

REPORT

of the

DEUTSCHE BUNDESBANK

for the Year 1959

**MEMBERS OF THE CENTRAL BANK COUNCIL OF THE DEUTSCHE BUNDESBANK
IN THE ACCOUNTING YEAR 1959**

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Dr. Heinrich T r o e g e r, Deputy Chairman of the Central Bank Council

Dr. Bernhard B e n n i n g

Dr. Wilhelm B o d e n (until 31 May 1959)

Leopold B r ö k e r

Otto B u r k h a r d t

Dr. Hans-Georg D a h l g r ü n (from 1 June 1959)

Dr. Otmar E m m i n g e r

Ernst F e s s l e r

Rudolf G l e i m i u s (until 31 August 1959)

Heinrich H a r t l i e b

York H o o s e

Wilhelm K ö n n e k e r

Dr. Otto P f l e i d e r e r

Friedrich Wilhelm v o n S c h e l l i n g

Dr. Franz S u c h a n (from 1 October 1959)

Dr. Herman T e p e

Johannes T ü n g e l e r

Carl W a g e n h ö f e r

Dr. Eduard W o l f

Dr. Erich Z a c h a u

Reinhold W e r n e r (from 6 July 1959, acting President of the Land Central Bank
in the Saarland pending appointment of the President)

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AND OF THE BOARDS OF MANAGEMENT OF THE LAND CENTRAL BANKS**

Members as of 1 April 1960

of the Directorate of the Deutsche Bundesbank

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Dr. Heinrich T r o e g e r , Vice-President of the Deutsche Bundesbank
Dr. Bernhard B e n n i n g
Dr. Otmar E m m i n g e r
Heinrich H a r t l i e b
Wilhelm K ö n n e k e r
Johannes T ü n g e l e r
Dr. Eduard W o l f
Dr. Erich Z a c h a u

of the Boards of Management of the Land Central Banks

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Bavaria	Carl W a g e n h ö f e r Dr. Maximilian B e r n h u b e r Dr. Friedrich O e c h s n e r	President Vice-President
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Lower Saxony	York H o o s e Richard K r a u s e Hans G ü n t h e r L u t z e	President Vice-President
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Rhineland- Palatinate	Dr. Hans-Georg D a h l g r ü n Anton W i l z	President Vice-President
Saarland*)	Reinhold W e r n e r	Vice-President
Schleswig- Holstein	Otto K ä h l e r Wilhelm S p i l g e r	President Vice-President

*) Pending appointment of the President of the Land Central Bank in the Saarland his functions will be exercised, also in the Central Bank Council, by the Vice-President.

REPORT OF THE DEUTSCHE BUNDESBANK FOR THE YEAR 1959

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Part A

General Part

Economic Developments and Central Bank Policy*)

I. General Survey

The trend of economic activity in the Federal Republic of Germany changed so sharply in the course of the past year that the Bundesbank was obliged again to apply the credit brakes sooner than could be foreseen a year before. When the Bank in the spring of 1959 had presented its Report for 1958, there had been widespread anxiety among the public about the business cycle's further course. Not only in coal mining but also in steel, textiles and some other industries the feature of business at that time was a dullness in sales and orders which had already persisted for more than a year, and which in some cases had entailed appreciable cuts in output and employment. The fear that these localised crises might lead to a general slackness seemed to many observers the more justified inasmuch as in 1958 the overall growth had already dropped below the rate that appeared attainable, while at least in industry the propensity to invest had clearly declined. There was the further fact that foreign demand in 1958 also appeared to have entered a period of stagnation, since in many European and overseas countries the movement in economic activity at that time was much quieter, or in some fields even downward, not least because of the measures which had been adopted in 1957 and 1958 to counteract the inflationary tendencies that had for years been disturbing economic balance. Under the impression of this movement there had actually been a demand in many quarters during the first months of 1959 for a more "active" policy, not confined merely to making credit easier — a demand which, it will be remembered, was in fact met as regards the steel industry by the starting of a special "pump priming" programme, quite apart from the measures designed to alleviate the — of course largely structural — troubles of the coal mines.

The initial situation

The Bundesbank never shared this pessimism about the development of business activity; it therefore held recourse to stimulating action on a broader front to be superfluous, and indeed undesirable. It based this view on the conviction that the notable successes in consolidation which had been achieved in 1957 and 1958, especially in the form of considerable easing of the capital market together with the lowering of the interest rate level, would be quite enough to ensure not only continuance of expansion; it was convinced that probably the latter would actually soon be speeded up again. It may be recalled that this was the conclusion reached in the analysis of cyclical trends in our last Annual Report.

In point of fact the economic movement in 1959 was in line with these expectations; indeed the quickening of expansion actually came sooner and in more accentuated form than we had forecast and — as should at once be added — had felt to be desirable. Even during the "spring revival" which usually reaches its peak in May and June it became evident that the upward tendencies were more and more predominating among the forces determining the business cycle, the more so since new impulses were plainly operating in some important industries which only a short time before had been regarded as potential crisis-breeding elements, above all, for instance, in the steel and textile industries. At first this change remained largely within the limits of what

Upswing and renewed strains

*) The German original of this Report went to press on 26 April 1960.

was justifiable, and even desirable; in particular it did not prevent the downward price movement, which had started at the beginning of 1958, from continuing in some markets to the end of the first half of 1959. From the middle of the year onwards, however, the expansion more and more assumed the character of a somewhat undesirable boom. In the course of the summer the activity in building, which had previously afforded welcome support to the expansion, went further and further beyond the limits which in view of the available production capacities and labour supply ought properly to have been observed; it thus increasingly became a hot-bed of general cyclical overstrain. In most other branches of activity too the pressure of demand steadily increased, since despite all efforts it proved impossible to expand output so fast as the inflow of orders increased. By the second half of the year the prevailing cyclical "climate" was therefore already quite different from that in the first half. In large sections of the economy buyers' markets had previously formed, in which at least some prices tended downwards; now, on the other hand, sellers' markets and rising price tendencies became dominant, even apart from the unfortunate effect which the 1959 drought produced on the prices of certain farm products. The situation became particularly critical in the labour market. Against the rapidly rising demand for labour in 1959 there stood only insignificant reserves of employable persons out of work, and only a relatively small net addition to those gainfully employed. Many enterprises therefore sought to cover their demand for labour by enticing workers away from other firms. In the nature of things this in some cases led to considerable non-contractual wage increases (i. e., rises not enforced by the movement in collective wages), just as these increases could not but be accompanied on a growing scale by wage demands of trade unions; accordingly the discrepancy between overall demand and the possibility of enlarging the national product now threatened to be widened not only by the persistent investment boom, by the growth of Government expenditure and of foreign demand, but also on the side of private consumption. The part played in that connection by growing Government expenditure calls for a special remark. In the summer of last year, when it became evident that the business cycle was leading up to a dangerous boom, the Bundesbank emphatically drew attention to the need for an "anticyclical" fiscal policy; it recommended in particular that steps be taken to ensure some cooling through limitation of public expenditure on building, which was at that time the most "heated" sector of the economy. But it soon became apparent that little relief was to be expected from that quarter anywhere near in the future, while on a longer view there was rather ground to expect a strengthening of the expansive tendencies emanating from total public expenditure.

The Bundesbank's
countermeasures

In these circumstances the Bundesbank in the autumn of 1959 found itself obliged definitely to change the course of its credit policy and, after roughly three years' easing of credit, to check the re-emergence of quite substantial credit expansion through increases of its discount rate plus a series of measures affecting liquidity. The Bank did not do this with a light heart. It would have been better pleased if a credit climate could have been preserved in which the rate of interest on capital would not have risen again, seeing that despite the great progress made in 1958 and at the beginning of 1959 the level of long-term interest rates in the Federal Republic had still not quite reached the same level as in other practically comparable countries. There was the further point that the Federal Republic's surplus on current balance-of-payments items was again greater in 1959 than the deficit on long-term capital transactions, and that it would have been more in line with such a balance-of-payments situation if the Bank had been able to adhere to a policy of relatively easy money instead of risking a renewed heavy influx of foreign exchange. Faced with the choice between such external considerations and the obligation to preserve the internal value of the currency, the Bank had no doubt in according priority to the latter, since the defence of price stability is of fundamental importance for the entire economic process, while the troubles which might arise from renewed growth of the banks' exchange accruals can be more easily checked and overcome than the consequences of slipping on to the dangerous slide of major price rises.

The Bundesbank was however at pains to counteract the exchange accruals which in some measure inevitably resulted from the revision of its credit policy, and thereby so far as possible to prevent adverse repercussions on other countries. It was assisted by the fact that in so important a country as the United States credit policy had before then already changed over to a restrictive course, and that in other countries a similar change was soon afterwards made — in fact, as was in some cases expressly emphasised, not in view of any possible exchange losses but because there also the internal cyclical trends more and more required a limiting of credit expansion. Thus the interest rate increases in the Federal Republic did not create an interest rate differential which would have attracted foreign money — as had been feared in some quarters — especially since the Bank in its discount policy deliberately kept within the limits which in conditions of convertibility were set for it by the course of international money markets. Above all however the Bank warded off the afflux of foreign money by requiring, in respect of any additions to foreign liabilities, minimum reserves at the maximum rates legally permissible, thereby subduing the attractiveness of taking foreign money. The change in the short-term capital streams as between the Federal Republic and foreign countries was therefore mainly confined so far to cessation of the banks' previously very substantial "money exports", and to "repatriation" of part of the monies placed abroad; on the other hand the accrual of actual foreign monies, which had been forecast in many quarters as the immediate and inevitable consequence of the restrictive credit policy, has — at least so far — been relatively small. This was not only gratifying from the point of view of German credit policy; it also relieved foreign countries of the pressure which they may have feared for the exchange reserves — relieving them the more readily since to a large extent the German banks' repatriation of foreign balances merely amounted to a switch of assets as between them and the Bundesbank. Hitherto moreover the Federal Republic's surpluses on transactions in goods and services have risen only slightly because, at least up to the end of the first quarter of 1960, the restrictive credit policy has neither slowed down the vigorous rise apparent in imports since early in 1959 nor stimulated exports to expand more than they would probably in any case have done as a result of the international economic upswing.

Credit restrictions
and the external
situation

Still, the foreign trade and payments situation certainly complicates the present course of credit policy. By reason of the complete freedom of capital transactions with foreign countries the autonomy of national credit policy is of course limited, especially in regard to interest rates. Even at their existing level moreover the balance-of-payments surpluses on current account constantly produce tendencies to greater liquidity in trade and industry and the credit system; and the Bundesbank has to counteract these tendencies by almost continuously tightening its measures affecting liquidity if, with an eye to its restrictive policy, it wishes to maintain a certain strain on liquidity. Clearly, in these circumstances, the effectiveness of credit policy is severely tested.

The Bundesbank is well aware of these difficulties; and, if only for that reason, it still holds that the checking of the cyclical overstraining which now threatens the stability of our price level should not be left entirely or almost entirely to credit policy, because in that event the latter might easily be overtaxed. The Bank therefore pleads once again for a "cycle-conscious" financial policy on the part of the public authorities; and it welcomes the steps taken in that direction of late, especially through revision of the original 1960 Federal budget estimates and through the tax amendment programme of March 1960. From the monetary point of view it is urgently desirable that further steps should follow and that all the public authorities, in particular the Länder and local authorities, should again overhaul their spending plans for the new financial year — the object being despite the impending wage and salary increases in the public service to slow down the rise of expenditure, or at least to restrict their borrowing needs to the minimum.

Credit policy
ought to be
supported . . .

Similarly the Bundesbank appeals once again to the business community and to all employed persons to pay regard to the present phase of the business cycle in their plans and demands, and

Figures showing Economic Developments in the German Federal Republic

not including Berlin (West) and the Saarland

Monthly averages

Item	Basis	1953	1954	1955	1956	1957	1958	1959	1959				1960	
									1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr. ^{p)}	
Production														
Index of industrial production *) (per working day)														
Total	1936 = 100	153.9	171.8	197.6	213.1	225.2	232.3	249.3	227.8	249.7	244.4	276.0	256.4	
Basic and producer goods industries	1936 = 100	137.0	156.2	180.7	193.5	204.2	209.5	236.2	208.7	240.7	241.5	253.7	250.6	
Capital goods industries	1936 = 100	173.4	204.6	251.9	274.2	285.4	305.9	330(5)	306.8	332.3	314.0	369.8	354.1	
including:														
Machine building	1936 = 100	177.3	197.9	243.3	265.4	274.0	277.0	286.5	264.8	293.8	273.2	314.8	294.5	
Consumer goods industries	1936 = 100	151.9	165.6	184.1	199.3	211.3	209.1	221.5	204.3	218.4	215.9	248.0	228.3	
including:														
Textile industry	1936 = 100	156.9	168.0	181.7	193(5)	201.6	189.5	196.1	184.0	191.6	191.3	217.6	210.3	
Building industry proper	1936 = 100	153.3	169.1	190.7	200.0	196.1	202.5	235.1	156.4	265.4	266.0	252.1	184.9	
Production of important basic materials														
Hard coal, per working day	'000 tons	410.8	422.5	431.4	443.6	442.4	440.5	415.8	435.4	423.5	383.1	425.2	.	
Raw steel, per production day	'000 tons	49.4	54.3	65.6	72.9	76.1	73.0	82.5	73.1	86.6	86.6	93.4	101.5 ¹⁴⁾	
Rolled steel, per production day	'000 tons	33.3	36.7	45.0	51.4	54.9	51.2	55.2	47.3	56.0	57.3	62.5	74.2 ¹⁴⁾	
Farm products														
Net food production ¹⁾	1935/36-1938/39 = 100	119	121	120	122	126	134	131e)	.	.	.	.	.
Stocks														
(at end of period under report)														
Pithead stocks of hard coal and coke	'000 tons	3,736	2,079	217	269	753	13,065	16,449	15,107	16,432	16,850	16,449	16,530 ¹⁴⁾	
Coal stored with main consumers ²⁾	'000 tons	5,111	4,636	6,761	8,415	11,092	11,575	8,466	11,268	10,505	10,161	8,466	.	
Rolled-steel stocks														
with producers and traders	'000 tons	1,020	1,048	1,247	1,474	1,707	1,565	1,789	1,560	1,615	1,696	1,789	.	
with capital goods industries ³⁾	1952-1955 = 100	99	95	166	199	236	204	199	191	197	205	195	.	
Retailers' stocks ⁴⁾	1958 = 100	.	.	.	.	94	98	108	101	102	110	108	117
Labour Market and Employment														
Registered unemployed	'000's	1,259	1,221	928	761	662	683	476	588 ⁵⁾	255 ⁵⁾	184 ⁵⁾	441 ⁵⁾	254 ⁵⁾	
Employed ⁶⁾	'000's	15,583	16,286e)	17,175e)	18,056	18,611	18,840	19,399	19,089 ⁵⁾	19,590 ⁵⁾	19,786 ⁵⁾	19,505 ⁵⁾	19,685 ⁵⁾	
of whom, in industry	'000's	5,751	6,062	6,576	6,991	7,221	7,273	7,301	7,156 ⁵⁾	7,296 ⁵⁾	7,394 ⁵⁾	7,401 ⁵⁾	.	
Unemployment ratio ⁶⁾	per cent	5.5 ⁷⁾	4.6 ⁷⁾	2.7 ⁷⁾	2.1 ⁷⁾	1.9 ⁷⁾	1.7 ⁷⁾	0.9 ⁷⁾	3.0 ⁵⁾	1.3 ⁵⁾	0.9 ⁵⁾	2.2 ⁵⁾	1.3 ⁵⁾	
Average working time in industry ⁸⁾	hours	48.1	48.7	48.9	48.2	46.5	45.7	45.6	44.4 ⁹⁾	45.9 ⁹⁾	45.8 ⁹⁾	46.2 ⁹⁾	.	
Orders booked, and Turnover														
Orders booked in industry ¹⁰⁾														
(Values, per calendar month)														
Total	1954 = 100	.	107	126	137	143	142	175	147	175	179	199	.	
Basic industries	1954 = 100	.	111	127	136	142	137	168	137	167	181	186	.	
Capital goods industries	1954 = 100	.	111	136	147	154	163	203	180	190	203	237	.	
Consumer goods industries	1954 = 100	.	99	112	126	129	119	147	117	164	140	165	.	
Retail turnover at current prices ¹¹⁾														
Total	1954 = 100	.	100	111	123	133	139	146	130	139	137	178	.	
including:														
Clothing, linen, underwear, footwear	1954 = 100	.	100	110	123	135	136	140	122	132	117	187	.	
Household goods, furniture	1954 = 100	.	100	115	133	146	155	165	138	148	160	214	.	
Prices and Wages														
Prices of basic materials (of domestic and foreign origin)														
Total	1950 = 100	122	123	125	129	132	132	132	132	131	132	133	133	
of which:														
Farm, forest and plantation products	1950 = 100	110	113	114	119	120	119	120	119	118	121	122	120	
Industrial products	1950 = 100	135	133	137	140	145	146	145	146	145	145	146	147	
Cost prices for foreign goods														
Total	1950 = 100	103	103	103	107	106	100	97	96	97	97	100	99	
Producer prices of domestic industrial goods														
Total	1950 = 100	118	116	119	121	124	125	124	124	124	124	125	125	
including:														
Capital goods	1950 = 100	125	122	124	128	132	134	133	134	133	133	133	134	
Consumer goods	1950 = 100	97	96	96	98	102	101	99	98	98	99	100	102	
Cost of living ¹²⁾ ¹⁴⁾														
Total	1950 = 100	108	108	110	113	115	119	121	119	119	121	123	123	
including:														
Food	1950 = 100	112	114	116	119	122	126	128	125	125	128	132	131	
Rent	1950 = 100	107	107	110	117	119	120	122	122	122	123	123	124	
Heat and light	1950 = 100	120	127	130	132	136	143	144	145	143	144	146	147	
Household equipment	1950 = 100	104	102	103	105	110	112	112	112	112	112	112	112	
Clothing	1950 = 100	98	97	97	97	101	104	105	104	104	105	106	107	
Industrial workers' wages														
Hourly earnings	DM	1.67	1.71	1.83	1.99	2.17	2.32	2.44	2.37 ¹³⁾	2.43 ¹³⁾	2.45 ¹³⁾	2.51 ¹³⁾	.	
Weekly earnings	DM	80.58	83.39	89.31	95.77	100.74	105.82	111.51	105.35 ¹³⁾	111.45 ¹³⁾	112.49 ¹³⁾	116.03 ¹³⁾	.	
Foreign Trade **)														
Imports	DM million	1,334	1,611	2,039	2,330	2,657	2,670	2,985	2,573	2,922	3,032	3,414	3,334	
Exports	DM million	1,544	1,836	2,143	2,572	2,997	3,083	3,432	2,970	3,354	3,436	3,968	3,806	
Balance	DM million	+ 210	+ 225	+ 104	+ 242	+ 340	+ 413	+ 447	+ 397	+ 432	+ 404	+ 554	+ 472	

¹⁾ Farm year from 1 July to 30 June of following year. — ²⁾ Industry, transport and public utilities. — ³⁾ Calculated by Rheinisch-Westfälisches Institut für Wirtschaftsforschung (Rhenish-Westphalian Institute for Economic Research). — ⁴⁾ Calculated by Institut für Handelsforschung (Trade Research Institute) at Cologne University. — ⁵⁾ Position at end of quarter. — ⁶⁾ Proportion of unemployed to total of employed and unemployed wage and salary earners. — ⁷⁾ Position at end of third quarter. — ⁸⁾ Weekly hours paid. — ⁹⁾ Position at middle of quarter. — ¹⁰⁾ Index of orders booked, based on average monthly turnover for 1954 = 100. — ¹¹⁾ Index of Federal Statistical Office. — ¹²⁾ Cost-of-living index, consumers in medium income group. — ¹³⁾ Averages computed from end-of-quarter figures. — ¹⁴⁾ As from January 1960 including the Saarland. — e) Estimated. — p) Provisional. — *) Original basis 1950 = 100, converted to basis 1936 = 100. — **) Special trade according to the official foreign trade statistics: imports c.i.f., exports f.o.b. For 1957 and 1958 including imports of the Federal Government subsequently reported and thus not recorded in the official foreign trade statistics for those years. As from 6 July 1959 including the Saarland.

to examine with a detached mind the question how far these can be realised at all in the existing circumstances. We know that definite action cannot be replaced by moral suasion; and we understand the incipient dislike of those exhortations which have been addressed of late in such plentiful measure to more or less definitely specified quarters. But clearly the trouble entailed in overcoming cyclical strains like the present ones will be smaller in proportion as the limits set are respected by all concerned, and in proportion moreover as all are prepared to rank the exploiting of individual opportunities below their responsibility to the economy as a whole, the more so since in the longer run that would also appear to be in their own interest. All parties together can receive no more than is made available out of production, and out of any decrease in the export surplus. If demand is greater than that, it will only lead to price rises. No doubt even then some groups may occasionally do better than others. But jockeying for the best position in the event of a continuing price rise inevitably quickens the price increases; and experience has shown that at the end of such a process there may well be a setback which may in the last analysis reduce even the "winners" to mere Pyrrhic victors.

The Bank would therefore warmly welcome it if the beginnings, here and there apparent, of more realistic assessment of the possibilities of producing enough to meet the demands on the national product were to grow stronger. The Bank could then refrain from further tightening its credit policy, and could do so without being unfaithful to the duty conferred on it of influencing the money supply in such a way as to maintain the value of money. The economy would in that event be spared many features which accompany tough credit policy measures, and which are in themselves undesired but are unfortunately unavoidable. And the capital market, the fuller use of which in the process of investing and transmitting the economy's savings continues to present one of the great structural problems that German economic policy has not yet entirely solved, could then be released from the pressure which at present weighs upon it. The fact that this would also promote the solution of the German balance-of-payments problem — since such solution lies largely in financing through voluntary and so far as possible private capital exports that part of the surpluses on current account which are to be regarded as "structural" — has already been shown in detail in our last Annual Report.

On the other hand however the Bundesbank is determined to make even fuller use of its instruments of credit policy, if it should turn out that the increase in demands on the national product cannot be kept in line with the possibilities of enlarging it, and in particular with the possible raising of the total of man-hours worked. After all, the precondition for any sound expansion of the economy is maintenance of the value of money, this being the principal task which the legislature expressly entrusted to the Bundesbank. The Bank is aware of the duties which arise for it from that fact; and it will make every effort, in constant consultation and cooperation with the Federal Government, to contribute decisively by means of credit policy to the preservation of price stability.

... but in case of need the instruments of credit policy will be yet more vigorously used

II. From Recession to Overstrain

1. The motive forces

On seeking reasons for the change through which the general cyclical situation passed last year one finds that three factors in particular were at work: the building boom, the reversal in stockpiling and the renewed increase of foreign demand.

(a) Intensification of building activity

The upswing in building activity, the great importance of which for the maintenance of overall economic expansion during 1958 was fully described in our previous Annual Report, became much more marked in 1959; indeed, contrary to our original expectations, it even assumed a

Building expenditure and permits

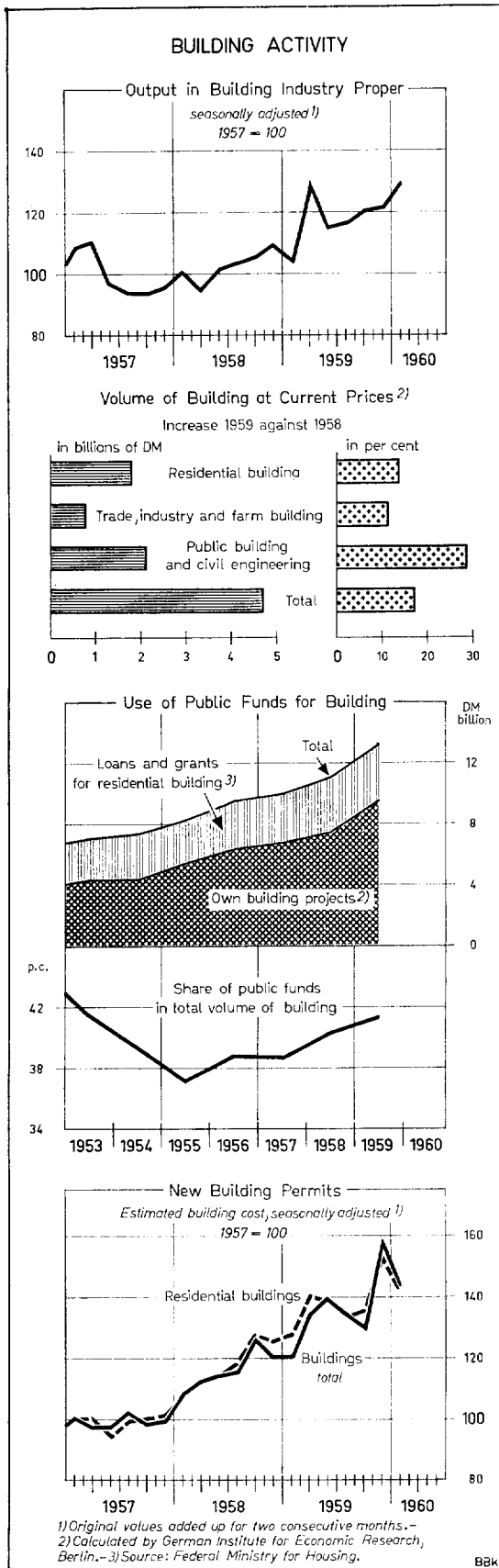
definite boom character. The expenditure on building amounted to DM 32.1 billion in 1959, against DM 27.4 billion in the previous year and DM 25.8 billion in 1957. Thus it rose last year by more than a sixth. There would seem to have been an even greater increase in the amount of new planning since in overground building alone, the expansion of which was greatly exceeded during 1959 by that in civil engineering, the estimated expenditure on the new building projects approved in the course of that year was greater by some 17 per cent than the total for the previous year. Here it must be borne in mind that in 1958 the rise in the value of newly approved overground building projects had also been as much as about 17 per cent, against only 1.7 per cent in 1957, whereas output was increased only slightly, so that the building trade already had a considerable order backlog at the beginning of 1959. The expansion of house-building and of building on public account was the deciding cause although, as will be seen later, in the second half of the year there began a vigorous increase of the until then relatively small amount of building for trade and industry.

The impulse due to the fall in interest rates

No doubt the cause of this enormous rise in building activity lay to a large extent in the considerable fall which had taken place in the rate of interest on capital, during 1958 and at the beginning of 1959, under the influence of growing capital formation and, in particular, much greater readiness to invest in securities. The rates of interest for mortgage loans, which with allowance for the discount on payment to the borrower were as high as 7.5% to 9% in 1957, had fallen by the end of 1958 to about 6.5%. Such a decline of course stimulated the desire to build, the more so since the interest rates last reached were regarded in many quarters as unusually low and probably, therefore, as temporary only.

Increased effect of public authorities' actions

Great as was the effect of the fall in interest rates, however, the 1959 rise in building activity would hardly have reached such disquieting proportions if the public authorities' building activity and their measures to encourage building had not materially contributed towards it. The chief field of application for the authorities' measures of encouragement continued to be house-building. The amount of monies spent by public authorities in that connection reached in 1959 a new peak of DM 3.7 billion, against not quite DM 3.6 billion in the previous year and something less than DM 3.2 billion in 1957, although in 1959 the capital market produced for the same purpose an amount of DM 7.3 billion which was itself greater by 40 per cent than in 1958. This was mainly due to the fact that 1958 had seen the start of a number of special governmental housing programmes, such in particular as the one for the benefit of refugees from the Soviet-occupied zone, and the carrying out of some of these did not reach its climax until 1959. There was the further fact that publicly assisted house-building enjoys a specially favoured position among economic policy measures, while there is little readiness to limit it on cyclical grounds more than is entailed by the gradual reduction of the monies provided for it. Incidentally the amount of money spent by public authorities reflects only quite inadequately the actual effect on the extent of house-building. The principal reason is that for some time a growing part of the public monies for building has been given as subsidies no longer on capital but on interest, that is to compensate for the higher rates of interest paid for monies borrowed in the market; with the help of such public grants it is thus possible to procure in the market several times as much money for publicly assisted housing without this creating difficulties regarding the calculation of rents. Another factor which cannot be measured by the amount of budget monies used is the influence which the authorities exert on private house-building by the granting of tax concessions. Apart from the traditional privileges for payments into building and loan associations chief importance attaches here to the concessions under Article 7b and 7c of the Income Tax Law, especially 7b, which allows substantial depreciation facilities for the benefit of privately financed house construction. While this provision is not new, it has certainly become more important in the last two years because many other tax concessions have been dropped. Many investors have therefore sought to obtain fiscal advantages by concentrating on the possibilities under Article 7b and building dwellings which they sold again, after using



the special depreciation facilities allowed for the first two years after construction, so that with the proceeds they could build further dwellings while enjoying the benefits conferred by the paragraph in question.

Even greater, however, was the effect produced by the public authorities' own building activity on the overall amount of building done. Such authorities' expenditure on their building projects amounted to DM 9.6 billion in 1959, against DM 7.5 billion in the previous year and DM 6.8 billion in 1957. The increase last year was no less than 28.7 per cent, which greatly exceeded that of 13.7 per cent in the total expenditure on housing. It was thus the primary cause of the great increase in the total volume of building, by DM 4.7 billion or 17.2 per cent as against DM 1.6 billion or 6.2 per cent in 1958, the more so since building for commercial, industrial and farm purposes at first expanded little in 1959. Out of the 1959 increase of over DM 2.1 billion in total expenditure on public building DM 1.4 billion represented civil engineering work. That fact has often been urged in defence of the increase in public expenditure on building, the point being made that in civil engineering there were enough capacities available to permit such an increase without overheating. It is however usually overlooked that through demand for labour, building materials, building machinery and other equipment civil engineering undoubtedly contributed a good deal to the growing strains in other quarters, especially in building proper, even though actually in civil engineering fewer difficulties perhaps arose. Incidentally the increase in the public authorities' ordinary building projects was by no means small. The total expenditure on these rose by about three-quarters of a billion DM, or 29 per cent, a percentage which greatly exceeded the above-mentioned increase of 17.2 per cent in the total volume of building including civil engineering work.

In the summer of 1959, when it became apparent that the building trade in particular would be seriously overtaxed by the growth of demand, the Bundesbank urged that these impulses to building activity emanating from

The public authorities' own building activity

Little sign yet of any adapting of the authorities' actions to the cyclical situation

the public authorities should as soon as possible be reduced until the boom in private building had passed its peak, because otherwise the Bank could not refrain from counteracting by drastic measures of credit policy such cumulation of a private and a public building boom. We still hold the view that it would have been technically possible to comply at least in some degree with this representation. No doubt building projects are as a rule long-term with regard not only to their execution but also to their planning. Yet fresh planning and fresh projects are constantly being begun; it is therefore not clear why it should be impossible to cut them down within the foreseeable future if those concerned are convinced that this is necessary, and do not feel themselves bound by the fact that the relevant expenditure has been authorised in the budgets. In practice however there has so far been relatively little sign of the public authorities' consciously exerting any retarding influence on the course of the building boom. There has been evidence of a decrease in the impulses coming from them only in so far as certain official building programmes have expired, in particular the above-mentioned special programme for the benefit of refugees from the Soviet-occupied zone. It is essentially because of this that at about 133,000 in the second half of 1959 the number of dwellings for which official financing assistance was promised by way of special authorisations was smaller by some 41,000 than in the corresponding period of the previous year. But for the time being that meant little as regards the actual course of the building boom because there was a very large number of publicly assisted dwellings which were already in course of construction on the basis of authorisations previously granted, or the construction of which was on the point of being begun, while postponement was not contemplated at that stage. The fact that the amount of newly promised mortgage loans for publicly assisted house-building was greater than a year previously by 34 per cent in the third and fourth quarters of 1959 also shows that even in house-building the official influence was considerable up to the close of the year under report. Above all however the trend of the public authorities' own capital expenditure on building in the second half of 1959 — and, so far as can be seen, in the first months of 1960 as well — was still entirely characterised by expansion. At about DM 1.75 billion the estimated expenditure on the official building projects approved in the second half-year was 17 per cent greater than that on the projects approved in the corresponding period of 1958; in January and February the year-to-year growth-ratio was actually 45 per cent. There is a quite similar picture in civil engineering, where particularly for road-building much larger amounts are appropriated in the 1960 budgets than for the past financial year. Official building activity is therefore likely in the next few months to give rise to a demand for building work even greater, if anything, than last year.

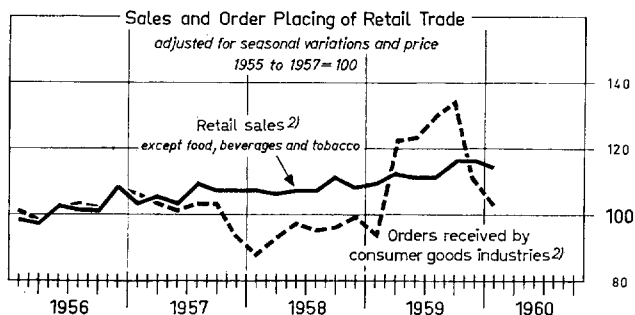
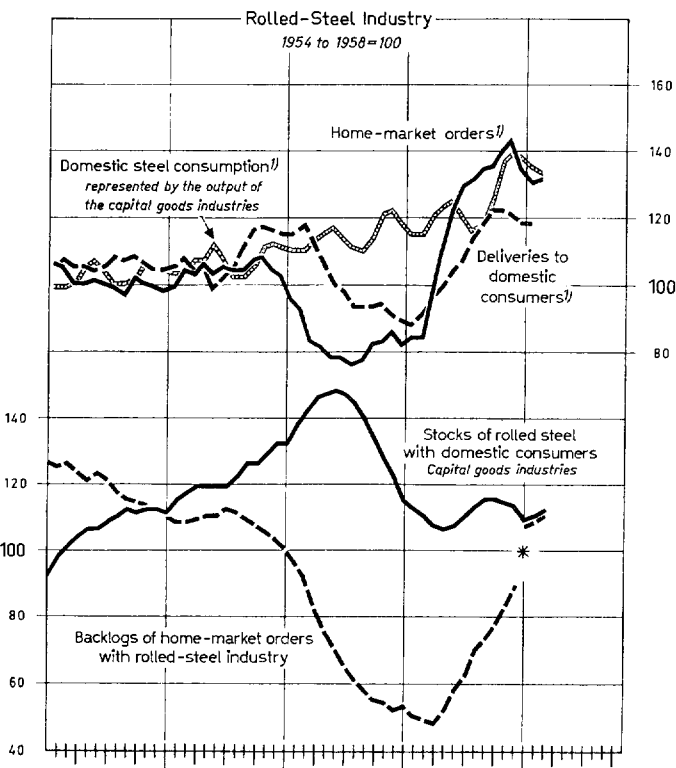
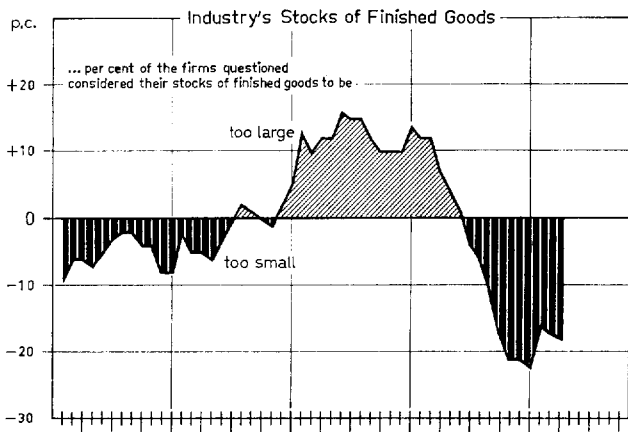
The fact that general economic conditions changed so quickly into a boom in the summer of 1959 was however due not only to strengthening of the upswing in building apparent since as long ago as 1958, but also to the emergence of additional cyclical impulses just in those quarters where tendencies to decline — or at least to stand still — had predominated until the first months of 1959.

(b) Upswing due to the stock cycle

The general situation

One important factor was the change, the first beginnings of which were indicated in our last year's Report, in the stockpiling behaviour of buyers. In 1957 and 1958 the ordering by traders and manufacturers for stock had been largely indicative of a downward phase in the stock cycle due chiefly to the natural reaction to the previous additions to stock, to the general recession in that period and to the fall in many international raw material prices. In 1959, on the other hand, the stock-ordering pendulum again swung upward. This again largely represented a normal cyclical reaction, inasmuch as in many quarters stocks had sunk so low at the beginning of 1959 that no further reduction seemed desirable. That fact alone caused in general a perceptible increase in the orders given, since owing to stock reduction the amount of orders placed had in many cases fallen below the level of current consumption.

INFLUENCE OF THE STOCK AND ORDER CYCLES ON ECONOMIC ACTIVITY



¹⁾ 3-month moving averages. - ²⁾ Two consecutive months added up. - *) From January 1960 onwards including the Saarland.

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Influence of the American steelworkers' strike

As usual in such cases, the running down of stocks did not merely end; in some trades people went further, and began to build them up again. Prominent among the general factors which determined that course were the price rises that occurred on international raw material markets at the beginning of 1959 and, later, the reawakening of confidence in the further course of business activity. No doubt in every trade there were also more or less important special factors. Particular significance attached in that connection to the brisk demand which arose on the international steel markets in the spring of 1959 in view of the impending strike of steelworkers in the United States. This contributed materially to the rapid and complete change of conditions in the Federal Republic's steel industry, which as already mentioned had at the start of the year still been regarded as in some respects a possible seat of crisis. At the beginning of 1959 the running down of stocks with traders and manufacturers had caused the order backlogs of the steel rolling mills, that is the section of the ironworking industry nearest to the manufacturing stage, to drop to about 3 million tons (against 6.2 million tons at the beginning of 1957) even though production in the course of 1958 had been cut down from over 57,000 to about 47,000 tons per production day. At the end of 1959 on the other hand the order backlogs (in the Federal Republic including the Saarland)

were back to nearly 6.3 million tons, while the daily output in that year had expanded to roughly 62,000 tons excluding and 70,000 tons including that of the Saarland. Thus throughout most of 1959 the steel industry showed clear evidence of excess demand, whereas a year before it had ranked alongside coal mining and some forms of consumer goods production as a prototype of the industries suffering from shortage of sales. In the first months of 1960, it is true, the picture altered again inasmuch as the inflow of orders was in better harmony with the further increased output. But even in that period a slight excess of demand was still apparent, although demand from abroad has already notably declined, no doubt because of the settlement of the American steelworkers' strike.

