the previous year, DM 1 billion at the end of 1960 and not quite DM 300 million on 31 December 1959. Of the 1962 liabilities DM 1.4 billion were to foreign banks and DM 0.9 billion to non-banks. As against this the firms' short-term foreign assets amounted to only DM 520 million. To the extent of roughly one-half each they consisted of balances at foreign banks and of claims on non-banks.

The *public authorities' short-term capital transactions*, which in 1961 had yielded a small surplus,

showed in 1962 a deficit of about DM 330 million. This was primarily due to the Federal Government's advance payments for future armament imports¹⁾.

Residual Item in the Balance of Payments

The so-called residual item in the balance of payments — it forms the difference between, on the one hand, the transactions statistically recorded in detail in goods, services, transfer payments and capital, and on the other the movement of the Bundesbank's gold and exchange holding — showed in 1962 a surplus of nearly DM 300 million against about DM 230 million in the year before and DM 1.8 billion in 1960, when it had evidently been much affected through speculatively induced capital inflows not capable of individual statistical ascertainment and no doubt, more particularly, through shifts in the terms of payment. A surplus in the residual item means that as the result of errors or omissions in the ascertaining of individual items the balance of total transactions (in goods, services, transfer payments and capital) has turned out less favourably than it should have done in the light of the actual foreign exchange movements at the Bundesbank.

Holdings and Changes of Central Monetary Reserves

The Bundesbank's total holding of gold and foreign assets, the increase or decrease of which is shown in our balance-of-payments statements as the net foreign exchange movement, decreased in 1962 by DM 552 million after having declined in 1961 — without the "revaluation loss" due to the change in parity — by DM 1.9 billion. The central monetary reserves amounted on 31 December 1962 to upwards of DM 27.7 billion (net) against DM 28.3 billion at the end of 1961 and DM 32.5 billion at their highest level to date on 21 April 1961.

As can be seen from the data in the following table, the changes in the course of last year chiefly related to the currently available exchange reserves. These declined by DM 442 million in 1962 to DM 11.1 billion. With only slight changes in the dollar reserves — at DM 10.8 billion at the end of 1962 these were little less than at the end of the previous year — it was mainly the assets in sterling which declined.

There was also a decline in the Bundesbank's foreign assets usable only within limits as a monetary reserve. At DM 2.3 billion on 31 December 1962 these were below their end of 1961 level by DM 153 million.

¹⁾ The *advance payments*, which are included in the capital account, are computed as difference between total payments for defence material and actual imports.

Monetary Reserves of the Deutsche Bundesbank
Millions of DM

Period	Total holdings (net)	Gold holdings and freely usable foreign assets				Foreign assets at fixed term or of only limited usability					Foreign liabilities	Note: Foreign assets not included in the monetary reserves ¹⁾
		Total	Gold	Freely usable foreign assets		Total	among which:					
				Total	among which: U.S. \$ (incl. Can. \$)		Bilateral claims from former credits to E.P.U. ¹⁾	I.B.R.D. debt certificates ²⁾	Ear-marked foreign assets	Consolidation loans		
Position at end of year												
1957	22,917	17,237	10,674	6,563	6,148	6,393	4,242	735	1,032	384	713	73
1958	26,105	19,477	11,085	8,392	7,447	7,000	4,597	1,166	972	265	372	73
1959	23,621	19,039	11,077	7,962	7,281	4,992	3,159	1,305	353	175	410	191
1960	31,628	28,295	12,479	15,816	15,006	3,762	1,993	1,400	265	104	429	272
1961	28,281	26,166	14,654	11,512	10,893	2,452	1,039	1,352	—	61	337	1,112
1962	27,729	25,786	14,716	11,070	10,786	2,299	897	1,352	—	50	356	1,100
Change during year ⁴⁾												
1957	+5,122	+2,825	+4,399	-1,574	-1,184	+2,822	+1,352	+735	+792	-19	+525	—
1958	+3,188	+2,240	+411	+1,829	+1,299	+607	+355	+431	-60	-119	-341	—
1959 ⁵⁾	-2,204	-438	-8	-430	-166	-2,009	-1,438	+139	-619	-90	-243	+118
1960	+8,007	+9,256	+1,402	+7,854	+7,725	-1,230	-1,166	+95	-88	-71	+19	+81
1961 total	-3,347	-2,129	+2,175	-4,304	-4,113	-1,310	-954	-48	-265	-43	-92	+840
Change due to revaluation	(-1,419)	(-1,357)	(-606)	(-751)	(-713)	(-63)	(-2)	(-48)	(-13)	(-)	(-1)	(-8)
Current change	(-1,928)	(-772)	(+2,781)	(-3,553)	(-3,400)	(-1,247)	(-952)	(-)	(-252)	(-43)	(-91)	(+848)
1962	-552	-380	+62	-442	-107	-153	-142	—	—	-11	+19	-12

¹⁾ Until end-1958: credits granted to E.P.U. — ²⁾ Excluding the claims on I.B.R.D. mentioned in footnote ³⁾. — ³⁾ I.B.R.D. bonds and drawing by I.B.R.D. on the roughly DM 1 billion credit agreed upon in August 1960. — ⁴⁾ Increase in assets and liabilities and increase in total holdings (net): +. — ⁵⁾ Change after elimination of increases and decreases due to statistical reasons.

The reason lay in the further repayments on the former EPU credits, which at the beginning of 1959 on liquidation of the European Payments Union had been converted into bilateral claims of the Bundesbank on the former EPU member countries. The repayments, which in earlier years owing to extraordinary redemption by debtor countries had far exceeded the contractual rate, totalled DM 142 million in 1962. Thereby the claims still outstanding were reduced to not quite DM 0.9 billion as against DM 4.2 billion when EPU was liquidated. In the main they consist of claims on the United Kingdom, amounting to DM 772 million, which according to the contractual agreements are to be repaid by 1971. In the second large category forming part of the foreign assets usable only within limits, namely the IBRD debt certificates held by the Bundesbank, no changes took place during 1962. At the end

of that year they amounted to DM 1,352 million, although the fact must be taken into account that a part of the Bundesbank's claims on the IBRD are recorded not among the monetary reserves but among long-term capital exports. As matters stood at the end of 1962 this part amounted to DM 1.1 billion, most of which resulted from drawing on the longer-term credit of DM 1 billion granted to the IBRD in August 1960. Altogether therefore the Bundesbank's claims on the IBRD amounted on 31 December 1962 to nearly DM 2.5 billion.

There was a certain increase in the Bundesbank's gold holding. At DM 14.7 billion on 31 December 1962 this was greater by DM 62 million than at the end of the previous year, in the course of which it had grown by DM 2.8 billion owing to large accruals from non-American sources.

The Money Supply in the Second Half of 1962

The following study is designed to continue the statistical surveys which have been published in the Monthly Reports for the last few years, at certain intervals, under the title "Monetary Analysis". They represent an attempt at quantitative presentation of the factors which determine the "volume of money". The volume of money is for that purpose deemed to mean the notes and coin in circulation (less credit institutions' cash holdings) plus the total sight deposits held by non-bank customers at the credit institutions rendering monthly returns and at the Bundesbank. On an alternative view the amount of shorter-term time deposits and the public authorities' investments in mobilisation paper of the Bundesbank are sometimes included, because in the light of their relatively high liquidity these approximate very closely the other resources counted in the volume in money, that is to say they are of quasi-monetary character. For some time, it is true, the mobilisation-paper holdings of domestic public authorities have been very small; only in 1960/61 had they somewhat gained in importance when social insurance institutions had taken larger amounts at the instance of the Bundesbank which in that way endeavoured to support its then restrictive liquidity policy, whereas otherwise in the Federal Republic — contrary to the practice abroad — money-market paper is not sold to business enterprises and private takers. To define the "volume of money" and its determinants it may further be mentioned that an attempt is made to record in the "volume of money", so far as possible, only the money holdings of residents. Certain inaccuracies have to be accepted in that connection, however, since in particular the amount of DM notes and coin located abroad cannot be recorded. In connection with the acquiring of bank bonds too, this being an item in the "monetary capital formation" at banks, the amount of paper taken by foreign purchasers cannot be ascertained. Thus, the evidential value of the analysis ought not to be over-estimated, if only for the reason that some of the definitions underlying it are inevitably arbitrary, not least as regards the inclusion of certain items (for instance shorter-term time deposits) in the volume of money itself or in its "determinants". It must further be borne in mind that some balance-sheet items (for instance the total net "items in course of settlement") can be definitely assigned neither to the "volume of money" nor to the principal determinants which are individually considered, so that there always remains a substantial residue of "other" factors which

impairs clear determination of the individual money-streams, quite apart from the fact that the analysis is in all cases based only on the more or less fortuitous amounts on two compared dates.

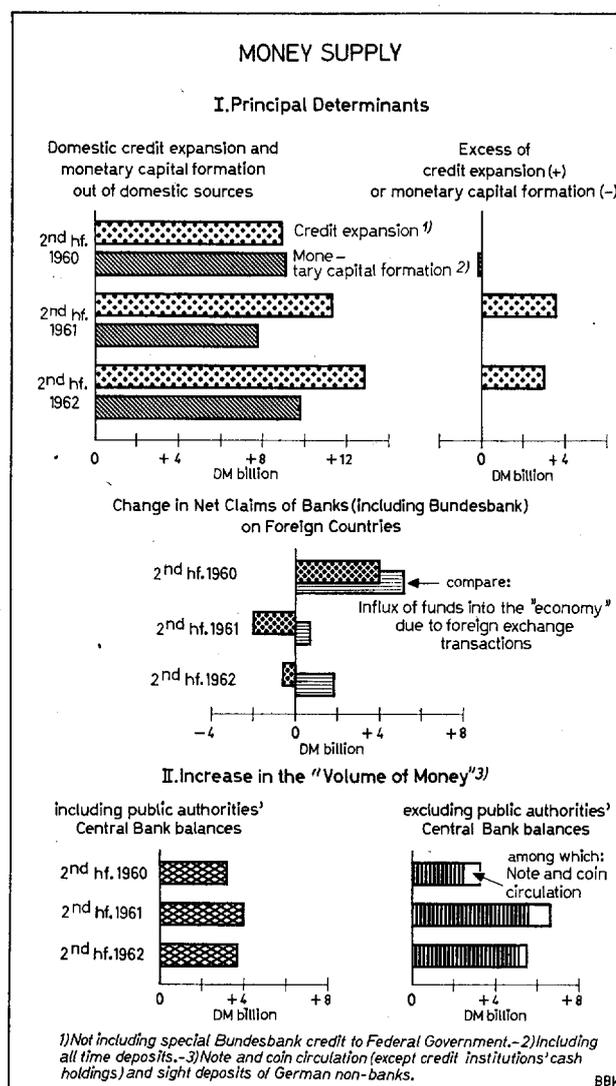
A warning must furthermore be given against over-estimating the movement in the "volume of money" as an aid to judging cyclical trends. It is now generally recognised that changes in the amount of money by no means necessarily induce corresponding alterations of total demand; the current size of demand in the economy is on the contrary also largely determined by processes not depending on the size of existing money holdings or on the changes therein. The propensity and ability to spend are at all events not just a simple function of the existing quantity of money, but crucially depend on factors which in modern monetary theory are grouped under the concept of the general state of liquidity. In the course of recent years the Bundesbank has repeatedly drawn attention to these limitations of quantitative money-stream analysis (which, incidentally, in many respects also set limits to monetary policy). Still, data as to the granting of credit by banks, the formation of monetary capital at banks, the influence of the balance of payments and the switches between "public" and private money holdings — such data, in fact, as those published in this article — do give useful information on the monetary factors which are undoubtedly significant for the course of the business cycle, even though these data do not yet represent a fully satisfactory analysis of the money-streams, particularly since this would require further refinement of the underlying statistics.