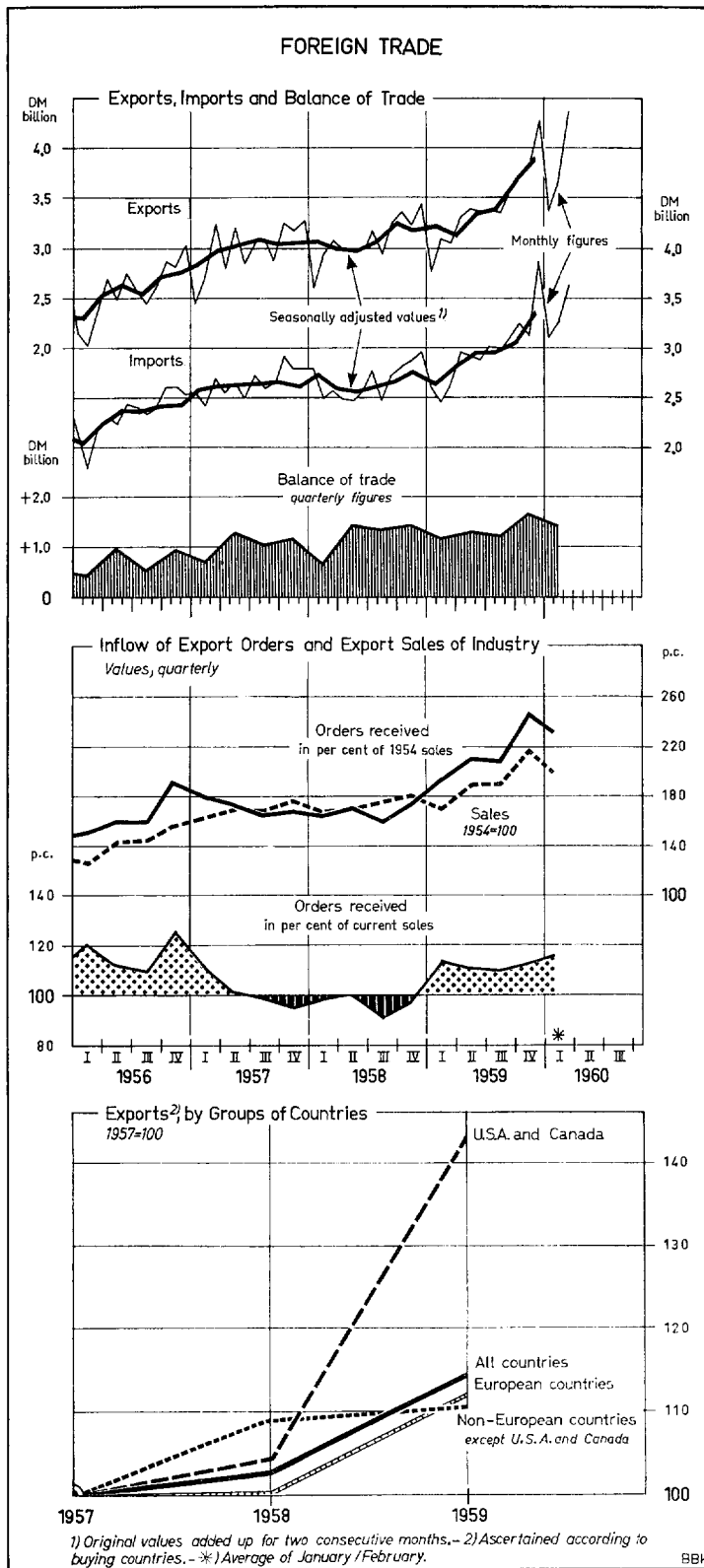
Change of trend
in the consumer goods
industries also

Not quite so great, but also clearly marked, was the change of trend in most consumer goods industries — especially in those producing textiles, leather and footwear. A particular exogenous impulse operating in their case during the first half of 1959 was the — in some cases quite considerable — rise of world-market prices for wool, cotton, hides and skins, the more so since the uncertain and mostly downward course of raw material prices in the two previous years had done much to cause considerable reduction in the stocks of manufacturers and traders by the end of 1958. The home-market orders reaching the consumer goods industries therefore began to rise sharply in the spring of 1959. They were greater by 9 per cent in March than in the corresponding period of the previous year (when they had been below the level of March 1957 by no less than 10 per cent); they increased this lead to monthly averages of 31 and 29 per cent in the second and third quarters, and in the fourth quarter showed an increase of 25 per cent on the year. To meet this great increase of demand the industries not only drew on the relatively large stocks of finished goods which they had accumulated in the 1957 and 1958 period of dull sales, but also promptly began vigorously to expand their output. Hence the consumer goods industries' production index, which in the first quarter of 1959 had still been below the level of a year previously by almost 2 per cent, showed the considerable year-to-year growth-ratios of fully 6 per cent in the second, 7.5 per cent in the third and 12 per cent in the fourth quarter; and even in the first quarter of 1960, when — also with seasonal fluctuations eliminated — the additions to traders' stocks were no longer so great as before, the index remained greater by some 12 per cent than in the corresponding period of 1959. Nevertheless the industries had not succeeded by the close of the year in keeping pace with the rising demand, so that their order backlogs constantly rose, thereby clearly indicating that the 1958 shortage of demand had been replaced in 1959 by a definite excess of demand over current production.

(c) Renewed rise of foreign demand

The statistics

A material change furthermore took place in the sphere of exports. In 1958 the rise in these, which had marked virtually all years since the 1948 currency reform but especially those from 1954 to 1957, had almost ceased. In terms of value exports in 1958 were greater than a year earlier by only 2.9 per cent; and although a slight price fall was a factor here, even in terms of volume the increase was no more than 3.6 per cent, whereas in 1957 and 1956 exports had risen in value by 16.5 and 20.0 per cent, and in volume by 13.8 and 16.5 per cent respectively. At 3.2 per cent in the first three months of 1959 the rate of growth in exports by comparison with a year previously was still relatively small, at least as regards their value. However, a change already began at that time, inasmuch as the orders arriving from abroad showed a clear rise from February 1959 onwards. On the monthly average for 1958 the foreign orders reaching industry had been below the level of a year earlier by about 3 per cent, and with seasonal fluctuations eliminated there was little improvement in this respect up to the end of the year. The incoming orders were also below current sales by about 3 per cent, especially in the third and fourth quarters, so that for the subsequent period there was reason to expect a certain fall in the actual export figures rather than any appreciable fresh rise. Yet from February 1959 onwards export orders rapidly rose, and later in the year this trend continued, in some cases even more strongly. The orders from



abroad were greater than a year earlier by 25 per cent in February and March, by 24 per cent in the second and by 30 and 41 per cent in the third and fourth quarters. Under the influence of this increase exports soon rose. In the second quarter they were already greater than in the corresponding period a year previously by 12.4 per cent, in the third by 10.2 per cent, and in the fourth quarter of 1959 and the first of 1960 by as much as 18.4 and 28.2 per cent, although it must be borne in mind that in the winter of 1958/59 the trend of exports had been sluggish if not actually downward. Despite these high rates of growth however actual exports have up till now lagged behind incoming orders, not only because for some of them an interval between ordering and delivery is inevitable because of the time taken for production, but also because traders' stocks are largely exhausted and the disparity between possible output and demand is growing. In the first quarter of 1959 the orders reaching industry from abroad had already exceeded its exports by about 14 per cent, partly for seasonal reasons; and the excess of incoming orders was maintained at 11 and 10 per cent in the second and third quarters, at 13 per cent in the fourth quarter and at an average of 16 per cent in the first two months of 1960, no later figures being available as this Report went

to press. Since the beginning of 1959 therefore the stocks of export orders have grown from quarter to quarter, thereby clearly showing that the state of the market has materially changed in the foreign trade sphere also.

The causes
of the rise

The basis for this renewed and vigorous rise in foreign demand is that last year a notable increase of economic activity began in most of the Federal Republic's major customer countries, whereas in 1958 a certain dullness had prevailed there too. A fact of special importance in this connection was the considerable quickening in the United States during 1959 of the recovery, already apparent since mid-1958, from the previous recession. But economic activity also greatly increased last year in most European countries, which are still the chief takers of German exports. Consequently much larger orders arrived both from the United States and from Europe during 1959 than in the previous year. Besides the general course of business activity an important factor here was that from the beginning of the year onwards a strike in the American steel industry was quite generally expected, and that this strike — which in fact broke out in July 1959 — lasted longer than many people had anticipated, not being settled before November. Thus throughout the world the demand for steel greatly increased during 1959; and hence the ironworking industry of the Federal Republic, which ranks alongside those of Belgium-Luxemburg, the United States and France as one of the world's greatest steel exporters, exported 6.4 million tons in 1959 against only 4.9 million in the previous year and 5.3 million in 1957. A further special fact in connection with last year's exports was that the demand for automobiles steeply rose, largely because of the growing interest shown by the American market in European small cars. In 1959 the Federal Republic exported 904,000 vehicles worth DM 4.2 billion, against 759,000 worth DM 3.6 billion in 1958 and 612,000 worth DM 2.9 billion in 1957; some 28 per cent of such exports in 1959 went to the United States. The orders arriving from abroad rose still more. Even their slight flagging during recent months has so far not reduced the vehicle-building industry's stock of export orders, but merely slowed its further growth.

The close link between the renewed rise of foreign demand and the state of business abroad is further shown by the fact that German exporting industries have in general received much weaker impulses from the overseas raw material countries than from the industrial countries just mentioned. In 1959 the overseas raw material areas' possibilities of importing were in fact still largely restricted by the fall in world market prices which had lasted until about mid-1959, and which by now has been replaced only by a weak and often interrupted recovery. Still, even to those countries goods were delivered in 1959 to a value greater by some 2 per cent than in the previous year, no doubt in large part because the Federal Republic mainly exports capital goods, and industrialisation of the overseas countries continues despite all difficulties arising from the 1957 and 1958 slump in raw materials. The development assistance which the Federal Republic like other countries gives to some of these areas did much to make this possible for them, and to that extent again supported German exports last year.

Only slight increase
of the export surplus

When considering the great increase of exports from the angle of the overall economic situation, however, one must bear in mind that it has been accompanied by a larger rise in imports. After failing to rise for more than a year, and even slightly declining, imports rose almost abruptly from about February 1959 onwards; thus their total for 1959 was greater by 11.8 per cent than that for 1958, while exports grew by 11.3 per cent. Again in the first quarter of 1960 the 29.6 per cent year-to-year growth-ratio for imports exceeded that of 28.2 per cent for exports. These figures refer to the values. In volume the rise in imports was even greater both absolutely and by comparison with that in exports, since the increase of their value continued in 1959 to be quite appreciably restrained by countervailing influences, such as in particular — if not indeed exclusively — the decline in import prices. The volume of imports in fact rose by 17.0 per cent in 1959 against 9.2 per cent in 1958, while that of exports did so by 14 per cent against 3.6 per cent. Nevertheless the export surplus (based on the value figures) was somewhat greater in 1959 than in 1958, because the difference in the absolute amounts of 1958 imports and exports affected the movement in the balance more than the relatively small difference shown in the rate of growth by both sides of the account; exports in fact exceeded imports by DM 4.95 billion in 1958 and by DM 5.36 billion in 1959. In point of fact this increase is in part only statistical,

inasmuch as the foreign trade statistics include the Saarland from mid-1959 onwards but not before. The Saarland has always had surpluses on trade with outside countries, and in the second half of 1959 it achieved one of more than DM 200 million, so that roughly half the 1959 increase in the Federal Republic's export surplus was presumably due to the reincorporation of that area. The remainder appears to have resulted solely from the fact that armament imports had been greater in 1958 than in 1959. If these special factors are disregarded, the export surplus in 1959 was approximately the same as in 1958.

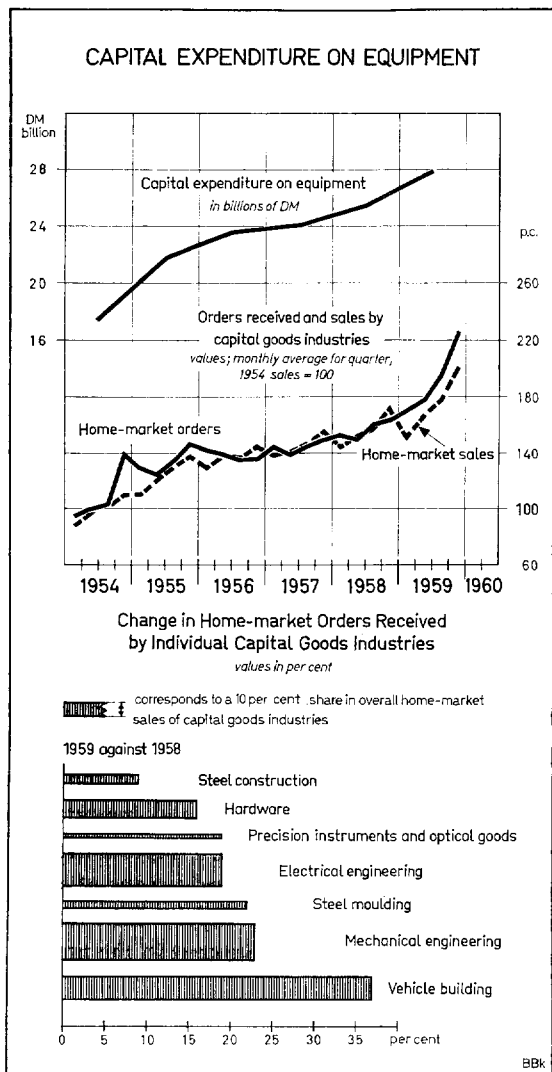
From these facts however it is unsafe to conclude that, within the framework of all the forces affecting economic activity, exports did not operate more "expansively" than in the previous year. Doubtless it is true that foreign trade "removed" no more goods from the internal market in 1959 than in 1958, since the growth of imports roughly kept pace with that of exports. But the effect of exports on the business cycle is not solely determined by their current relation to imports, that is by the net balance of trade, especially since the significance attaching to the latter's changes within the entire economy can in any event be assessed only together with the other components of the balance of payments; it is also determined by their absolute movement, since this essentially decides to what extent foreign demand will directly affect production. There can be no doubt that, with actual exports up by nearly DM 4.2 billion or 11.3 per cent and with a still greater increase in the inflow of orders from abroad, the economy was exposed in 1959 to the pull of a considerable demand.

posed in 1959 to the pull of a considerable demand.

(d) Broadening and strengthening of investment demand

The more the above-described three impulses originating last year's cyclical upswing — that is the building boom, renewed stock-piling and faster growth of foreign demand — began to produce their effects, the more they were accompanied by a fourth expansive force in the shape of the tendency to snowball growth which is inherent in every upswing from a certain stage onwards. Special importance attached in that connection to the strengthening of the propensity to invest. One factor encouraging that propensity was the increasing shortage and rising cost of labour, since this made further labour-saving rationalisation of the production process indispensable; but in the course of time it also received increasingly strong impulses through the growing extent to which existing production capacities were engaged, since this made investments in expansion projects again urgent.

Snowball growth of the upswing



Rationalising investments

in that year they had increased by only 8 per cent. In 1959 moreover the year-to-year rate of growth rose from quarter to quarter. It was in fact 12 per cent in the first quarter (mainly owing to a sharp rise in March), 19 per cent in the second, 22 per cent in the third and 38 per cent in the fourth; in the first two months of 1960 too it amounted to 38 per cent. A particularly important factor in this trend was indeed the growth of orders reaching the motor vehicle industry, which growth is to be regarded only in part as reflecting greater industrial investment. But in the other capital goods industries also home-market orders grew by 20 per cent in 1959, the year-to-year growth-ratio of 40 per cent in the fourth quarter being actually higher than that for the capital goods industries as a whole. There was a particularly large increase in the orders from those branches of activity which were at the centre of the cyclical upswing, and in which the labour shortage was especially troublesome; for instance the home-market orders for building machinery were greater in 1959 than in 1958 by 34 per cent, while those for machines to process building materials were greater by as much as 45 per cent.

Plant-expanding
investments

In the further course of the year investments in expansion projects also became increasingly prominent. Apart from the growth in orders for machinery not serving solely to replace labour this was above all reflected in the great increase of building activity on commercial and industrial account. In 1958 the amount of the private sector's non-residential building had decreased rather than increased. In the first quarter of 1959 the desire of trade and industry to build was also still small; in that period indeed the amount of permits granted for commercial and industrial building was over 2 per cent smaller, in terms of estimated expenditure, than the already relatively small amount in the corresponding period a year before. In the subsequent quarters however the amount of building permits granted for such building, with seasonal variations eliminated, showed a rapid rise. By comparison in each case with the corresponding period of the previous year, and in terms of the estimated expenditure on building, it was indeed greater by about 20 per cent each in the second and third quarters and by 36 per cent in the fourth; in the first two months of 1960 (no more recent data being yet available) the increase was 30 per cent, although it must be borne in mind that the level a year previously had represented a definite low point in the cycle. To the brisk housing activity and the public authorities' large and still growing expenditure on building there was thus added, in the further course of 1959, an increasing amount of non-residential building projects for the private sector. Consequently the building trade, in which the 1959 cyclical upswing had been soonest apparent, remained one of the centres of the boom even when other branches of activity began to catch up so that their upswing produced effects actually greater than those of building.

2. Renewed strains

(a) *Growing disparity between supply and demand*

Expansion of supplies
in itself considerable . . .

As to how the overall economic situation altered under this great expansion of demand, the first point to make is that — despite all the strains which eventually appeared — supplies reacted in highly remarkable fashion to the increase of demand. The way in which imports grew has already been mentioned. With rises of 11.8 per cent in value and 17.0 per cent in volume the imports of the Federal Republic in 1959 rose by more than those of all other major industrial countries in Western Europe. Thus the almost complete liberalising of industrial imports, and the fact that by comparison with earlier years the lifting of restrictions on food imports has been by now carried a good deal further, have evidently joined with the tariff reductions of recent years in bearing fruit and have greatly increased the overall elasticity of supply. Imports were equal in 1959 to 14.0 per cent of the gross national product, against 13.5 per cent in the previous year and 10.6 per cent in 1953.

But production also rose considerably in 1959. In that year the gross national product, as the most comprehensive expression of the economy's total production, amounted to nearly DM 214

The National Product*)¹⁾

Items	1950	1951	1952	1953	1954	1955	1956	1957	1958 ²⁾	1959 ³⁾	Change against previous year	
											1958 ²⁾	1959 ³⁾
I. Origin of the National Product												
at current prices												
billions of DM											per cent	
Contributions to gross domestic product												
Agriculture, forestry and fisheries	10.1	12.2	13.3	13.4	13.7	14.5	15.0	15.6	16.5	17.1	+ 6.1	+ 3.4
Producing industries ⁴⁾	48.0	61.0	69.0	75.5	82.0	95.3	104.9	113.3	119.0	128.5	+ 5.1	+ 8.0
Trade and transport ⁵⁾	20.1	23.6	28.2	29.0	31.0	35.7	39.4	43.6	46.4	50.4	+ 6.4	+ 8.6
Services ⁶⁾	19.0	21.8	25.0	27.6	30.3	33.6	37.8	41.7	45.7	48.9	+ 9.4	+ 7.1
Gross domestic product	97.2	118.6	135.5	145.5	157.0	179.1	197.1	214.2	227.6	244.9	+ 6.3	+ 7.6
Net income payments to factors of production due from the rest of the world	+ 0.0	- 0.0	+ 0.1	+ 0.1	- 0.6	- 0.8	- 0.7	- 0.6	- 0.3	- 0.5	.	.
Gross national product at market prices (id., at 1954 prices)	97.2 (113.1)	118.6 (125.0)	135.5 (135.4)	145.5 (145.6)	156.4 (156.4)	178.3 (174.4)	196.4 (186.4)	213.6 (196.5)	227.3 (202.0)	244.4 (213.6)	+ 6.4 (+ 2.8)	+ 7.5 (+ 5.7)
II. Yearly Change in Gross National Product and in its Components												
per cent												
Gross national product at current prices	.	+ 22.0	+ 14.3	+ 7.3	+ 7.5	+ 14.0	+ 10.2	+ 8.8	+ 6.4	+ 7.5	.	.
Price index of national product ⁷⁾	.	+ 10.4	+ 5.6	- 0.2	+ 0.1	+ 2.2	+ 3.1	+ 3.2	+ 3.5	+ 1.7	.	.
Gross national product at 1954 prices	.	+ 10.5	+ 8.3	+ 7.5	+ 7.4	+ 11.5	+ 6.9	+ 5.4	+ 2.8	+ 5.7	.	.
Components of the change:												
Increase in number of persons gainfully active	.	+ 2.6	+ 1.9	+ 2.5	+ 2.7	+ 3.8	+ 2.7	+ 2.3	+ 0.9	+ 1.6	.	.
Increase in gross national product per person gainfully active	.	+ 7.7	+ 6.3	+ 5.0	+ 4.6	+ 7.4	+ 4.1	+ 3.1	+ 1.9	+ 4.1	.	.
III. Use of Gross National Product												
at current prices												
billions of DM											per cent	
Private consumption	62.5	72.5	79.9	87.6	92.8	103.4	115.1	125.6	134.8	142.9	+ 7.3	+ 6.0
Government consumption	14.0	17.4	20.8	21.1	22.0	23.8	25.4	27.3	30.6	33.7	+ 12.1	+ 10.1
of which:												
Current purchases on civil account	9.6	11.3	13.3	14.7	16.1	17.7	19.9	21.7	24.3	25.3	+ 11.7	+ 4.2
Defence expenditure	4.4	6.1	7.5	6.3	6.0	6.1	5.5	5.6	6.3	8.4	+ 13.6	+ 32.7
Gross investment in fixed assets	18.3	22.5	25.9	29.3	32.9	41.0	45.0	46.7	49.9	56.2	+ 7.0	+ 12.6
of which:												
Equipment	9.4	12.1	14.2	15.4	17.5	21.9	23.7	24.2	25.6	28.0	+ 6.0	+ 9.4
Building	8.9	10.4	11.7	14.0	15.5	19.1	21.3	22.5	24.3	28.2	+ 8.0	+ 16.0
Inventory changes	+ 3.7	+ 3.9	+ 5.6	+ 2.1	+ 3.4	+ 6.0	+ 4.3	+ 5.3	+ 3.2	+ 2.5	- 39.7	- 21.9
External contribution	- 1.2	+ 2.3	+ 3.4	+ 5.5	+ 5.3	+ 4.2	+ 6.6	+ 8.7	+ 8.9	+ 9.1	+ 1.4	+ 2.8
of which:												
Net transactions in goods and services with foreign countries and the Saarland	- 2.2	+ 0.8	+ 2.0	+ 4.0	+ 3.8	+ 2.8	+ 5.3	+ 7.2	+ 7.4	+ 7.4	+ 2.7	- 0.3
Net transactions in goods and services with Berlin (West) and the currency area of the DM (East)	+ 1.1	+ 1.4	+ 1.4	+ 1.4	+ 1.5	+ 1.4	+ 1.3	+ 1.5	+ 1.4	+ 1.7	- 4.8	+ 20.0
Gross national product at market prices	97.2	118.6	135.5	145.5	156.4	178.3	196.4	213.6	227.3	244.4	+ 6.4	+ 7.5
per cent of gross national product												
Private consumption	64.2	61.1	59.0	60.2	59.3	58.0	58.6	58.8	59.2	58.5	.	.
Government consumption	14.4	14.7	15.3	14.5	14.1	13.3	12.9	12.8	13.5	13.8	.	.
of which:												
Current purchases on civil account	9.9	9.5	9.8	10.1	10.3	9.9	10.1	10.2	10.7	10.4	.	.
Defence expenditure	4.5	5.2	5.5	4.3	3.8	3.4	2.8	2.6	2.8	3.4	.	.
Gross investment in fixed assets	18.8	19.0	19.1	20.1	21.0	23.0	22.9	21.8	22.0	23.0	.	.
of which:												
Equipment	9.7	10.2	10.5	10.5	11.2	12.3	12.1	11.3	11.3	11.5	.	.
Building	9.1	8.8	8.6	9.6	9.9	10.7	10.8	10.5	10.7	11.5	.	.
Inventory changes	3.8	3.3	4.1	1.4	2.2	3.4	2.2	2.5	1.4	1.0	.	.
External contribution	- 1.2	1.9	2.5	3.8	3.4	2.4	3.4	4.1	3.9	3.7	.	.
of which:												
Net transactions in goods and services with foreign countries and the Saarland	- 2.3	0.7	1.5	2.8	2.4	1.6	2.7	3.4	3.3	3.0	.	.
Net transactions in goods and services with Berlin (West) and the currency area of the DM (East)	1.1	1.2	1.0	1.0	0.9	0.8	0.7	0.7	0.6	0.7	.	.
Gross national product at market prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	.	.

Source: Federal Statistical Office. — *) Not including the Saarland and Berlin (West). — 1) Details may not add to totals because of rounding. — 2) Provisional. — 3) First provisional results. — 4) Mining and power, manufacturing, building. — 5) Including communications. — 6) Banks and insurance companies, lease of dwellings, Government, other services. — 7) Calculated from ratio of gross national product at current prices to gross national product at 1954 prices.

billion at 1954 prices (and to DM 244 billion at current prices) against DM 202 billion in the previous year. The rate of growth was thus 5.7 per cent, whereas in 1958 and 1957 it had been 2.8 and 5.4 per cent respectively. It was thus not very far from the growth-ratios of 7.5, 7.4 and 6.9 per cent achieved in 1953, 1954 and 1956, although it was appreciably lower than the 11.5 per cent for 1955, the last boom year. Particularly striking was the rise in industrial production. Measured by the production index for industry other than building it amounted for the whole year to 7.3 per cent, against 3.1 per cent in 1958, while by comparison with the corresponding period a year earlier the growth reached 11.3 per cent in the fourth quarter of 1959 and as much as 12.4 per cent in the first quarter of 1960. An important fact in this connection was that at the beginning of 1959 production capacities were in general employed to less than the optimum extent, and that in some enterprises there were substantial reserves of labour. But there was the further fact that under pressure of demand many producers took the utmost out of their enterprises even though, as will be seen, in doing so they overstepped limits within which they would certainly have done better to remain for the sake of price stability.

... but smaller than
the increase of demand

Impressive as the expansion of output was in the last twelve months, however, it was not enough to equal that of demand. For a number of industrial groups that has already been shown, especially for those concerned with building, capital goods and exporting. The overall picture can hardly differ much from that already drawn. By way of supplementing the figures previously given it may for instance be mentioned that the overall figures for incoming orders and sales in industry have also shown a considerable disparity since the spring of last year. In 1959 indeed sales, which are practically identical with deliveries, grew by only 10 per cent while orders did so by 23 per cent; thus incoming orders for the year as a whole exceeded the sales in the same period by 9 per cent, whereas in 1957 and 1958 they had on the contrary fallen short of sales by 1 and 3 per cent respectively. At the close of the period under report the discrepancy was even greater than on the average for the year; thus on the monthly average for the fourth quarter of 1959 the incoming orders were greater than the sales by 10 per cent, although seasonally in that period an opposite relationship is more usual. Again in the first two months of 1960, for which figures are already to hand, orders showed an average excess of 10 per cent. No doubt therefore until very recently the order backlogs in industry have been considerably expanding.

The most important
inhibiting factor:
the labour bottleneck

Bounds were above all set to the growth of output by the limited supply of labour, especially after the utilisation of productive capacities had again reached optimum level. When the surge of demand began in the spring of 1959 about 600,000 persons were registered as out of work, the figure referring to the end of March; the "unemployment ratio", i. e. the proportion of the unemployed to total (employed plus unemployed) wage and salary earners, was thus only 3 per cent, a level often regarded earlier as minimum frictional unemployment below which the ratio could not drop. At first sight therefore, in the same way as for years past, the unemployment figure contained only relatively small cyclical reserves. Nevertheless it had dropped by the autumn to less than 190,000, this being below its low point of the previous year by about 140,000, so that the "unemployment ratio" at the end of September was only 0.9 per cent as against 1.7 per cent at the same date in 1958. Probably however these 140,000 persons, who were added in the course of the season to the number of those at work through reduction of unemployment, were not in all cases fully effective workers. A more important fact was on the other hand that the measures initiated by the Federal Government in favour of winter building made it possible last winter to prevent the usual marked seasonal rise of unemployment. At all events it is mainly because of these measures that the number of registered unemployed then rose only to 525,000, against 1,110,000 in the winter before, both figures relating to the end of February. No doubt it is possible that some of the people who thus avoided becoming unemployed remained employed only formally, since the winter building arrangements introduced last year tended to prevent the dismissals otherwise usual in the dead season even where the people were not, or were not always, fully at work; but yet the relatively high level shown by building output

this winter does afford eloquent evidence of the much greater labour potential that the building trade had at its disposal thanks to reduction of the usual unrational seasonal unemployment.

The economy also benefited greatly from the concealed reserves of labour which had existed at the beginning of 1959 in some enterprises. These reserves resulted mainly from the fact that, during the period of decreasing employment of capacities, the number of workers had in general been kept greater than actually required. Up to a point this is always done; but there is no doubt that in 1957 and 1958 such reserves were deliberately formed, because enterprises rightly expected a renewed labour shortage.

Only to a small extent, on the other hand, was the number of employed persons increased in 1959 through new recruits to the labour force. At 615,000 the number of young people leaving school was smaller than in 1958 by 90,000, and smaller than in 1954 by no less than about 340,000. At 130,000, moreover, the net immigration of gainfully employable persons was far below the level of earlier years despite the increased recruitment of foreign labour. The extension of gainful activity likewise seems to have made no great further progress. After allowance for loss through age and death, and according to an estimate by the Federal Statistical Office, the net addition to the labour force was 170,000, against 230,000 in the previous year and 545,000 in 1955, the year with the greatest addition since the war. It was thus due only to the decrease of unemployment by about 205,000 on the monthly average for the year (against an increase by 20,000 in the previous year) that the total number of gainfully active persons rose by 375,000 in 1959 as compared with 210,000 in 1958, which in percentage terms means a rise by 1.6 as against 0.9 per cent. For the last twelve months, from April 1959 to March 1960, the rate of increase was probably even somewhat greater because of the smallness of winter unemployment during that period.

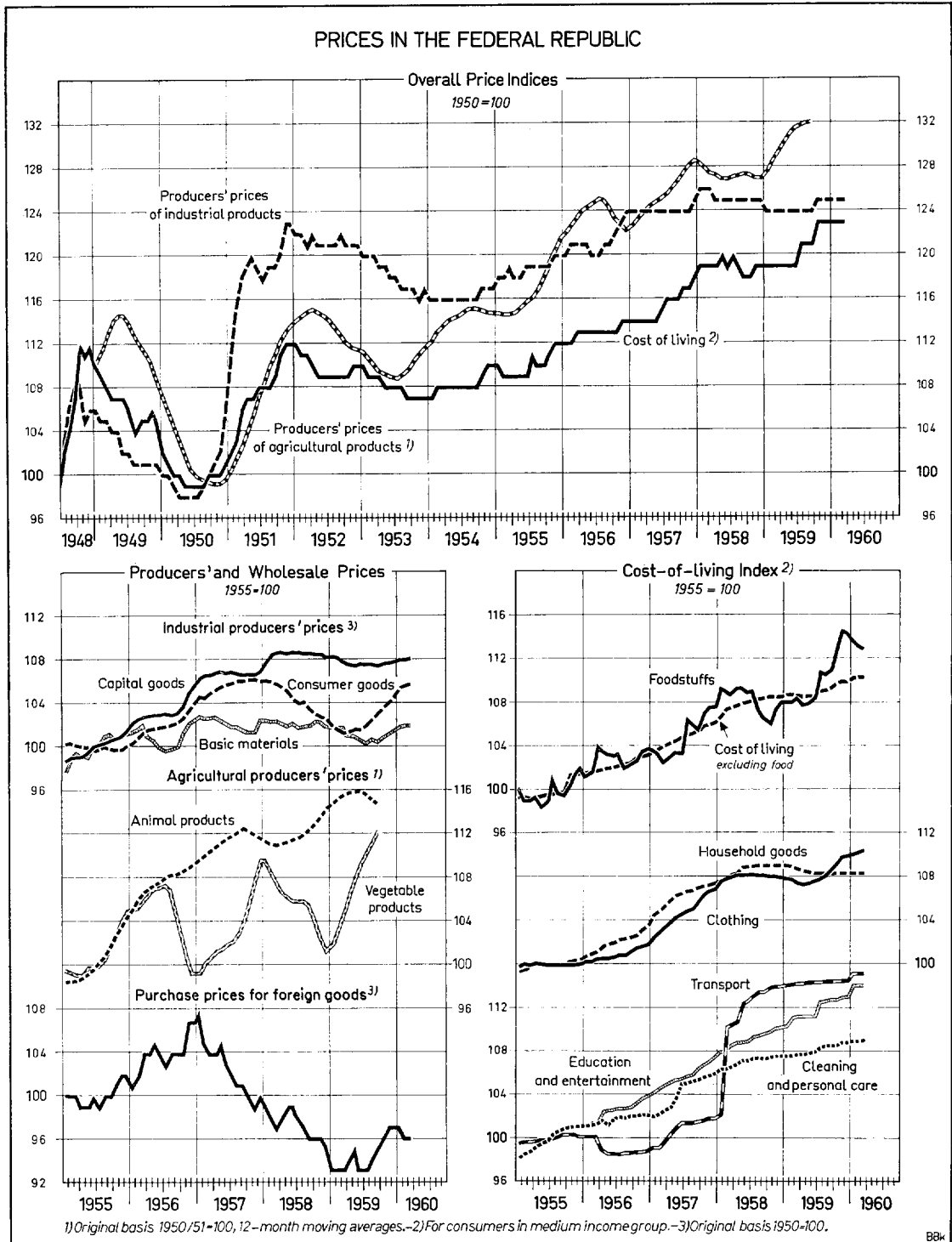
On the other hand however a part of this increase was offset through the fact that working hours were further reduced in 1959, at least if the year as a whole is set in relation to the previous year. It is true that in industry the average number of man-hours worked per week declined only from 41.5 to 41.3, after having already been reduced by 1.5 hours in the previous year. In 1959 however the reduction in industry was exceeded by that in the other branches of activity, where it had been much smaller in 1958. For the economy as a whole, therefore, the decrease can be put at about 1 per cent. Offset against the above-mentioned 1.6 percent rise in the number of gainfully active persons, therefore, this means that the total number of man-hours worked in 1959 was up by about 0.6 per cent. While this figure contrasts favourably with that for 1958, when the total number of man-hours worked had declined by 0.6 per cent (partly, it is true, because of non-voluntary short-time working), if considered in absolute terms it clearly reveals the labour bottleneck which last year limited the expansion of output. Consequently the rise in the national product essentially depended on that in productivity, which latter amounted to something over 4 per cent in 1959 as measured by the output per gainfully active person.

(b) Rising price tendency

As a result of this movement in production and demand the competition between suppliers slackened, and price increases again became more easily possible than in the previous eighteen months. In fact the price tendency since mid-1959 has again been upward, after having since the beginning of 1958 been largely stable, and in some fields even downward. The change most important for the cyclical trend was that in the industrial sphere. One branch of activity especially prominent among those with rising prices is building — at least building proper as distinguished from civil engineering; this is the more remarkable since in that industry, by way of contrast to others of importance, there have during the past six years been virtually only price rises. Thus as early as 1958 the index calculated for building work on dwelling-houses had risen above the level of the basis year 1954 by 16 per cent. In the course of 1959 it again rose sharply, so that in November, the last month for which figures are collected in the year, it reached 125. At that

General price level
and industrial prices

level it was higher by 7 per cent than at the corresponding time a year before; and by February 1960, the last month for which figures are to hand, the gap by comparison with the corresponding month in the previous year had widened to 7.6 per cent. In areas where the building boom is especially strong, moreover, it should not be difficult to find even greater price rises. In most instances it seems incidentally to be a case by no means of especially blatant exploiting of the market situation, but of price rises due in large part to increased costs. As a rule however the



changes in the cost situation have in turn resulted merely from the excess pressure of demand, not only because under the influence of that excess there have been considerable rises in the prices for preliminary products, and above all in wages, but also because the builders' effort to observe the dates set by the parties ordering building have very often given rise to special costs, for instance for bringing in workers from relatively distant areas.

A movement especially typical of the general price tendency's change in the industrial sphere has however been that of producers' prices for industrial products. At 126 at the beginning of 1958, on the basis 1950 = 100, the index for such prices had reached a peak. From then onwards it declined almost continuously, by almost 2 per cent up to July 1959. During the following months however it rose noticeably, and later also showed a rising tendency. So far the increase has been small, amounting to about one per cent up to March 1960; but it would be a mistake to make light of it for that reason. Industry is one of the spheres in which productivity is growing by more than the average, and in which prices must consequently fall if the — as a rule unavoidable — price rises in the branches of activity less favoured by the course of productivity are to be offset, so that stability of the overall price level shall remain assured. At the middle of 1959 however the producers' prices for industrial products remained in general appreciably higher — despite substantial falls in some industries such as textiles — than at the start of their last cyclical rise in the autumn of 1954, when they had likewise been well above the previous low point of the cycle, reached at mid-1950. The mere fact that the price fall which had started in 1958 was interrupted after its first beginnings was therefore bound to cause anxiety.

The rise in the prices for no small part of the industrial goods produced the more effect within the economy as a whole because at the middle of 1959, together with the cyclical change in the overall "price climate", there began a rise in farm prices which was unusually steep although in essence exogenously induced. The impulse was given by last summer's drought, and by the consequent damage to some important crops. True, it turned out later that some of the losses were not so great as had been originally supposed. In terms of quantity at least, the potato crop for example finally almost equalled the previous year's, while the grain crops were bigger than ever. There were however considerable shortfalls in other vegetables, fruit and roughage. This inevitably caused the products in question to rise sharply in price, just as the price of milk naturally increased owing to the deterioration of the fodder supply, while potato prices shot up so steeply under the influence of the first crop reports that for months they stood at a level never before recorded since the 1948 currency reform.

Sharp rise of
farm prices

The situation was however made worse by the fact that the import sluices were opened too late, and that when they were at length opened — very generously — foreign markets did not at first provide enough goods to ease the internal supply position promptly; it was not until later in the season that large imports not only set a limit to the upward price movement but also caused in some markets perceptible downward pressure — even though the level of prices for many farm products abroad was also much higher than in other years.