Factors in the Money Supply

The crucial expansive influence on the domestic "volume of money" once more came, in the second half of 1962, from the *net increase in credit granted by domestic credit institutions (including the Bundesbank) to resident non-bank customers*. That increase amounted to about DM 12.6 billion, being thus somewhat greater than that of DM 12.1 billion in the corresponding period of 1961; indeed it considerably exceeded the credit expansion amounting to DM 9.0 billion in the second half of 1960. The reason lay in the growth of medium and long-term lendings, while the granting of short-term credit declined in importance, as did also — in less marked degree — the acquisition of securities by banks. During the second half of 1962 the Bundesbank had a share of over DM 0.4 billion in the credit expansion (against about DM 0.9 and 0.2 bil-

lion respectively in the corresponding periods of the two preceding years), although against temporarily somewhat greater use of cash advances by the Federal Government at the close of the year (to the extent of over DM 0.7 billion as compared with about DM 0.1 to 0.2 billion in the two previous years) there were repayments of special credits granted by the Bundesbank to the Federal Government in connection with the latter's participation in international institutions. The total amount of such special credits declined by over DM 0.3 billion in the second half of 1962, whereas in the corresponding periods of 1961 and 1960 it had risen by almost DM 0.8 billion and not quite DM 0.1 billion respectively. It is true that the debtor in respect of these credits is the Federal Government, so that on a formal view they must be added to the credit granted to domestic non-banks; on the other hand the movements in such special credits invariably lead only to corresponding fluctuations in the Bundesbank's exchange reserves, while not directly affecting the internal money circulation. If they are consequently left out of account in determining the "internal" credit expansion, the volume of credit is found to have increased in the second half-year by DM 12.9 billion as against DM 11.3 billion in the second half of 1961 and DM 8.9 billion in that of 1960. Accordingly the "internal" credit expansion exceeded that for the corresponding period a year earlier by more than is indicated by the totals mentioned above.

The *monetary capital formation at the banks from domestic sources*, which represents an at least temporary sterilisation of otherwise free funds and pro tanto tends to reduce the "volume of money" which can be at any time used, amounted in the second half of 1962 to fully DM 9.8 billion. It was thus appreciably above its level of DM 7.8 billion in the second half of 1961, when it had been much reduced through the mass release of savings deposits carrying tax concessions; but it also exceeded the monetary capital formation of DM 9.1 billion in the second half of 1960. The savings deposits of residents alone rose by almost DM 4.6 billion in the second half of last year; thus they accounted for nearly half the monetary capital formed at banks. The acquisition of bank bonds by non-bank customers was also remarkably great. It amounted in the second half of 1962 to roughly DM 2.3 billion, thus reaching almost one-quarter of the total monetary capital formation at banks; for the second halves of the two preceding years the comparable figures were DM 1.5 billion in 1961 and DM 1.8 billion in 1960. On the other hand at something over DM 2.0 billion in



the second half of last year the taking of longer-term monies and loans from domestic non-banks was smaller by almost DM 300 million than a year before, when it had been increased through the employment at the Reconstruction Loan Corporation of part of the proceeds obtained from the partial denationalisation of Volkswagen Works. Apart from the formation of capital and reserves at banks, the extent of which appears to have been relatively small according to the partial data so far available (see the table), there was also an increase in time deposits. True, the rise was confined to those at shorter term (running for periods, or at notice, of under six months); on the other hand the time deposits running for six months or longer declined on balance in the period under report, although by considerably less than in the corresponding period a year before. If the shorter-term time deposits are disregarded because of their "quasi-monetary" character, therefore, the formation of monetary capital at the banks amounted to DM 9.2 billion in the second

Money Supply *)

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

Items	Yearly figures			Year	Quarterly figures				July to December
	1960	1961	1962 ^{p)}		1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	
I. Bank lendings to German non-banks, total	+17,307	+23,966	+23,050	1960	+4,068	+4,260	+3,998	+4,981	+ 8,979
				1961	+5,316	+6,523	+6,586	+5,541	+12,127
				1962	+3,857	+6,565	+5,235	+7,393 ^{p)}	+12,628 ^{p)}
(1) Short-term lendings (including holdings of domestic Treasury bills and non-interest-bearing Treasury bonds but excluding "mobilisation paper" ¹⁾), total	+ 5,512	+ 7,461	+ 3,667	1960	+1,462	+1,387	+ 850	+1,813	+ 2,663
				1961	+1,891	+2,752	+1,643	+1,175	+ 2,818
				1962	+ 353	+2,184	— 81	+1,211 ^{p)}	+ 1,130 ^{p)}
of which:				1960	+1,577	+1,432	+ 871	+1,567	+ 2,438
Credit institutions (except Bundesbank)	+ 5,447	+ 6,189	+ 3,571	1961	+1,893	+2,400	+ 591	+1,305	+ 1,896
				1962	+ 817	+2,040	+ 133	+ 581 ^{p)}	+ 714 ^{p)}
Bundesbank ²⁾)	+ 65	+ 1,272	+ 96	1960	— 115	— 45	— 21	+ 246	+ 225
				1961	— 2	+ 352	+1,052	— 130	+ 922
				1962	— 464	+ 144	— 214	+ 630	+ 416
among which:				1960	(+ 37)	(+ 89)	(+ 4)	(+ 47)	+ 51
Special credits to Fed. Govt. for meeting its obligations to I.M.F., I.B.R.D. and European Fund ³⁾)	(+ 177)	(+ 1,321)	(— 480)	1961	(+ 181)	(+ 362)	(+1,070)	(— 292)	+ 778
				1962	(— 301)	(+ 140)	(— 247)	(— 72)	— 319
(2) Medium and long-term lendings to German non-banks	+11,743	+15,630	+18,544	1960	+2,307	+2,973	+3,075	+3,388	+ 6,463
				1961	+3,275	+3,574	+4,517	+4,264	+ 8,781
				1962	+3,214	+4,218	+5,019	+6,093 ^{p)}	+11,112 ^{p)}
(3) Holdings of German securities and syndicate participations (except bank bonds ⁴⁾)	+ 52	+ 875	+ 839	1960	+ 299	— 100	+ 73	— 220	— 147
				1961	+ 150	+ 197	+ 426	+ 102	+ 528
				1962	+ 290	+ 163	+ 297	+ 89 ^{p)}	+ 386 ^{p)}
II. Formation of monetary capital at credit institutions out of domestic sources, total	+16,170	+18,457	+19,629	1960	+3,928	+3,172	+3,916	+5,154	+ 9,070
				1961	+6,528	+4,134	+3,213	+4,582	+ 7,795
				1962	+5,878	+3,909	+3,125	+6,717 ^{p)}	+ 9,842 ^{p)}
(1) Residents' savings deposits ⁵⁾)	+ 7,960	+ 7,232	+ 9,013	1960	+2,115	+1,359	+1,456	+3,030	+ 4,486
				1961	+2,424	+1,137	+1,153	+2,518	+ 3,671
				1962	+3,102	+1,330	+1,370	+3,211 ^{p)}	+ 4,581 ^{p)}
(2) Residents' time deposits, total	+ 1,040	+ 1,318	+ 1,517	1960	+ 628	— 188	+ 352	+ 248	+ 600
among which:				1961	+ 994	+ 693	— 132	— 237	— 369
at notice or fixed period of 6 months or more	(+ 794)	(+ 992)	(+ 953)	1962	+ 717	+ 396	— 92	+ 496 ^{p)}	+ 404 ^{p)}
(3) German bank bonds in circulation (except those held by credit institutions ⁶⁾)	+ 3,118	+ 3,306	+ 3,832	1960	(+ 364)	(+ 370)	(+ 211)	(— 151)	(+ 60)
				1961	(+1,026)	(+1,003)	(— 472)	(— 565)	(— 1,037)
				1962	(+ 554)	(+ 632)	(— 54)	(— 179) ^{p)}	(— 233) ^{p)}
(4) Money and loans taken from German non-banks at longer term	+ 2,636	+ 4,881	+ 3,682	1960	+ 710	+ 600	+ 907	+ 907	+ 1,808
				1961	+1,154	+ 624	+ 541	+ 987	+ 1,528
				1962	+ 675	+ 853	+1,168	+1,136 ^{p)}	+ 2,304 ^{p)}
(5) Capital and reserves	+ 1,416	+ 1,720	+ 1,585	1960	+ 84	+ 854	+ 996	+ 702	+ 1,698
				1961	+1,489	+1,088	+1,240	+1,064	+ 2,304
				1962	+ 842	+ 801	+ 427	+1,612 ^{p)}	+ 2,039 ^{p)}
III. Net claims on foreign countries ⁷⁾ (Bundesbank and other banks)	+ 6,269	+ 427 ¹¹⁾	+ 793	1960	+ 313	+1,992	+2,466	+1,498	+ 3,964
				1961	+3,276 ¹¹⁾	— 844 ¹²⁾	—1,506	— 499	— 2,005
				1962	+1,439	+ 27	+ 140	— 813	— 673
note: Influx of funds (+) into the "economy" due to foreign exchange transactions ⁸⁾)	(+ 9,541)	(+ 7,816)	(+ 5,169)	1960	(+1,612)	(+2,698)	(+2,713)	(+2,518)	+ 5,231
				1961	(+3,972)	(+3,147)	(+ 454)	(+ 243)	+ 697
				1962	(+2,300)	(+ 943)	(—1,146)	(+ 780)	+ 1,926
IV. Note and coin circulation ⁹⁾ and sight deposits of German non-banks (except German public authorities' Central Bank deposits)	+ 3,408	+ 7,479	+ 4,587	1960	—1,272	+1,349	+ 639	+2,692	+ 3,331
				1961	—1,624	+2,494	+2,018	+4,591	+ 6,609
				1962	—3,448	+2,544	+1,418	+4,073 ^{p)}	+ 5,491 ^{p)}
of which:				1960	+ 121	+ 506	+ 975	— 174	+ 801
Note and coin circulation ⁹⁾)	+ 1,428	+ 2,366	+ 1,033	1961	+ 809	+ 484	+ 823	+ 250	+ 1,073
				1962	+ 336	+ 347	+ 509	— 159 ^{p)}	+ 350 ^{p)}
Sight deposits	+ 1,980	+ 5,113	+ 3,554	1960	—1,393	+ 843	— 336	+2,866	+ 2,530
				1961	—2,433	+2,010	+1,195	+4,341	+ 5,536
				1962	—3,784	+2,197	+ 909	+4,232 ^{p)}	+ 5,141 ^{p)}
V. Central Bank deposits of German public authorities ¹⁰⁾ as well as mobilisation paper sold to such authorities	+ 2,304	+ 1,024	— 1,010	1960	+ 839	+ 745	+1,025	— 305	+ 720
				1961	+2,877	+1,103	—1,364	—1,592	— 2,956
				1962	+ 948	— 102	+ 675	—2,531	— 1,856
VI. Residents' time deposits at notice or fixed period of less than 6 months	+ 246	+ 326	+ 564	1960	+ 264	— 558	+ 141	+ 399	+ 540
				1961	— 32	— 310	+ 340	+ 328	+ 668
				1962	+ 163	— 236	— 38	+ 675 ^{p)}	+ 637 ^{p)}