In isolated cases the governmental stockpiling policy also contributed towards causing the prices for farm products to reach a relatively high level in 1959. The fact that, in particular, the prices of cattle for slaughter were higher by about 7 per cent in the summer than a year previously, and that thereafter — despite the large number of cattle coming to market because of the poor fodder supply — they remained until November above the level for the corresponding period in 1958, was at least partly due to the large quantities taken off the market by the Import and Storage Agencies and to the prices conceded in that connection. The Bundesbank regarded this with anxiety in view of the great part which costs of food in particular play in forming the general public's view of the overall price trend; it therefore used its influence in favour of modifying the meat storage policy. It had a ground for doing so in the fact that it grants assistance, in case of need, by rediscounting and purchasing in the course of open-market operations the promissory notes issued by the Import and Storage Agencies. Thus in the autumn

the Bank made the extending of its assurance of such assistance in respect of the bills issued by the Meat Import and Storage Agency dependent on meat being no longer put into store at prices higher than a year previously. In point of fact cattle prices had declined by November 1959 to the level of a year earlier, and since then have actually fallen below it. In the course of the winter the prices for fat hogs also dropped well below those in the corresponding months of 1958/59, after having been considerably above them in the summer. By comparison with the spring of 1958, it is true, fatstock prices continue on the average to be higher; and in March 1960, at 137 per cent of what it was in the 1950/51 farm year, the overall index for producers' prices of farm products was still above its March 1958 level by about 2 per cent. Yet on important markets, of late especially on those for dairy products, the pressure of supply has become so much stronger than in the autumn that farm prices are now if anything retarding the rise of the general price level, whereas about the middle of 1959 they had been the strongest factor raising it.

(c) *Steeper rise of wages and salaries*

Voluntary wage
increases . . .

The great strain to which the overall market situation was subject last year produced effect not only on prices, however, but also increasingly on wages and salaries. The motive power was plainly the growing competition between entrepreneurs for labour which had become scarce. As shown above, the number of recruits to the labour force in 1959 was relatively small; and the reserves still contained in unemployment were not enough to satisfy without friction the growing demand for workers. Employers therefore not only engaged in keener competition for such workers as were still available; in addition, under the pressure of increasing orders, some of them also tried to entice workers away from other firms so as not to be too late with their own deliveries. Of course, correspondingly higher wage and salary offers were made in that connection. In many cases effective earnings consequently rose even before new collective agreements provided for payment of higher wages and salaries. In industry for instance the actual hourly earnings in the second half of the year were greater than in the corresponding period of the previous year by 6.2 per cent, against only 4.7 per cent in the first half, even though according to the timing of the collective agreements — or, to make the point clearer, because of the concentration of new collective agreements in the first four months of the year — the main weight of the increase ought rather to have lain in the year's first half.

. . . followed by
higher collective
wage demands

It was however clear from the outset that such a movement would soon bring the trade unions into action, and cause them to put forward higher wage and salary demands. In fact use has been made during recent months not only of the opportunities for denouncing collective agreements in virtually all cases; in addition, in connection with the new collective agreements claims were as a rule made which went well beyond the increases last agreed, and usually exceeded the demands which had then been raised but only in part realised. So far as can yet be seen, the trade unions have been successful in the majority of such cases. The wage increases embodied in new collective agreements during recent months have averaged nearly 8 per cent on the hourly rates, against about 5 per cent in the corresponding period a year before; and although in this connection it must be borne in mind that some of the new agreements recently concluded replaced others which had run for longer than those renewed last year, there is no mistaking the fact that the latest agreements have raised the overall wage level by more than it was raised a year before. Consequently the average collectively agreed hourly wages in force in the first quarter of 1960 were above the level of a year previously by 5.3 per cent, whereas the corresponding increase at the middle of 1959 had been only 4.3 per cent.

Rise in real
wage costs

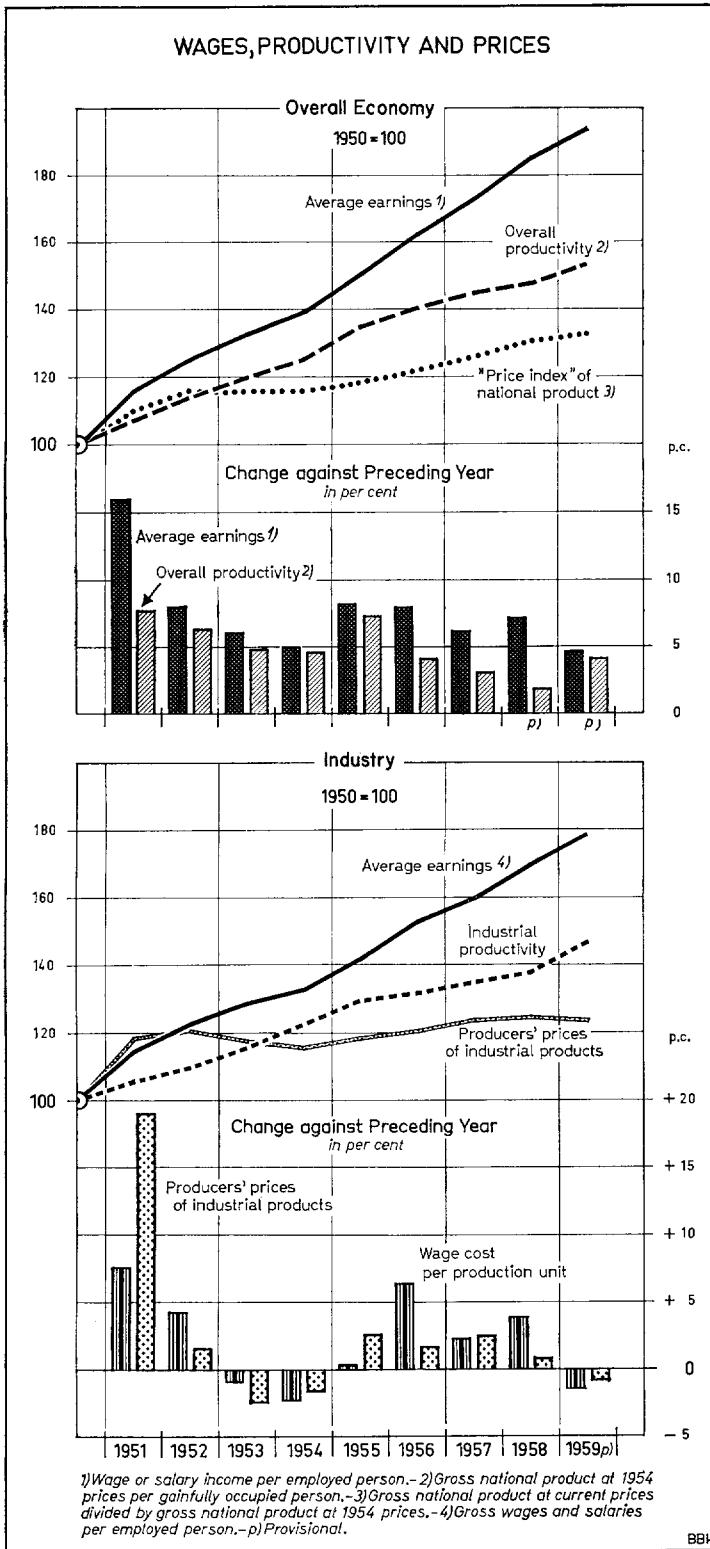
There is no escaping the fact that this may easily lead to further quickening of the expansion and also, in close connection with it, of the upward price movement. So far as the wage increases exceed the simultaneous rise in overall productivity they inevitably raise wage costs per unit of production. If demand is greater than supply — as it now to a large extent is — there will

hardly be any serious difficulty in passing the increased costs on to purchasers, with the result that the general price level will rise further. In fact that danger is now quite acute. In the economy as a whole, although not in industry, the rise in average earnings last year already slightly exceeded the increase of the gross national product per gainfully active person; it did

so mainly because of what happened in the second half-year, when wage increases (especially the non-contractual rises reflected solely in actual earnings) began to assume greater size. If these tendencies should continue, let alone grow stronger, the upward tendencies for prices would certainly also be assisted by the movement in costs — unless the general course of the market, or to be more precise a gradual slackening of demand, makes it impossible to pass the higher wage costs on to purchasers. The Bundesbank dealt fully with these problems in a “Memorandum on Wage and Price Movements” which it presented to the Federal Chancellor, at his request, in January 1960¹⁾.

The “demand aspect” of the wage increases

As already shown in that Memorandum, however, the great rise of wages and salaries has yet another cyclical aspect in its own effect on the general course of demand. With faster wage and salary increases the total income available for ultimate consumption grows at an accelerated rate. It does so all the more since the other components of mass incomes are at present also growing vigorously, or will do so in the course of the next few months, not only because some of them — like retirement pensions — rise automatically with wage and salary incomes, but also because certain pension in-



¹⁾ See the enclosure to the Monthly Report of the Deutsche Bundesbank for January 1960.

comes from public sources are at present increasing by even more than wages and salaries. This applies in particular to war victims' pensions, but may also apply to social insurance pensions, which were raised last year by 6.1 per cent and have been raised by nearly another 6 per cent with effect from 1 January 1960 by way of adjustment to the 1959 "basis for determination".

Incomes, saving
and consumption

The extent to which an increase of mass incomes leads to a rise in expenditure on consumption depends, however, on how far the growth of income in each case is absorbed through savings. In past years it was sometimes so absorbed in relatively high proportion, for instance by 28.0 per cent in 1957 and by 15.0 per cent in 1958, but in 1959 on the other hand by only 13.6 per cent. Yet these figures show that even in years when there was a relatively large rise in the saving ratio the addition to income was never completely saved, and that the share which savings had in that addition has declined in the course of the last three years. This decline was no doubt largely due to chance factors. One, in 1957, was the fact that at that time large increases in income were effected in connection with the social insurance pension reform, while experience shows that such increases always remain in relatively large part unspent; in 1959 on the other hand the above-mentioned rise of food costs during the summer and autumn evidently reduced the ability of people in certain income groups to save. Any attempt to forecast the further trend therefore runs into many factors of uncertainty. Much will undoubtedly depend on how prices run in future, and above all on how their movement is judged by the general public, since expectation of major price rises would probably increase the propensity to spend. But even if this unfavourable case does not arise, and the saving ratio of individual households actually rises slightly, in the light of recent years' experience it may be expected that by far the greater part of the addition to incomes will be spent, and that the course of private consumption will hence be roughly parallel to that of the rising incomes.

Consumption competing
with appropriation
of the national product
in other ways

It is true that in conditions of reasonably balanced growth of the economy an increase in consumption is not only natural, but is even indispensable for preventing any hiatus in demand which would be bound promptly to bring the entire process of growth to a standstill unless there were a correspondingly greater increase in the appropriation of the national product in other ways. In a situation like the present one the facts are different. The feature of the present economic situation is indeed that overall demand is growing more quickly than the national product can be enlarged in real terms. One impellent is the demand for purposes of investment; but another is Government consumption although, thanks to the great increase in imports of goods and in the use of foreign services, the "external contribution" no longer operates in this way. If to the obviously disproportionate expansive tendencies of these demands on the national product there were added a substantial enlargement of private consumption, the strains which mark the present phase of the cycle would tend to become still greater, and the general upward price tendencies would increase. It would then depend on the relation between the price rise on the one hand and the increase of nominal consumer expenditure on the other how far there would actually be any additional consumption in real terms, or to what extent the recipients of contractually determined incomes would in practice forfeit their nominal income increment because of price rises. The danger that this may happen to a relatively large extent is however great in "heated" conditions, since in competition with other demands on the national product the recipients of contractually determined incomes are usually at a disadvantage when total demand far exceeds the possibilities of raising that product.

This of course does not mean that in a cyclical situation like the present those concerned should renounce all wage increases, waiting until a price-wind more favourable to recipients of fixed incomes again blows, and until their nominal income increment can in terms of real value no longer be so easily eaten away. Such a recommendation would not only be unrealistic; it would also go beyond the Bank's responsibility. Our object is just to state plainly that in a situation where overall demand is above the possibilities of production any increase of private

consumption, even though in percentage terms it remains within the possible total increase of the national product, tends to preserve or even aggravate the state of excess demand unless the other claims on the national product recede, or are forced back, to the size at which they together with consumption are again in line with the expansion of supply.

In present circumstances quicker growth of consumption might even increase some of the other demands on the national product, if that is not prevented through contraction of the margin for demand. That above all applies to the actions of traders in consumer goods as regards ordering for stock. In another connection it has been shown that increases of stocks at the various stages of trade contributed materially to the great surge of demand which last year marked the course of the business cycle. It has however already been indicated that in the consumer goods sphere these additions to stocks have of late begun to fall off, not least because the increase of ultimate sales has not so far been quite in line with the expectations entertained in many quarters. These first beginnings of an at least partial easing of the cyclical situation might well be destroyed if consumption increased faster than before under the influence of greater rises in incomes, because traders would then order more freely for stock unless the credit situation prevented this. Even if, indeed, in some consumer goods industries the capacities should at present allow a margin for expanding production, any renewed growth of incoming orders would probably deteriorate the price climate; in point of fact, the relaxation in the consumer goods industries' order position has not even been sufficient so far to interrupt the price rise which has of late been rather marked in this field in particular. If the consumer goods industries' demand for labour should grow as a result of the upswing, this would, moreover, mean further strain on the labour market situation in general. Altogether therefore there can be little doubt that the upsurge of wages which began last autumn might entail a tendency to snowball growth of the overstrain, unless it proves possible greatly to slow the rise in the other components of demand, i. e. especially private investment and public expenditure. Before discussing the measures which the Bundesbank adopted with that object, however, let us briefly sketch the monetary side of the cyclical trends since the spring of 1959, with particular reference to the importance which bank credit had as a factor in them.

Consumption
and the stock cycle

III. Effects of the Boom on Monetary Trends

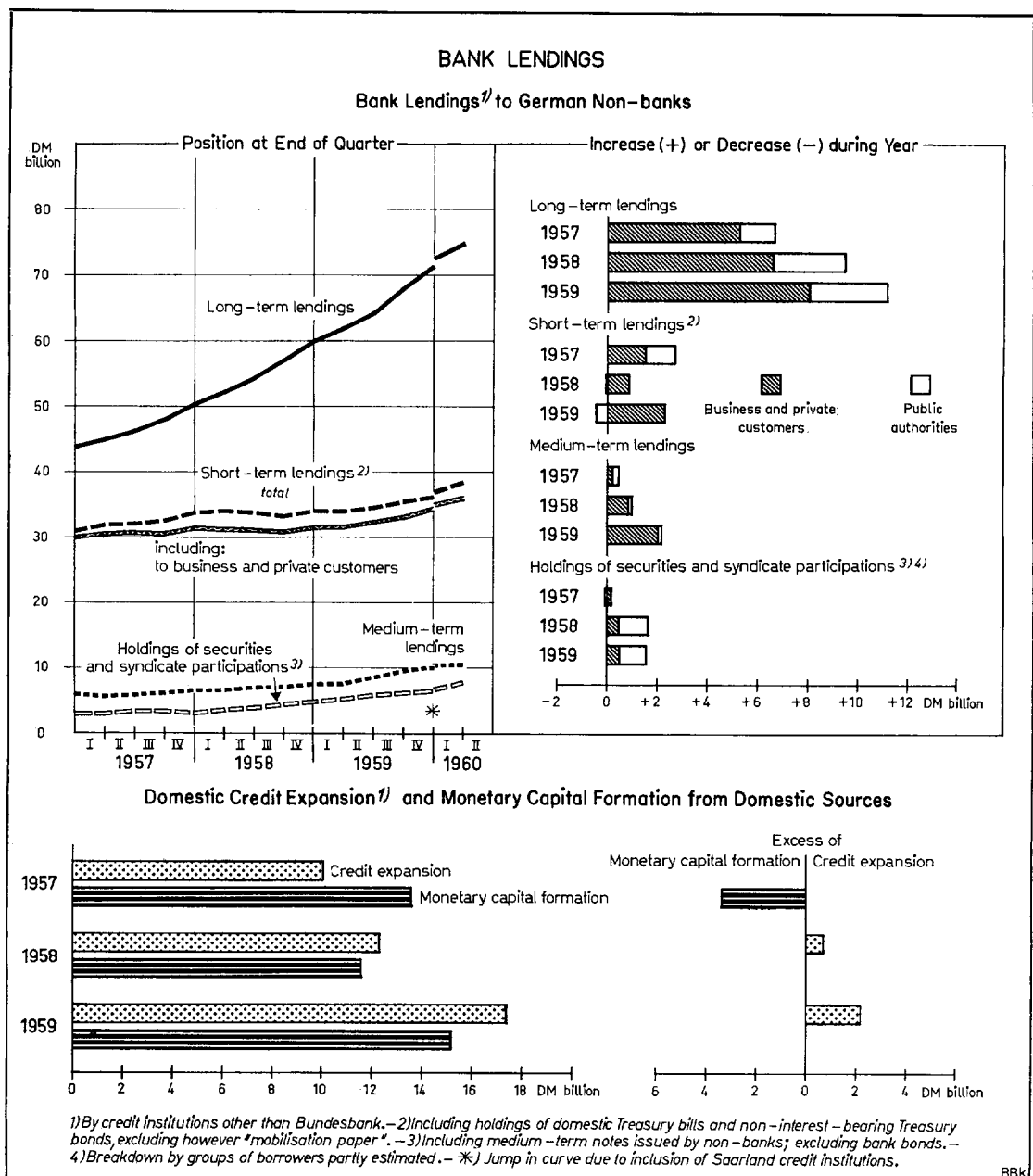
In 1959, like previous years, the money supply was in a phase of considerable expansion. It is indeed somewhat hazardous to make precise statements on this subject, inasmuch as it is not easy to define the concept of money supply or of the "volume of money" in a way which makes economic sense. To start with a quite wide definition, if we reckon the "volume of money" as comprising the note and coin circulation (less credit institutions' cash holdings) and the sight balances of resident non-bank depositors, including public authorities' credit balances at the Bundesbank, as well as resident non-bank depositors' time balances at less than six months' notice or date, then its increase in 1959 amounted to DM 2.1 billion against nearly DM 3.7 billion in the previous year and DM 2.9 billion in 1957. The slowing of the increase is however solely due to the fact that in 1959 the Central Bank balances of public authorities declined by nearly DM 2.7 billion (against only DM 0.6 billion in 1958, but DM 2.6 billion in 1957), and did so not because of internal expenditure (which would probably have substantially raised private depositors' balances) but because of large payments to foreign countries, especially by way of debt redemption and advance payment for armament imports. It is well known that such expenditure in particular cleared out the last remnants of the "Julius-Turm", that is the large credit balance which the Federal Government had formed between 1953 and 1956 at the Bundesbank's predecessor, the Bank deutscher Länder. If the public authorities' Central Bank deposits are disregarded, the "volume of money" (defined otherwise as above) grew in 1959 by DM 4.8 billion, as compared with DM 4.3 and 5.5 billion in 1958 and 1957. If one further

The total money supply

disregards the short-term time deposits, one finds that in 1959 the "volume of money" then remaining rose by DM 4.7 billion, in 1958 by not quite DM 4.8 billion and in 1957 by about DM 3.9 billion. In any event the 1959 growth was again substantial, notwithstanding the fact that a large part of the official monetary reserves until then in existence were used to repay external debts or to make payments on account to foreign suppliers.

The expansion of bank credit

A point of special interest is that in this process bank credit gained increasing importance. Through the granting of short, medium and long-term credit and the taking of securities issued by non-banks the credit institutions rendering monthly returns (which in the Federal Republic, unlike many other countries, include the real estate credit institutions and savings banks) in 1959 placed DM 17.4 billion at the disposal of their non-bank customers, this being more than in 1958 and 1957 by DM 5.1 and 7.3 billion respectively. The short-term lendings increased at the same time by DM 2.3 billion, against DM 0.1 and 2.7 billion in the two preceding years;



much the greater part of the rest of the increase was in the long-term loans, granted mainly by institutions specialising in such business — in particular by those lending against real estate and by savings banks. At about DM 1.6 billion on the other hand the amount taken of securities issued by non-banks was only about as great in 1959 as in 1958, although it was appreciably larger than in 1957, when it had been only some DM 160 million net. The amount in the last quarter of 1959 was actually well below that for a year previously, this being due partly to the smaller security issues during that period and partly to the banks' much reduced readiness to take securities; in both cases it was already a clear result of the restrictive credit policy, which as will be seen began to produce effects on the capital market first. In the first three quarters on the other hand the banks had promoted monetary expansion in no small degree by adding to their security holdings.

It is in line with the role which the public authorities played in the upswing, as already mentioned, that a considerable part of this credit expansion benefited them. Out of the total of DM 17.4 billion by which the above-defined aggregate lendings of the credit institutions rendering monthly returns grew in 1959, DM 2.7 billion represented lendings to public authorities, and a further DM 1.2 billion the taking of such authorities' securities. While the amount was smaller than in 1958, it was much greater than in the preceding years. On any assessment of it one must furthermore bear in mind that in 1959 the public authorities, especially the Federal Government, had received from the Bundesbank credit amounting to almost DM 700 million (largely, it is true, for payments to international organisations); that moreover the borrowing by public authorities from lenders other than banks was greater than before; and finally that in the first part of the year, as already mentioned, such authorities almost completely used up the Central Bank balances which they had until then had available. Above all however attention must be drawn in this connection to the exceptionally large increase shown by the public authorities' ordinary receipts last year under the influence of the unexpectedly steep rise in tax revenues. At DM 47.8 billion in the 1959 calendar year such revenues of the Federal Government and Länder were greater than in 1958 by DM 4.9 billion, or over 11 per cent; those of the local authorities at DM 8.6 billion were greater than then by DM 1.3 billion, or nearly 18 per cent; and those of the Equalisation of Burdens Fund at DM 2.3 billion were greater by DM 270 million, or about 13 per cent. It would have been in conformity with an anticyclical fiscal policy if in the light of this growth of ordinary receipts the authorities had substantially reduced, or even stopped, their borrowing. Instead of this, at over DM 4.5 billion in 1959 the increase in the domestic indebtedness of public authorities (including the Federal Railways and Postal Administration, which in that year borrowed only about half as much as in 1958) was approximately the same as in the latter year even if the Federal Government's special borrowing of over half a billion DM for certain payments abroad is omitted. Incidentally, as can be seen from the facts given above, in respect of the greater part of this borrowing the banking system acted as the lender.

The role of public authorities' borrowing

In any assessment of the monetary significance of this expansion of bank credit it must of course be borne in mind that at the same time the so-called monetary capital formation at the banks greatly increased. Since this process amounts to a sterilising of money, the increased "expansive effect" of the granting of credit therefore has against it in some degree an increased "neutralising effect"; thus in respect of part of the addition to their granting of credit (in the widest sense of that term) the banks were, from the monetary point of view, merely mediators between savers and the parties engaging in capital expenditure, and were not an original source of money. But, be it observed, in respect of only part of the addition and not the whole of it, since the monetary capital formation at banks¹⁾ amounted in 1959 to not quite DM 15.2 billion. It thus fell short by about DM 2.2 billion of the expansion in total credit (including the holdings

The expansion of bank credit in relation to monetary capital formation

¹⁾ We include in this the accrual of resources from savings deposits, from time deposits (at all periods of notice and maturity), from the sale of bank bonds to non-banks, the taking of monies and loans at medium and long term from non-banks, and the formation of the banks' own capital and reserves; liabilities to non-residents are so far as possible excluded.

Money Supply*)

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

Items	Yearly figures				Quarterly figures				
	1956	1957	1958	1959	Year	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.
I. Bank lendings to German non-banks, total	+10,064	+ 9,983	+12,542	+18,096	1958 +2,528 1959 +2,682 1960 +3,962 P)	+2,678	+2,812	+4,524	+5,153
(1) Short-term lendings (including holdings of domestic Treasury bills and non-interest-bearing Treasury bonds but excluding "mobilisation paper" ¹⁾), total	+ 1,528	+ 2,588	+ 301	+ 3,003	1958 + 100 1959 - 171 1960 +1,362 P)	- 51	+ 994	+ 703	+ 937
of which:									
Credit institutions (except Bundesbank)	+ 1,764	+ 2,724	+ 91	+ 2,316	1958 + 113 1959 + 12 1960 +1,477 P)	- 181	+ 1,173	+ 630	+ 633
Bundesbank ²⁾	- 236	- 136	+ 210	+ 687	1958 - 13 1959 - 183 1960 - 115	+ 130	+ 20	+ 73	+ 304
including:									
Special credit to Fed. Govt. for meeting its obligations to I.M.F., I.B.R.D. and European Fund ³⁾	(+ 0)	(-)	(+ 271)	(+ 549)	1958 (+ 92) 1959 (-) 1960 (+ 37)	(+ 126)	(+ 53)	(-)	(+ 35)
(2) Medium and long-term lendings to German non-banks	+ 8,574	+ 7,234	+10,544	+13,479	1958 +2,139 1959 +2,374 1960 +2,307 P)	+2,283	+2,819	+3,303	+4,010
(3) Holdings of German securities and syndicate participations (except bank bonds ⁴⁾)	- 38	+ 161	+ 1,697	+ 1,614	1958 + 289 1959 - 479 1960 + 293 P)	+ 446	+ 444	+ 518	+ 206
II. Formation of monetary capital at credit institutions out of domestic sources, total	+11,125	+13,557	+11,598	+15,187	1958 +3,943 1959 +3,378 1960 +3,912 P)	+2,423	+2,667	+2,565	+5,595
(1) Residents' savings deposits ⁵⁾	+ 2,910	+ 5,085	+ 6,737	+ 8,146	1958 +1,909 1959 +2,223 1960 +2,116 P)	+1,299	+1,429	-2,100	+2,612
(2) Residents' time deposits, total	+ 1,850	+ 3,565	+ 1,013	+ 1,678	1958 + 872 1959 + 119 1960 + 628 P)	+ 55	+ 564	- 478	+ 886
including:									
at notice or fixed period of 6 months or more	(+ 621) pe)	(+ 1,960)	(+ 1,494)	(+ 1,549)	1958 (+ 849) 1959 (+ 336) 1960 (+ 367) P)	(+ 638)	(+ 179)	(- 172)	(+ 572)
(3) German bank bonds in circulation (except those held by credit institutions ⁶⁾)	+ 1,206	+ 969	+ 1,057	+ 2,744	1958 + 368 1959 + 846 1960 + 717 P)	+ 91	+ 282	+ 316	+ 755
(4) Monies and loans taken from German non-banks at longer term	+ 4,345	+ 3,093	+ 1,667	+ 1,246	1958 + 464 1959 - 174 1960 + 84 P)	+ 596	+ 222	+ 385	+1,043
(5) Capital and reserves of credit institutions	+ 814	+ 845	+ 1,124	+ 1,373	1958 + 330 1959 + 364 1960 + 367 pe)	+ 382	+ 170	+ 242	+ 299
I less II: Surplus of domestic lending (+) or of domestic monetary capital formation (—)	- 1,061	- 3,574	+ 944	+ 2,909	1958 -1,415 1959 - 696 1960 + 50 P)	+ 255	+ 145	+1,959	- 442
III. Net claims on foreign countries (Bundesbank and other banks)	+ 4,242	+ 5,066	+ 4,218	- 261	1958 + 681 1959 -1,538 1960 + 316 P)	+1,490	+ 1,317	+ 730	+1,101
note: Influx of funds (+) into the economy due to foreign exchange transactions ⁷⁾	(+ 4,669)	(+ 7,833)	(+ 6,816)	(+ 5,699) ^{r)}	1958 (+1,521) 1959 (+1,191) 1960 (+1,615) P)	(+2,129)	(+1,932)	(+1,234)	(+1,827)
IV. Other factors ⁸⁾	+ 283	- 180	- 1,007	- 649	1958 - 523 1959 - 408 1960 - 858 P)	- 249	- 542	+ 307	+1,342
V. Note and coin circulation ⁹⁾ and sight deposits of German non-banks, total (balance of I to IV)	+ 3,464	+ 1,312	+ 4,155	+ 1,999	1958 -1,257 1959 -2,642 1960 - 492 P)	+1,496	+ 920	+2,996	+2,001
of which:									
Note and coin circulation ⁹⁾	+ 835	+ 1,585	+ 1,479	+ 1,429	1958 + 489 1959 + 87 1960 + 121 P)	+ 289	+ 554	+ 356	+ 382
Sight deposits of German non-banks	+ 2,629	- 273	+ 2,676	+ 570	1958 -1,746 1959 -2,729 1960 - 613 P)	+1,207	+ 751	+2,640	+1,619
including:									
Central Bank balances of German public authorities ¹⁰⁾	(+ 1,055)	(- 2,606)	(- 616)	(- 2,686)	1958 (- 579) 1959 (-2,237) 1960 (+ 779)	(+ 237)	(- 304)	(+ 30)	(- 65)
VI. Residents' time deposits at notice or fixed period of less than 6 months	+ 1,229 pe)	+ 1,605	- 481	+ 129	1958 + 23 1959 - 217 1960 + 261 P)	- 583	+ 385	- 306	+ 314
VII. Domestic "volume of money" according to V, plus time deposits at notice or fixed period of less than 6 months (V plus VI)	+ 4,693	+ 2,917	+ 3,674	+ 2,128	1958 -1,234 1959 -2,859 1960 - 231 P)	+ 913	+1,305	+2,690	+2,315

*) The data in this survey relate to the area of the Federal Republic (up to December 1959 not including the Saarland) including Berlin (West). They are based on the "Consolidated Condition Statement for the Credit Institutions including the Deutsche Bundesbank" (see Table I 1 of the Annex). Apart from the "consolidation" of the figures for the credit institutions and those for the Bundesbank, one peculiarity for the purpose of this table lies in the fact that assets and liabilities in respect of foreign countries — except for DM notes and coins and bank bonds held by foreigners, which cannot be ascertained — have been summed up in one overall net total and are, therefore, not contained in any of the other items. — ¹⁾ I. e., Federal Treasury bills and non-interest-bearing Treasury bonds deriving from exchange for a corresponding partial amount of the Bundesbank's equalisation claim, the taking of which paper by the banks does not represent any additional granting of credit to non-banks. Elimination from bank holdings partly estimated. — ²⁾ Apart from the special credits to the Federal Government listed below, this item mainly contains the cash advances granted as book credits by the Bundesbank to public authorities, and the credits granted by the taking into the Bundesbank's portfolio of Treasury bills and non-interest-bearing Treasury bonds (other than mobilisation paper). — ³⁾ These credits granted in accordance with Art. 20 par. (1) item 2 of the Bundesbank Law imply the taking of foreign exchange from the Bundesbank and in so far do not directly affect the domestic circulation of money. — ⁴⁾ Banks' holdings of other banks' bonds do not represent any immediate granting of credit to non-banks but form part of inter-bank indebtedness. — ⁵⁾ Amounts credited as currency conversion compensation for expelled persons or as compensation for holders of old savings are taken into account only in so far as covering claims on the Equalisation of Burdens Fund were redeemed. — ⁶⁾ Set off against the credit institutions' holdings of their own and other banks' bonds; bonds issued under the compensation scheme for holders of old savings are taken into account only in so far as covering claims on the Equalisation of Burdens Fund were redeemed. — ⁷⁾ Change in banks' net claims on foreign countries after elimination of public authorities' net foreign payments (only actual payments out of credit balances and borrowing, excluding guarantees granted and credits opened), as well as the Bundesbank's interest income on its foreign investments. — ⁸⁾ I. e., assets: amounts credited to Federal Government in respect of coinage, equalisation claims, land and buildings, "other" assets; liabilities: counterpart accounts with the Bundesbank, net inter-bank indebtedness, "other" liabilities. — ⁹⁾ Excluding the credit institutions' cash holdings, but including DM notes and coins held abroad. — ¹⁰⁾ Including balances of German public authorities temporarily employed in equalisation claims and, until end-1958, deposits of agencies of the former occupying powers. — pe) Partly estimated. — r) Revised. — p) Provisional.

of securities issued by non-banks, but excluding the credit granted by the Bundesbank). If the time deposits at less than six months' notice or date were reckoned as part not of monetary capital formation but (as in the alternative method adopted above) of the "volume of money", there would actually be a somewhat larger "deficit" on monetary capital formation. In 1958 on the other hand the monetary capital formation including short-term time deposits had been smaller than the credit expansion by only about DM 0.7 billion, and without such deposits by DM 0.3 billion; and in 1957 monetary capital formation had on the contrary actually exceeded credit expansion on those two bases by DM 3.4 and 1.8 billion respectively. Whereas therefore in 1957 (and incidentally 1956, if the year is regarded as a whole) more money was sterilised at the banks through capital formation than came into existence through the granting of credit, in 1958 and 1959 the opposite was increasingly true; in other words the expansion of bank credit in that period was linked with an increasing "money-creating effect". This clearly reflected the great change which has taken place of late in the overall cyclical situation.

Among the other components which affected the money supply, two merit closer consideration. One is the foreign exchange transactions and the other the movement in public authorities' cash, with its highly interesting combination of large overall deficits with simultaneous "internally effective" surpluses. As regards the first factor — the role of foreign exchange transactions — the opposite table concerning the money supply shows that in 1959 the previous accrual of exchange at the Bundesbank and the other banks was replaced by an outflow. On an overall view foreign payments accordingly operated to restrict the money supply, whereas in each of the preceding years the volume of money had been greatly enlarged through the banking system's net purchases of exchange — as recently as 1958, for instance, by about DM 4.2 billion. As already indicated, however, this reversal is almost solely due to the large foreign payments which the public authorities (or to be more precise the Federal Government) effected — making them, first, out of their cash balances at the Bundesbank and, after those balances were exhausted, by dint of borrowings, among which the special credits granted by the Bundesbank to cover payments to certain international organisations must be included. While these payments greatly reduced the authorities' reserves, and indeed virtually cleared out those of the Federal Government, they left the other sectors' money supply unaffected. The economy's reserves on the contrary remained under the influence of the fact — usually much emphasised in discussion about the monetary significance of the balance of payments — that through foreign exchange movements more resources accrued to the economy than it needed to finance its foreign payments, or in other words that, apart from official transactions, the course of the balance of payments continued to expand the volume of money. True, it is noteworthy that this expansive effect was smaller in 1959 than in 1958, when it had already declined. As can be seen from the table on page 26, the monies accruing to the non-official sector through exchange transactions can be put for 1959 at about DM 5.7 billion, whereas they would seem to have amounted to about DM 6.8 billion in 1958 and some DM 7.8 billion in 1957¹⁾. The decrease is explained by the fact that on the one hand the surplus on goods and services has — contrary to widespread assumption — not increased since 1957, and that on the other the growth of the deficit on capital account was due not only to the public authorities' foreign payments and the banks' "money exports" but also, in large measure, to private capital exports at longer term. A part of the monies which accrued to the economy through the surplus on goods and services was thus again placed by the economy in long-term form at foreigners' disposal, and not used for enlarging its liquid reserves.

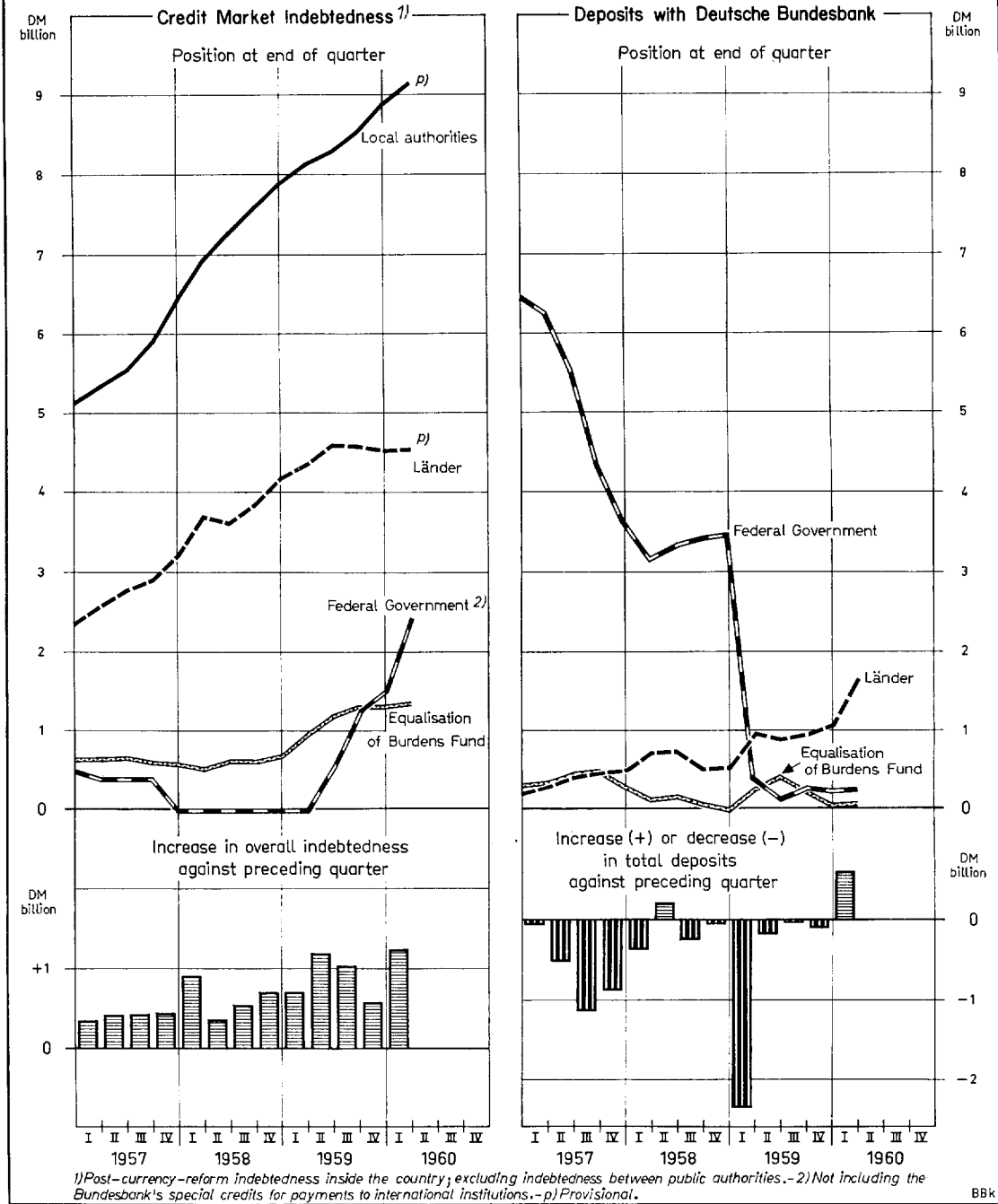
As regards the effect produced on the money supply by the movement in the public authorities' cash it has often been pointed out that — despite the large overall deficits financed partly by borrowing, including bank borrowing — this affected the money supply not in an expansive

The role of foreign
exchange transactions

The movement
in the public
authorities' cash

¹⁾ These figures have been ascertained by adding to the changes in the net foreign assets of the Bundesbank and the other banks the exchange losses due to the acquiring of exchange for foreign payments by public authorities (that is for practical purposes the Federal Government); on the other hand the additions do not include the amounts credited as interest on the Bundesbank's foreign investments.

INDEBTEDNESS AND DEPOSITS OF PUBLIC AUTHORITIES



but rather in a contractive sense, the reason being that the deficits (still regarded as a whole) arose only through foreign payments, whereas the public authorities' internal expenditure was smaller than their internal receipts even if the receipts from borrowing are disregarded; therefore, it is stated, money has been taken out of "internal circulation" during recent years, just as in the time when the "Julius-Turm" was being built, even though the amounts in question have been no longer sterilised at the Bundesbank but transferred abroad, and pro tanto have no longer appeared in the "volume of money". Statistically this statement is correct. In the case of

the Federal Government in particular there was again an appreciable surplus of internal receipts over internal expenditure in 1959, if the year is regarded as a whole, and especially so if the receipts are deemed to include not only the ordinary revenues but also at least the proceeds of loans not obtained from the banking system. But there were also cash surpluses in the case of the Länder, at least in the last months of 1959 and the first of 1960, since the rise of tax revenues particularly favoured the Länder.

It is however hardly permissible to treat as an isolated factor the public authorities' internal cash surpluses mentioned here, starting on the supposition that foreign payments are always neutral in their effect on the internal money circulation, or even contract it, if they are financed out of funds deriving from current income. Part of the foreign payments indeed flow back, in one way or the other, into the country. Last year for example there was a link — quite close in some cases — between certain foreign payments of the Federal Government and the foreign exchange payments which some NATO powers made to finance the DM expenditure of their troops stationed in the Federal Republic. Moreover, some foreign exchange accruals in respect of German exports and services could hardly have maintained their previous level but for the considerable performances officially made to foreign countries. Besides, the contractive effects of the public authorities' internal cash surpluses again were far outweighed in 1959 by the expansive influence — already mentioned — exerted on the economy's money supply by the surpluses on foreign payment transactions. Among these surpluses an important part is, however, played by the expenditure of foreign troops stationed in the Federal Republic — such expenditure too mainly having an official character, although the other NATO powers are responsible for their financing. In 1959 the foreign exchange received from foreign troops stationed on German territory amounted to DM 4.1 billion.

To realise this is also interesting because it clearly shows to how great an extent the surpluses on the balance of goods and services, the effect of which in increasing the liquidity of the banks — and even more of trade and industry — has been so much discussed in recent years, result not from commercial but basically from political transactions. Out of the total of DM 7.3 billion to which the surplus on goods and services amounted in 1959 (although DM 6.4 billion of it was absorbed by the deficit on donations and long-term capital movements alone) the above-mentioned DM 4.1 billion of exchange received from foreign troops accounted for more than a half. It is also due solely to these receipts that the balance-of-payments surplus on goods and services has remained at roughly the same level since 1957, as already mentioned, since the foreign exchange received in respect of services to foreign military agencies in the Federal Republic rose from not quite DM 2.7 billion in 1957 to the above-mentioned DM 4.1 billion in 1959; as against this the remaining part of the surplus, due mainly to commercial transactions, dropped from DM 4.8 to 3.2 billion. That is a circumstance which has done much to cause the non-official sector's money supply, regarded separately, to be increased less in 1959 than in the previous years through the course of the balance of payments. As we have seen however (and this is the main result of the present brief analysis of the money streams), that factor was largely offset by the fact that at the same time credit expansion greatly increased, and in this way bank credit became more important to the overall movement in economic activity.

IV. Credit Policy

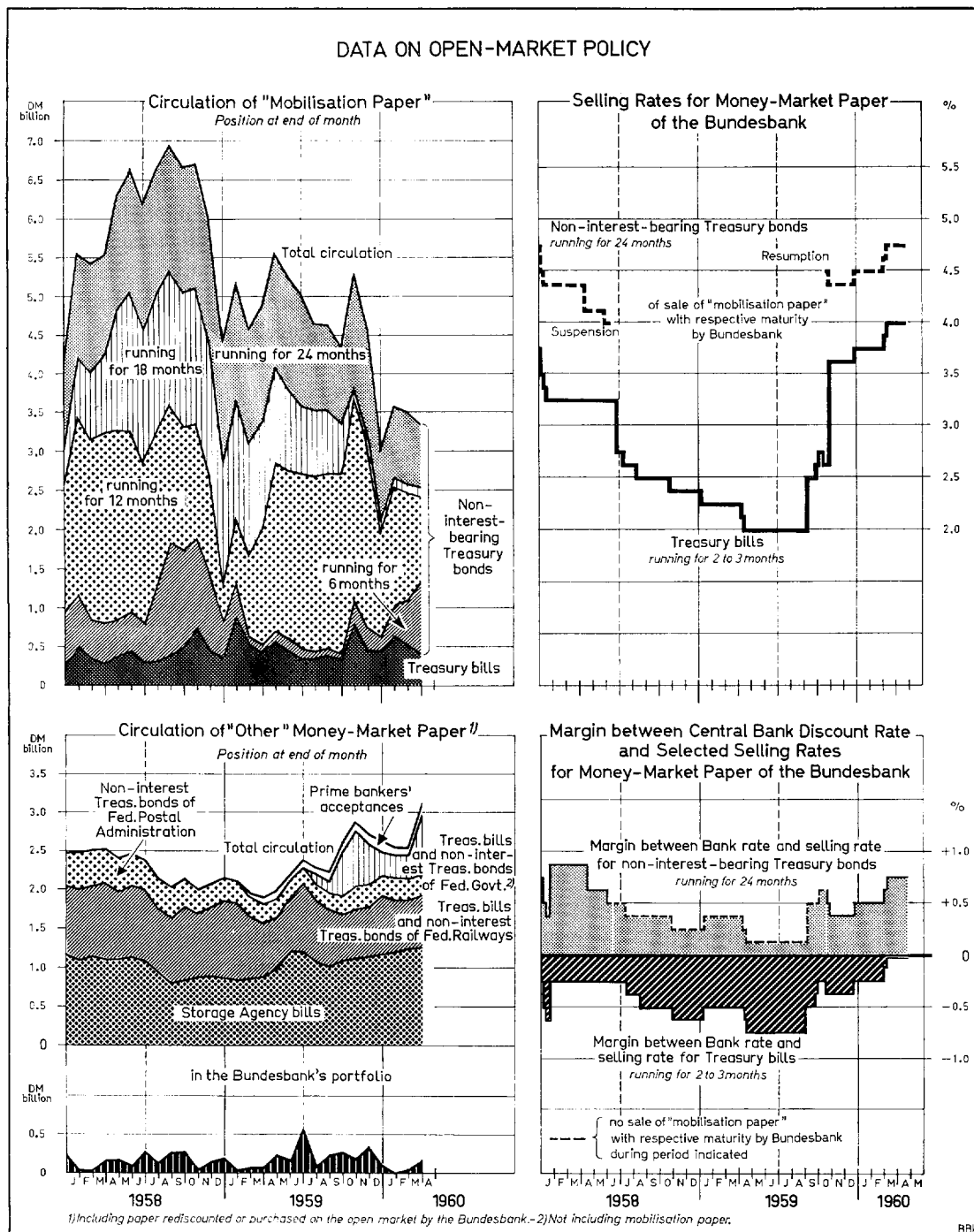
1. A change in the course

In the first months of last year the Bundesbank's credit policy still largely tolerated the tendencies to greater liquidity which arose from the accruals of foreign exchange to trade and industry and the banking system, but at times also resulted from liquidation of the Federal Government's large cash holdings. Particularly characteristic of this policy were the lowering of the

The public authorities' "internal cash surpluses" as an element in the monetary analysis

The phase of yielding

official discount rate on 10 January 1959 from 3⁰/₀ to 2³/₄⁰/₀, and the further reductions (one in January and two more in April 1959) of the Bundesbank's selling rates for money-market paper sold in the course of its open-market operations.



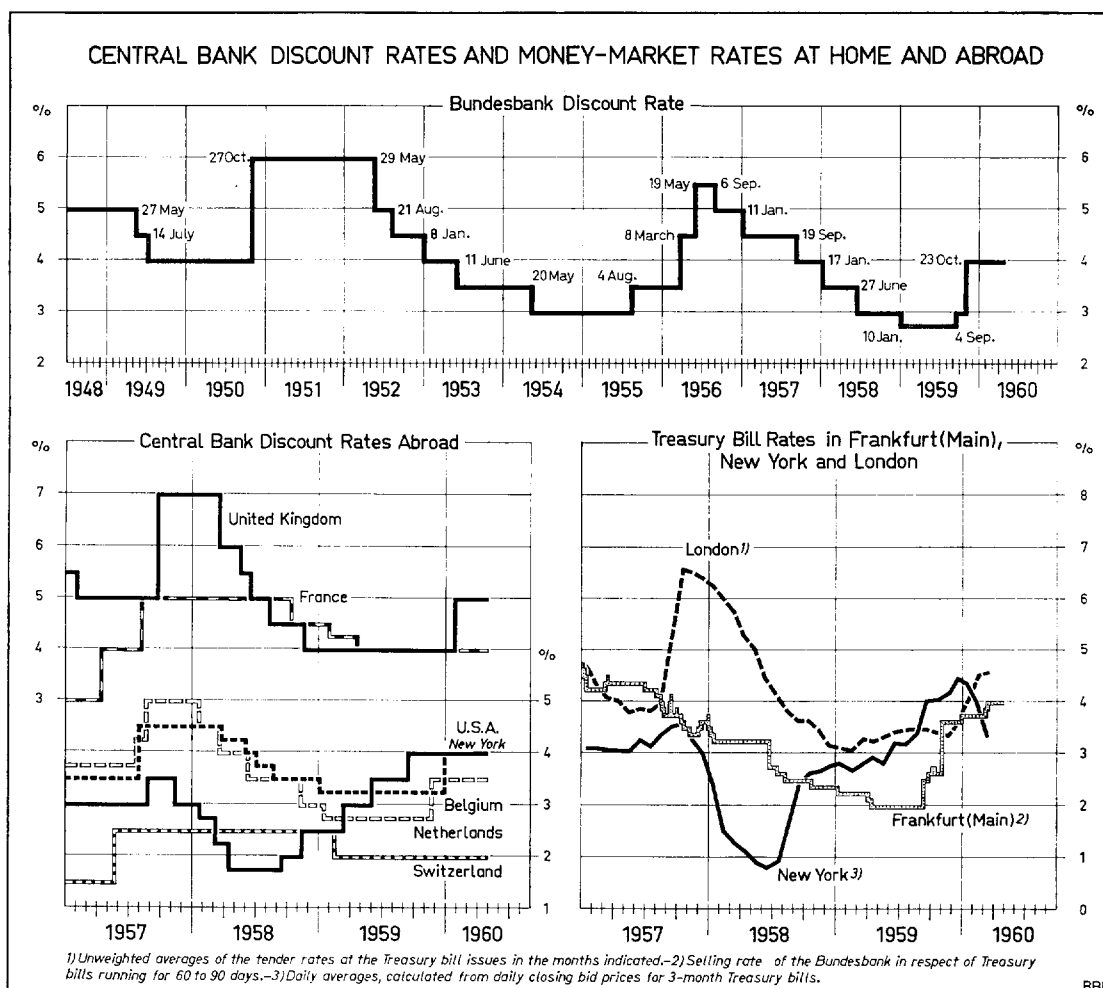
Last year's Report has already dealt with this phase. It emphasised that the measures then adopted did not amount to deliberate "forcing" of the fall in interest rates, but merely allowed for the upsurge of liquidity due to the persistent balance-of-payments surpluses; and further that the Bundesbank would have been hindering a natural process of adjustment if it had not reacted to the growing supply of money by reducing its interest rates.

Against this thesis it has on occasion been objected that at bottom the upsurge of liquidity was also due to the Bundesbank's "interventions", namely to its large net buying of foreign exchange before the other banks began to export capital on a major scale. If on the other hand the Bundesbank had bought no foreign exchange or had counteracted the exchange accrual by dropping its buying rate, it is said, then Central Bank money would not have gone into circulation in such large amount. It is argued that in that event liquidity would not have increased so much, and the Bundesbank would not have needed to lower its discount rate and selling rates in order to "allow for" the course of the market.

Basically of course this criticism is directed not at the policy of lowering interest rates but at that concerning the rate of exchange or, more precisely, at the adherence to the present currency parity laid down by the Federal Government in agreement with the Bank. Clearly any stoppage of foreign exchange purchases by the Bank — or even any lowering of its buying rates — would have amounted to abandoning the present currency parity. This is not the place to go further into the arguments against the course so advocated. The object here is merely to make clear that the Bundesbank's policy regarding foreign exchange purchases — a policy often inconsistently criticised even by opponents of upward revaluation of the DM, or of a flexible exchange rate — does not mean arbitrarily encouraging tendencies to greater liquidity; it forms an inherent element in the present external monetary policy, according to which the Bank is obliged to buy and sell foreign exchange as soon as the fluctuations in the rate reach certain limits. Above all however one can hardly agree with the opponents of the Bundesbank's present exchange rate policy, and its related duty to buy foreign exchange, when they say that alteration of this policy — through upward revaluation of the DM — would have made it possible to keep the level of interest rates high. If the external rate for the DM had been raised, or allowed to rise, then in all probability the problem of more intensely stimulating internal expansion would have become imminent. It would hardly have been possible to refrain from lowering the interest-rate level — quite apart from the fact that, even in the case of an altered rate of exchange, adjustment of the German interest-rate level to that prevailing in other countries would in the long run have been inevitable.

Incidentally as regards last year's phase of lowering interest rates it is necessary again to point out that the Bundesbank did not simply leave the course of interest rates to the market, but by the means available to it kept the process of reduction on orderly lines, and moderated the pace of the process. Thus in the first half of 1959 the Bank constantly placed money-market paper at the market's disposal, thereby absorbing funds which otherwise would have depressed money rates below the level which the Bank supported through fixing its selling rates. Consequently just in April 1959, when the pressure on money rates was particularly strong, there was a further considerable rise in the circulation of "mobilisation paper" — that is of money-market paper which the Bank issues for the express purpose of preventing excess liquidity in the money market. A like stabilising effect was produced by the fixing — for a time completely free of cost — of forward exchange rates for the banks' money exports through the Bundesbank's engaging in appropriate swap transactions, since this caused money to flow to foreign countries even before the lowering of interest rates had gone far enough to induce such an outflow.

Of course, as already indicated, the Bank could not simply prevent the downward interest rate tendencies entailed by the persistent increase of liquidity if it did not wish to stop a natural process of adjustment to conditions abroad, which adjustment in the existing circumstances also seemed entirely justifiable from the point of view of the internal economy. At the beginning of 1959, and even at its low point in the spring of that year, the German interest rate on capital was still slightly above that in various other West European countries and well above that in the United States and Switzerland. But despite many years of large exchange accruals money rates also were by no means unusually low. While for instance it was pointed out in various quarters that the Bundesbank's discount rate reduction in January 1959 from 3% to 2³/₄%



“broke the sound barrier“, that is true only if attention is confined to German discount rate history; in other countries, not only the United States and Switzerland but also the United Kingdom, the Netherlands and Belgium, to mention only a few examples, the Central Bank discount rate has at times in recent years been as low or even lower, and that without any previous growth of monetary reserves to the same considerable extent as in the Federal Republic. If, therefore, the tendencies to lower interest rates had been completely stopped, that would have resulted in further international isolation of the German interest rate level — which would hardly have been in line with the recent introduction of convertibility and the consequent renewed recognition (to a certain extent) of the gold standard rules, at least not so long as the need to preserve internal stability did not imperatively call for another policy. Besides, there would then hardly have been any possibility of financing the German surpluses on trade and services more than before through exports of money and especially capital from the Federal Republic, even though in the longer run such exports may largely solve the German balance-of-payments problem.

The application of the credit brakes

The Bundesbank however did not hesitate to give up this policy of yielding to the market tendencies towards greater liquidity, and to set an opposite course, when in the summer it became increasingly clear that by then — in contrast with the first months in the year — the previous line was no longer compatible with the internal tasks of monetary policy. It may be taken as preparation for this change that in the summer months the Bank did not hinder the tightening of the money market then in evidence, although it could in fact have done so and

the bond market for its part could have done with such an impulse. Credit policy was however not reversed until September, when the Central Bank discount rate was raised from $2\frac{3}{4}\%$ to 3% , this being followed after a short interval by relatively drastic measures.

There were various reasons why the Bank did not act earlier with more force. The first important point was that until the summer the overheating was mainly confined to the building market, and that there exogenous factors — especially the strong influence of the public authorities — played a large part. At first therefore the Bank aimed at local treatment through limitation of public building activity and of the official measures to encourage building. Special weight furthermore attached to considerations and needs of foreign trade and payments policy. In the summer of last year the upsurge of economic activity in Germany was far ahead of the international movement — apart perhaps from that in the United States — particularly since at that time in some other important countries it still was more a question of how to overcome the 1958 recession than how to check the new upswing which was only just beginning. In such a situation a surplus country like the Federal Republic could act only with great caution. First, it was essential to avoid the impression that the brakes were being applied here even before really serious strains had appeared, and before it could be seen whether the rise in imports would not do much to ease those strains. It will be remembered that voices abroad were in any event at times heard saying that the credit restrictions should not have been imposed at all. The fact that, when credit policy changed, obviously the productive forces were on the point of becoming overstrained and the very far-reaching liberalisation of imports would by itself hardly be able to keep the upward price tendencies in check, did however ensure that such utterances remained isolated and that the Bundesbank's actions met with a large measure of understanding in foreign countries too, particularly among international organisations. Still more important was the fact that when it began to turn the helm of credit policy the Bank was able to feel certain that, in doing so, it would not be left uncovered by actions taken in the rest of the world on business cycle grounds. Apart from the fact that credit policy was notably stiffened in the United States from the late summer of 1959 onwards, in the autumn of that year the growth of economic activity had also gone so far in some European countries that there, too, application of the credit brakes seemed advisable on purely internal grounds. At that time therefore the Bundesbank was able to become restrictive without needing to fear that its actions might lack international backing, and that they might produce disturbing effects on other countries. In fact this conformity with the international trend of credit policy not only put the Bundesbank's measures, as already mentioned, largely beyond the reach of foreign criticism; in addition, as we shall see, it did much to prevent their effectiveness from being impaired by any large inflow of foreign money.

2. The restrictive measures in detail

The first measure which the Bundesbank adopted in pursuance of its restrictive policy, namely the raising of its discount rate from $2\frac{3}{4}\%$ to 3% with effect from 4 September 1959, was essentially conceived as a signal; it was meant to show that until further notice the easy credit policy was at an end, to make trade and industry more cautious in their actions, and to suggest to the public authorities that they too should follow an anticyclical policy and so help to avoid further considerable stiffening of the measures concerning credit. After the raising of the discount rate the selling rates for open-market paper were also raised in September in three stages, by a total of $\frac{3}{4}\%$ for all types, that is by $\frac{1}{2}\%$ more than the discount rate. Hence in the formation of money-market interest rates the change of credit policy was already clearly visible at that stage.

Much stiffer, however, were the measures by which the second stage of the restrictive credit policy was introduced in the last ten days of October. First, with effect from 23 October Bank Rate was again raised, this time by a whole point from 3% to 4% . Most of the selling rates for

The "warning"
of September 1959

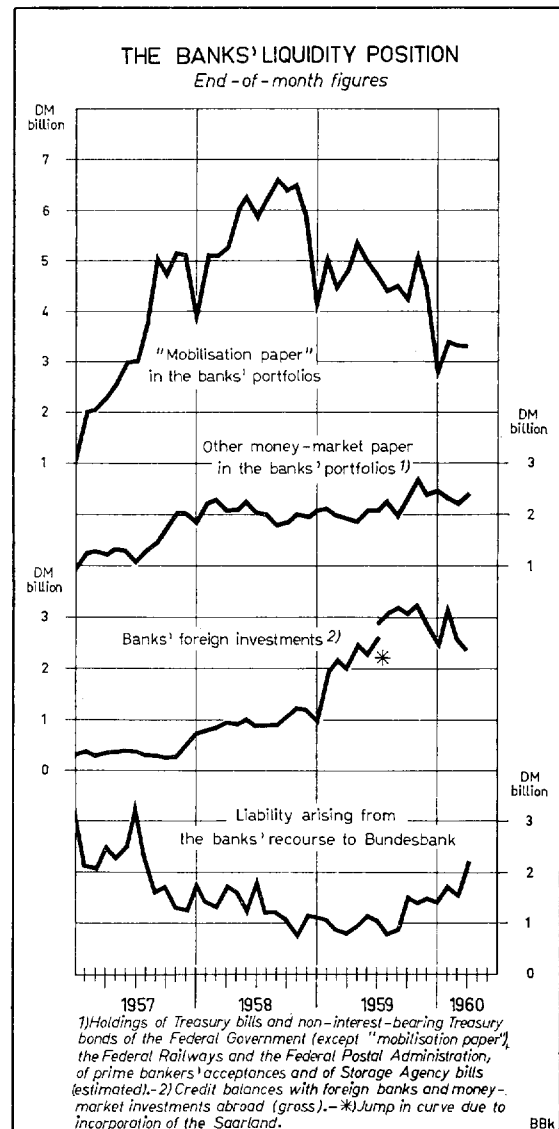
Stiffer measures
in October

money-market paper were put up by an equal amount, although it must be borne in mind that a week before the further raising of Bank Rate they had again been lowered by $\frac{1}{8}\%$ all round by way of adjustment to the liquidity which prevailed at that time in the money market largely owing to speculative discounting. At the same time mobilisation paper with a life of 18 and 24 months was again placed at the market's disposal, for the first time since the middle of 1958, in order to attract more liquid monies to the Bundesbank through the higher interest rate on such paper, and where possible to fix them for longer periods. This appreciably increased the restrictive character of open-market policy. Above all however the measures adopted at the end of October assumed a special complexion through the fact that, as part of them and with effect from 1 November, the minimum reserve ratios were also increased by 10 per cent of their October level. This increase deprived the banking system of about DM 750 million of liquid assets, although it must be borne in mind that the banks' liquidity margin had already been narrowed on 1 October inasmuch as on that date the so-called rediscount quotas (that is the amounts up to which the individual credit institutions may rediscount bills at the Bundesbank) had been reduced on the average by nearly 20 per cent as part of a basic reform of the method for determining them. By these acts the Bundesbank

Further tightening of the liquidity screws in January and March 1960

allowed for the fact that in view of the great addition to the banking system's liquidity in previous years it would probably not even be possible to make the rise in Bank Rate effective as far as the banks' customers, let alone to make the banks more cautious in their assets-side business, unless their lending capacity -- and with it the competition between them -- were cut down by methods affecting liquidity.

By the subsequent measures of restriction this tendency in policy was greatly accentuated. With effect from January 1960 the minimum reserve ratios were further generally raised by 10 per cent of what they had been in October 1959. From January onwards moreover any rise in reserve-carrying foreign liabilities above their end-of-November 1959 level has had to be covered at the appropriate legally permissible maximum reserve ratio, the object being to lessen the inducement to accept or take foreign money. Thus, in respect of any additional liabilities to non-residents, minimum reserves now have to be held at the rate of 30, 20 and 10 per cent in the case of sight liabilities, time liabilities and savings deposits respectively. The January raising of minimum reserves was mainly intended to check the seasonal tendencies to greater liquidity which appear at the beginning of every year because, in particular, of the large reflux of notes and coin to credit institutions. It was on the other hand hardly to be expected that

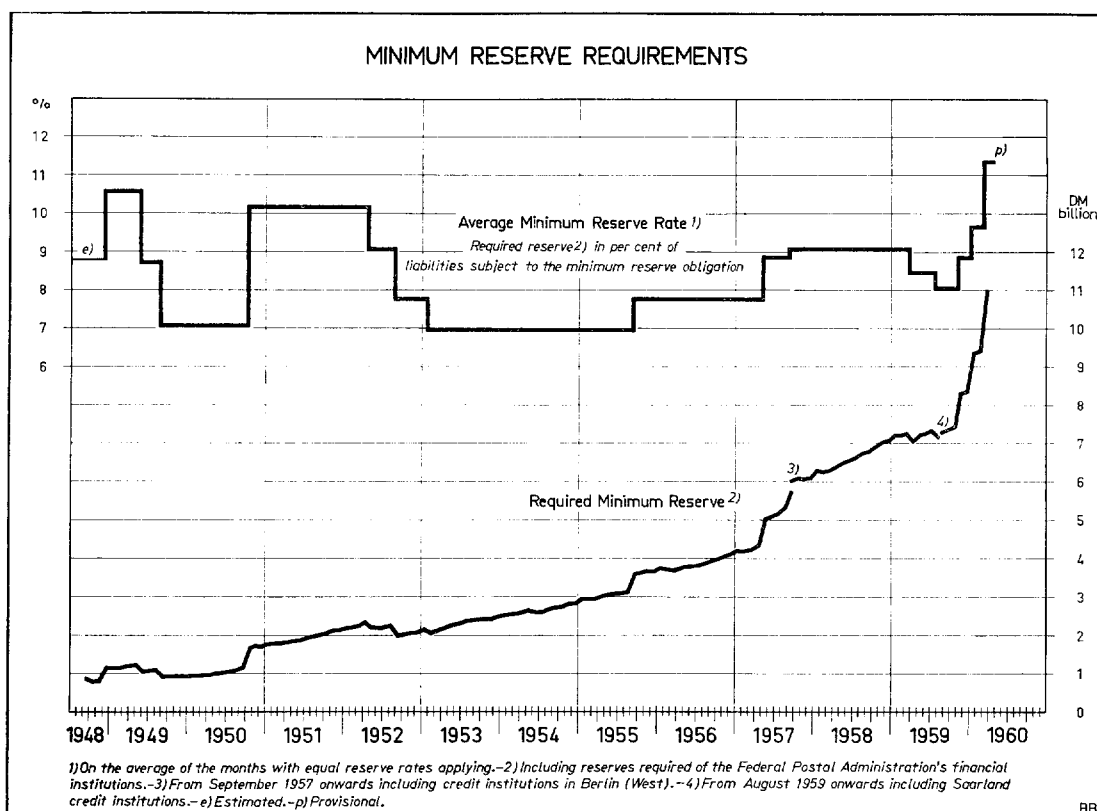


any material further narrowing of the banks' liquidity margin could also thereby be achieved; nor, as later appeared, did such narrowing take place. But on the other hand it was clear that without such narrowing it would be impossible to achieve any greater effect on the banks' lending business, as regards either its extent or the terms for it, since the still relatively large cushions of liquidity continued to afford the credit system a certain independence.

Accordingly at the end of February the Bundesbank once more tightened the liquidity screws, and with effect from 1 March 1960 again raised the minimum reserve ratios, this time by 20 per cent of what they had been in October 1959; at the same time it reduced the rediscount quotas (subject to certain modifications in detail) by 10 per cent on the first DM 5 million of their total amount and by 30 per cent on the rest. Thereby it deliberately gave a sharp turn to the vice. It is estimated that DM 1.6 billion was tied up through the raising of the minimum reserve ratios; the cut in the rediscount quotas went a good deal further still. In addition the reducing of the rediscount quotas produced a strong psychological effect, since it applied to a facility which credit institutions regard as their most important liquidity reserve.

As regards minimum reserve policy the Bundesbank has applied a new technique in connection with the latest increases of the reserve ratios. Formerly these ratios were usually raised not by a uniform percentage but by the same amount all round, being increased independently of their initial level by specified percentage rates, for instance by a half or one per cent. This had the disadvantage that liabilities for which the reserve ratios were relatively low were hit comparatively hard by the increases, while liabilities with relatively high reserve ratios were on the contrary lightly hit. Thus the proportion between the individual reserve ratios shifted on every increase, and shifted to the disadvantage of the lower ratios. The increases effected since last autumn, on the other hand, have raised all the reserve ratios in the same percentage proportion; consequently the structure of the ratios has remained unchanged — although this is not intended to mean that the present relationships are to apply in all eternity, since in altered conditions some modification may be appropriate in their case also.

New technique in minimum reserve policy



By comparison with the former method the technique recently applied has in practice above all ensured that the smaller institutions have not been harder hit by the increases than the larger ones. This produced all the more effect since a revision of the minimum reserve ratio structure which came into force in August 1959 had already favoured the smaller institutions in many respects by comparison with the previous conditions, especially for instance through the increase in the number of effective reserve classes and through the wider divergence between reserve ratios for institutions at places with and without Bundesbank branches¹). The Bundesbank's desire so far as possible to lighten the burden of the credit restrictions for the smaller institutions (a desire to which limits are of course set if unjustifiable inequalities, or impairment of the effects of the measures, are to be avoided) was further expressed in the above-mentioned fact that the rediscount quotas were cut not equally, but up to a certain amount were cut less than the rest.

It may perhaps also be appropriate in this connection to say a word on the repeatedly raised question whether at their present level (of about DM 11 billion) the minimum reserves do not impose an undue burden on bank earnings, because they bear no interest, and whether they ought not therefore to be made to bear interest at least in part. The fact that the Bundesbank Law rules out any interest payment is well known; even indirect payment of interest in the form of foreign balances being counted towards the actual minimum reserve — as is sometimes advocated — is not permitted, since the Law expressly lays down that the minimum reserves are to be held as credit balances on giro account at the Bundesbank. Among the considerations which led the legislature to make this arrangement one was that the Bundesbank itself could hardly be expected to produce interest on minimum reserves because, if it had to do so, then in order to obtain an adequate income it might have to expand its earning assets more than was compatible with its monetary responsibilities. This consideration was however not decisive, especially since the Government could as an alternative have been made responsible for finding the interest, provided there had been readiness to disregard any objections on fiscal grounds. The decisive factor was rather that any payment of interest on minimum reserves, even merely indirect payment, would conflict with the sense of this instrument of credit policy and would reduce its effectiveness.

The intention of the minimum reserve regulations is in fact to enable the Central Bank, in case of need, so to influence credit institutions' liquidity as to be in a position to make them conform to its current credit policy. In particular the intention is to ensure in this way that changes in the discount rate shall produce their effects as far as the ultimate borrower. If a rise in interest rates is desired the Central Bank shall be capable, through pressure on the banking system's liquidity margin, of preventing any excess liquidity (and the resulting competition for borrowers) from stultifying revision of the terms for ultimate borrowers as required by Central Bank policy. Clearly any payment of interest on minimum reserves would greatly weaken the desired effect of Central Bank policy. Per contra it is immediately obvious that the compulsion to do away with "lower terms", that is interest terms which are more favourable to the borrower than would correspond to the prevailing level of Bank Rate, is much greater if the banks have to employ a greater part of their resources free of interest and are consequently obliged to obtain more on their earning assets unless they are prepared to accept a major decline in their earning power. The fact that the minimum reserves bear no interest therefore ensures that increases of the minimum reserve ratios shall, beyond their influence on the banks' liquidity position, support the Central Bank's intentions regarding interest rates to a much greater extent than would otherwise be the case. That however in turn enables credit institutions to obtain compensation for the absence of interest on their minimum reserves.

The present situation offers particularly clear proof of this. For instance, credit institutions can at present achieve much higher interest earnings, on their money market investments alone, than would be the case with a liberal liquidity policy. Above all however under pressure

¹) For all details readers may refer to the study entitled "Revision of the Minimum Reserve Requirements" in the Monthly Report of the Deutsche Bundesbank for July 1959.

of the minimum reserve increases — and precisely because the monies thereby sterilised bear no interest — the inclination and the (competitive) compulsion to grant “lower terms” have according to all the evidence become much weaker. In view of the relatively large extent to which such “lower terms” were previously granted this of course means an improvement in banks’ net position on interest received and paid. What the banks “lose” in interest through the absence of interest on their minimum reserves, therefore, accrues to them in scarcely lesser degree through the rise in the interest earned on their other assets — a rise in which the minimum reserve increases played a decisive part.

That however already touches on the effects of the latest measures of credit policy, to which we propose to turn only after dealing with another aspect of present credit policy, namely the question of its external consequences and of the effects which — per contra — the state of foreign trade and payments exerts on such policy.

3. The external aspect of the credit restrictions

When the Bundesbank in the autumn of 1959 again adopted a restrictive credit policy, the view was expressed in various quarters that by doing so it would run into serious external difficulties. Its actions would be bound to increase the foreign exchange inflow, it was argued, because under their influence large amounts of money would probably flow into the country, while the balance-of-payments surplus on trade and services might also increase. The Bundesbank ought to wait and see, it was urged, whether in view of this it would prove possible to maintain a restrictive course at all, or whether the exchange inflow would not very quickly breach the dykes which the Bank was trying to set up against credit expansion — quite apart from the unfavourable effects produced by such a state of affairs on foreign countries.

Defeatist forecasts

So far, it is true, these forecasts have not proved correct. As was to be expected, at times since the autumn of 1959 the Bundesbank has — for reasons which will be described below — had considerable accruals of foreign exchange, after having in the first three quarters of that year lost about DM 4 billion of monetary reserves; of the losses incurred up to the end of September 1959 about DM 2.3 billion had consequently been recovered by the end of March this year. This renewed afflux did not however hold up the tightening of the monetary situation desired by the Bundesbank; on the contrary the fact that since the change in the Bank’s credit policy the money market has been for the most part tight, and that the level of short-term interest rates has been increasingly adjusted to the Bundesbank’s higher discount and selling rates, shows rather that the Bank has hitherto succeeded in outweighing the effect of the exchange inflow and in making its intentions regarding liquidity and interest rates effective. So far indeed the absorption of liquidity which the Bundesbank has produced by its actions has been far greater than the addition to the banks’ liquidity which they received in recent months as a result of exchange movements.

Events to date

One fact of importance in this connection is that part of the last few months’ accrual of foreign exchange at the Bundesbank was due simply to the repatriating of short-term assets which credit institutions had previously been holding abroad. Between the end of September 1959 and the end of March 1960 such assets declined from DM 3.1 billion to less than DM 2.4 billion. This explains nearly a third of the foreign exchange accrual at the Bundesbank during that period. Yet the repatriating of balances from abroad gives the banks no fresh liquidity, but means for them a mere switching of their liquidity holdings; during recent months indeed foreign assets have in many cases been recalled only because the banks needed the monies in question to meet internal liabilities, in particular for instance to comply with the higher minimum reserve requirements. So far as the accrual of foreign exchange resulted from the liquidating of foreign assets, therefore, it in general reflected a decrease of liquidity but was not a sign of any increase in this latter.

While short-term balances are repatriated from abroad . . .

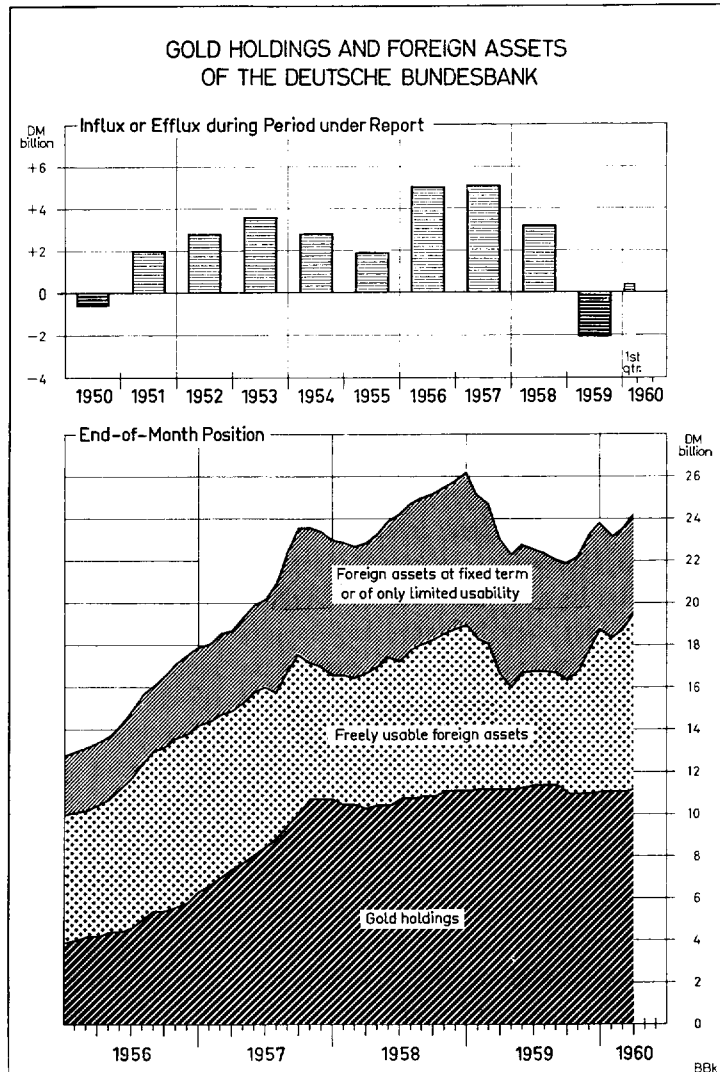
... little foreign money comes in ...

It is further highly important that so far the foreign exchange accruals have not been swollen, so much as had been forecast in some quarters, through an afflux of actual foreign money. At the end of February 1960 the banks' total foreign liabilities were greater than at the end of September 1959 by not quite DM 300 million. In March, it is true, they rose further by about the same amount; but it remains to be seen whether this was not a temporary movement like that in December 1959, when such liabilities had also abruptly risen by about DM 500 million. Internal payments to foreigners of monies which are transferred only in the course of time might have had some influence in this connection. At all events two factors at the moment tend to prevent a greater inflow of money from abroad. First, despite the raising of interest rates in the German money market no clear interest-differential in

relation to foreign countries has emerged, because money rates in most foreign countries have also risen. At times, especially in January this year, the level of money rates in the United States was even appreciably above the German level — which, incidentally, caused money regularly to be moved to the United States during such periods. In March, it is true, the American interest rate level dropped well below the German; but in April the gap became much narrower again, so that at the time when this Report went to press there was in relation even to the United States no differential capable of attracting money on a major scale. A further barrier against the inflow of foreign money was formed by the above-mentioned fact that, which effect from January 1960, minimum reserves at the highest ratios permitted by law must be held in respect of any addition to liabilities to foreigners. Foreign money is therefore relatively costly for the banks, so that their desire to take such money has so far been relatively small. In this way the Bundesbank has not only safeguarded its credit policy measures against any impairment through international capital movements; it has also protected foreign countries against the risk of withdrawals of money due to these measures.

... and the surplus on current items is not much greater

Besides this, however, current balance-of-payments surpluses have so far not increased to the extent expected in some quarters. The net total of all current items in the balance of payments — i. e., the surplus on goods and services and the deficit on donations — amounted to DM 3.4 billion in the period from October 1959 to March 1960 against DM 3.2 billion in the corre-



sponding period a year before. In fact, the increase in the deficit on donations and on “commercial” service transactions largely compensated the increase in exchange receipts from foreign troops and the rise by as much as DM 460 million in the export surplus alone. As regards the growth of the export surplus, it should moreover be borne in mind that it was partly due to statistical causes only (as mentioned in another context), being a result of the inclusion in the German foreign trade statistics since July 1959 of the foreign trade of the Saarland, which has a structural surplus in its relations with outside countries.