¹⁾ The data in this survey relate to the area of the Federal Republic including Berlin (West). They are based on the "Consolidated Condition Statement for the Credit Institutions including the Deutsche Bundesbank" (see Table I 1 of the Statistical Section). Apart from the "consolidation" of the figures for the credit institutions and those for the Bundesbank, one peculiarity for the purpose of this table lies in the fact that assets and liabilities in respect of foreign countries — except for DM notes and coins and bank bonds held by foreigners, which cannot be ascertained — have been summed up in one overall net total and are, therefore, not contained in any of the other items. — ²⁾ I. e., Federal Treasury bills and non-interest-bearing Treasury bonds deriving from exchange for a corresponding partial amount of the Bundesbank's equalisation claim, the taking of which paper by the banks does not represent any additional granting of credit to non-banks. — ³⁾ Apart from the special credits to the Federal Government listed below, this item mainly contains the cash advances granted as book credits by the Bundesbank to public authorities, and the credits granted by the taking into the Bundesbank's portfolio of Treasury bills and non-interest-bearing Treasury bonds (other than mobilisation paper). — ⁴⁾ These credits granted in accordance with Art. 20 par. (1) item 2 of the Bundesbank Law involve the taking of foreign exchange from the Bundesbank and in so far do not directly affect the domestic circulation of money. — ⁵⁾ Banks' holdings of other banks' bonds do not represent any immediate granting of credit to non-banks but form part of interbank indebtedness. — ⁶⁾ Amounts credited as currency conversion compensation for expelled persons or as compensation for holders of old savings are taken into account only in so far as covering claims on the Equalisation of Burdens Fund were redeemed. The savings deposits created under Art. 252 par. 4 of the Equalisation of Burdens Law (meeting of basic compensation claims) are taken into account only in so far as the Equalisation of Burdens Fund has made available the countervalue. — ⁷⁾ Set off against the credit institutions' holdings of their own and other banks' bonds issued under the compensation scheme for holders of old savings are taken into account only in so far as covering claims on the Equalisation of Burdens Fund were redeemed. — ⁸⁾ Including I.B.R.D. bonds taken by Bundesbank. — ⁹⁾ Change in banks' net claims on foreign countries after elimination of public authorities' net foreign payments as well as the Bundesbank's interest income on its foreign investments and other transactions on the Bundesbank's own account such as, e. g., that mentioned in footnote ¹²⁾. — ¹⁰⁾ Excluding the credit institutions' cash holdings, but including DM notes and coins held abroad. — ¹¹⁾ From 1961 onwards including deposits of the E.R.P. Special Fund. — ¹²⁾ After elimination of the decrease, due to alteration of the exchange parity, in the Bundesbank's gold and exchange holdings. — ¹³⁾ The decline in net claims on foreign countries is exclusively due to the Bundesbank's acquisition of roughly DM 3.1 billion of claims on the Federal Government in respect of post-war economic aid. — ^{p)} Partly estimated. — ¹⁴⁾ Provisional.

half of 1962 as against DM 7.1 billion in that of 1961 and DM 8.5 billion in that of 1960.

Comparison of the total domestic credit expansion with the simultaneous monetary capital formation at banks from domestic sources shows that the expansion of credit was once again greater than the sterilising of liquid funds through formation of monetary capital. If the Bundesbank's above-mentioned special credits are eliminated from the credit expansion, the excess of this latter was nearly DM 3.1 billion in the second half of 1962 against DM 3.6 billion in the corresponding period of 1961; in the second half of 1960 on the other hand the formation of monetary capital slightly exceeded the expansion of credit, no doubt because at that time substantial sums came in from abroad or, in other words, the granting of credit by foreigners partly took the place of domestic lending. If the shorter-term time deposits are eliminated from monetary capital formation, however, there was for all periods (including 1960) an excess of credit expansion, amounting to more than DM 3.7 billion in the second half of 1962, DM 4.2 billion in that of 1961 and DM 0.4 billion in that of 1960. Since 1960, therefore, the "internal" creation of money has greatly gained in importance. On any assessment of the half-yearly figures here mentioned it must be borne in mind that for seasonal reasons the excess of credit expansion over monetary capital formation is always relatively great in the second half of the year. In recent years, therefore, the annual money creation due to bank lending was a good deal smaller than might be concluded from the figures for the second half-year alone; in 1962, if the shorter-term time deposits are not reckoned as monetary capital formation, it amounted to nearly DM 4.5 billion against (as already mentioned) over DM 3.7 billion in the second half-year, and in 1961 to about DM 4.5 billion against DM 4.2 billion in the second half. In 1962 the expansion of medium and long-term lendings alone came a good deal closer to the amount of monetary capital formation than in the previous years. In 1962 indeed it fell short of the simultaneous monetary capital formation by only DM 0.5 billion, whereas in 1961 it had done so by about DM 2.5 billion and in 1960 by DM 4.2 billion.

Payment transactions with foreign countries, on the other hand, produced a contractive effect on residents' money holdings. The net claims of the Bundesbank and the other banks on foreign countries decreased in the second half of 1962 by nearly DM 700 million; to that extent banks and Bundesbank on balance sold foreign exchange to domestic purchasers, so that the

latter's money holdings pro tanto declined. The reason for the outflows of foreign exchange lay in the large amount taken by the Federal Government for its external payments. On the other hand the "economy"¹⁾ continued to receive resources from foreign payments, to the extent of more than DM 1.9 billion in the second half of 1962 as compared with about DM 0.7 billion in the second half of 1961 and about DM 5.25 billion in the corresponding period of 1960. The chief reason why the afflux was greater last year than in the corresponding period of 1961 was that in 1962 on balance the economy again borrowed abroad to a certain extent, whereas in the second half of 1961 the repayment of such borrowings had greatly predominated.

The "Volume of Money"

On the result of the above-described contractive and expansive influences (plus some statistically unassignable "other" factors) there continued in the second half of 1962 to be a relatively large increase in the "domestic volume of money", that is in concrete terms the note and coin circulation less credit institutions' cash holdings, plus the sight deposits of domestic non-banks. The increase amounted to over DM 3.7 billion against almost DM 4 billion in the second half of 1961 and DM 3.2 billion in the corresponding period of 1960. If to the money holdings there are added the shorter-term time deposits as well as the amounts employed by public authorities in mobilisation paper of the Bundesbank (these being in both cases relatively liquid "quasi-monetary" holdings), there was in the half-year under report an increase by about DM 4.3 billion; this is roughly the amount by which they grew in the corresponding period of 1961, whereas the increase in the second half of 1960 had been greater by DM 0.3 billion.

In the *composition of residents' total money holdings* there were once again some notable shifts. Public authorities' Central Bank balances and mobilisation paper holdings as a whole continued to decline, although in lesser degree than during the second half of 1961, when they had notably fallen for the first time since 1959. The 1962 decrease reached nearly DM 1.9 billion, taking place almost entirely in Central Bank balances because for some time the amount of mobilisation paper held by public authorities has been insignificant. In the second half of 1961 public authorities' Central Bank balances and investments had dropped by almost DM

¹⁾ The "economy" in this context means all domestic non-banks other than the central public authorities.

3 billion; in the second half of 1960, when the public budgets still showed large surpluses, they had risen by nearly three-quarters of a billion DM.