In these circumstances the exchange accruals have so far remained within limits in which they were outweighed by the minimum reserve increases coupled with the other liquidity-reducing factors, such as the rise in the note and coin circulation and the “internally effective” cash surpluses of the Federal Government and the Länder. Consequently the banks’ free liquidity reserves have notably declined since the autumn of 1959, especially if the cuts are taken into account which were applied to the rediscount quotas in October 1959, and then more particularly in March 1960.

All that however by no means implies that the foreign trade and payments situation creates no difficulties at all for the restrictive credit policy. In view of the complete liberation of international capital movements, and of the existing international agreements about exchange rates, the Bundesbank is of course compelled when adopting its measures to bear in mind their possible external effects. It cannot for instance raise its interest rates, if that might create an international interest-differential capable of drawing foreign money into the country on a major scale. Above all however, even if due to the restrictive measures the accrual of foreign exchange at the banks does not materially increase, as was the case in recent months, the Bundesbank’s policy of contracting liquidity constantly encounters an opposite tendency inasmuch as the current balance-of-payments surpluses continuously ease the credit institutions’ liquidity position. As a logical consequence the Bundesbank would therefore be forced again and again to offset this influence whenever, in order to make its credit policy effective, the reduction achieved in credit institutions’ liquidity had to be maintained. Clearly however it would be easy to expect too much of the Bank in connection with such more or less permanent stiffening of the measures affecting liquidity. Here we thus again have one of the reasons for which — as already mentioned — the Bundesbank would warmly welcome it if the task of checking exaggerated economic activity, particularly in the present foreign trade and payments situation, were not left almost exclusively to credit policy.

But yet a steady afflux of liquidity due to the surpluses on the balance of payments

4. The effects on the course of the business cycle

Whether and to what extent the recently adopted credit policy measures, besides reducing bank liquidity and raising the interest rate level, have already affected the actions of trade and industry is a question which is not easy to answer. A glance at the credit statistics shows that so far there seem to be no successes to record. In the fourth quarter of 1959, being the first “restriction quarter”, short-term bank lendings to German business and private customers grew by DM 1,189 million against DM 690 million in the corresponding period of 1958. In the first quarter of 1960 the increase amounted to DM 1,105 million as against DM 178 million in the first quarter of 1959 (the drop in relation to the preceding quarter, in each case, being seasonal). While the banks’ short-term lendings to public authorities fell in the fourth quarter of 1959 and the first of 1960 (by a total of about DM 185 million — with appreciable fluctuations), they did so somewhat less than in the corresponding period of the two preceding years, when they had declined by approximately DM 225 million. Likewise, the expansion of medium and long-term lendings is still appreciable, although it has of late been less marked than previously. It amounted to about DM 4 billion in the fourth quarter of 1959 against DM 3.3 billion in the corresponding period a year before, and in the first quarter of 1960 it reached DM 2.3 billion as against DM 2.4 billion in the first quarter of 1959. Only in the banks’ investment in securities

Undiminished credit expansion

Time of taking effect,
and imponderable factors

has definite restraint already appeared. At about DM 200 million in the fourth quarter of 1959 the increase in the monthly-reporting banks' holdings of German securities and in syndicates (excluding bank bonds) was less by over DM 300 million than in the corresponding period a year earlier; and at DM 293 million in the first quarter of 1960 the addition was also much smaller than in the corresponding period of 1959 (when it amounted to DM 480 million). That however, as appears from addition of the figures for lendings and for securities, did not prevent credit expansion in the widest sense of that term from being greater both in the last three months of 1959 and the first three of 1960 than in the corresponding periods a year earlier.

In any assessment of this statistical result one must however bear in mind that measures of credit policy, like others, usually take effect more slowly than is often assumed. The taking and granting of credit is in many cases not a matter of spot decision, but the result of long-term planning and agreements. That applies first to medium and long-term borrowings, which we have seen to be an important factor in credit expansion; but frequently it applies to short-term lendings as well. In practice moreover there can be said to have been really perceptible contraction of the banking system's liquidity only since March this year, that is since the third increase of minimum reserves and the second, sharp reduction of the rediscount quotas. Only since then moreover, as already mentioned, have last autumn's Bank Rate increases produced their effect in full — or at least more perceptibly than before — on the interest terms for ultimate borrowers. In many cases therefore the credit restrictions are only now reaching the economy, so that it would be premature as yet to express any opinion about the depth and breadth of their effect.

Many effects moreover escape statistical measurement. Credit policy works never solely through its effect on the volume of credit, but also through the psychological or atmospherical changes which it brings about. In the last resort, it is true, such influences too are reflected in the money and credit statistics; but they often produce effects even before they can be detected there. It is thus possible that credit policy is already effecting planning. While for instance very strong efforts have of late been made to keep the rise of public expenditure at least to some extent down, that is largely because under the influence of credit restrictions it has become evident that borrowed funds would not be procurable to the extent of the extraordinary budgets contemplated earlier.

The compulsion to restrict is also making itself clearly apparent in other capital projects which, in their financing, are largely dependent on the free capital market. It has already been mentioned that the banks are no longer prepared to take securities into their holdings in the same comparatively generous manner as in the first half of last year and during 1958. The drop in their security purchases is indeed even more apparent if one looks not only (as above) at the acquisition of bonds issued by German non-banks, but also at bank bonds, through the acquisition of which other banks put monies into the hands of certain specialised credit institutions. With the inclusion of such securities the banks' purchases of German securities from October 1959 to March 1960 amounted to DM 1.0 billion, against DM 2.7 billion in the corresponding period a year previously. As a result of this and of the general increase in the difficulty of placing their issues the real estate credit institutions, which are the principal issuers of bank bonds, have already been compelled to proceed with more caution in their assets-side business. It is true that such caution is not yet reflected in their payment of loan monies to borrowers, since these payments largely depend on assurances given earlier and are moreover in great part financed out of monies obtained earlier, this being a clear example of the above-mentioned time-lag between credit restrictions and the course of lending; but it is already reflected in the new assurances of mortgage loans, more particularly since the raising of the interest rates for these has already begun to deter some borrowers. At DM 1,137 million in the last quarter of 1959 and the first quarter of 1960 the mortgage loans promised by real estate credit institutions for housing purposes were smaller in amount by 12 per cent than in the corresponding period a

year earlier. Thus in one particularly critical branch of economic activity, namely in house-building, the effects of the credit restrictions are already noticeable — although for the present they are apparent only in the plans, which will perhaps be carried out in the period from the autumn of this year onwards. That of course means that the credit restrictions have so far produced material effects primarily in the capital market — which thus, as will be seen in the following pages, has once again proved particularly sensitive to changes in credit policy.

V. Capital Market

1. Renewed tightening of the bond market

In the first months of 1959 the bond market, which continues to form by far the most important section of the security market, was still in the phase of great relaxation which from about mid-1957 onwards had rapidly brought down the rate of interest on capital and had opened the way for a considerable increase of issues. In April 1959 the yield on first-class bonds was about 5.2% against more than 8% not even two years before. And in the first quarter of 1959 nearly DM 2.9 billion of fixed-interest securities were sold, this being more than two-thirds of the amount placed in the whole of 1957.

The starting point

As early as the spring, however, the first signs of a change appeared. True, the 5% International Bank for Reconstruction and Development loan for DM 200 million, which came out at par at the beginning of April, met with an exceptionally favourable reception; but in the case of other loans on like interest terms the placing ran by degrees into difficulties, even though the issue prices were in all cases more favourable to the subscriber. In the following weeks it became increasingly clear that the market was no longer so absorptive as before. Accordingly in May the Central Capital Market Committee — an unofficial body of bank representatives, which has assumed the duty of so reconciling the timing of at least the “once-only” issuers’ planned issues that the market shall not become overloaded — recommended that for a provisional period of a month the market should as far as possible be left alone, so that it should have an opportunity for fully “digesting” the previous issues. The cure however did not succeed. For people in many quarters the recommendation of a “close season” on the contrary confirmed the view that the reduction of interest rates had now ended, and that the next change in them would be upward rather than downward, although not even securities of the 5% type had been a full success.

First signs of a change

The psychological factors determining the course of markets were thereby largely altered. Previously investors’ readiness to invest had been visibly stimulated, and the demand for capital had conversely been checked, by expectation of a further decline in interest rates. Now however the pattern changed. As the conviction spread that interest rates were probably at a turning point, investors began to show caution, while borrowers gave up their previous waiting attitude and approached the market, or the issuing institutions, not only with their current demand but in some cases also with previously postponed desires for credit. One large house-building association even expressly urged its members to cover their capital requirements at once, if they could, on the ground that if anything a rise in costs of borrowing was to be expected in the future. Besides this some of the credit institutions and insurance companies were bombarded in April and May with requests for loans against borrowers’ notes because a bill to amend the Capital Transactions Tax Law, under discussion in the Bundestag and Bundesrat, with a provision amongst others for subjecting such loans to the Securities Tax, caused among would-be borrowers a kind of “rush to catch the last bus”; in this way a comparatively large amount of money was taken out of the security market. In addition the expansion of business activity, especially the extremely vigorous upswing in house-building, caused the demand for capital to grow more and more.

Altered psychological conditions

The attitude
of the Bundesbank

In these circumstances the recommendation which the Central Capital Market Committee gave to security issuers that they should continue to stay out of the market in the immediate future did not bear much fruit. In some cases they hesitated to obey it. In particular mortgage and communal bonds continued at first to be offered in substantial amount. To assist sales, some institutions again offered 5½% bonds or, in the case of those bearing 5%, made concessions on the price or granted bonuses, thus further deteriorating the climate of the market.

The Bundesbank regarded this development with some regret because in the lowering of the interest rate for capital, and in the security market's broadening which had been in evidence from 1957 to the beginning of 1959, it saw a process that conformed to the growing formation of capital in the Federal Republic and to the incorporation of the German capital market by a natural process into the structure of the international credit markets. There was the further fact that the tightening of the markets was at first largely due to purely psychological factors, namely to the spread of a wait-and-see attitude among investors on the one hand, and to borrowers' increasing advance covering of their needs on the other, to which factors it did not seem advisable to yield immediately. The Bundesbank therefore welcomed the fact that in competent quarters, in particular by the associations of real estate credit institutions, it was decided in July 1959 to adhere for the present to the 5% type of security and not to sacrifice it on the first sign of matters going wrong. Even as early as then however the Bank emphasised that the measures on which issuers had in the past agreed could in the longer run prevent market deterioration only if the last few months' dullness was indeed due merely to temporary congestions; it pointed out however that whether this was so would be decided only by the actual course of events¹⁾.

The definite setback

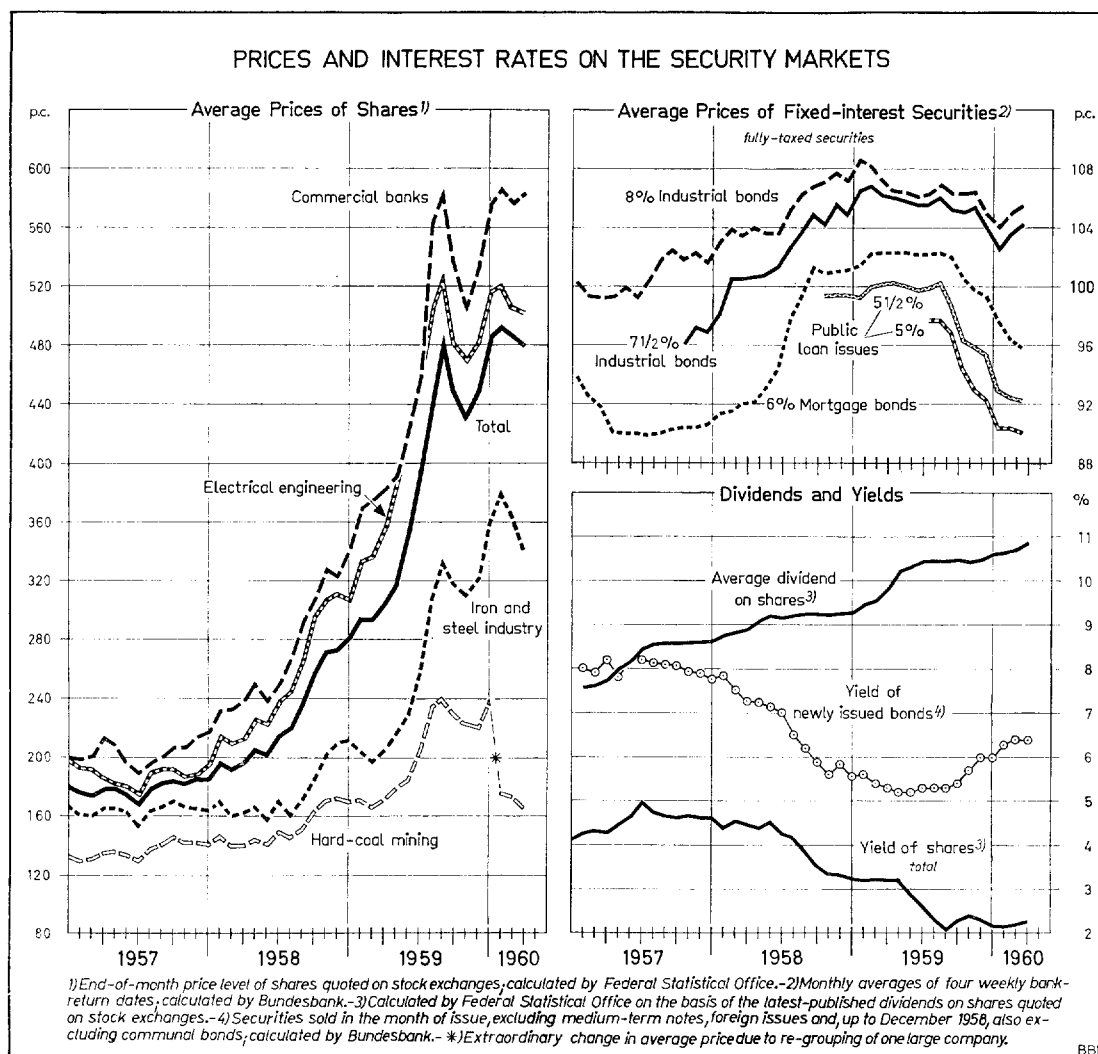
Events, it will be remembered, finally decided that this was not so. The disturbance of the market proved to be deeper-seated and more obstinate than had been originally supposed. In July and August the older issues too were drawn into the downward price movement. Securities previously regarded as having been firmly placed came back on to the market and hindered the placing of new securities. Unofficial quotations for the 5% issues offered in the spring by real estate credit institutions and industrial borrowers dropped in the autumn to prices of 90 or lower, that is 7 to 8 points below their issue price; the prices of the loans issued just before for the Federal Railways and Postal Administration likewise declined considerably. In these circumstances it was not possible to keep to the previously followed practice of introducing new issues on to the stock exchange at the issue price; in conformity with the state of the market even standard securities had to be introduced at two or more points' discount on that price.

The occurrence of a major and prolonged setback became finally inevitable when in September the Bundesbank, by raising its discount rate, inaugurated a new phase in its credit policy and soon followed up this first measure by others which were more drastic. It was clear that in view of the capital market's "dependence on the money market", as already described in our last Annual Report, this would be bound to cause fresh difficulties. For the Bundesbank, however, relaxation of the capital market had never been an end in itself; instead, where its credit policy favoured this market, it has always carried that policy only so far as seemed to it justifiable from the point of view of general monetary policy. Accordingly the Bank did not hesitate to change the course of credit policy, even though it was obvious that, because the capital market depended so much on the banks' portfolio purchases, that market would be the first sufferer.

In fact the banks' security purchases, as already mentioned in another connection, at once declined perceptibly following the first measures of credit restriction; they did so not only because the further course of prices was much more unfavourably assessed, but also because security buying forms that part of the banks' assets-side business in which reduction is as a rule most easily possible. In the given conditions this even corresponded in effect with the Bundesbank's intentions, since as already mentioned the credit institutions' security purchases together with

¹⁾ See Monthly Report of the Deutsche Bundesbank for July 1959, pages 15/16.

the enlargement of their lendings in the narrower sense of that term had greatly exceeded the formation of monetary capital at the banks, and the currency situation required the bringing down of this "money-creating" excess. In view of the large proportion of securities taken by the banks this development inevitably entailed further basic deterioration in the state of the market. The real estate credit institutions allowed for this by now reverting, fairly generally, to mortgage bonds of the 5¹/₂⁰/₆ type; in October indeed even 6⁰/₆ bonds left over from earlier issues were for the first time again offered. It is true that for the DM 300 million Federal loan offered in November, being the first loan issued by the Federal Government since December 1952, the 5¹/₂⁰/₆ nominal interest rate was retained; but since the issue price was 96.5, and the average life 8¹/₂ years, the yield in this case too was higher at 6.12⁰/₆. This loan was surprisingly well received; at that time indeed the bond market offered altogether a more cheerful picture. But soon afterwards fresh downward pressure on quotations set in, and hardly decreased even under the influence of the large interest payments falling due in January 1960. The renewed raising of minimum reserves in that month was important in this connection, just as was the fact that the end of the year saw the expiry of the three-year blocking period for certain mortgage bonds which had been issued in the winter of 1956/57 under the "Lex Preusker", their placing having been rendered immune to the then credit restrictions by a special system of tax privileges; a large part of the released securities was in fact immediately offered for sale because, in the price



conditions existing at the end of 1959, there was still a prospect of realising some profit in comparison with the cost — this being an example of the disturbing effects which may be produced on markets by security issues that are subject to blocking periods, and are based on official interference with the capital market, once those periods have expired. In these circumstances the second Federal loan (of DM 500 million) brought out in January 1960 had to be given a nominal interest rate of 6⁰/₀; its yield, of 6.36⁰/₀ on an issue price of 98 and a mean life of 10¹/₂ years, was also somewhat higher than that of the first loan. Nevertheless after the close of the subscription period the underwriting banks were left holding comparatively large unsold amounts.

The present situation

Even now the bond market is still plainly paralysed. The strong downward pressure on prices which prevailed in January has appreciably slackened, it is true, if indeed it has not ceased; in fact in some sections, such as those for the older issues bearing higher interest rates and for tax-free securities, there have actually been price rises of late even though the state of the money market has so far scarcely favoured such movements. But this consolidation is essentially due to the fact that in present circumstances issuers see no prospect of placing securities at acceptable terms, so that the market has for some months been largely left alone. In February and March 1960 issues of new fixed-interest securities were down to DM 428 und 261 million respectively, against DM 950 million in January and a monthly average of DM 860 million in 1959. The amounts placed in February and March 1960, after deduction of repayments, were only DM 306 and 332 million; these compare with DM 826 million in January, and in 1959 a monthly average of DM 696 million. Thus on the bond market the demand for capital has notably declined, whereas it had been characteristic of the first period of the setback that the figures for issues and placings had remained relatively high even though the conditions for issuers had already greatly deteriorated; this has incidentally earned praise for the market on the ground that in 1959 it remained better than its reputation. For months now industrial issues have disappeared from the market; apart from the Federal loan in January bonds of public authorities have also been offered only in small amounts so far this year. Thus the market has been largely left to the regular issuers, that is the real estate credit institutions, which in 1959 had already accounted for 57 per cent of the total net placings of fixed-interest securities. Still, with monthly averages of DM 190 million for mortgage bonds and DM 67 million for communal bonds in February and March even their figures for sales were appreciably below those of a year earlier, since larger placings could doubtless have been achieved only on terms requiring the ultimate borrowers to pay interest at rates to which they could hardly have agreed. Here again, therefore, the “nursing” of the market was due rather to enforced respect for its paralysis than to any conscious therapy.

2. Capital formation and readiness to invest

Capital formation

Serious as the setback in the bond market was, however, and greatly as it raised the general level of interest rates for capital, this was a trend which — as must again be emphasised, if only for the sake of preserving a correct view as to the prospects of recovery — was primarily due to a decrease of readiness to invest in fixed-interest securities, not to any decline in capital formation as such. On the contrary, capital formation increased further last year, not only as a whole but also as regards savings which are potentially investable in securities. Further evidence of this is afforded by the accompanying table concerning the structure of wealth formation. The table shows the current saving of private households to have grown from DM 12.7 billion in 1958 to DM 14.0 billion in 1959. Similarly the public authorities' formation of wealth (which, while largely used to finance their own investment in material assets, is in part also available for granting loans or acquiring securities) rose from DM 13.6 to 17.7 billion.

Even more instructive in this connection are the figures for pure monetary wealth formation, although in their case no reliable detailed breakdown as between the “financing sectors” is

*The Structure of Wealth Formation**

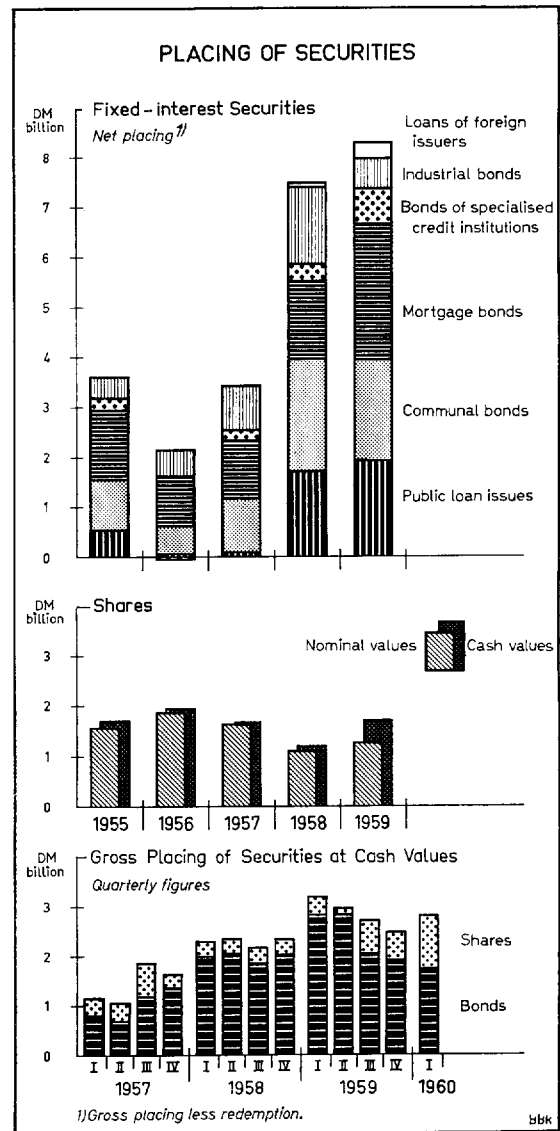
Area of the Federal Republic except Berlin (West) and Saarland

Items	1957	1958	1959 ^{p)}	1957	1958	1959 ^{p)}
	Billions of DM			per cent		
I. Total Wealth Formation	39.6	39.2	43.4	100.0	100.0	100.0
(1) By categories of investment						
Formation of tangible assets	33.6	33.3	38.0	85.0	84.8	87.5
Increase in claims on foreign countries	5.9	5.9	5.4	15.0	15.2	12.5
(2) Financing sectors						
Private households	11.1	12.7	14.0	28.0	32.5	32.1
Enterprises	13.8	13.1	12.7	35.0	33.4	29.3
Public authorities	14.9	13.6	17.7	37.7	34.7	40.7
Wealth transfers to foreign countries (net) ¹⁾	-0.3	-0.3	-1.0	-0.7	-0.6	-2.1
II. Monetary Wealth Formation of non-financial sectors ²⁾ at financial institutions and in security form						
Monetary wealth formation at banks	14.1	15.1	14.9	63.6	63.1	56.8
of which:						
(a) Cash and sight deposits	1.1	4.2	1.7	4.8	17.7	6.3
(b) Time deposits	3.2	0.6	1.2	14.5	2.5	4.6
(c) Savings deposits	4.8	6.5	7.9	21.8	27.1	30.2
(d) Other monies placed with banks	5.0	3.8	4.1	22.5	15.8	15.7
at building and loan associations	2.7	3.1	3.9	12.1	13.1	14.7
at insurance companies ³⁾	2.0	2.2	2.9	9.1	9.3	11.0
by purchase of securities	3.4	3.5	4.6	15.2	14.5	17.5
Total	22.1	23.9	26.3	100.0	100.0	100.0
III. Sale and Purchase of Securities						
(a) Net sales by groups of issuers						
Enterprises ⁴⁾	2.5	3.6	2.1	46.6	38.8	19.9
Public authorities	0.0	0.7	1.1	0.6	7.0	10.0
Foreign countries	0.0	0.3	1.4	0.9	3.0	13.2
Berlin (West)	0.2	0.4	0.3	4.5	4.7	2.5
Non-financial sectors, total	2.8	5.0	4.9	52.6	53.5	45.6
Banks ⁵⁾	2.5	4.4	5.9	47.4	46.5	54.4
Total net sales	5.3	9.4	10.8	100.0	100.0	100.0
(b) Security purchases by groups of buyers						
Private households	1.2	1.7	1.9	23.3	17.6	17.7
Enterprises ⁴⁾	0.6	0.5	0.8	11.6	5.0	7.8
Public authorities	0.8	0.6	1.3	15.7	6.9	11.8
Foreign countries	0.6	0.5	0.4	11.6	5.6	4.1
Berlin (West)	0.1	0.2	0.1	1.6	1.7	1.1
Non-financial sectors, total	3.4	3.5	4.6	63.8	36.8	42.5
Banks	1.4	4.9	4.8	26.1	52.5	44.6
Building and loan associations	0.0	0.0	0.2	0.1	0.3	1.9
Insurance companies ³⁾	0.5	1.0	1.2	10.0	10.4	11.0
Financial institutions, total	1.9	5.9	6.2	36.2	63.2	57.5
Total net purchases	5.3	9.4	10.8	100.0	100.0	100.0

¹⁾ Wealth transfers to and from foreign countries, the Saarland and Berlin (West) are considered to comprise chiefly capital compensation under the restitution scheme, in 1959 payments to France in connection with the reincorporation of the Saarland and contributions to the Development Fund of E.E.C., on the one hand, and payments received as foreign aid on the other hand. — ²⁾ Private households, enterprises, public authorities, foreign countries and Berlin (West), including currency area of the DM (East). — ³⁾ Life assurance, property and reinsurance companies, and pension funds. — ⁴⁾ Not including financial institutions. — ⁵⁾ Including share issues of other financial institutions. — *) Details may not add to totals because of rounding. — p) Provisional.

yet available. Total monetary wealth formation by non-financial sectors amounted to DM 26.3 billion in 1959 as against DM 23.9 billion in the previous year. The increase was greatly slowed down by the fact that the credit balance which the Federal Government had had in 1958 completely disappeared in the following year, as already mentioned elsewhere, mainly because of large foreign payments. That is also the reason why the monetary wealth formation at banks declined from DM 15.1 to 14.9 billion. This decline was however confined to the decrease in sight deposits, whereas the other components of the monetary wealth formed at banks (that is actual monetary capital formation) increased considerably. Monetary wealth formation also increased at the building and loan associations and the insurance companies, where it can likewise be reckoned as forming part of capital formation in the narrower sense of that term.

But the extent to which capital formation supplies funds to the security markets, and to the bond market in particular, depends not only on its amount but also on the current propensity of savers and institutional investors (including credit institutions) to invest. In that respect however the bond market has of late undoubtedly lagged behind, whereas we shall see that for shares — and not least for foreign shares — there has until now been a relatively keen demand. The figure given in the table showing the structure of wealth formation for the non-financial sectors' acquisition of securities in 1959 (namely DM 4.6 billion against DM 3.5 billion in the previous year) would be considerably reduced if the acquisition of dividend-bearing securities were eliminated. Similarly the result of comparison with the figures for a year earlier would be a good deal less favourable if it were extended to those for the first quarter of 1960, since under the impression of the last few months' fall in prices non-bank investors too have become increasingly cautious about taking fixed-interest securities. At the same time however their capital formation in other forms has continued, as can in particular be seen from the great increase of savings formation on bank accounts. More especially the rise in time deposits, which are often selected as an alternative investment where the investor wishes to postpone the acquiring of securities, has been considerable of late. But even the credit institutions as administrators of these potential capital market resources did not undertake their transfer to the bond market; partly, like their depositors, they feared the risk on the price, and partly under the influence of the credit policy measures — especially the minimum reserve increases and the cut in rediscount quotas — they have been trying to keep themselves liquid. In point of fact the limiting of the banks' security commitments in the bond market caused by far the greatest shortfall, since their purchases of German fixed-interest securities (including bank bonds, not comprised in the statement of credit expansion above) amounted in the fourth quarter of 1959 to only about DM 650 million, against an average of DM 1.25 billion in the first three quarters; in the first quarter of 1960 the amount was actually no more than about DM 250 million. Altogether therefore the present state of the capital market can be described by saying that it is basically sound inasmuch as capital formation continues to be substantial, monies being actually accumulated on an increasing scale in the "vestibules" of the bond market, but that on the other hand lack of readiness to invest for the present hinders the passing of the monies in question to the bond market.



It is difficult to foresee how long this wait-and-see attitude will last. In view of the great importance attaching to the banks' actions in the bond market, and of the relatively high degree

in which those actions depend on general credit policy, it may be assumed that no lasting change can be expected until credit policy begins to be relaxed. As to this however no forecast can be made so long as it is uncertain what the trend of economic activity (and consequently the monetary situation) will be in the months to come, since for the Bundesbank in the future as in the past the requirements of monetary policy — and not regard for the capital market — will remain the paramount principle governing its actions, the more so since in the long run currency stability is of vital importance for the productiveness of the capital market itself.

3. The share market

Finally a word about the share market. When we published our Report for the Year 1958 a year ago that market was in a vigorously rising phase, the pace of which caused us the more anxiety because it was patently connected with the market's narrowness; this in turn was largely due to the fact that grounds of taxation and company law prevented industry from financing its requirements through share issues to an extent anywhere near that which would have been possible in view of the keen interest shown by the public. During the summer of 1959 this upward movement at first continued even more steeply. At approximately 525 at the end of August the share price index published by the Federal Statistical Office, on the basis 31 December 1953 = 100, reached a level higher by nearly 75 per cent than at the start of the year. At the beginning of September however there was a setback. Within a few weeks the index fell by about 15 per cent to roughly 450, while quotations for many securities declined much more still. Thereafter, it is true, these losses were largely made good. At the beginning of February the overall level of quotations reached a new high point, at which despite occasional declines it again stood at the end of April 1960, the time when this Report went to press. By comparison with the quite steep rise between the spring of 1958 and the late summer of 1959 the upward movement has however become much more moderate, so that shares are no longer stimulating so much as a year ago the desire for speculation felt by large groups of people, including some without stock exchange experience.

Share prices

The setback in the bond market, and the more strained credit situation, no doubt contributed to this result. The keen interest aroused last year in foreign shares also certainly produced some effect, the more so since at the same time foreigners' buying of German dividend-bearing securities became much smaller. Above all however the market has for some time been strongly influenced by substantial capital increases which are in progress or in prospect, and which have already caused almost complete disappearance of the market's narrowness that was still so perceptible in the first months of last year. Altogether in the second half of 1959 new shares at a par value of nearly DM 870 million were placed, this being more than twice as much as in the first half-year. A fact of great importance in that connection was that the market showed itself fully able to absorb even issues at comparatively high premiums, and that such issues over par largely removed the disadvantages in terms of cost which had until then attached to the raising of capital through shares as compared with bonds. If incidentally allowance is made for the growing proportion of issues at a premium, the amount of capital procured through share issues increased much more even than appears from the figures given for issues above. A further fact of great importance for the growth of capital increases is that under the so-called Minor Company Law Reform, which came into force in December 1959, companies whose capital stock is too small in relation to the total of their capital and reserves can now issue bonus shares without any tax burden falling on the acquirer. By this means, it is true, the companies obtain no new capital; but the amount of shares in circulation is increased by such bonus shares just as much as by genuine additions to capital, and with them the market is also at least latently widened. In point of fact in the course of the year so far the wave of capital increases has grown appreciably in size. During the first quarter already, new shares having a par value of as much as DM 673

Easing of the market's narrowness

million, and a cash value of DM 1,088 million, were placed (as against DM 279 and 352 million respectively in the corresponding period of last year); and in the light of the further plans already announced for capital increases it may be assumed that these amounts will grow further in the next few months. On the other hand the amount of shares in circulation has of late also been reduced inasmuch as with the benefit of the tax concessions existing up till the end of 1959 a relatively large number of companies in Aktiengesellschaft form were converted into other forms, while the share capital of some companies controlled by principal shareholders was transferred, subject to a cash payment to the minority shareholders, to other companies under the influence of the said principal shareholders. In great part however this represented only a theoretical reduction of the supply of shares, since even before then the greater part of the shares in question had in practice been in firm hands, and were therefore not available for stock exchange dealings.

Altogether therefore the flood of capital increases which has for some time been running would seem to have greatly widened the share market, and so to have created a sounder basis for the movement of prices. Incidentally it remains on a longer view a matter of the highest importance for the share market, and for the great role which it is called upon to play in financing a part of the economy, that the present overheating with its dangers to price stability shall disappear — thereby removing the basis for certain speculative influences which might easily produce extremely unfortunate effects on the course of share prices.

The Deutsche Bundesbank's Credit and Foreign Exchange Policy Regulations at present in force*)

I. Credit Policy Regulations

1. Principles for Eligibility of Credit Instruments at the Bundesbank

(a) *Discount Business*

Bills of exchange presented for purchase are to be backed by three parties known to be solvent. The bills must be payable within three months from the date of purchase. They should be good commercial bills (Article 19 paragraph 1 item 1 of the Law concerning the Deutsche Bundesbank).

Commercial bills

For assessment of the soundness of a signature the Central Bank Council has laid down the following ruling: any person who is liable on a bill which has been presented to the Deutsche Bundesbank for purchase or as security for an advance, and who despite being invited to provide information as to his financial affairs gives no information or no sufficient information, and with regard to whom there are otherwise available or procurable no data permitting adequate judgement of his financial affairs, is not to be regarded as a "party known to be solvent" within the meaning of Article 19 paragraph 1 item 1 of the Law concerning the Deutsche Bundesbank. A bill may not be purchased, nor may an advance be made against it, if it is clear that the acceptor cannot be regarded as a "party known to be solvent" (decision of 20 February 1957).

Commercial bills are bought only if the period to their maturity does not extend beyond the time which is necessary for carrying out the underlying transaction in goods (decision of 10 May 1949). Grain and fodder bills can however in principle be taken with a period to maturity of three months in order to facilitate the storage of grain and feedingstuffs at the marketing and processing stages, and thereby at the same time to reduce the demands for financial accommodation made on the central agencies (decision of 31 July 1952).

Bills which are given for the purpose of financing instalment sales transactions are in principle excluded from purchase (decision of 21 March 1956).

Instalment sales
financing bills

Instalment sales bills may however be purchased provided they serve to finance the purchase of agricultural machines that have a long life and assist production. In this exceptional case all bills which are due within 90 days are discountable if it is a case of an instalment sales transaction where the buyer has paid cash down for at least 40 per cent of the purchase price, and the whole period for which the credit runs does not exceed 24 months. If such an instalment sales transaction does not fulfil these conditions, then the last bill only is eligible at the Bundesbank if it is due within 90 days, or, in the case of instalment sales transactions which are based on monthly instalments, the last three bills relating to the whole transaction are discountable. In addition instalment sales bills with a remaining life not exceeding 14 days may be presented for purchase.

Bills which serve for the interim financing of building projects will not be purchased (decision of 12 October 1955). This exclusion does not apply to building-material bills, that is bills drawn on the basis of building materials delivered by the producer to the trade, by the trade to the builder or building craftsman, and by the builder to the owner of the house (for repair or maintenance work). Prolongations of such bills however continue to be excluded from purchase.

Building bills and
building-material bills

DM acceptances of accepting banks admitted to the prime acceptance market, which serve for the financing of import or merchanting transactions and have a remaining period of not more than 90 days to run (prime bankers' acceptances) can be purchased (decision of 18 December 1958). Prime bankers' acceptances must be for at least DM 50,000 and should not exceed

Prime bankers'
acceptances

*) See in this connection the following Annual Reports of the Bank deutscher Länder: for 1948/49, pages 53 to 57; for 1950, pages 100 to 106; for 1951, pages 82 to 86; for 1952, pages 91 to 97; for 1953, pages 101 to 113; for 1954, pages 118 to 130; for 1955, pages 116 to 128; for 1956, pages 114 to 127; and the Reports of the Deutsche Bundesbank for the Years 1957, pages 57 to 75, and 1958, pages 53 to 71.

DM 250,000. They should be made out in amounts which are divisible by 5,000. Prime bankers' acceptances are outwardly distinguished from other bank acceptances by the reference, marked on the upper margin of their face, to the import or merchanting transaction financed. (In the case of imports the number of the import declaration or import permit, and the goods financed, must be indicated. In the case of merchanting transactions the goods traded or the statistical number must be noted.)

Other bank acceptances

Other bank acceptances are purchased only if they serve to finance at short term specific individual transactions. They should be for at least DM 5,000 (decision of 31 January 1951). The Land Central Banks may in cases where they deem it appropriate waive the declaration as to the underlying transaction, which indicates the business financed by the bank acceptance (decision of 14 April 1954). Bank acceptances which serve to finance capital investments or to render frozen "debtors" liquid are not purchased (decision of 10 May 1949).

Since bank acceptances as a rule bear only two signatures when taken by the Land Central Bank, regard must be paid to the legal provision according to which the third signature may be dispensed with only if the security of the bill is guaranteed in some other way (Article 19 paragraph 1 item 1 of the Law concerning the Deutsche Bundesbank).

Bills drawn on debtors

The guiding principles for the purchase of "other bank acceptances" apply mutatis mutandis to the purchase of bills drawn by credit institutions on their debtors, subject to the proviso that the total amount of the bills drawn by a bank and relating to any one debtor should not exceed DM 20,000, and that no minimum amount is laid down (decision of 31 January 1951).

Promissory notes of the Import and Storage Agencies

Up to certain maximum amounts, newly fixed from time to time, promissory notes of the Import and Storage Agencies, known as Storage Agency bills, may in virtue of special decisions of the Central Bank Council be declared purchasable within the meaning of Article 19 paragraph 1 item 1 of the Law concerning the Deutsche Bundesbank and the guiding principles in force for credits and may be used in the regulating of the money market (decision of 17 March 1960). (Cf. p. 54, "Money-Market Regulation and Money-Market Policy".)

Bills for financing export orders

Also rediscountable are the bills drawn on themselves by German exporters, bearing the endorsement of the exporter's bank and of the Ausfuhrkredit-A.G. (Export Credit Company), and necessary prolongations of the said bills, which have been issued for the purpose of financing export orders at medium or long term within the limit of a rediscount line accorded to the Ausfuhrkredit-A.G. (decision of 5/6 March 1952). The rediscount line, known as Limit B of the Ausfuhrkredit-A.G. and amounting to DM 500 million since the spring of 1957 (decision of 20 February 1957), was reduced by DM 200 million to DM 300 million in March 1960. The cut shall be carried out within an adequate period of time (decision of 17 March 1960).

The rediscount line may be used only for credits running for not less than one year and not more than four years (decision of 6 February 1957). The exporter must as a rule himself participate to the extent of 40 per cent of the value of the order, either through use of his own resources or through recourse to his own bank (decision of 6 October 1954). Only individual transactions may be financed. The financing assistance is intended in general to bridge over the interval between the time when production begins and that when the export proceeds are received. In case of the export of mass or series-produced goods which are produced within any manufacturer's normal production programme, or are sold ex warehouse, the duration of production and of warehousing must not be included in the period for which the financing assistance runs. For export transactions of this kind, therefore, the Bundesbank's assistance is given only for the purpose of bridging over the period between despatch of the goods and receipt of the export proceeds (decisions of 18 May 1956 and 25 July 1956). The rediscount line must not be used to provide funds for capital investment or working resources for general export purposes of the exporting firms.

Export drafts

Export drafts are no longer purchased (decision of 21/22 August 1957). For West Berlin an exceptional arrangement laid down in detail applies.

Under Article 19 paragraph 1 item 8 in conjunction with Article 22 of the Law concerning the Deutsche Bundesbank the Bundesbank is empowered to purchase directly, from physical and legal persons that are not credit institutions, bills of exchange and cheques expressed in foreign currency. At present the Bank is not making use of this power (decision of 16 October 1957); bills of exchange and cheques expressed in foreign currency may however be purchased from public administrations (decision of 4 September 1958).

Foreign currency bills and cheques are purchased from credit institutions and public administrations at the Deutsche Bundesbank's rate of discount (decisions of 18 May 1956 and 22 January 1958). The governing rates for purchase are laid down in conformity with the prevailing forward rates, and are regularly published in the *Bundesanzeiger* (Federal Advertiser) (decision of 21/22 August 1957).

(b) Advances on Securities

Advances on securities (interest-bearing loans against collateral for not more than three months) may be granted to credit institutions against pledging of the securities and claims on the Federal or Land Debt Registers listed in Article 19 paragraph 1 item 3 of the Law concerning the Deutsche Bundesbank. Detailed information regarding the assets eligible as security for advances, and the lending limits applicable thereto, is given in the "List of Securities Eligible at the Deutsche Bundesbank as Security for Advances" which is published in the *Bundesanzeiger* and in the Bank's Notices.

The inclusion of a security in the above-mentioned list does not oblige the Bundesbank to grant advances, and does not limit the Bank's right to determine the cover to be provided by the borrower.

The question whether an advance against securities can be granted in an actual individual case will be decided according to the general credit situation and the individual circumstances of the would-be borrower. In principle an advance against securities is to be granted only where the object is to cover for a short period a temporary need for liquidity, and where in other respects there are no objections to the purpose of the borrowing (decision of 17/18 December 1952).

Bills which cannot be purchased under the regulations in force are also in principle ineligible as security for advances (decision of 10 May 1949). There is an exception in the bills drawn by German exporters on themselves and financed through the *Ausfuhrkredit-A.G.*'s Limit A, which bills may be taken as security for advances but may not be purchased (decision of 5/6 December 1951).

In other respects the "Deutsche Bundesbank's General Business Conditions" (VI. Advances) apply to the granting of advances on securities.

Notwithstanding the limitations under Article 19 paragraph 1 item 3 the Bundesbank may grant loans to credit institutions, insurance companies and building and loan associations against the pledging of equalisation claims within the meaning of Article 1 of the Law on the Redemption of Equalisation Claims¹⁾, in so far and so long as is necessary for maintaining the solvency of the pledger (Article 24 paragraph 1 of the Law concerning the Deutsche Bundesbank).

2. Rediscount Quotas for Credit Institutions

The extent of the recourse by credit institutions to the Deutsche Bundesbank by way of rediscounting bills of exchange and foreign cheques is limited — apart from other measures of Central Bank policy — through individually proportioned rediscount quotas. The Central Bank Council

¹⁾ According to the decision taken by the Federal Constitutional Court on 16 June 1959, the Law on the Redemption of Equalisation Claims, of 14 June 1956 (Federal Law Gazette I, p. 507), in the version of Article 11 of the Law for Increasing Payments in respect of Private Pension Insurance (Insurance Companies and Pension Funds) as well as of Compulsory Capital-sum Insurance, of 24 December 1956 (Federal Law Gazette I, p. 1074), and of Article 26 of the Law on Amendment of Provisions of the Conversion Law (Second Supplementary Conversion Law) of 23 March 1957 (Federal Law Gazette I, p. 285) is incompatible with Article 120 of the Basic Law and therefore null and void.

has laid down standard quotas which, differentiated according to categories of institutions, are calculated on the basis of the liable funds (decisions of 17 April 1952, 15 December 1954 and 20/21 August 1959). The method of fixing the quotas contains sufficiently elastic elements.

The standard quotas, calculation of which had been re-arranged with effect from 1 October 1959 (decision of 20/21 August 1959), were further reduced as from 1 March 1960; standard quotas, or parts of standard quotas, up to DM 5 million being reduced by 10 per cent, and any parts of standard quotas exceeding that amount by 30 per cent (decision of 18 February 1960). The reduction is also applied in the calculating of new standard quotas.

The rediscount quota of any big bank with a branch system, or of any other supra-regionally operating credit institution, will be fixed by the Land Central Bank in the area of which the head office of the institution in question is located (decision of 17/18 September 1952).

The rediscount quotas of the following credit institutions, which have central functions for the whole area of the Federal Republic (Article 7 paragraph 1 item 2 of the Law concerning the Deutsche Bundesbank), will be laid down on the basis of the standard quotas by the Directorate of the Deutsche Bundesbank (decision of 27/28 March 1958):

Ausfuhrkredit-Aktiengesellschaft, Frankfurt am Main
Deutsche Bau- und Bodenbank A.G., Frankfurt am Main
Deutsche Genossenschaftskasse, Frankfurt am Main
Deutsche Girozentrale — Deutsche Kommunalbank, Düsseldorf
Deutsche Verkehrs-Kredit-Bank A.G., Frankfurt am Main
Industriekreditbank A.G., Düsseldorf
Kreditanstalt für Wiederaufbau, Frankfurt am Main
Landwirtschaftliche Rentenbank, Frankfurt am Main
Lastenausgleichsbank (Bank für Vertriebene und Geschädigte), Bad Godesberg
Privatdiskont-Aktiengesellschaft, Frankfurt am Main.

For the purpose of determining the extent to which any credit institution has used its rediscount quota the total amount of the bills (except those mentioned in the following paragraph) which the credit institution has rediscounted and which are not yet due, and of the foreign cheques, is decisive.

Outside the fixed rediscount quota those bills drawn by German exporters on themselves may be purchased which are issued within the rediscount line (Limit B) opened by the Bundesbank for the Ausfuhrkredit-A.G. for the purpose of financing medium and long-term export transactions (decisions of 17 April 1952 and 15 December 1954), and also prime bankers' acceptances which have passed through the money market and, at the time of their purchase, have not more than 45 days still to run (decision of 18 December 1958).

The fixed rediscount quota must never be exceeded, not even temporarily. Credit institutions whose rediscount quota is exhausted may resort to advances against securities.

3. Guiding Ratios for Credits Granted by Credit Institutions

In order to bring the total amount and the structure of any credit institution's lendings into line with its financial capacities the Central Bank Council has established certain Guiding Ratios, on the observance of which the Bundesbank's assistance through rediscounting or similar operations may be made dependent.

There are four Guiding Ratios, namely

Guiding Ratio I for the ratio of the lendings at short and medium term to the liable funds;
Guiding Ratio II for the ratio of the debtors to the total of liable funds and deposits;
Guiding Ratio III for the liquidity;
Guiding Ratio IV for the ratio of the acceptance credits to the liable funds.

Details of the Guiding Ratios in force since December 1954 are contained in the following table.

Present Guiding Ratios in regard to Credits

Guiding Ratio	Commercial Banks ¹⁾	Savings Banks	Industrial Credit Cooperatives	Agricultural Credit Cooperatives	Central Giro Institutions	Central Institutions of Industrial Credit Cooperatives	Central Institutions of Agricultural Credit Cooperatives
I	The total of the short-term and medium-term lendings to business and private customers shall not exceed 18 times the liable funds of the commercial bank. ²⁾	The total of the short-term lendings to business and private customers shall not exceed 15 times the liable funds of the savings bank.	The total of the short-term lendings to business and private customers shall not exceed 15 times the liable funds of the industrial credit cooperative (plus the addition to these which is permitted by law).	The total of the short-term lendings shall not exceed 15 times the liable funds of the agricultural credit cooperative (plus the addition to these which is permitted by law).	The total of the short-term lendings to business and private customers shall not exceed 15 times the liable funds of the central giro institution.	The total of the short-term lendings to business and private customers shall not exceed 5 times the liable funds of the central institution of industrial credit cooperatives.	The total of the short-term lendings shall not exceed 20 times the liable funds of the central institution of agricultural credit cooperatives.
II	The debtors shall not exceed 60 per cent of the liable funds and deposits. ²⁾	The total of the debtors plus the bills drawn on debtors shall not exceed 60 per cent of the liable funds and deposits, the savings deposits being taken at the rate of only 50 per cent.	The total of the debtors plus the bills drawn on debtors shall not exceed 70 per cent of the liable funds (plus the addition to these which is permitted by law) and of the deposits.	The total of the debtors plus the bills drawn on debtors shall not exceed 70 per cent of the liable funds (plus the addition to these which is permitted by law) and of the deposits.	The total of the debtors plus the bills drawn on debtors shall not exceed 70 per cent of the liable funds and deposits, the savings deposits being taken at the rate of only 50 per cent.	The total of the debtors plus the bills drawn on debtors shall not exceed 80 per cent of the liable funds and deposits.	No Guiding Ratio established.
III	The liquid resources shall not be less than 20 per cent of the borrowed funds.	The liquid resources shall not be less than 15 per cent of the borrowed funds, the savings deposits being taken at the rate of only 50 per cent.	The liquid resources shall not be less than 15 per cent of the borrowed funds, the savings deposits being taken at the rate of only 50 per cent.	The liquid resources shall not be less than 15 per cent of the borrowed funds, the savings deposits being taken at the rate of only 50 per cent.	The liquid resources shall not be less than 20 per cent of the borrowed funds, the savings deposits being taken at the rate of only 50 per cent.	The liquid resources shall not be less than 20 per cent of the borrowed funds, the savings deposits being taken at the rate of only 50 per cent.	No Guiding Ratio established.
IVa	The total of acceptance credits and bills drawn on debtors shall not exceed three times the liable funds.						
IVb	The acceptance credits and bills drawn on debtors, included in such credits and bills, and not serving directly to finance exports, imports or crops, shall not exceed the liable funds.						
<p>¹⁾ Big banks with branch networks, state, regional and local banks, and private bankers. — ²⁾ If the position of a commercial bank in regard to Guiding Ratio I is substantially better than the standard laid down, then the Deutsche Bundesbank may take this into account in the application of Guiding Ratio II (decision of 20/21 June 1951).</p> <p><i>Remarks</i></p> <p>Any credit which a credit institution has granted to expelled persons is in principle left out of account in determining whether, and if so, to what extent, the credits granted by the institution are in accordance with the Guiding Ratios, provided that the Lastenausgleichsbank (Bank für Vertriebene und Geschädigte) — (Equalisation of Burdens Bank) — has guaranteed the credit and has placed the funds at the disposal of the credit institution. This applies also to that part of the credit on which the credit institution itself carries the commitment (decision of 11/12 April 1951).</p> <p><i>Definitions</i></p> <p>Liable funds: These are the liable capital and reserves ("Eigenkapital") within the meaning of Article 11 paragraphs 2 and 3 of the Banking Law (Kreditwesengesetz), plus the global adjustment of values permitted under the tax laws.</p> <p>Debtors: Credits in current account, and acceptance credits.</p> <p>Liquid resources: Cash holdings, balances at Deutsche Bundesbank, postal cheque account balances, cheques and bills, Treasury bills and non-interest-bearing Treasury bonds of the Federal Government and the Länder, certain foreign Treasury bills and non-interest-bearing foreign Treasury bonds.</p> <p>Borrowed funds: Deposits, monies and loans taken, own acceptances and promissory notes in circulation.</p> <p>The definitions of the Guiding Ratios conform closely with those which are in current use in the banking statistics. There are full explanations indicating which items in the form for the statistical return must be used in the calculation for the purpose of each of the Ratios.</p>							

4. Other Measures and Decisions in the Field of Credit Policy

(a) Money-Market Regulation and Money-Market Policy

In order to enable the Deutsche Bundesbank to conduct open-market policy on a broader basis and to ensure efficiency in credit and liquidity policy, the Federal Government, as the debtor in respect of the equalisation claim which the Bank holds under the Monetary Reform provisions, is required by law (Article 42 of the Law concerning the Deutsche Bundesbank) to hand to the Bank, on request, Treasury bills or non-interest-bearing Treasury bonds in denominations and on terms of the Bank's choice ("mobilisation paper") up to a maximum of DM 4 billion. On the Bank's request the Cabinet may increase the maximum to the nominal amount of the equalisation claim. In July 1958 the maximum was increased, on request, to the full amount of the equalisation claim (about DM 8.1 billion) entered in the Federal Debt Register in the name of the Bank. The mobilisation paper is payable at the Bundesbank. The Bank is under obligation to the Federal Government to meet all liabilities arising from such mobilisation paper.

In the course of its regulation of the money market the Bundesbank furthermore arranges the placing of Treasury bills and non-interest-bearing Treasury bonds which are issued by the Federal Government, its Special Funds and the Länder, as well as of promissory notes of the Import and Storage Agencies (Storage Agency bills). It lays down the selling rates for such money-market paper and also the purchasing rates so far as such paper is purchased (decision of 11 January 1956).

With a view to maintaining the efficiency of the prime acceptance market, the Bundesbank has also declared itself ready to regulate that market. In purchasing and selling prime bankers' acceptances in the market, the Bank contracts only with the Privatdiskont-Aktiengesellschaft.

(b) Provisions as to Minimum Reserves

After entry into force of the Bundesbank Law, except for one single provision, the instructions as to minimum reserves issued by the various Land Central Banks to credit institutions under Article 14 paragraph 2, second sentence, of the Land Central Bank Law in accordance with the specimen instruction¹⁾ approved by the Board of Directors of the Bank deutscher Länder remained in force for the time being and to that extent mutatis mutandis continued to be valid (Announcement of the Deutsche Bundesbank dated 1 August 1957). The exception was the deletion of Article 2 paragraph 1 (b) of the Instructions as to Minimum Reserves. The said paragraph provided for liabilities arising from the taking of earmarked monies, so far as the latter had not yet been passed on, to carry the reserve obligation even though they had periods to maturity of four years or more and/or were liabilities to credit institutions subject to the reserve obligation. Cancellation of this special arrangement followed from Article 16 paragraph 1, first sentence, of the Bundesbank Law, under which liabilities in respect of long-term borrowings and liabilities to credit institutions required to maintain minimum reserves cannot be subjected to the minimum reserve obligation.

On 1 May 1958 the Instructions as to Minimum Reserves previously issued by the Land Central Banks to the credit institutions were abolished. They were replaced by the Deutsche Bundesbank's Order on Minimum Reserves of 28 March 1958, adopted by the Central Bank Council under Articles 6 and 16 of the Bundesbank Law. The principal innovation contained in this Order is the cancellation of the provision then prevailing — issued in accordance with Article 14 paragraph 2, first sentence, of the former Land Central Bank Law — stipulating that the credit institutions with branch establishments in several Land Central Bank areas had to decentralise

¹⁾ See the Report of the Bank deutscher Länder for the Year 1956, page 121 and following pages.

their maintenance of reserves. The institutions operating on a supra-regional basis have since been able, therefore, to distribute the minimum reserves at will among the Land Central Banks in whose area the Bundesbank's account-keeping branch establishments appropriate for their branches are located (Article 5 paragraph 1).

The rate of the special interest charged for failure to meet the reserve requirement had previously been established in the Instructions as to Minimum Reserves. Under the Order of the Deutsche Bundesbank, on the other hand, it is fixed from time to time by the Bundesbank. With effect from 1 May 1958 the special interest under Article 10 paragraph 1 of the Order on Minimum Reserves was fixed at three per cent above the Deutsche Bundesbank's advance rate applying on the 15th of the month in question (decision of 24 April 1958). This has not entailed any material change.

With effect from 1 May 1959 the Deutsche Bundesbank's Order on Minimum Reserves has been modified as follows (decision of 16 April 1959):

Firstly, the number of institutions not subject to the minimum reserve requirement has been enlarged by inclusion of the investment companies and the security-clearing institutions (Article 1 paragraphs 2(b) and (c)). On the other hand, as has since been elucidated in Article 1 paragraph 2(a), of the enterprises quoted in Article 2 paragraph 1(d) of the Banking Law (recognised as cooperative housing enterprises or as bodies carrying out the housing policy of the Government) those are considered as being subject to the reserve requirement to whom the Banking Law applies in unlimited degree, which means at the same time that these enterprises "predominantly" conduct bank or savings bank business.

Secondly, in Article 2 paragraph 3(b) (exceptional ruling for "earmarked monies passed on") the provision — so far applying without limitation — according to which earmarked monies taken as loans as well as the corresponding lendings shall run for not less than one year has been waived where public or publicly assisted lending schemes are concerned.

Thirdly, among the liabilities deemed to be sight liabilities no longer any special mention is made of "liabilities in respect of customers' balances for covering letters of credit and of their other covering balances" (Article 3 paragraph 2). This in practice has taken account of those fairly rare cases where liabilities arising from credit balances of this kind represent time liabilities in the meaning of the minimum reserve regulations. They are considered as such, in accordance with Article 3 paragraph 3, if it is assured that the credit institution will at the earliest be drawn upon 30 days after the covering balance was made available, and if the covering balance is fixed for a corresponding period.

In connection with a re-fixing of the minimum reserve ratios the Central Bank Council has, by its decision of 9 July 1959, revised with effect from 1 August 1959 the reserve class system (differentiation of the minimum reserve requirements according to the size of the institutions subject to the reserve obligation) which had been introduced in May 1952 and remained in the same form since then. The previous six reserve classes (for two consecutive classes of which however equal reserve ratios had applied for years, so that in practice there were only three reserve classes) have now been replaced by four classes. The criterion for their delimitation is the total amount of an institution's liabilities subject to the reserve requirement, including savings deposits, whereas previously the savings deposits had been left out of account when placing the institutions in the various reserve classes (revision of Article 7 paragraph 3 of the Order on Minimum Reserves). The delimitation of reserve classes thus depends to a greater extent than previously on the individual institution's balance-sheet total. At the same time however, in accordance with the increase in balance-sheet totals recorded since the introduction of the reserve-class system, the limits for the various reserve classes were considerably raised (see footnote 1 to the table on page 61). In line with the revision of the reserve-ratio structure accompanying this reform (greater differentiation of the ratios according to the size of the institutions required to maintain reserves and according to bank places or non-bank places) the

ratio for savings deposits, which previously had been uniform, was for the first time graded according to bank places and non-bank places¹⁾.

From 1 January 1960 onwards the maximum ratios permitted by law for reserves in respect of the individual types of liability will be imposed on any increase occurring as compared with 30 November 1959 in the liabilities to non-residents subject to the reserve requirement, the ratios for increases being thus 30 per cent in the case of sight liabilities, 20 per cent in that of time liabilities and 10 per cent in that of savings deposits (decision of 17 December 1959).

Under a decision adopted by the Central Bank Council on 17 March 1960 the Order on Minimum Reserves has been changed with effect from 1 April 1960 in two further respects.

Firstly, liabilities on foreign-currency deposits are now exempt from the reserve obligation not only — as had previously been the case — for the amount of the balances maintained with foreign banks (after deduction of the balances kept abroad as cover for customers' deposits in respect of letters of credit and other covering balances), but also to the extent to which they have against them corresponding investments in foreign money-market paper running for not more than two years (Article 2 paragraph 3(e)).

Secondly, the possibility of calculating, for establishing the required minimum reserve, the monthly average of the liabilities subject to the reserve obligation from the positions as at the close of four fixed dates (Article 8 paragraph 2) has been excluded for liabilities to non-residents. To these liabilities accordingly applies, for establishment of the monthly average, the calculation of daily averages (Article 8 paragraph 1), which in principle is provided for anyway.

For the sake of clarity the version of the Deutsche Bundesbank's Order on Minimum Reserves now in force is reproduced on the following pages.

¹⁾ Cf. Monthly Report of the Deutsche Bundesbank for July 1959, page 53 and following pages.

The Deutsche Bundesbank's Order on Minimum Reserves

of 16 April 1959

in the version of 9 July 1959 and 17 March 1960

In pursuance of Articles 6 and 16 of the Law concerning the Deutsche Bundesbank the Central Bank Council of the Deutsche Bundesbank has resolved on the following Order as to Minimum Reserves:

I. General Provisions

Article 1

- (1) Credit institutions within the meaning of this Order comprise all enterprises conducting bank or savings bank business within the country (Article 1 of the Banking Law).
- (2) Not subject to the reserve obligation are:
 - (a) the enterprises mentioned in Article 2 paragraph 1 d to f of the Banking Law, except those quoted in Article 2 paragraph 1 d of the Banking Law, to whom the provisions of the Banking Law apply in unlimited degree;
 - (b) the investment companies (Law dated 16 April 1957);
 - (c) the security-clearing institutions (Kassenvereine);
 - (d) credit institutions which are in liquidation, and other credit institutions whose activity is confined to winding up.

Article 2

- (1) Liabilities subject to the reserve requirement comprise all liabilities to
 - (a) non-banks,
 - (b) credit institutions not subject to the reserve requirement, and
 - (c) banks in foreign countries,arising from deposits and from loans taken, the latter for agreed periods to maturity, or at agreed periods of notice, of less than four years.

- (2) For the purpose of ascertaining the liabilities subject to the reserve requirement an account-holder's deposits payable on demand may be reduced by the offsetting of short-term claims on that account-holder on
- (a) accounts which in the calculation of interest and commission are treated together with the deposit accounts in question as a unit,
 - (b) special loan accounts in accordance with Article 2 paragraph 4 of the Agreement regarding Debtor Interest (the so-called "English accounting method").

This does not apply to deposits in foreign currency.

- (3) Exempt from the reserve requirement are liabilities
- (a) to the Bundesbank;
 - (b) in respect of earmarked monies taken as loans, so far as the said monies have already been passed on to the recipients or to an intermediary credit institution. Earmarked monies within the meaning of this provision are monies which according to directions laid down from the outset by the lender in regard to the terms of lending in particular are to be lent to borrowers designated by name by the lender or — where it is a case of a public or publicly assisted lending scheme — to borrowers who fulfil the requirements for taking part in the said lending scheme; the agreed maturity or period of notice of the earmarked monies as well as of the credits granted or to be granted out of this source must be not less than one year, unless a public or publicly assisted lending scheme is concerned;
 - (c) of private or public mortgage banks or ship mortgage banks in respect of monies which have been taken as global loans but have not yet been passed on to the borrowers indicated, and for the purpose of securing which there has been transferred to the lender a registered mortgage bond that is covered not by mortgages but by substitute cover through use of the loan monies received;
 - (d) in respect of balances for covering letters of credit, and of other covering balances, in so far as the credit institution for its part maintains a corresponding covering balance at a bank within the country or abroad;
 - (e) in respect of foreign-currency deposits, to the extent of the credit balances held at banks abroad and of the foreign money-market investments (bank acceptances, trade bills bearing bank endorsement, Treasury bills and non-interest-bearing Treasury bonds) with periods to maturity of up to two years calculated from the date of acquisition; of the credit balances with foreign banks, for this purpose, that part will be left out of account which has already been reckoned in accordance with (d);
 - (f) in respect of customers' drawings on credits opened at other credit institutions;
 - (g) in respect of the receipt of amounts collected purely on a commission basis, so far as the said amounts are currently paid over to the beneficiaries. Amounts are to be regarded as "currently paid over" if they remain at the collecting institution for not longer than 14 days;
 - (h) in respect of compensation balances within the meaning of Article 4 of the Law on Currency Conversion Compensation for Expelled Persons' Savings Balances, in so far as such balances have not yet been released (Article 11 paragraph 3 of the Law);
 - (i) in respect of savings deposits to the extent of the covering claims held under the "Old Savings Law" for amounts credited as compensation on deposit accounts.

Article 3

- (1) Among the liabilities subject to the reserve requirement a distinction is made between:
- (a) sight liabilities,
 - (b) time liabilities, and
 - (c) savings deposits.
- (2) Sight liabilities are deemed to comprise liabilities due on demand, as well as liabilities in respect of which a period of notice of less than one month or a period to maturity of less than 30 days has been agreed.
- (3) Time liabilities are deemed to comprise
- (a) liabilities in respect of which a fixed period to maturity of at least 30 days has been agreed;
 - (b) liabilities in respect of which a period of notice of at least one month has been agreed.
- (4) Savings deposits are deemed to comprise deposits within the meaning of Chapter VII (Article 22 and following Articles) of the Banking Law.

Article 4

A "bank place" (Bankplatz) within the meaning of the provisions as to minimum reserves is any place at which the Deutsche Bundesbank maintains a branch establishment. In exceptional cases where due reason exists the appropriate Land Central Bank may declare localities within a "bank place" which are difficult of access, for example distant suburbs included within the municipal boundaries, to be "non-bank places".

II. Reserve Obligation

Article 5

- (1) Credit institutions subject to the reserve requirement (Article 1) are required to maintain minimum reserves at the Bundesbank as credit balances on giro account.
- (2) Agricultural credit cooperatives which are affiliated to a regional central institution and maintain no giro account at the Bundesbank are to keep the minimum reserves as balances payable on demand on a special account at their central institution; to the extent of the balances on such accounts the central institution is to maintain credit balances at the Bundesbank.

Article 6

The duty to maintain minimum reserves is fulfilled if a credit institution's actual reserve (Article 9) comes up to the required reserve (Article 7).

III. Calculation of the Required and Actual Reserve

Article 7

- (1) The required reserve is found by applying the percentages fixed by the Bundesbank (reserve ratios) to the monthly average, ascertained in accordance with Article 8, of the liabilities subject to the reserve requirement (Article 2). In the case of credit institutions with more than one branch or office the monthly averages of the individual branches' or offices' liabilities subject to the reserve requirement will be reckoned together.
- (2) The required reserve of a central institution of agricultural credit cooperatives means the required reserve found according to paragraph 1 plus the total actual reserves of the cooperatives holding reserves with it.
- (3) If the reserve ratios are set at different levels according to the size of the institutions (reserve classes), then the ranking of a credit institution in one of the reserve classes is determined by the total of the monthly averages shown in the previous month's Reserve Statement (Article 11) for its liabilities subject to the reserve requirement.

Article 8

- (1) The monthly average of the liabilities subject to the reserve requirement will be calculated from the totals at the close of the business and non-business days in the period from the 24th of the previous month to the 23rd of the current month.
- (2) The monthly average can instead be calculated uniformly for all categories of liabilities subject to the reserve requirement (Art. 3) from the total of these liabilities as they stand at the close of the following four days:
 - Last day of the previous month;
 - 7th day of the current month;
 - 15th day of the current month;
 - 23rd day of the current month.

This does not apply in the case of liabilities to non-residents.

- (3) Agricultural credit cooperatives may use, in place of the monthly average, the total of the liabilities subject to the reserve requirement as they stood at the close of the last day of the previous month. In exceptional cases where due reason exists the appropriate Land Central Bank may permit other credit institutions to do the same.
- (4) If one of the days mentioned in paragraphs 1 to 3 falls on a non-business day, then for the total of the liabilities subject to the reserve requirement on that day the total at the close of the previous business day shall be taken.
- (5) In the case of agricultural credit cooperatives which maintain minimum reserves in accordance with Article 5 paragraph 2, the appropriate Land Central Bank may permit an ascertained monthly average to stand good for a further period of up to five months.

Article 9

- (1) The actual reserve means the monthly average of the credit balance maintained in accordance with Article 5. It will be calculated from the totals at the close of all the days in the month, the total balance on any non-business day being deemed to be the balance ascertained as at the close of the preceding business day, and will be notified to the credit institution at the close of the month by the Bundesbank (Central Cash Office).
- (2) If a credit institution keeps a giro account at more than one office of the Bundesbank, the actual reserve is deemed to be the total of the monthly averages of the individual credit balances.

IV. Special Interest

Article 10

- (1) If in any month a credit institution's actual reserve falls short of its required reserve the said credit institution shall for 30 days pay on the deficiency, unless the Bundesbank grants a request for waiver of the interest payment, special interest at the rate from time to time ordered by the Bundesbank.

- (2) Deficiencies of agricultural credit cooperatives which maintain minimum reserves in accordance with Article 5 paragraph 2 may not be offset by the central institution against its own surplus reserve or the surplus reserve of another cooperative. In respect of deficiencies of cooperatives the central institution shall pay the special interest to the Bundesbank.

V. Reserve Statement

Article 11

- (1) Not later than the 5th business day in each month every credit institution subject to the reserve requirement is in respect of the past month, except as otherwise provided in paragraphs 2 and 3, to submit a Reserve Statement (Form 1500, Section A) to the account-keeping office of the Bundesbank. For each day (Article 8) this Statement shall show — on a schedule in the case of liabilities the monthly average of which is calculated in accordance with Article 8 paragraph 1 — the liabilities subject to such requirement divided according to the different categories (Article 3) and, divided between liabilities in accordance with paragraphs 2 and 3 of Article 2, the liabilities left out of account in accordance with the said paragraphs of that Article.
- (2) In the case of credit institutions having more than one office or branch each such office or branch is to render a Reserve Statement (Form 1500, Section A). The head office is in addition to render a Combined Statement (Form 1500, Section B), in which the monthly averages of each branch's or office's liabilities subject to the reserve requirement and of its Bundesbank giro balances are to be separately shown, so far as the branch or office maintains a Bundesbank giro account of its own; the monthly averages of the liabilities, subject to the reserve requirement, of branches or offices not having a Bundesbank giro account of their own may be shown in summary with an indication of the number of such branches or offices. The monthly averages of the liabilities subject to the reserve requirement are in every case to be split between bank places and non-bank places according to Form 1500 (Section B). The head office is to submit the Combined Statement together with the Statements of the individual branches or offices, also not later than the 5th business day in the month, to the Bundesbank's account-keeping office appropriate to its location; the appropriate Land Central Bank may permit their submission to another office of the Bundesbank.
- (3) Agricultural credit cooperatives which maintain minimum reserves in accordance with Article 5 paragraph 2 are to give to their central institution the data required in Form 1500 (Section A) for the calculation of the required reserve. For each cooperative maintaining a reserve with it the central institution shall state, in a schedule to its Reserve Statement, the monthly averages (Article 8) of the liabilities subject to the reserve requirement, the required reserve and the actual reserve.
- (4) The Bundesbank may cause the ascertainment of the liabilities subject to the reserve requirement to be explained to it in the Reserve Statement or in a schedule thereto. It retains the right to assure itself that the said ascertainment is in order.

VI. Coming into Force

Article 12

The Order in the foregoing version comes into force on 1 May 1959. At the same time "The Deutsche Bundesbank's Order on Minimum Reserves of 28 March 1958" ceases to have effect.

Deutsche Bundesbank
(sgd.) Blessing (sgd.) Dr. Wolf

(c) Credit Limits of the Public Authorities

In accordance with Article 20 paragraph 1 item 1 of the Law concerning the Deutsche Bundesbank the Bank may grant short-term credits in the form of book and Treasury bill credits (known as cash advances) to the following public administrations:

to the Federal Government	up to DM 3,000 million;
to the Federal Railways	up to DM 400 million;
to the Federal Postal Administration	up to DM 200 million;
to the Equalisation of Burdens Fund	up to DM 200 million;
to the E.R.P. Special Fund	up to DM 50 million;

to the Länder up to DM 20 per inhabitant according to the latest official census; in the case of the Land of Berlin and the Free and Hanseatic Cities of Bremen and Hamburg an amount of DM 40 per inhabitant serves as the basis of computation.

Treasury bills which are issued by these public administrations and which the Bundesbank has purchased for its own account, or in respect of which it has given an assurance of purchase, are counted against the credit limits. This however does not apply to Federal Treasury bills which have been handed to the Bank in pursuance of Article 42 paragraph 1 of the Law concerning the Deutsche Bundesbank (mobilisation Treasury bills).

In addition, under Article 20 paragraph 1 item 2 of the Law concerning the Deutsche Bundesbank, the Bank may grant credits to the Federal Government with a view to fulfilment of the latter's obligations as a member of the following institutions:

- a) the International Monetary Fund up to DM 3,307.5 million¹⁾;
- b) the European Fund up to DM 180.0 million;
- c) the International Bank for Reconstruction and Development up to DM 35.0 million.

Up to the end of March 1960 credits were granted to the Federal Government against these limits to the extent of DM 1,247.5 million, of which payments to the International Monetary Fund account for DM 1,189.8 million, while financing of the subscription paid in U.S. dollars to the International Bank for Reconstruction and Development accounts for DM 30.3 million and the meeting of liabilities towards the European Fund for DM 27.4 million.

¹⁾ The amount of DM 1,500 million was raised to DM 3,307.5 million: Art. 2 of the Law on Credit Authorisations occasioned by the Increase of the Federal Republic of Germany's Participations in the International Monetary Fund and the International Bank for Reconstruction and Development, dated 13 August 1959 (Federal Law Gazette II, p. 930).

5. Interest Rates and Minimum Reserve Ratios of the Deutsche Bundesbank *)

a) Rates for Discounts and Advances, and Special Rate of Interest charged for failure to meet the Minimum Reserve Requirement

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

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

¹⁾ This is also the rate for cash advances to public authorities and to the Reconstruction Loan Corporation; cf. footnotes ²⁾ and ⁴⁾. The discount rate for bills expressed in foreign currency was uniformly fixed at 3%, for the time being, by a decision adopted by the Board of Directors of the Bank deutscher Länder on 3 August 1948. By decision of 9/10 November 1949 the Board of Directors authorised the Board of Managers to fix varying rates for bills in this class, in accordance with the discount rates of the foreign Central Banks. The same applied to bills in DM which had been accepted abroad (decision of 22/23 March 1950), and also to export drafts (decisions of 15/16 November 1950 and 23/24 May 1951); cf. footnote ⁵⁾. — ²⁾ Promissory notes arising under the export promotion scheme of the Reconstruction Loan Corporation were discounted at the preferential rate of 4% even after the raising of the discount rate on 27 October 1950 (decision of 29/30 November 1950). This privilege in regard to the interest rate was cancelled by decision of 7/8 November 1951; and it could then be claimed only for promissory notes arising from credits which were granted or promised not later than 7 November 1951. — ³⁾ Under a decision taken by the Board of Directors of the Bank deutscher Länder on 20 December 1950 the interest rate for cash advances to the Reconstruction Loan Corporation was fixed, with effect from 27 October 1950, at 4% in the case of lendings to agriculture, maritime shipping and housebuilding, while for credits serving other purposes it was fixed at 5 1/2%. — ⁴⁾ As from 29 May 1952 there had been in effect only the special arrangement mentioned under ²⁾ for lendings to be used for financing agriculture, maritime shipping and housebuilding, to which lendings the rate of 4% applied until their settlement. — ⁵⁾ As from 19 May 1956 also discount rate for foreign bills, foreign cheques, foreigners' DM acceptances and export drafts.

Comparative Survey of the Progressive Liberalisation of Trade in Goods and the

	Position at end of 1949	Position at end of 1956	Position in July 1958	Position in April 1960
A. Trade in Goods				
Liberalisation of the Import of Goods				
I. from O.E.E.C. Countries (in p.c. of 1949 imports)	47 per cent ¹⁾	92.4 per cent ¹⁾	94.0 per cent ¹⁾	92.2 per cent ¹⁾
II. from Dollar Countries (in p.c. of 1953 imports)	—	92.9 per cent ¹⁾	95.0 per cent ¹⁾	87.1 per cent ¹⁾
B. Services				
I. Transfer in respect of incidental expenses and services directly resulting from trade (e.g. freight and insurance)	transport costs free, otherwise Special Licence	free	free	free
II. Transfer in respect of incidental expenses and services indirectly resulting from trade				
1) Commissions	Special Licence	free	free	free
2) Expenses on commercial agency reports and publicity	free	free	free	free
3) Licence fees (current and non-recurring)	Special Licence	free up to DM 50,000 per quarter or DM 300,000 once	free	free
III. Insurance (for transport insurance see B. I)				
1) Property insurance contracts	not permitted	free (with certain exceptions)	free (with certain exceptions)	free (with certain exceptions)
2) Life assurance contracts				
a) between residents and foreign life assurance companies	not permitted	not permitted	Special Licence	free
b) between non-residents and German life assurance companies	not permitted	free on DM basis	free on DM basis	free
c) between residents and German life assurance companies, in foreign currency	not permitted	not permitted	not permitted	free
3) Active and passive reinsurance and further reinsurance — in any currency — conclusion and performance	Special Licence	free	free	free
IV. Transfer of employees' compensation (wages and salaries, old-age, disability and retirement pensions, fees)	Special Licence	free	free	free
V. Travel				
1) Purchase and export of national and foreign payment media to be used abroad by residents of the Federal Republic	Special Licence, private journeys only in exceptional cases	free	free	free
2) Export of national and foreign payment media by foreigners when leaving the country				
a) national payment media	free up to DM 40	free	free	free
b) foreign payment media	free up to amount of imported foreign payment media	free	free	free
3) Import of foreign and national payment media				
a) by residents				
aa) national payment media	free up to DM 40	free	free	free
ab) foreign payment media	free	free	free	free
b) by foreigners				
ba) national payment media	free up to DM 40	free	free	free
bb) foreign payment media	free	free	free	free
VI. Miscellaneous payments to foreign countries				
1) Inheritances	to Blocked DM Account	free in currency of limited convertibility; otherwise Special Licence	free	free
2) Dowries	to Blocked DM Account under Special Licence	free in currency of limited convertibility up to DM 50,000; otherwise Special Licence	free	free
3) Gifts and support payments to physical persons	to Blocked DM Account under Special Licence	free up to DM 300 per month	free	free
4) Legal and contractual maintenance payments	to Blocked DM Account under Special Licence	free up to DM 3,000 per month	free	free
5) Loans to relatives abroad	not permitted	Special Licence	free	free
6) Winnings from governmentally approved gaming (lotteries, totalisator, etc.)	to Blocked DM Account under Special Licence	free in currency of limited convertibility; otherwise Special Licence	free	free
7) Prizes, e.g. art, literature or sport prizes and prizes in connection with public and other competitions	to Blocked DM Account under Special Licence	free up to DM 50,000	free	free
8) Fines and penalties; compensation on the ground of tortious act, of average and on other non-contractual grounds of liability; unjustified enrichment	to Blocked DM Account under Special Licence	free	free	free
9) Taxes and public imposts	to Blocked DM Account under Special Licence	Special Licence	free	free
10) Individual indemnification	to Blocked DM Account	free in currency of limited convertibility; otherwise Special Licence	free	free

¹⁾ Excluding governmental imports. Position in May 1959: 91.8 per cent and 85.3 per cent, respectively.