As against this there was a further large increase of the money holdings mainly in private hands, that is the "volume of money" on the definition¹⁾ which comes closest to that in international use. The growth of such holdings amounted in the second half of 1962 to about DM 5.5 billion. It was thus somewhat smaller

¹⁾ Note and coin circulation less credit institutions' cash holdings, plus domestic non-banks' sight deposits except public authorities' Central Bank deposits and holdings of mobilisation paper.

than the DM 6.6 billion for the corresponding period of 1961, but appreciably greater than the DM 3.3 billion for that of 1960. In part incidentally this was directly due to the movement in the public authorities' cash, that is to the decrease of public money holdings and the taking of bank credit by such authorities. In the second half of 1962, in fact, the central public authorities showed even "internally effective" cash deficits. A certain amount of public money therefore went into internal circulation and to that extent increased the money holdings of the private sector, thereby becoming for this latter an expansive factor.

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3. Central Bank Lendings to Credit Institutions^{*)}

in millions of DM

Period	Credit institutions (excluding R.L.C.) ^{*)}				Reconstruction Loan Corporation		
	Total ¹⁾	Discount credits ¹⁾	Advances on securities	Equalisation claims temporarily purchased ²⁾	Total	Cash advances	Securities
1950 Dec.	5,201.9	4,235.4	360.6	605.9	368.7	368.7	—
1951 Dec.	5,717.5	4,757.2	290.8	669.5	454.0	454.0	—
1952 Dec.	4,128.4	3,389.0	253.5	485.9	468.4	268.5	199.9
1953 Dec.	3,351.1	2,759.1	245.2	366.8	225.6	202.6	23.0
1954 Dec.	3,339.0	2,837.7	265.1	236.2	207.3	195.2	12.1
1955 Dec.	4,683.0	4,130.9	340.5	211.6	145.0	139.5	5.5
1956 Dec.	3,127.1	2,723.7	220.7	182.7	58.6	46.6	12.0
1957 Dec.	1,676.6	1,463.0	52.8	160.8	67.8	66.8	1.0
1958 Dec.	960.3	769.6	63.9	126.8	3.8	3.8	—
1959 Dec. ^{*)}	1,285.7	949.2	234.4	102.1	20.3	20.3	—
1960 Dec.	1,804.1	1,296.5	419.0	88.6	1.1	1.1	—
1961 Dec.	1,663.8	1,395.4	219.7	48.7	4.4	4.4	—
1962 Dec.	2,473.3	2,267.6	157.7	48.0	—	—	—
1961 Jan.	2,023.7	1,918.8	26.0	78.9	6.9	6.9	—
Feb.	1,354.3	1,244.3	38.8	71.2	2.7	2.7	—
March	1,459.2	1,237.6	150.4	71.2	9.9	9.9	—
April	920.1	787.3	61.7	71.1	10.4	10.4	—
May	1,196.0	1,109.9	26.6	59.5	4.0	4.0	—
June	1,106.3	1,007.2	47.6	51.5	0.2	0.2	—
July	1,219.4	1,148.2	19.9	51.3	4.5	4.5	—
Aug.	835.9	769.5	15.1	51.3	4.5	4.5	—
Sep.	2,092.9	2,010.8	30.8	51.3	4.6	4.6	—
Oct.	1,020.8	838.3	131.2	51.3	4.8	4.8	—
Nov.	1,460.0	1,385.4	23.3	51.3	3.5	3.5	—
Dec.	1,663.8	1,395.4	219.7	48.7	4.4	4.4	—
1962 Jan.	972.1	906.9	16.5	48.7	3.0	3.0	—
Feb.	736.4	610.6	77.1	48.7	2.4	2.4	—
March	1,927.7	1,849.7	29.3	48.7	0.0	0.0	—
April	1,496.9	1,387.5	60.7	48.7	3.0	3.0	—
May	975.8	904.8	22.3	48.7	3.4	3.4	—
June	1,855.1	1,742.8	63.9	48.4	0.0	0.0	—
July	1,715.1	1,643.7	33.0	48.4	0.0	0.0	—
Aug.	1,286.0	1,218.2	19.4	48.4	0.0	0.0	—
Sep.	1,997.0	1,903.2	45.4	48.4	—	—	—
Oct.	909.1	837.9	22.8	48.4	—	—	—
Nov.	1,235.8	1,151.4	36.0	48.4	—	—	—
Dec.	2,473.3	2,267.6	157.7	48.0	—	—	—