Main Items of Services and Capital Transactions with Foreign Countries

	Position at end of 1949	Position at end of 1956	Position in July 1958	Position in April 1960
C. Capital Transactions				
I. Income from foreign-owned investments in the Federal Republic and countervalue of drawn bonds	to Blocked DM Account	free	free	free
II. Repatriation of foreign-owned capital or investments (including transfer of capital assets to emigrants)				
1) Proceeds of sale, redemptions, repayments	to Blocked DM Account	free in currency of limited convertibility; otherwise Special Licence	free	free
2) Balances on accounts at financial institutions	not permitted	free in currency of limited convertibility; otherwise Special Licence	free	free
3) Acquisition of German securities and external bonds abroad by residents of the Federal Republic	not permitted	not permitted (free for German external bonds)	free	free
III. Interest and redemption payments under the London Debts Agreement	Agreement not yet concluded	full service according to Agreement	full service according to Agreement	full service according to Agreement
IV. Fresh investments				
1) Foreign investments in the Federal Republic				
a) German securities	not permitted, except in certain cases out of original Blocked DM Accounts	marketable securities free out of Liberalised Capital Accounts; otherwise Special Licence	free against freely convertible currency	free
b) German money-market paper	not permitted	not permitted	not permitted	free
c) DM loans running for not less than 5 years	not permitted	free out of Liberalised Capital Accounts, maximum interest rate 4½%; otherwise Special Licence	free against freely convertible currency; otherwise Special Licence	free
Loans in foreign currency running for not less than 5 years	not permitted	Special Licence	Special Licence	free
Loans running for less than 5 years	not permitted	Special Licence	Special Licence	free
d) Participations	not permitted	free out of Liberalised Capital Accounts up to DM 500,000, otherwise Special Licence	free	free
e) Real estate	not permitted	free out of Liberalised Capital Accounts	free	free
2) German investments abroad				
a) Enterprises, branch establishments and participations	not permitted	free up to DM 3 million for German enterprises	free	free
b) Acquisition of foreign securities	not permitted	free (marketable securities only)	free (marketable securities only)	free
c) Acquisition of real estate	not permitted	Special Licence	free	free
V. Import and export of foreign-owned securities	not permitted	free	free	free
VI. Import of gold coin and dealings therein in the Federal Republic	not permitted	free	free	free
D. Special Official Deliveries and Payments				
1) Israel Agreement	Agreement not yet concluded	deliveries and payments according to Agreement	deliveries and payments according to Agreement	deliveries and payments according to Agreement
2) Federal Indemnification Law	Law not yet promulgated	free	free	free
3) Federal Restitution Law	Law not yet promulgated	Law not yet promulgated	free	free
4) War Consequences Law	Law not yet promulgated	Law not yet promulgated	free	free
E. Keeping of Foreign Currency Accounts				
I. for residents of the Federal Republic, at foreign banks				
1) Financial institutions	Special Licence	free	free	free
2) Business enterprises	not permitted	Special Licence for building and assembly firms, ship-builders, collection accounts	free	free
3) Private persons	not permitted	Special Licence	free	free
II. for foreigners, at banks in the Federal Republic	not permitted	free for crediting of travellers' payment media; otherwise Special Licence	free for crediting of travellers' payment media; otherwise Special Licence	free
III. for residents, at banks in the Federal Republic	not permitted	free	free	free

property, to charges on real property, to implements and appurtenances as well as to contracts for shooting and fishing rights have been permitted by General Licence.

Import of goods The overall liberalisation rate for non-governmental imports from O.E.E.C. member countries was raised from 91.8 per cent in May 1959 to 92.2 per cent in April 1960 (the basis year being 1949), and that for imports from dollar countries was raised from 85.3 to 87.1 per cent (basis year 1953), after having somewhat declined between July 1958 and May 1959 largely because of the restriction of coal imports. The main feature of the liberalisation measures put into effect in 1959 was the extending to countries outside the O.E.E.C. of the liberalisation applying to O.E.E.C. countries. Attention may further be drawn to the ending of the restrictions on the agreeing of periods for payment, and to the simplification of the statistical reporting procedure in respect of payments made for imports. On the other hand the facilities for informal small imports by post have been cut down in order to prevent abuses.

Export of goods The number of items the export of which requires a delivery permit or booking certificate has again been reduced. The list of simplified exports was enlarged.

Merchanting trade The catalogue of merchanting transactions requiring approval has been further shortened. The procedure was simplified through the dropping of merchanting trade declarations and completion reports. The payment reports which have taken their place are to be rendered, in the case of transactions approved by General Licence, only from DM 5,000 onwards.

Saarland In July 1959 the general provisions of foreign exchange law in force in the Federal Republic with regard to goods, services, capital and payment transactions with areas outside the Federal Republic, and with regard to transactions in foreign exchange assets inside the Federal Republic, were introduced in the Saarland.

The "Comparative Survey of the Progressive Liberalisation of Trade in Goods and the Main Items of Services and Capital Transactions with Foreign Countries" shows the gradual removal of exchange control in the Federal Republic since the end of 1949.

Explanation of the Deutsche Bundesbank's Annual Statement for 1959

Legal Bases, Classification and Valuation

The provisions regarding the Deutsche Bundesbank's accounting system, Annual Statement and profit distribution (Articles 26 and 27 of the Law concerning the Deutsche Bundesbank of 26 July 1957 — Federal Law Gazette I, page 745 —) remain the same as in the previous year.

Legal bases

With effect from 6 July 1959 the Deutsche Mark was introduced as legal currency in the Saarland. In this connection and in pursuance of the Law for introducing Federal Law into the Saarland, dated 30 June 1959 (Federal Law Gazette I, page 313), the Law concerning the Deutsche Bundesbank came into force in the Saarland also and the Land Central Bank in the Saarland was set up; it maintains one Main Branch and three Branches.

The credit line up to the amount of which the Bundesbank may grant credits to the Federal Government under Article 20 of the Bundesbank Law with a view to performance of the Government's obligations as a member of the International Monetary Fund was increased from DM 1,500 million to DM 3,307.5 million by the Law on Credit Authorisations occasioned by the Increase of the Federal Republic of Germany's Participations in the International Monetary Fund and in the International Bank for Reconstruction and Development, of 13 August 1959 (Federal Law Gazette II, page 930).

In the same way as in previous years the classification and designations of the assets and liabilities in the Annual Balance Sheet have been largely adapted to the arrangement in the Deutsche Bundesbank's return. The changes made in that return during the year under report have been included in the 1959 Annual Balance Sheet. The title of Asset Item 13 "Credit to Federal Government in respect of International Monetary Fund and International Bank for Reconstruction and Development" has been changed to "Credits to Federal Government for participation in international institutions", since the Federal Government has also taken a credit for the purpose of performing its obligations as a member of the European Fund. On the liquidation of the European Payments Union it further became necessary to change the title of Asset Item 14 to "Loans to international institutions and consolidation loans, of which a) to I.B.R.D., b) arising from liquidation of E.P.U.", the previous title having been "Loans to international institutions and consolidation loans to foreign Central Banks, of which a) to E.P.U., b) to I.B.R.D.".

Form of the
Annual Statement

In the 1959 Annual Balance Sheet the liabilities arising from foreign business have for the first time been shown in the arrangement usual in the return; the reasons for showing separately in the Balance Sheet the liabilities in DM and those in foreign currencies have ceased to apply.

In the Profit and Loss Account the Expenditure Item 4 "Allocations to reserves for specific purposes", sub-item "b) for conversion costs, according to Reg. No. 45/ Conv. Law" has been supplemented by the words "and 2nd Pension Increase Law".

In accordance with Article 26 of the Bundesbank Law the provisions of Company Law (Aktien-gesetz) have been taken into account in the valuation, mutatis mutandis, in the same way as in previous years.

Valuation

Conversion Account

The combined Conversion Account of the institutions amalgamated to form the Deutsche Bundesbank is attached to this Report as Appendix 1.

Through the corrections of the Partial Conversion Accounts for the Bank Deutscher Länder and the Land Central Banks, which now give the position shown by the books on 31 December 1959, the Bank's claim to allocation of equalisation claims has been reduced by DM 561,163.79 to DM 8,103,882,270.14.

The claim on the Federal Government arising from the non-interest-bearing debt certificate issued in connection with the currency conversion in Berlin was reduced by DM 412.22 during the year under report to DM 547,168,045.86.

Annual Statement

In the same way as last year the Annual Statement for 1959, which is attached as Appendix 2, will be explained in the order of the items in the Balance Sheet and Profit and Loss Account. At the same time a report is rendered on the Bank's activity during 1959.

Balance Sheet

Comparison of Balance Sheet Results

Assets	31 December			Liabilities	31 December		
	1957	1958	1959		1957	1958	1959
	Millions of DM				Millions of DM		
Gold	10,602.5	10,963.3	10,934.0	Capital	290.0	290.0	290.0
Balances at foreign banks and money-market investments abroad	7,634.0	9,310.7	8,248.9	Reserves	436.0	491.6	522.2
Foreign notes and coin, foreign bills and cheques	174.4	152.6	130.0	Reserves for specific purposes	675.3	671.6	806.0
German divisional coin	63.0	85.1	88.3	Bank notes in circulation	16,132.9	17,661.5	19,045.7
Postal cheque account balances	173.6	191.6	226.2	Deposits of credit institutions	7,108.9	8,243.1	9,343.8
Domestic bills of exchange	1,366.1	722.5	853.3	Federal Government and Federal Special Funds	4,093.1	4,024.8	922.4
Treasury bills and non-interest-bearing Treasury bonds of Federal Government and Federal Special Funds	153.7	100.0	80.0	Länder	491.4	526.2	1,069.9
Advances against securities	53.3	63.9	234.4	other public depositors	31.8	34.4	46.7
Cash advances	150.6	90.4	265.1	other German depositors	229.6	208.7	221.8
Other claims	79.2	115.0	140.3	Liabilities in respect of foreign business	1,525.6	1,136.3	672.5
Securities	238.2	269.7	234.6	Items in course of settlement	107.5	2.1	239.4
Equalisation claims on public authorities and debt certificate in respect of Berlin	4,587.2	4,381.6	5,731.0	Other liabilities	76.6	53.8	83.8
Credits to Federal Government for participation in international institutions	390.8	661.7	1,210.7	Net profit	198.5	109.4	143.3
Loans to international institutions and consolidation loans	5,430.5	6,089.4	4,816.5				
Other assets	300.1	256.0	214.2				
Total	31,397.2	33,453.5	33,407.5	Total	31,397.2	33,453.5	33,407.5

Balance Sheet total

The Balance Sheet total as at 31 December 1959 has declined by DM 46 million, as compared with the end of 1958, to DM 33,407.5 million.

Assets

The Gold holding fell during 1959 from DM 10,963.3 million to DM 10,934.0 million. **Gold**

	31 Dec. 1958	31 Dec. 1959	
	Millions of DM		
The balances with foreign banks amounted to the following:			Balances at foreign banks and money-market investments abroad
in foreign currency	2,307.3	1,433.8	
in DM	3.7	215.2	
	<u>2,311.0</u>	<u>1,649.0</u>	
The money-market investments amounted to	6,999.7	6,599.9.	
Of the total shown in the Annual Balance Sheet there were earmarked as	9,310.7	8,248.9	
international liquidity assistance	<u>966.9</u>	<u>347.8</u>	
so that the freely available balances and money-market investments amounted to	8,343.8	7,901.1.	

The money-market investments abroad include DM 5,554.4 million (at the end of 1958 DM 6,276.3 million) of Treasury bills, DM 697.7 million (at the end of 1958 DM 723.4 million) of bank acceptances and DM 347.8 million of Treasury bonds.

The Bank's turnover in foreign exchange spot dealings amounted in the year under report to DM 7,977.4 million, against DM 5,714.8 million in 1958; the number of deals declined from 5,429 in 1958 to 5,161. They comprised **Foreign exchange dealings**

	1958		1959	
	Number	Million DM	Number	Million DM
Purchases	2,413	2,897.8	2,498	4,632.7
Sales	<u>3,016</u>	<u>2,817.0</u>	<u>2,663</u>	<u>3,344.7</u>
	5,429	5,714.8	5,161	7,977.4.

The business in U.S. dollars was most important; in most other currencies the turnover declined.

The payment orders to and from foreign countries processed by the Bank increased further; they rose in number from 343,959 in 1958 to 426,763. **Foreign payments**

In detail the movements were:

	1957	1958	1959
		Number	
Orders for payment to foreign countries			
in DM	34,517	53,061	82,854
in foreign currencies	<u>41,363</u>	<u>75,994</u>	<u>124,791</u>
	75,880	129,055	207,645
Orders for payment from foreign countries			
in DM	130,067	161,362	173,535
in foreign currencies	<u>65,733</u>	<u>53,542</u>	<u>45,583</u>
	195,800	214,904	219,118
Total processed orders for payment to and from foreign countries	271,680	343,959	426,763.

Of the orders for payment in foreign currency the amount given by the debit of German banks' U.S. \$ accounts kept at the Bank was and to the credit of such accounts	1957	1958 Number	1959
	9,673	7,410	10,691
	21,755	9,929	8,189
	<u>31,428</u>	<u>17,339</u>	<u>18,880.</u>
The number of transfers between such accounts was	27,009	29,880	39,052.

Trade and payment
agreements

Altogether during the year under report twenty-four trade agreements (against twenty-three in 1958), seven agreements for regulating international payments (against eight in 1958) and one investment protection agreement were concluded with the Bank's participation.

Foreign notes and
coin, foreign bills
and cheques
Purchase and sale of
foreign notes and coin

At DM 3.2 million the holding of foreign notes and coin at the end of 1959 was greater by DM 0.6 million than on 31 December 1958. During the year under report the Bank effected 47,152 purchases of foreign notes and coin (against 45,515 in 1958) and 13,743 sales of foreign notes and coin (against 13,309 in 1958).

Purchase of
foreign bills

At the close of 1959 the holding of foreign bills arising from purchase within the country was DM 125.0 million as compared with DM 149.3 million on 31 December 1958.

The following were purchased:

	Number	Million DM
In 1958	61,393	797.0
In 1959	57,646	771.5.

Purchase and sale
of foreign cheques

The proportion of DM acceptances to the total purchased rose from 41 to 48 per cent.

During the year under report 165,065 foreign cheques with a countervalue of DM 151.3 million were purchased, against 161,298 in the value of DM 135.5 million in the previous year. 7,501 travellers' cheques were sold, against 9,215 in 1958, their total value being DM 4.1 million as against DM 2.3 million in that year.

Foreign
commission business

The Bank took the following for realisation on a commission basis:

	1958	1959
	Number	
Foreign notes and coin	10,045	10,077
Foreign cheques	10,584	12,432
	<u>20,629</u>	<u>22,509.</u>

German
divisional coin

The Bank's holding of German divisional coin amounted at the close of 1959 to DM 88.3 million, against DM 85.1 million at the close of 1958. In 1959 the Federal Government was credited with DM 87.4 million for coin taken over from the Mints and debited with DM 2.5 million for coin called in or no longer fit for circulation. Altogether in the years 1948 to 1959 the Bank took over coin amounting to DM 1,509.3 million; during the same period DM 142.5 million of coins which were no longer fit to circulate, or had been called in, were sent to the Federal Coinage Metal Depository.

With the inclusion of the deliveries of coin still outstanding at the end of December 1959 on minting orders given up till that time, namely DM 52.2 million of all denominations, the amount of coin per head of population works out at DM 25.71 on the basis of a population of 55.2 million in the Federal Republic including the Land of Berlin on 30 September 1959. The amount of coin minted is thus within the limits laid down in the Law on the Striking of Divisional Coin, dated 8 July 1950.

Postal cheque account
balances

The postal cheque account balances, including transfers in progress from the branch establishments of the Land Central Banks to the postal cheque account of the Bank (Directorate)

at Frankfurt am Main, amounted on 31 December 1959 to DM 226.2 million. Each day the credit balance on that account, in amounts rounded off to multiples of DM 100,000, is offset against the giro balance of the Central Cash Office of the Postal Administration.

Postal Cheque Transactions with Third Parties

	1958				1959			
	Third-party transfers received		Used for current transfers		Third-party transfers received		Used for current transfers	
	Number	DM mn	Number	DM mn	Number	DM mn	Number	DM mn
Land Central Bank								
Baden-Württemberg	92,697	5,051.2	26,363	508.2	87,609	5,554.1	32,013	535.3
Bavaria	74,242	5,869.2	29,561	593.0	84,534	6,378.3	30,044	614.1
Berlin	13,670	1,153.1	24,293	369.6	14,660	1,189.9	23,452	449.5
Bremen	28,029	701.6	1,983	13.7	27,319	811.4	2,036	16.8
Hamburg	48,103	3,620.5	10,769	92.5	49,559	3,858.6	8,765	68.3
Hesse	58,899	3,173.2	27,074	794.3	60,989	3,484.9	26,652	723.0
Lower Saxony	102,634	3,514.1	26,092	409.3	97,069	3,750.7	24,400	421.0
North Rhine-Westphalia	198,927	7,464.6	43,090	1,106.1	194,026	7,921.3	44,037	1,057.5
Rhineland-Palatinate	59,299	1,304.4	23,211	255.1	56,824	1,392.6	24,488	227.8
Saarland	—	—	—	—	2,497	381.8	423	60.5
Schleswig-Holstein	14,905	205.6	8,483	199.2	13,828	223.7	8,126	206.1
Total	691,405	32,057.5	220,919	4,341.0	688,914	34,947.3	224,436	4,379.9
Bundesbank—Directorate—	7,328	1,181.4	46,981	88.0	7,785	1,195.2	41,557	49.8
Grand total	698,733	33,238.9	267,900	4,429.0	696,699	36,142.5	265,993	4,429.7

	31 Dec. 1958	31 Dec. 1959
	Millions of DM	
The holding comprises:		
Domestic bills	608.8	820.9
Export drafts	11.5	3.4
purchased by way of discount;		
Import and Storage Agency bills taken in		
the course of open-market operations	102.2	29.0
	<u>722.5</u>	<u>853.3</u>

Domestic bills
of exchange

The average bill holding, as calculated from the figures on the return dates in the year under report, was DM 839.2 million against DM 931.4 million in 1958.

Purchase of Domestic Bills of Exchange in the Land Central Bank Areas

	Purchase				Position on	
	1958		1959		31 Dec. 1958	31 Dec. 1959
	'000	DM mn	'000	DM mn	DM million	
Land Central Bank						
Baden-Württemberg	269	1,215.8	206	1,126.8	43.9	64.0
Bavaria	103	572.3	74	489.7	37.8	28.6
Berlin	17	203.3	10	139.9	7.7	9.3
Bremen	44	325.3	33	304.5	22.6	23.9
Hamburg	96	1,308.2	83	1,302.5	103.5	130.4
Hesse	199	2,095.2	164	1,696.5	54.9	148.6
Lower Saxony	219	952.1	140	740.5	62.0	89.1
North Rhine-Westphalia	422	4,286.5	359	3,681.4	196.7	241.2
Rhineland-Palatinate	122	371.7	68	325.5	37.3	41.1
Saarland	—	—	5	108.7	—	21.4
Schleswig-Holstein	65	274.9	37	185.3	31.7	21.3
Bills in course of remittance	—	—	—	—	10.7	2.0
Total	1,556	11,605.3	1,179	10,101.3	608.8	820.9

Of the purchased bills the following were returned and charged, in the absence of payment, to the parties presenting them for discount:

	1958		1959	
	Number	Million DM	Number	Million DM
	13,937	12.6	7,908	8.5
in per cent of the total purchased	0.9	0.11	0.7	0.08.

Commission business Domestic bills and the like were taken on a commission basis as follows:

	Number	Million DM
1958	308,294	1,804.1
1959	318,263	1,954.6.

Export drafts Export drafts were purchased in 1959 only by the Land Central Bank in Berlin; 1,469 drafts amounting to DM 28.9 million were discounted.

Discount rate The Bundesbank's discount rate for domestic and foreign bills, foreign cheques and export drafts was 3% until 9 January 1959, 2³/₄% from 10 January and 3% from 4 September; since 23 October 1959 it has been 4%.

Storage Agency bills Open-market purchases and sales of Storage Agency bills were on a scale similar to those in the previous year. Storage Agency bills having a face value of DM 2,109.9 million were taken, against DM 2,024.3 million in 1958; of those taken DM 1,051.4 million (against DM 965.5 million in 1958) were resold. Bills amounting to DM 1,131.7 million were repaid during 1959. Through repeated alteration of the buying and selling rates allowance was made for the current state of the market.

Prime acceptances On 5 February 1959, after an interruption of nearly two decades, the prime acceptance market was reopened on the Frankfurt Bourse. The prime acceptances negotiable on this market are deemed to comprise DM bank acceptances which serve for the initial financing of import and merchanting transactions. The Privatdiskont-Aktiengesellschaft of Frankfurt am Main, formed on 27 January 1959 by a large syndicate of banks, acts as the broker for prime acceptances. It performs a double function. In the first place it arranges for the settlement of the bourse turnovers in all prime acceptances offered on the market, and in that connection endeavours to even out the market on a supra-regional basis. In addition it is the sole link between the market and the Bundesbank. With a view to starting the prime acceptance market, and to maintaining its efficiency, the Bundesbank has declared itself prepared to give liquidity assistance (as to this see what is stated in the section on "Credit Policy Regulations", p. 49 seq.). Since the start of trading in prime acceptances the Bank has bought from the Privatdiskont-Aktiengesellschaft bills amounting to DM 103.9 million, of which DM 87 million were resold to that institution for placing in the market. The remainder, in all DM 16.9 million, was repaid.

Treasury bills and non-interest-bearing Treasury bonds of Federal Government and Federal Special Funds In the same way as in previous years the money-market paper admitted to the Bank's open-market operations included, in addition to the Storage Agency bills and the mobilisation paper discussed below (the latter comprising Federal Government Treasury bills and non-interest-bearing Treasury bonds, as countervalue for equalisation claims on the Federal Government, which are sold and repaid for account of the Bank), the Treasury bills of the German Federal Railways and non-interest-bearing Treasury bonds of the German Federal Railways and the German Federal Postal Administration. To these there were added in July 1959 DM 167.5 million of Federal Republic of Germany non-interest-bearing Treasury bonds ("SL") issued in connection with the economic reincorporation of the Saarland, as well as DM 165 million of promissory notes of the Kreditanstalt für Wiederaufbau (Reconstruction Loan Corporation) running for six months and one year. In addition there were issued at the end of August 1959 certain Federal Government Treasury bills (counted towards the credit limit under Article 20 paragraph 1 of

the Bundesbank Law), and at the beginning of December 1959 some non-interest-bearing Federal Government Treasury bonds.

On the sale and repurchase of such paper by the Bank use was made of the rates, altered several times during the year, which applied to mobilisation paper of corresponding maturities.

*Money-Market Paper Issued for Account of Federal Government, Federal Special Funds,
and Reconstruction Loan Corporation*

Category of paper	In circulation on 31 Dec. 1958	Issued in 1959	Redeemed	In circulation on 31 Dec. 1959
	Millions of DM			
Treasury bills "B" of the Federal Republic of Germany	—	773.3	708.0	65.3
Non-interest-bearing Treasury bonds "B" of the Federal Republic of Germany	—	63.1	—	63.1
Non-interest-bearing Treasury bonds "SL" of the Federal Republic of Germany	—	167.5	—	167.5
Treasury bills of the German Federal Railways	398.6	917.5	1,019.3	296.8
Non-interest-bearing Treasury bonds of the German Federal Railways	300.0	174.7	174.7	300.0
Non-interest-bearing Treasury bonds "F" of the German Federal Railways	290.0	—	145.0	145.0
Non-interest-bearing Treasury bonds of the German Federal Postal Administration	300.0	269.4	299.5	269.9
Promissory notes of the Reconstruction Loan Corporation	—	165.0	—	165.0

The DM 28 million of German Federal Railways Treasury bills and DM 52 million of non-interest-bearing German Federal Postal Administration Treasury bonds which were held by the Bank on 31 December 1959 were resold to the money market in the first days of January 1960.

The average extent of recourse to the Bank through advances against securities, as calculated from the amounts on bank-return dates during the year under report, was DM 33.3 million against DM 33 million in 1958. In the last week of December the claims in respect of such advances rose sharply, reaching DM 234.4 million; at the end of 1958 they had amounted to DM 63.9 million.

Advances
against securities

Lending on Securities in the Land Central Bank Areas

Land Central Bank	Advances granted against securities				Position on	
	1958		1959		31 Dec. 1958	31 Dec. 1959
	Number	DM mn	Number	DM mn	DM mn	
Baden-Württemberg	1,827	218.1	1,099	234.9	4.4	5.3
Bavaria	1,785	163.7	1,265	213.6	1.8	35.8
Berlin	121	17.1	141	31.5	4.7	3.8
Bremen	82	13.5	56	18.8	0.0	4.2
Hamburg	682	183.7	617	237.6	4.5	22.2
Hesse	1,985	562.1	1,299	569.4	5.5	127.9
Lower Saxony	2,456	293.1	2,307	377.0	6.3	7.1
North Rhine-Westphalia	1,245	401.9	924	706.4	27.1	10.6
Rhineland-Palatinate	1,114	173.3	933	151.5	8.6	16.7
Saarland	—	—	5	1.7	—	0.0
Schleswig-Holstein	486	85.0	435	73.8	1.0	0.8
Total	11,783	2,111.5	9,081	2,616.2	63.9	234.4

Advance rate The rate of interest for advances against securities was 4⁰/₁₀₀ up till 9 January 1959, 3³/₄⁰/₁₀₀ from 10 January to 3 September and 4⁰/₁₀₀ from 4 September to 22 October. Since 23 October 1959 it has been 5⁰/₁₀₀.

Cash advances Article 20 paragraph (1) item 1 of the Bundesbank Law lays down the following maximum credit limits:

	Millions of DM
for the Federal Government	3,000
for the Federal Railways	400
for the Federal Postal Administration	200
for the Equalisation of Burdens Fund	200
for the E.R.P. Special Fund	50
for the Länder DM 20 per inhabitant, except that for Berlin, Bremen and Hamburg the limit is DM 40 per inhabitant.	

(a) Federal Government and Federal Special Funds The following were chargeable against the Federal Government's cash advance at the end of 1959:

	Millions of DM
Advance in account	244.8
Federal Government Treasury bills "B" in circulation with an assurance of rediscount by the Bank	65.3
Credit line for promissory notes which have been issued by German exporters under the Credit Agreement concluded in 1954 with Yugoslavia, and have been endorsed by the Reconstruction Loan Corporation	35.0
Total	345.1.

At the end of 1959 the Federal Railways had made use of their credit limit to the extent of DM 296.8 million, against DM 398.6 million at the end of 1958, by issuing Treasury bills which the Bank had promised to rediscount.

(b) Länder No cash advances taken by Länder were outstanding on the Balance Sheet date.

(c) Other public authorities The cash advances to other public authorities comprise claims on the Kreditanstalt für Wiederaufbau (Reconstruction Loan Corporation). The table which follows indicates the movement in that institution's credit lines which already existed when the Bundesbank Law came into force, and the amounts taken under them.

Credits to Reconstruction Loan Corporation

Purpose of credit	31 December 1958		31 December 1959	
	Credit line	Used	Credit line	Used
Millions of DM				
Industries with high export quota	26.3	1.3	9.4	8.2
Repurchase of dollar loans of Deutsche Rentenbank	37.8	2.5	19.8	12.1
Total	64.1	3.8	29.2	20.3

Interest rate Interest is payable on the cash advances at the Bank's current discount rate.

Other claims The "Other claims" of DM 140.3 million (in 1958 DM 115.0 million) shown in Asset Item 10 include as their largest item, in the same way as last year, a claim on the Deutsche Notenbank, Berlin; it amounted to DM 125.5 million, against DM 92.8 million in 1958.

The turnover in clearing transactions with the Deutsche Notenbank amounted to the following:

	1958	1959
	Millions of DM	
For payments in respect of		
West/East deliveries and services	892.7	976.9
East/West deliveries and services	866.6	945.1
	1,759.3	1,922.0.

The holding of securities declined by DM 35.1 million in 1959; it is shown at DM 234.6 million (against DM 269.7 million in 1958) in Asset Item 11, and includes bonds of the Federal Government as well as mortgage and communal bonds.

Securities

During the year under report, as before, the Bank acted to regulate the price of bonds of the Federal Government, the Federal Special Funds and some Länder. In doing so it acted exclusively for account of the issuers.

Security issues

In the course of 1959 the banking syndicate under the Bank's leadership, known as the Federal Loan Syndicate, offered for public subscription one loan each of the Federal Government and the Federal Postal Administration as well as two loans of the Federal Railways. These loans served to consolidate floating credits, and to finance capital projects and other extraordinary budget expenditure.

Loans Issued by the Federal Loan Syndicate in 1959

Issuer	Amount DM mn	Interest rate %	Issue price per cent	Date of issue 1959	Introduced on stock exchanges
German Federal Railways 1st issue	210	5	97 ³ / ₄	14 Apr.	2 July 1959
2nd issue	210	5	97 ³ / ₄	20 Aug.	21 Oct. 1959
German Federal Postal Administration ¹⁾	200	5	97 ³ / ₄	21 May	18 Aug. 1959
Federal Republic of Germany	300	5 ¹ / ₂	96 ¹ / ₂	5 Nov.	1 Mar. 1960

¹⁾ A further DM 25 million of this loan was taken over for placement by the issuers themselves.

In July 1959, with a view to partly financing Federal expenditure arising from reincorporation of the Saarland, the Bank placed on the market DM 82.5 million of Federal Republic of Germany 3¹/₂% Treasury bonds known as Kassenobligationen (notes) and maturing on 1 July 1962, and DM 85 million of 3¹/₂% Treasury bonds maturing on 1 July 1963. These Treasury bonds were introduced on 31 August 1959 on to the Frankfurt Stock Exchange for regulated unofficial dealings. In the months from October to December 1959 there were placed on the market a further DM 105.95 million of three-year and DM 74 million of four-year 4¹/₂% Treasury bonds (notes) of the Federal Republic of Germany, due on 1 November 1962 and 1 November 1963 respectively, as well as two issues of notes of the German Federal Postal Administration on similar terms amounting respectively to DM 31.3 million and DM 10 million.

Through the Land Central Bank in Schleswig-Holstein the Land of Schleswig-Holstein issued in September 1959 DM 10 million of 3¹/₂% notes due on 1 September 1962, and in November 1959 DM 12.85 million of 4¹/₂% notes due on 1 November 1963, with a view to partial financing of the extraordinary budget.

The period set for conversion of the Young Loan (German Issue) ended on 22 July 1959. The conversion or cash redemption of the Reichsmark and foreign currency 3% bonds, debt certificates and fractional certificates of the Conversion Office for German External Debts was continued.

The Bank as conversion and paying agent for external loans

In its capacity as paying agent or agency for the Federal Republic of Germany's bonds issued in connection with the conversion of external bonds the Bank in 1959 paid 527,968 interest coupons, against 356,818 in 1958; in 1959 the countervalue of 1,592,767 interest coupons, against 1,826,290 in 1958, was collected from foreign agents.

		31 Dec. 1958	31 Dec. 1959
		Millions of DM	
Equalisation Claims on public authorities	Equalisation claims arising from		
	own Conversion Account Bank deutscher Länder	5,504.0	5,503.8
	Land Central Banks	<u>2,600.4</u>	<u>2,600.1</u>
		8,104.4	8,103.9
	<i>less</i>		
	Equalisation claims handed back in exchange for money-market paper	<u>4,414.5</u>	<u>3,045.5</u>
		3,689.9	5,058.4
	Conversion of Berlin pre-capitulation balances	16.7	22.4
	Conversion of RM balances at credit institutions in the Soviet Sector of Berlin	<u>0.6</u>	<u>0.9</u>
		3,707.2	5,081.7
Equalisation claims purchased	<u>127.2</u>	<u>102.1</u>	
	3,834.4	5,183.8.	

The reduction in the equalisation claim arising from the Bank's own Conversion Account is explained in the Combined Conversion Account of the Institutions Amalgamated to Form the Deutsche Bundesbank, as shown by the books on 31 December 1959, which is attached to this Report as Appendix 1. The equalisation claims belonging to the Bank on 31 December 1958 in respect of its own Conversion Account and of the conversion of Berlin pre-capitulation balances are entered in the Federal Debt Register; those in respect of the conversion of RM balances at credit institutions in the Soviet Sector of Berlin are entered in the Debt Register for the Land of Berlin.

Purchase of
Equalisation Claims
for own account

The amount of assistance granted by the Land Central Bank in Berlin through purchase of equalisation claims for the improvement of liquidity was reduced from DM 125.1 million at the end of 1958 to DM 102.0 million at the end of 1959; on that date purchased equalisation claims were held by other Land Central Banks to the extent of only DM 0.1 million, against DM 2.1 million at the end of 1958.

Mobilising of
Equalisation Claims
for the purpose of
open-market policy

The maximum amount up to which the Bank in pursuance of Article 42 of the Bundesbank Law can at its option convert into Treasury bills or non-interest-bearing Treasury bonds (mobilisation paper), for open-market purposes, the equalisation claim which it has on the Federal Government in respect of its own Conversion Account has been fixed by the Federal Government at the full amount of the equalisation claim entered for the Bank. At DM 3,045.5 million on 31 December 1959, after fluctuations which were in some cases considerable during the year under report, the amount of the mobilisation paper in the market reached its lowest point for that year, being lower by some DM 1.4 billion than on 31 December 1958.

The rates for sale of mobilisation paper, as well as of other money-market paper, were repeatedly altered during the year under report with due allowance for the course of the money market.

The total amounts of the mobilisation paper sold and redeemed for account of the Bank in 1958 and 1959 are summarised in the table which follows.

Mobilisation Paper Sold and Redeemed

	1957 in circu- lation on 31 Dec.	1958			1959		
		Sold	Redeemed	In circu- lation on 31 Dec.	Sold	Redeemed	In circu- lation on 31 Dec.
Millions of DM							
Treasury bills of the Federal Government (running for a maximum of ninety days)	292.5	2,717.5	2,645.6	364.4	3,691.6	3,616.7	439.3
Non-interest-bearing Treasury bonds of the Federal Government (running for 6 to 24 months)	3,949.1	4,564.2	4,463.2	4,050.1	3,828.2	5,272.1	2,606.2
Total	4,241.6	7,281.7	7,108.8	4,414.5	7,519.8	8,888.8	3,045.5

The Bank's claim on the Federal Government in respect of the currency conversion in Berlin declined in 1959 by the small amount of DM 412.22; it is shown on 31 December 1959 at DM 547.2 million.

**Debt Certificate
in respect of Berlin**

Under Article 20 paragraph (1) item 2 of the Bundesbank Law the Bank, apart from the cash advance, may grant credits to the Federal Government with a view to meeting the latter's commitments as a member of the following institutions to the extents indicated:

**Credits to Fed. Govt.
for participation in
international institutions**

	Millions of DM
International Monetary Fund	3,307.5
International Bank for Reconstruction and Development	35.0
European Fund	180.0

At DM 30.3 million the credit granted to the Federal Government for the purpose of meeting payment liabilities towards the I.B.R.D. shows no change by comparison with a year ago. Through in-payments of DM 499.6 million in connection with the raising of the German quota, and of DM 29.4 million due to a DM drawing by Argentina, the claim in respect of the credit for participation in the International Monetary Fund rose from DM 631.4 million to DM 1,160.4 million.

During the year under report the Federal Government drew to the extent of DM 20.0 million on the credit for the purpose of meeting its liabilities to make payments to the European Fund.

At DM 4,816.5 million at the end of 1959 the loans to international institutions and the consolidation loans were smaller by DM 1,272.9 million than a year earlier. The claims comprised

**Loans to international
institutions and
consolidation loans**

	31 Dec. 1958	31 Dec. 1959
	Millions of DM	
Notes and bonds of the I.B.R.D.	1,233.7	1,485.5
Credit balance in connection with the E.P.U. settlement and E.P.U. liquidation credits	4,590.3	3,156.0
Consolidation loans to foreign Central Banks	265.4	175.0
	<u>6,089.4</u>	<u>4,816.5</u>

International Bank for Reconstruction and Development	In the year under report notes and bonds having a face value of U.S. \$ 33 million and U.S. \$ 28 million were newly taken from the International Bank for Reconstruction and Development, and U.S. \$ 80 million (face value) of notes due at later dates were taken from it in respect of notes which had matured.
Liquidation of E.P.U.	The credit balance in connection with the E.P.U. settlement, including the special credit to France, amounted on 31 December 1958 to DM 4,590.3 million. In the last settlement on 15 January 1959 the balances at foreign banks shown in Asset Item 2 of the Balance Sheet for 1958 were included at DM 627.1 million, and the liabilities to foreign banks contained in Liability Item 6 were included at DM 70.7 million. The resulting total claims of DM 5,146.7 million were reduced by DM 1,990.7 million in 1959, to DM 3,156 million, through payments by E.P.U. and through the debtors' repayments made according to plan and otherwise.
Consolidation loans granted to foreign Central Banks	Of the consolidation and interim credits which the Bank had granted in connection with the change-over of payments from a bilateral to a multilateral basis, and of which the total amount had originally been DM 627.6 million, credits taken by foreign Central Banks to the extent of DM 175.0 million were outstanding at the end of December 1959, against DM 265.4 million at the end of 1958.
Consolidation agreements	Within the European Economic Council an agreement was signed on 11 May 1959 between Turkey and the creditor countries regarding the commercial debts of persons domiciled in Turkey. This agreement regulates the transfer of the debts falling due before 1 January 1964 in respect of goods sold and services rendered before 5 August 1958. The technical details for effecting transfer of the Turkish commercial debts to the Federal Republic were laid down in an agreement signed on 26 June 1959. According to this the twelve annual instalments that are to be paid by the Turkish Government in settlement of German creditors' claims falling under the agreements will in each case be delivered by the Turkish Central Bank in quarterly portions to the Deutsche Bundesbank, which will execute the relevant individual payment orders of the Turkish Central Bank.
Land and buildings	Against the additions of DM 9.3 million to land and buildings there are disposals of DM 0.4 million. After the writing off of DM 8.9 million the land and buildings are shown in the 1959 Annual Balance Sheet, as last year, at DM 55 million.
Office furniture and equipment	The additions of DM 2.9 million to office furniture and equipment were fully written off in the same way as in previous years.
Other assets	Of the DM 67.8 million (against DM 82.9 million at the end of 1958) shown in Asset Item 17 entitled "Other assets" DM 67.0 million represents interest which falls due next year, but is assignable to the Profit and Loss Account for the year under report, on monies employed abroad and on securities.
Transitory items	In the same way as in previous years the DM 91.4 million of transitory items on the assets side (DM 118.1 million at the end of 1958) mainly comprises the proportion of interest relating to subsequent years on money-market paper issued in exchange for equalisation claims.