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

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

in millions of DM

Period	Non-banks								Credit institutions ^{*)}
	Total		Public authorities ¹⁾				Agencies of former occupying powers ⁷⁾	Other German depositors ⁸⁾	
	including amounts temporarily employed in equalisation claims ⁴⁾	excluding	Federal Government (without Special Funds), Länder and Equalisation of Burdens Authorities	Balances from special transactions ⁵⁾	E.R.P. Special Fund ²⁾	Other public authorities ⁶⁾			
1950 Dec.	3,693.3	3,446.0	594.3	—	965.0	396.7	907.6	829.7	1,887.7
1951 Dec.	3,997.3	2,990.0	1,191.8	—	1,312.8	223.0	997.3	272.4	2,675.0
1952 Dec.	3,957.8	2,194.1	1,906.1	—	825.9	207.2	753.4	265.2	2,992.6
1953 Dec.	4,935.3	1,704.2	3,181.4	—	496.7	373.2	639.3	244.7	3,286.9
1954 Dec.	6,266.5	1,529.9	4,684.7	—	352.8	400.6	523.4	305.0	4,005.9
1955 Dec.	7,003.5	3,420.7	5,949.7	—	272.2	274.3	265.5	241.8	4,502.2
1956 Dec.	7,682.3	4,459.3	6,711.8	—	192.5	339.8	143.8	294.4	5,258.5
1957 Dec.	—	5,097.3	4,017.1	—	167.8	431.4	140.6	340.4	7,108.9
1958 Dec.	—	4,968.2	3,614.0	—	261.2	610.3	46.8	335.9	8,243.1
1959 Dec. ^{*)}	—	2,260.8	1,161.3	—	200.4	677.3	—	221.8	9,343.8
1960 Dec.	—	3,659.2	2,683.2	1.7	119.8	636.3	—	218.2	13,036.4
1961 Dec.	—	4,985.8	3,733.2	48.4	352.3	599.5	—	252.4	11,614.6
1962 Dec.	—	4,563.2	3,604.6	0.2	166.3	513.4	—	278.7	12,232.1
1961 Jan.	—	4,981.1	3,630.7	61.6	203.9	881.4	—	203.5	11,936.2
Feb.	—	4,689.7	3,480.2	10.3	172.4	830.0	—	196.8	10,814.9
March	—	6,409.3	5,026.3	8.2	279.5	872.8	—	222.5	10,176.8
April	—	6,595.9	4,923.5	914.8	233.6	301.7	—	222.3	9,967.0
May	—	6,803.0	4,919.3	871.1	165.2	627.6	—	219.8	11,089.2
June	—	7,616.7	5,366.7	501.4	724.7	778.7	—	245.2	9,528.2
July	—	7,169.4	4,995.8	517.9	787.3	626.6	—	241.8	9,147.3
Aug.	—	6,139.1	3,991.2	525.5	420.1	982.4	—	219.9	8,942.1
Sep.	—	6,309.4	5,337.1	45.4	381.8	298.6	—	246.5	9,356.9
Oct.	—	5,834.0	4,721.1	23.4	374.4	455.7	—	259.4	8,240.3
Nov.	—	5,405.5	4,043.3	48.1	407.1	649.9	—	257.1	8,954.1
Dec.	—	4,985.8	3,733.2	48.4	352.3	599.5	—	252.4	11,614.6
1962 Jan.	—	5,518.7	4,143.2	64.6	531.0	541.9	—	238.0	8,293.7
Feb.	—	5,199.9	3,731.2	66.8	231.8	927.8	—	242.3	8,082.1
March	—	6,326.8	5,490.4	2.8	271.1	330.6	—	231.9	8,756.1
April	—	5,541.0	4,527.1	5.6	249.7	517.1	—	241.5	8,670.1
May	—	5,405.4	4,097.9	11.3	229.0	828.1	—	239.1	8,883.3
June	—	6,306.2	5,464.5	12.9	314.5	25.5	—	261.8	9,008.4
July	—	6,182.3	4,551.7	13.1	392.8	970.2	—	254.5	9,168.2
Aug.	—	4,796.7	3,875.2	1.9	368.9	337.0	—	213.7	9,154.5
Sep.	—	7,016.7	5,362.0	1.7	369.5	1,012.8	—	270.7	9,048.9
Oct.	—	5,360.3	4,223.0	8.5	348.1	510.2	—	270.5	8,674.4
Nov.	—	4,337.2	3,238.0	0.1	316.2	505.9	—	277.0	9,066.2
Dec.	—	4,563.2	3,604.6	0.2	166.3	513.4	—	278.7	12,232.1

^{*)} As from July 1959 including deposits maintained with the Land Central Bank in the Saarland. — ¹⁾ Including the amounts temporarily employed in equalisation claims. — ²⁾ Until 31 July 1957 "counterpart funds" only. — ³⁾ Including Postal Cheque and Postal Savings Bank offices. — ⁴⁾ Since the entry into force, on 1 August 1957, of the Law concerning the Deutsche Bundesbank it has no longer been possible for public monies to be employed in equalisation claims. — ⁵⁾ As from May 1958 including the minimum reserve balances kept by the Federal Postal Administration on behalf of the Postal Cheque and Postal Savings Bank offices; cf. footnote 4) to Table I.2. — ⁶⁾ As from January 1959 included in "foreign business". — ⁷⁾ Other foreign depositors, until December 1958 contained in this item, are now included in "foreign business". — ⁸⁾ Accounts kept in connection with the development aid loan and the partial denationalisation of the Volkswagen Works; excluding however the amounts employed in foreign money-market paper.

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

Position at end of December 1961

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	364	346	17	18	73	44	53	39	34	48	10	10
Big banks ²⁾	6	6	—	—	—	—	—	—	—	1	2	3
State, regional and local banks	93	93	—	1	8	8	18	10	13	23	5	7
Private bankers	230	212	17	15	56	33	31	24	16	18	2	—
Specialised commercial banks	35	35	—	2	9	3	4	5	5	6	1	—
Central giro institutions	12	12	—	—	—	—	—	—	—	—	1	11
Savings banks	866	866	—	—	20	86	220	222	188	107	18	5
Central institutions of credit cooperatives	18	18	—	—	—	—	—	—	—	16	2	—
Central institutions of industrial credit cooperatives	5	5	—	—	—	—	—	—	—	4	1	—
Central institutions of agricultural credit cooperatives	13	13	—	—	—	—	—	—	—	12	1	—
Credit cooperatives	11,509	2,239	6	8	1,351	507	276	63	19	9	—	—
Industrial credit cooperatives	766	759	6	7	218	229	215	59	17	8	—	—
Agricultural credit cooperatives	10,743	1,480	—	1	1,133	278	61	4	2	1	—	—
Private and public mortgage banks	47	47	—	—	—	1	8	2	2	11	12	11
Private mortgage banks	29	29	—	—	—	1	3	1	2	7	11	4
Public mortgage banks	18	18	—	—	—	—	5	1	—	4	1	7
Credit institutions with special functions	25	25	1	—	1	2	3	—	2	5	3	8
Instalment credit institutions	265	235	24	23	90	25	31	22	12	7	1	—
Other credit institutions	58	—	—	—	—	—	—	—	—	—	—	—
Postal Cheque and Postal Savings Bank offices	15	15	·	·	·	·	·	·	·	·	·	·
Total ³⁾	13,179	3,803	48	49	1,535	665	591	348	257	203	47	45

¹⁾ Including the Saarland. — ²⁾ 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. — ³⁾ Deutsche Bank AG, Dresdner Bank AG, Commerzbank AG, and their Berlin subsidiaries. — ⁴⁾ Figures printed in *italics* do not contain Postal Cheque and Postal Savings Bank offices.

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% 1/6% per month	7 1/2	A + 1/2% 1/6% per month	7 1/2	A + 1/2% 1/6% per month	7 1/2	A + 1/2% 1/6% per month	7 1/2	A + 1/2% 1/6% per month	7 1/2	A + 1/2% 1/6% per month	7 1/2
A + 1/2% 1/6% per day	9	A + 1/2% 1/6% per day	9	A + 1/2% 1/6% per day	9	A + 1/2% 1/6% per day	9	A + 1/2% 1/6% per day	9	A + 1/2% 1/6% per day	9
D + 1/2% 1/6% per month	6 1/2	D + 1/2% 1/6% per month	6 1/2	D + 1/2% 1/6% per month	6 1/2	D + 1/2% 1/6% per month	6 1/2	D + 1/2% 1/6% per month	6 1/2	D + 1/2% 1/6% per month	6 1/2
D + 1/2% 1/6% per month	5	A + 1/2% 1/24% per month	5	D + 1/2% 1/24% per month	5	D + 1/2% 1/24% per month	5	D + 1/2% 1/24% per month	5	D + 1% 1/6% per month	5 1/2
D + 1/2% 1/6% per month	5 1/2	A + 1/2% 1/12% per month	5 1/2	D + 1/2% 1/12% per month	5 1/2	D + 1/2% 1/24-1/12% per month	5-5 1/2	D + 1/2% 1/12% per month	5 1/2	D + 1% 1/6% per month	5 1/2
D + 1 1/2% 1/6% per month	6	A + 1/2% 1/6% per month	6	D + 1 1/2% 1/6% per month	6	D + 1 1/2% 1/6% per month	6	D + 1 1/2% 1/6% per month	6	D + 1% 1/6% per month	6
D + 1 1/2% 1/6% per month	6	A + 1/2% 1/6% per month	6 1/2 ³⁾	D + 1 1/2% 1/6% per month	6 ⁵⁾	D + 1 1/2% 1/6% per month	6 ⁵⁾	D + 1 1/2% 1/6% per month	6 ⁵⁾	D + 1% 1/4% per month	7 ⁵⁾
A + 1/2% 1/6% per month	7 1/2	no rates fixed		no rates fixed		A + 1/2% 1/6% per month	7 1/2	A + 1/2% 1/6% 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				1/6% per half-year				Calculation according to Art. 5 of Agreement on Debtor Interest, together with instructions issued by Reich Credit Supervisory Office on 5 March 1942			
DM 2.— 1/2% per month, minimum DM — 50		DM 2.— 1/2% per month, minimum DM — 50		DM 2.— 1/2% per month, minimum DM — 50		DM 2.— 1/2% per month, minimum DM — 50		DM 2.— 1/2% per month, minimum DM — 50		DM 2.— not fixed	
Creditor Interest Rates ⁷⁾ , in per cent per annum											
3/8		3/8		3/8		3/8		3/8		3/8	
3/4		3/4		3/4		3/4		3/4		3/4	
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	
4		4		4		4		4		4	
1 3/4		1 3/4		1 3/4		1 3/4		1 3/4		1 3/4	
2 1/4		2 1/4		2 1/4		2 1/4		2 1/4		2 1/4	
2 3/4		2 3/4		2 3/4		2 3/4		2 3/4		2 3/4	
3 1/2		3 1/2		3 1/2		3 1/2		3 1/2		3 1/2	
1 3/4		1 3/4		1 3/4		1 3/4		1 3/4		1 3/4	
2 1/4		2 1/4		2 1/4		2 1/4		2 1/4		2 1/4	
2 3/4		2 3/4		2 3/4		2 3/4		2 3/4		2 3/4	
3 1/2		3 1/2		3 1/2		3 1/2		3 1/2		3 1/2	
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 (1) overleaf.

10. 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)	21,675	8,679 4)	7,612	5,318	66	—
(2) Decrease in holdings						
(a) linear and premature redemption	1,294	—	792	496	6	—
(b) repurchases and offsets by debtors	202	—	147	55	—	—
(3) Balance (1 less 2)	20,179	8,679	6,673	4,767	60	—
(4) Change of creditor						
(a) sales to the Fund for the Purchase of Equalisation Claims	—	—	-/. 318	-/. 95	-/. 5	+ 418
(b) temporary sales to Deutsche Bundesbank (less repurchases)	—	+ 48	-/. 48	—	—	—
(c) balance of purchases and sales between other creditor groups	—	—	+ 202	-/. 200	-/. 2	—
(5) Holdings at the end of December 1962	20,179	8,727 5)	6,509	4,472	53	418
note: of which, converted into money-market paper	3,769	3,769 5)	—	—	—	—
II. Holdings at the end of December 1962 broken down by interest rates and debtors						
(1) Breakdown by interest rates						
(a) non-interest-bearing Equalisation Claims	56	—	3	—	—	53
(b) 3% Equalisation Claims	14,265	8,180	5,933	—	—	152
(c) 3 1/2% Equalisation Claims	4,820	—	202	4,462	53	103
(d) 4 1/2% Equalisation Claims	481	—	371	—	—	110
(e) 3% Special Equalisation Claims	10	—	—	10	—	—
(f) non-interest-bearing debt certificate 6)	547	547	—	—	—	—
(2) Breakdown by debtors						
(a) Federal Government	11,110	8,679	466	1,877	—	88
(b) Länder	9,069	48	6,043	2,595	53	330
(3) Total (1 a to 1 f = 2 a + 2 b)	20,179	8,727 5)	6,509	4,472	53	418
note: of which, converted into money-market paper	3,769	3,769 5)	—	—	—	—
^{*)} The figures are chiefly based on special statistics collected as at 31 October 1957, the results of which have as far as possible been projected to the date indicated. — ¹⁾ Including Postal Cheque and Postal Savings Bank offices as well as, in contrast to the monthly balance-sheet statistics, the smaller agricultural credit cooperatives whose balance-sheet total at the end of 1961 amounted to less than DM 2 million. — 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 3). — ⁵⁾ The holding of DM 4,958 million shown in the Return of the Deutsche Bundesbank as of 31 December 1962 (Table II B) is the difference between the amount of DM 8,727 million recorded under I (5) and II (3) and that part of the equalisation claims, amounting to DM 3,769 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.						