Liabilities

Capital	The capital of the Bank remains unchanged at DM 290 million (Article 2 of the Bundesbank Law): it belongs to the Federal Government.
Reserves	In pursuance of the Central Bank Council's decision of 16 April 1959 DM 21.9 million has been added to the legal reserve and DM 8.7 million to the other reserves out of the net profit for 1958; the reserves have accordingly risen from DM 491.6 million at the end of 1958 to DM 522.2 million at the end of 1959.

Position and Movement of Reserves for Specific Purposes

Reserves for
specific purposes

Reserves for specific purposes	Position on 31 Dec. 1958	Used for the purpose indicated	Addition in 1959	Position on 31 Dec. 1959
	Millions of DM			
For pension liabilities	416.0	17.0	61.0	460.0
For note printing	45.0	—	—	45.0
For conversion costs	0.6	0.6	1.0	1.0
Other	210.0	—	90.0	300.0
Total	671.6	17.6	152.0	806.0

The reserve for pension liabilities to the members of the Bank's organs and to the Bank's officials, as well as for covering the claims of former Reichsbank staff, falls short of the actuarially calculated requirement. To this reserve there was added during the year under report, outside the Profit and Loss Account, the Saarländische Rediskontbank's DM 1 million pension fund, which had been transferred to the Bundesbank. On the establishment of the Land Central Bank in the Saarland on 6 July 1959 the Bundesbank assumed the Saarländische Rediskontbank's pension liabilities to those persons who had been taken over by it as officials, or who had already been receiving pension payments as persons formerly in the service of the one-time Reichsbank or of the Saarländische Rediskontbank.

For the purpose of providing interest on and redemption of special equalisation claims pursuant to Article 3 paragraph 1 of Regulation 45 under the Conversion Law DM 0.2 million was paid in the year under report, and on the special equalisation claims pursuant to Article 12 of the Law for Increasing Payments in respect of Private Pension Insurance (Insurance Companies and Pension Funds) as well as of Compulsory Capital-sum Insurance, dated 24 December 1956 (Federal Law Gazette I, page 1074), an initial payment of DM 0.7 million was made; of these amounts DM 0.6 million was taken from the reserve for conversion costs, and DM 0.3 million is included in Expenditure Item 6 entitled "Other expenditure".

Of the DM 213.5 million of special equalisation claims pursuant to Regulation 45 under the Conversion Law which had been confirmed, and the DM 0.5 million still subject to adjustment, the Bank had by the end of 1959 redeemed DM 213.9 million. The future payments under this Regulation and under the Second Pension Increase Law are likely to remain within the limits of the reserve for conversion costs, to which DM 1 million has been newly allocated.

To the other reserves for specific purposes DM 90 million has been added.

The bank notes in circulation rose from DM 17,661.5 million on 31 December 1958 to DM 19,045.7 million on 31 December 1959.

Bank notes
in circulation

Circulation of Notes and Coin

End of year	Bank-note circulation	Federal coin	Circulation of notes and coin total
	Millions of DM		
1955	13,641.0	1,001.4	14,642.4
1956	14,473.5	1,078.0	15,551.5
1957	16,132.9	1,140.3	17,273.2
1958	17,661.5	1,196.8	18,858.3
1959	19,045.7	1,278.5	20,324.2

The denominations of the bank notes and Federal coin in circulation are shown in Appendix 4 to this Report.

During the year under report the Bank received from the printers new notes of all denominations totalling DM 9,098.4 million.

Details of bank notes (including small money tokens) which were destroyed, having been called in or being no longer fit for circulation, are:

Millions	1955	1956	1957	1958	1959
Number	49.5	78.4	160.3	92.8	153.0
DM	1,111.1	3,125.7	4,047.8	3,426.8	4,916.3.

The number of counterfeit bank notes detained in 1959 showed a fall of 7 per cent, while the number of counterfeit coins detained fell by 22 per cent.

Counterfeits Discovered

Year	Notes		Coins	
	Number	Thousands of DM	Number	Thousands of DM
1955	1,490	39.0	13,690	43.9
1956	530	20.4	14,840	41.3
1957	830	28.0	10,030	22.2
1958	819	36.5	8,540	24.3
1959	763	29.5	6,673	21.0

Deposits	The deposits of German depositors comprise those of	31 Dec. 1958		31 Dec. 1959	
		Millions of DM			
a)	Credit institutions (including Postal Cheque and Postal Savings Bank Offices)	8,243.1		9,343.8	
b)	Public depositors				
ba)	Federal Government and Federal Special Funds	4,024.8		922.4	
bb)	Länder	526.2		1,069.9	
bc)	Other public depositors	34.4	4,585.4	46.7	2,039.0
c)	Other German depositors		208.7		221.8
			13,037.2		11,604.6.

Minimum reserves In the same way as in previous years the credit institutions' deposits mainly represent the minimum reserves which have to be maintained at the Bundesbank. In December 1959 the minimum reserve required of credit institutions (not including the minimum reserve to be kept by the Federal Postal Administration on behalf of Postal Cheque and Postal Savings Bank Offices), which is calculated on a monthly average, amounted to DM 7,967.9 million and the actually maintained reserve to DM 8,236.2 million.

Giro transactions Of the total turnover on giro accounts the following proportions were settled without use of cash:

	Percentage of	
	Number of transactions	Amounts
In 1958	98.90	94.79
In 1959	99.00	95.01.

Annual Turnovers on Giro Accounts at the Deutsche Bundesbank

	1958			1959		
	Number ¹⁾	Amount	Average amount	Number ¹⁾	Amount	Average amount
	'000	Million DM	'000 DM	'000	Million DM	'000 DM
a) Credits						
of which:						
Cash in-payments	1,222	60,853	49.8	1,187	65,359	55.1
Settlements with account-holders	4,662	341,865	73.3	4,935	386,380	78.3
Local transfers	9,312	313,291	33.6	10,052	352,672	35.1
Transfers from other places	22,147	365,408	16.5	24,555	405,094	16.5
Cheque collections (cheques lodged)	74,367	101,155	1.4	80,288	114,782	1.4
Total	111,710	1,182,572	.	121,017	1,324,287	.
b) Debits						
of which:						
Cash out-payments	1,238	62,472	50.5	1,204	66,843	55.5
Settlements with account-holders	4,420	341,473	77.3	4,445	386,807	87.0
Local transfers	9,312	313,291	33.6	10,052	352,672	35.1
Transfers to other places	22,241	365,540	16.4	24,462	405,196	16.6
Cheque collections (cheques paid)	74,202	101,037	1.4	80,285	114,890	1.4
Total	111,413	1,183,813	.	120,448	1,326,408	.
c) In per cent of total turnover (credits and debits)		<i>per cent</i>			<i>per cent</i>	
Cash payments		5.21			4.99	
Settlements with account-holders		28.88			29.17	
Local transfers		26.48			26.61	
Transfers to and from other places		30.89			30.57	
Cheque collections (cheques lodged and paid)		8.54			8.66	
		100.00			100.00	

¹⁾ Number of transactions.

The liabilities in respect of foreign business comprised the following:

	31 Dec. 1958	31 Dec. 1959	
	Millions of DM		
Deposits of non-residents			
Banks	384.5	155.0	
Others	165.8	550.3	299.4
Deposits of resident banks			
on U.S. dollar accounts		9.0	14.4
Provision of cover for credits and guarantees by			
Non-residents	106.6	110.0	
Residents	470.0	576.6	356.9
Other liabilities		0.4	1.8
		1,136.3	672.5
Comprising liabilities in foreign currency		195.3	90.8
DM		941.0	581.7
		1,136.3	672.5

Liabilities in respect of foreign business

Export credit business	The number of orders and authorisations to open documentary credits, coming from Central Banks in countries with which payment transactions have not yet been decentralised, rose further from 16,196 in 1958 to 25,430 in the year under report.
Import credit business	The Bank opened 271 import credits in 1959 as against 729 in the previous year. The Bank was used in 126 cases, against 160 in the previous year, as reimbursement agent for credits that were opened directly by German banks. The Bank was engaged, in the same way as before, in the settlement of I.C.A. (International Cooperation Administration) imports. Altogether 148 I.C.A. credits were opened (against 173 in 1958); 94 of them, against 95 in 1958, were opened directly by German banks.
Items in course of settlement	In the same way as in previous years the Balance Sheet item "Items in course of settlement" mainly comprises the transfers to and from other places that were proceeding inside the Bank at the close of the year, as well as the net amounts of cheques in course of clearing. The balance was DM 239.4 million on 31 December 1959 as compared with DM 2.1 million at the end of 1958.
Other liabilities	The "Other liabilities" are shown on 31 December 1959 at DM 31.8 million as against DM 28.0 million at the end of 1958.
Transitory items	In the same way as last year the transitory items on the liabilities side mainly comprise interest which was received in the year under report, but which relates to the next year, on foreign and domestic Treasury bills, commercial bills and bank acceptances.
Contingent liabilities and claims	The contingent liabilities and claims are much smaller than in 1958, having fallen from DM 20.6 to 5.7 million. Guarantees on behalf of customers are included among them at only DM 1.9 million, against DM 14.8 million at the end of 1958.

Profit and Loss Account

Comparison of Expenditure and Receipts

Expenditure	1957	1958	1959	Receipts	1957	1958	1959
	Millions of DM				Millions of DM		
Interest on giro balances employed in equalisation claims	35.6	—	—	Interest on monies employed abroad	367.0	356.3	385.1
Interest on money-market paper issued in exchange for equalisation claims	198.9	261.6	164.1	Interest on equalisation claims	249.2	248.7	247.1
Other	0.9	0.8	0.8	Interest on domestic bills of exchange, advances against securities and cash advances	71.3	35.3	32.1
	235.4	262.4	164.9	Interest on foreign bills of exchange bought in Germany	18.7 ¹⁾	4.4	3.4
Valuation requirement in respect of the external position	—	101.0	45.1	Interest on securities, Treasury bills and Treasury bonds	12.9	19.0	16.4
Administrative costs				Other	0.3	0.3	0.6
Personnel	120.2	126.0	124.7	Fees and charges	2.9	2.4	2.5
Materials	22.7	23.4	22.9	Other receipts	9.1	31.1	16.4
Note printing	8.3	8.2	16.3				
Depreciation	17.9	7.9	11.8				
Allocation to reserves for specific purposes	104.6	34.7	151.0				
Pension payments in respect of Reichsbank	20.2	21.4	20.3				
Other expenditure	3.6	3.1	3.3				
Net profit	198.5	109.4	143.3				
Total	731.4	697.5	703.6	Total	731.4	697.5	703.6

¹⁾ Including interest on export drafts which, as from 1958, is comprised in interest on domestic bills of exchange.

Receipts

	1958		1959		
	Millions of DM				
The interest received amounts to	664.0		684.7		Interest
After deduction of the interest paid out, namely	262.4		164.9		
and of the amount required in connection with valuation of the foreign position, that is	101.0	363.4	45.1	210.0	
it is shown in the Profit and Loss Account at	300.6		474.7		

The interest on monies employed abroad has risen, as compared with last year's figure, by DM 28.8 million to DM 385.1 million. The amount of DM 45.1 million required for valuation in the year under report was due to the movement of exchange rates. On 31 December 1959 the U.S. dollar was quoted on the Frankfurt Bourse at DM 4.17 = 1 U.S. \$ (middle rate). This rate corresponds to the outside buying price (middle rate) fixed by the Bundesbank.

The amount of interest received on equalisation claims was DM 247.1 million, against DM 248.7 million in 1958; at DM 164.1 million the interest paid on money-market paper issued in exchange for equalisation claims was down by DM 97.5 million in comparison with the previous year. The interest receipts from the purchase of domestic bills and the granting of advances against securities and cash advances amounted to DM 32.1 million in 1959 as compared with DM 35.3 million in the previous year. From the discounting of foreign bills interest receipts amounting to DM 3.4 million, against DM 4.4 million in 1958, were obtained. In view of the decline in security holdings the interest earnings on securities, Treasury bills and Treasury bonds decreased by DM 2.6 million on the year to DM 16.4 million.

DM 2.5 million of fees were received in 1959, against DM 2.4 million in 1958.

The "Other receipts", which also include receipts of an exceptional character, are shown at DM 16.4 million; in 1958 they amounted to DM 31.1 million.

Fees
Other receipts

Expenditure

The administrative costs in respect of personnel are slightly down by comparison with the previous year; they amounted in 1958 to DM 126 million and in the year under report to DM 124.7 million. The Bundesbank's staff decreased by 125, as compared with 157 in 1958, although 101 staff members were taken over from the Saarländische Rediskontbank when the Land Central Bank in the Saarland was established on 6 July 1959.

Administrative costs
(a) Personnel

Number of Persons Employed in the Bundesbank

	End of 1958					End of 1959				
	Directorate	Land Central Banks	Total	of which:		Directorate	Land Central Banks	Total	of which:	
				male	female				male	female
Officials	521	3,983	4,504	4,481	23	540	3,954	4,494	4,469	25
Salaried employees	1,273	4,019	5,292	2,651	2,641	1,233	3,946	5,179	2,583	2,596
Wage-earners	208	819	1,027	224	803	199	826	1,025	222	803
Total	2,002	8,821	10,823	7,356	3,467	1,972	8,726	10,698	7,274	3,424

The total payments to serving and former members of the Directorate of the Deutsche Bundesbank, the Board of Directors and Board of Managers of the Bank deutscher Länder, and the

Boards of Management of the Land Central Banks, as well as to their surviving dependents, amounted to DM 3,413,586.48 for the year under report; additional payments for 1957 and 1958 were made, after deduction of reimbursements in respect of those years, to the extent of DM 13,639.31.

(b) Materials The administrative costs in respect of materials declined from DM 23.4 million in 1958 to DM 22.9 million.

Note printing In consequence of larger deliveries the expenditure on note printing amounted to DM 16.3 million in the year under report as compared with DM 8.2 million in 1958.

Depreciation and allocations to reserves for specific purposes The depreciation on land and buildings as well as on office furniture and equipment has been discussed, like the allocations to the reserves for specific purposes, in connection with the corresponding Balance Sheet items.

Pension payments in respect of the Reichsbank The payments for persons belonging to the former German Reichsbank and other persons to whom the Law in connection with Article 131 of the Basic Law applies, and for whom the Bank is required to provide in accordance with Article 41 of the Bundesbank Law, amounted in the year under report to DM 24.1 million (against DM 25.2 million in 1958); of this amount DM 3.8 million was taken from the reserves for pension liabilities in the same way as in the previous year, so that in 1959 DM 20.3 million is shown as pension payments in respect of the Reichsbank by comparison with DM 21.4 million in 1958.

Net Profit

		DM
Proposed distribution of the profit	According to the Profit and Loss Account the net profit amounts to (against DM 109,380,460.75 in 1958).	143,272,811.45
	The Directorate proposes to the Central Bank Council that in accordance with the provisions of Article 27 of the Bundesbank Law as to the distribution of profits the net profit be appropriated as follows:	
	There will be allocated	
	to the legal reserve	DM 28,700,000.—
	to the other reserves	11,400,000.—
	to the Fund for the Purchase of Equalisation Claims	40,000,000.—
		80,100,000.—
	The balance of profit, amounting to	
	will be transferred to the Federal Government.	63,172,811.45,

Frankfurt am Main, April 1960

Deutsche Bundesbank

The Directorate

Karl Blessing Dr. Troeger

Dr. Benning Dr. Emminger Hartlieb Könniker Tüngeler

Dr. Wolf Dr. Zachau

Part C

Fund for the Purchase of Equalisation Claims

The Report on the position of the Fund for the Purchase of Equalisation Claims as at 31 December 1959, which is to be published in the Bundesanzeiger (Federal Advertiser), is attached as Appendix 3.

In 1959 there was transferred to the Fund for the Purchase of Equalisation Claims a further DM 40 million out of the Deutsche Bundesbank's net profit obtained in the 1958 accounting year.

The resources available to the Purchase Fund in 1959 and 1960 were not all needed for the purchase of such equalisation claims as it seemed appropriate to take over definitively in order to enable credit institutions, insurance companies and building and loan associations to meet matured obligations. Since this was from the outset apparent, monies amounting to DM 50 million were with the assent of the Federal Minister for Economic Affairs made available in respect of the 1959 and 1960 accounting years for the purchase of equalisation claims belonging to credit institutions and insurance companies which in the performance of their functions are at a particular disadvantage, in relation to other institutions of comparable character, by reason of the fact that their equalisation claims form a proportion, higher than the average, of their balance-sheet total. To the extent of DM 30 million the said monies were to be used for credit institutions, and to that of DM 20 million for insurance companies. The monies for levelling purchases from credit institutions will according to careful estimates suffice to bring down, to not more than 20 per cent of the balance-sheet totals as at 31 December 1958 after deduction of the loans transmitted on a trust basis, the equalisation claims including the covering claims of the credit institutions not in liquidation. Of the DM 20 million provided for levelling purchases from insurance companies not in liquidation there were assigned for reducing the equalisation claims of pension funds DM 13.5 million, of burial funds DM 1.5 million and of sickness insurance companies DM 5 million. After the Federal Constitutional Court had, by an Order of 16 June 1959, declared the Law on the Redemption of Equalisation Claims to be invalid, the Bank found itself obliged in agreement with the Federal departments concerned to suspend the levelling purchases, except where binding assurances of purchase had already been given to individual institutions. Consequently it has still not been possible to apply to their ultimate object a substantial part of the monies available to the Purchase Fund in 1959. With the assent of the Federal Government, however, the purchase of those equalisation claims the definitive taking of which seemed expedient for the purpose of enabling institutions to meet matured obligations was continued. At the end of 1959 cash resources amounting to about DM 33.7 million were still at the disposal of the Purchase Fund.

Levelling purchases from credit institutions and insurance companies were resumed in 1960, the Federal Minister of Finance having assented thereto by letter of 7 March 1960.

	DM
Cash resources available to the Fund on 31 December 1958 amounted to	14,180,636.17.
During the 1959 accounting year the Purchase Fund received the following amounts:	
Share in the Bank's 1958 net profit	40,000,000.—
Interest on equalisation claims	8,031,316.85
Interest from temporary employment of the Fund's cash resources	728,545.12
Redemption of equalisation claims	3,147,343.53
Retrocession of equalisation claims	3,838,719.26
	<u>69,926,560.93.</u>
There were used for purchase of equalisation claims	36,188,037.—.
On 31 December 1959 the Fund's assets not yet used for purchase of equalisation claims comprised	
Treasury bills and non-interest-bearing Treasury bonds of the Federal Government and Federal Postal Administration having a face value of DM 31 million	DM 30,760,423.61
Balances at the Deutsche Bundesbank	2,871,704.32
Redemption and interest due on 31 December 1959, and paid on 2 January 1960, amounting to	106,396.—
	<u>33,738,523.93.</u>
The holding of equalisation claims on 31 December 1958, namely rose through purchase of equalisation claims having an initial capital amount of DM 37,554,478.72 by	230,962,066.19
	<u>36,188,037.—</u>
	267,150,103.19
and was reduced, through redemption and retrocession of equalisation claims, by	6,986,062.79.
Holding on 31 December 1959	<u>260,164,040.40.</u>

Movement in the Holding of Equalisation Claims

Interest rate	DM initial capital				DM Remaining capital Holding on 31 Dec. 1959
	Holding on 31 Dec. 1958	Addition through purchase and exchange	Decrease through retrocession and exchange	Holding on 31 Dec. 1959	
%	DM				DM
0	9,330,080.79	780,000.—	780,000.—	9,330,080.79	7,837,267.86
3	139,114,304.26	12,915,464.39	4,427,000.—	147,602,768.65	141,379,216.64
3½	47,255,777.78	6,289,014.33	—	53,544,792.11	51,269,376.86
4½	43,578,925.08	19,280,000.—	480,000.—	62,378,925.08	59,678,179.04
Total	239,279,087.91	39,264,478.72	5,687,000.—	272,856,566.63	260,164,040.40

The Auditors appointed by the Central Bank Council for the purpose of auditing the Bank's Annual Statement for 1959 have also included in their audit the Fund for the Purchase of Equalisation Claims. In their final Audit Report they have confirmed the following:

„The allocation to the Purchase Fund is in accordance with the provisions of Article 27 item 3 of the Law concerning the Deutsche Bundesbank. The Fund's administration and use afford no cause for objections. The Report by the Deutsche Bundesbank on the position of the Purchase Fund on 31 December 1959, which is attached as an Appendix and is intended for publication, has been correctly evolved from the books and other records.“

Frankfurt am Main, April 1960

*Deutsche Bundesbank
The Directorate*

*Karl Blessing Dr. Troeger
Dr. Benning Dr. Emminger Hartlieb Könniker Tüngeler
Dr. Wolf Dr. Zachau*

Report of the Central Bank Council

The Annual Statement of the Deutsche Bundesbank for 1959, the Combined Conversion Account of the institutions amalgamated to form the Deutsche Bundesbank, as shown by the books on 31 December 1959, and the Report on the Fund for the Purchase of Equalisation Claims as at 31 December 1959, have been audited by the Certified Auditors Dr. Merkle of Stuttgart and Dr. Wollert of Düsseldorf, and the Deutsche Revisions- und Treuhand-Aktiengesellschaft (Auditing Company) of Frankfurt am Main, whom the Central Bank Council had appointed to be Auditors in accordance with Article 26 of the Bundesbank Law.

In their unreserved notes of certification Dr. Merkle, Dr. Wollert and the Deutsche Revisions- und Treuhand-Aktiengesellschaft have confirmed that the Annual Statement for 1959, the bookkeeping and the Conversion Account as shown by the books on 31 December 1959 are in accordance with the legal provisions and that the Fund for the Purchase of Equalisation Claims has been properly endowed and administered.

The Central Bank Council approved the Annual Statement for 1959 on 21 April 1960. At the same time it confirmed the Conversion Accounts for the Bank deutscher Länder and the Land Central Banks as well as the Combined Conversion Account of the institutions amalgamated to form the Deutsche Bundesbank, as shown by the books on 31 December 1959, and approved the Report on the Fund for the Purchase of Equalisation Claims as at 31 December 1959.

The Central Bank Council has assented to the Directorate's Report and proposal for appropriation of the Profit. After allocations to the Reserves and to the Fund for the Purchase of Equalisation Claims there remains a balance of profit amounting to DM 63,172,811.45, which is to be transferred to the Federal Government.

Since the publication of the Report for the Year 1958 the following changes have taken place in the organs of the Deutsche Bundesbank:

We regret to record the death,

on 24 June 1959, of

Herr August S a n d l e r

*Member of the Board of Management of the Land Central Bank in
Baden-Württemberg.*

Retired from service:

as at the close of 31 May 1959

Dr. Wilhelm B o d e n

President of the Land Central Bank in the Rhineland-Palatinate,

as at the close of 31 August 1959

Herr Rudolf G l e i m i u s

President of the Land Central Bank in Berlin,

Herr Karl M ü r d e l

Member of the Board of Management of the Land Central Bank in Bavaria,

as at the close of 31 March 1960

Herr Otto B u r k h a r d t

President of the Land Central Bank in Schleswig-Holstein.

Reappointed:

with effect from 1 January 1960

Dr. Maximilian B e r n h u b e r

as Vice-President of the Land Central Bank in Bavaria,

with effect from 1 March 1960

Dr. Bernhard B e n n i n g

as a Member of the Directorate of the Deutsche Bundesbank.

Newly appointed:

with effect from 1 June 1959

Dr. Hans-Georg D a h l g r ü n

to be President of the Land Central Bank in the Rhineland-Palatinate,

with effect from 6 July 1959

Herr Reinhold W e r n e r

to be Vice-President of the Land Central Bank in the Saarland,

with effect from 1 September 1959

Dr. Friedrich O e c h s n e r

to be a further Member of the Board of Management of the Land Central Bank in Bavaria,

with effect from 1 October 1959

Dr. Franz S u c h a n

to be President of the Land Central Bank in Berlin,

Herr Werner L u c h t

to be a further Member of the Board of Management of the Land Central Bank in Baden-Württemberg,

with effect from 1 April 1960

Herr Otto K ä h l e r

*to be President of the Land Central Bank in Schleswig-Holstein,
at the same time retiring from his office as Vice-President of the
Land Central Bank in Hesse,*

Herr Alphons D i e h l

to be Vice-President of the Land Central Bank in Hesse.

The Central Bank Council, acting also on behalf of the Directorate and of the Boards of Management of the Land Central Banks, expresses to the officials, employees and workers of the Deutsche Bundesbank its thanks for their loyal and understanding cooperation during the year 1959.

Frankfurt am Main, April 1960

KARL BLESSING

President of the Deutsche Bundesbank

Appendices
to
Parts B and C

Combined Conversion Account of the Institutions

Assets	as shown by the books		
	as shown by the books on 31 Dec. 1958 DM	Changes in 1959 DM	as shown by the books on 31 Dec. 1959 DM
1. Cash ¹⁾	1,133,326.07	—	1,133,326.07
2. Bills of exchange	211,524.63	—	211,524.63
3. Advances against securities	103,241.—	— 1.—	103,240.—
4. Cash advances	100.—	—	100.—
5. Other short-term credit extended to public authorities	1,345,153.61	—	1,345,153.61
6. Land and Buildings	26,440,270.—	+ 22,388.—	26,462,658.—
7. Office furniture and equipment	2,166,811.21	—	2,166,811.21
8. Other assets	9,502,199.21	—	9,502,199.21
9. Transitory items	938,761.74	—	938,761.74
10. Equalisation claims on public authorities	8,104,443,433.93	— 561,163.79	8,103,882,270.14
11. Proceeds from realisation of DM (East) holdings	41,334,713.71	—	41,334,713.71
12. Non-interest-bearing debt certificate in respect of Berlin	547,168,458.08	— 412.22	547,168,045.86
	<u>8,734,787,993.19</u>	<u>— 539,189.01</u>	<u>8,734,248,804.18</u>
13. Contingent claims	126,558.92	—	126,558.92

¹⁾ Relating to converted Small Money Tokens.

Amalgamated to Form the Deutsche Bundesbank

on 31 December 1959

Liabilities

	as shown by the books on 31 Dec. 1958 DM	Changes in 1959 DM	as shown by the books on 31 Dec. 1959 DM
1. Capital	270,000,000.—	—	270,000,000.—
2. Reserves for specific purposes:			
for pension liabilities	126,968,586.60	—	126,968,586.60
others	233,810.35	—	233,810.35
3. Notes and coin put into circulation			
a) first instalment of per-capita quotas . . .	1,853,121,612.32	—	1,853,121,612.32
b) second instalment of per-capita quotas, delayed cases, etc.	264,984,441.78	— 624.60	264,983,817.18
4. Deposits	5,629,150,030.—	— 538,152.19	5,628,611,877.81
5. Other liabilities	1,648,526.03	—	1,648,526.03
6. Transitory items	177,814.32	—	177,814.32
7. Amounts paid or credited under para. 52a, b, d and e, Berlin Central Bank Ordinance, and para. 9, Implementing Reg. 2, Berlin Conversion Ordinance . . .	588,503,171.79	— 412.22	588,502,759.57
	<u>8,734,787,993.19</u>	<u>— 539,189.01</u>	<u>8,734,248,804.18</u>
8. Contingent liabilities	126,558.92	—	126,558.92

Frankfurt am Main, 26 January 1960

Deutsche Bundesbank
The Directorate

Karl Blessing Dr. Troeger
Dr. Benning Dr. Emminger Hartlieb Könniker Tüngeler
Dr. Wolf Dr. Zachau

The final result of our audit, which was duly carried out on the basis of the books and records of the Deutsche Bundesbank as well as of the explanations given and vouchers produced, shows the accounting records and the Conversion Accounts for the Bank deutscher Länder and the Land Central Banks, amended to conform with the revisions as of 31 December 1959 and provisionally closed, as well as the correspondingly amended Combined Conversion Account of the Institutions Amalgamated to Form the Deutsche Bundesbank to be in accordance with the provisions of the law.

Frankfurt am Main, 19 March 1960

Dr. Merkle Dr. Wollert
Certified Auditor Certified Auditor
Deutsche Revisions- und Treuhand-Aktiengesellschaft
Auditing Company
Dr. Merckens Prof. Dr. Birck
Certified Auditor Certified Auditor

Assets

Balance Sheet of the Deutsche Bundesbank

	DM	DM	DM
1. Gold			10,933,956,916.15
2. Balances at foreign banks and money-market investments abroad			8,248,956,254.20
of which, earmarked for specific purposes DM 347,778,000.—			
3. Foreign notes and coin, foreign bills and cheques			130,027,703.66
4. German divisional coin			88,262,379.01
5. Postal cheque account balances			226,164,334.53
6. Domestic bills of exchange			853,347,915.44
7. Treasury bills and non-interest-bearing Treasury bonds of Federal Government and Federal Special Funds			80,000,000.—
8. Advances against securities			234,397,200.—
9. Cash advances to			
a) Federal Government and Federal Special Funds		244,800,000.—	
b) Länder		—	
c) other public authorities		20,349,200.23	265,149,200.23
10. Other claims			140,261,984.35
11. Securities			234,627,215.24
12. Equalisation claims on public authorities and debt certificate in respect of Berlin			
a) Equalisation claims	8,229,311,970.01		
less Equalisation claims returned in exchange for money-market paper	3,045,530,000.—	5,183,781,970.01	
b) Debt certificate		547,168,045.86	5,730,950,015.87
13. Credits to Federal Government for participation in international institutions			1,210,662,600.—
14. Loans to international institutions and consolidation loans			4,816,508,586.01
of which a) to I.B.R.D.	DM 1,485,532,812.50		
b) arising from liqui- dation of E.P.U.	DM 3,156,000,699.03		
15. Land and buildings			
Position on 1 January 1959		55,000,000.—	
Increase		9,352,294.83	
		64,352,294.83	
Disposals	396,428.33		
Depreciation	8,955,866.50	9,352,294.83	55,000,000.—
16. Office furniture and equipment			
Position on 1 January 1959		1,—	
Increase		2,881,381.93	
		2,881,382.93	
Depreciation		2,881,381.93	1.—
17. Other assets			67,827,405.84
18. Transitory items			91,394,107.41
<i>Right of recourse in respect of contingent liabilities</i>		5,727,951.11	
			<u>33,407,493,818.94</u>

as on 31 December 1959

Liabilities

	DM	DM	DM
1. Capital			290,000,000.—
2. Reserves			
a) legal reserve		364,800,000.—	
b) other reserves		157,400,000.—	522,200,000.—
3. Reserves for specific purposes			
a) for pension liabilities		460,000,000.—	
b) for note printing		45,000,000.—	
c) for conversion costs		1,000,000.—	
d) for other purposes		300,000,000.—	806,000,000.—
4. Bank notes in circulation			19,045,691,345.—
5. Deposits of			
a) credit institutions (including Postal Cheque and Postal Savings Bank offices)		9,343,828,390.97	
b) public depositors			
ba) Federal Govt. and Federal Special Funds	922,372,793.19		
bb) Länder	1,069,915,237.73		
bc) other public depositors	46,674,693.65	2,038,962,724.57	
c) other German depositors		221,825,627.92	11,604,616,743.46
6. Liabilities in respect of foreign business			
a) Deposits of foreign depositors		299,412,742.16	
b) others		373,067,274.44	672,480,016.60
of which, provision of cover for letters of credit and guarantees by foreigners DM 110,049,637.05 Germans DM 246,856,271.20			
7. Items in course of settlement			239,436,777.83
8. Other liabilities			31,804,019.70
9. Transitory items			51,992,104.90
10. Net profit			143,272,811.45
Contingent liabilities		5,727,951.11	
			<u>33,407,493,818.94</u>

Profit and Loss Account of the Deutsche Bundesbank for the Year 1959

Expenditure	DM	DM
1. Administrative costs		
a) Personnel	124,682,687.41	
b) Materials	22,908,063.55	147,590,750.96
2. Note printing		16,320,586.43
3. Depreciation		
a) on land and buildings	8,955,866.50	
b) on office furniture and equipment	2,881,381.93	11,837,248.43
4. Allocations to reserves for specific purposes		
a) for pension liabilities	60,032,514.74	
b) for conversion costs, according to Reg. No. 45 / Conv. Law and 2nd Pension Increase Law	1,000,000.—	
c) others	90,000,000.—	151,032,514.74
5. Pension payments in respect of Reichsbank		20,307,246.45
6. Other expenditure		3,228,536.04
7. Net profit		143,272,811.45
		<u>493,589,694.50</u>
<hr style="border-top: 3px double #000;"/>		
Receipts		
1. Interest		474,678,353.85
2. Fees and charges		2,483,803.11
3. Other receipts		16,427,537.54
		<u>493,589,694.50</u>
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Frankfurt am Main, 26 January 1960

*Deutsche Bundesbank
The Directorate*

*Karl Blessing Dr. Troeger
Dr. Benning Dr. Emminger Hartlieb Könneker Tüngeler
Dr. Wolf Dr. Zachau*

The final result of our audit, which was duly carried out on the basis of the records, books and other data of the Deutsche Bundesbank as well as of the explanations given and vouchers produced by the Directorate, shows the accounting records and the Annual Statement to be in accordance with the provisions of the law.

Frankfurt am Main, 19 March 1960

*Dr. Merkle Dr. Wollert
Certified Auditor Certified Auditor
Deutsche Revisions- und Treuhand-Aktiengesellschaft
Auditing Company
Dr. Merckens Prof. Dr. Birck
Certified Auditor Certified Auditor*

Fund for the Purchase of Equalisation Claims

Position on 31 December 1959

	Equalisation claims (remaining capital)	Cash resources	Total assets of the Fund
	DM	DM	DM
Position on 31 December 1958	230,962,066.19	14,180,636.17	245,142,702.36
Allocation from the Deutsche Bundesbank's 1958 net profit		40,000,000.—	40,000,000.—
Equalisation claims purchased	36,188,037.—	less 36,188,037.—	
Redeemed	less 3,147,343.53	3,147,343.53	
Retroceded	less 3,838,719.26	3,838,719.26	
Interest			
on equalisation claims		8,031,316.85	8,031,316.85
from temporary employment of the Fund's cash resources		728,545.12	728,545.12
Position on 31 December 1959	260,164,040.40	33,738,523.93	293,902,564.33

Frankfurt am Main, 26 January 1960

Deutsche Bundesbank
The Directorate
Karl Blessing Dr. Troeger
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Date of return	Assets												
	Gold	Balances at foreign banks and money-market investments abroad		Foreign notes and coin, foreign bills and cheques	German divisional coin	Balances on postal cheque account	Domestic bills of exchange	Treasury bills and non-interest-bearing Treasury bonds			Advances against securities	Cash ad-	
		Total	of which, earmarked for specific purposes					Total	Federal Government and Federal Special Funds	Länder		Total	Federal Government and Federal Special Funds
1	2	3	4	5	6	7	8	9	10	11	12	13	
1959													
Jan. 7	10,963.3	8,860.4	968.0	147.2	111.3	160.7	591.3	—	—	—	18.1	6.8	—
15	11,125.9	8,326.8	969.1	141.0	130.9	136.6	470.6	—	—	—	20.4	5.9	—
23	11,125.9	8,485.5	969.3	138.6	147.2	83.5	551.0	17.5	17.5	—	28.2	0.7	—
31	11,125.9	8,504.3	968.3	138.1	119.2	94.7	741.0	28.3	28.3	—	23.7	22.2	—
Feb. 7	11,125.9	8,530.8	961.3	132.3	130.8	85.4	740.0	28.3	28.3	—	16.1	22.4	—
15	11,125.9	8,363.8	961.8	129.9	139.8	72.7	594.1	28.3	28.3	—	16.7	8.2	—
23	11,125.9	8,386.9	962.1	134.1	148.9	120.9	458.3	15.8	15.8	—	23.4	4.6	—
28	11,125.9	8,187.6	962.6	132.1	121.5	91.4	583.8	—	—	—	78.7	21.2	—
Mar. 7	11,125.9	8,208.5	958.9	126.7	125.1	80.6	1,059.7	4.0	4.0	—	20.3	16.0	—
15	11,125.9	8,422.4	952.6	124.9	114.6	91.2	1,060.1	4.0	4.0	—	24.7	23.0	—
23	11,125.9	8,449.3	947.7	125.5	124.8	112.4	723.2	4.0	4.0	—	31.6	17.5	—
31	11,126.0	6,669.9	707.8	127.3	93.1	103.4	525.3	—	—	—	31.0	23.4	—
Apr. 7	11,126.0	6,644.7	706.1	122.4	113.8	121.7	605.7	—	—	—	20.2	51.5	39.3
15	11,126.0	6,369.3	701.9	123.0	130.2	127.1	455.1	—	—	—	19.4	7.8	—
23	11,126.0	6,158.5	705.5	121.5	141.8	97.9	364.6	—	—	—	25.7	18.3	—
30	11,126.0	6,042.3	708.3	130.6	103.7	101.4	732.1	16.0	16.0	—	29.0	118.9	58.6
May 7	11,102.6	6,064.7	708.5	123.2	106.0	136.2	739.3	13.2	13.2	—	22.0	213.3	187.2
15	11,102.6	6,361.3	708.6	116.5	110.4	111.3	757.3	8.3	8.3	—	27.5	39.6	29.9
23	11,102.7	6,477.9	706.2	121.8	126.4	98.7	824.2	2.0	2.0	—	28.5	2.0	—
31	11,149.8	6,501.8	705.9	117.6	93.4	100.6	847.7	2.0	2.0	—	23.4	441.2	408.2
June 7	11,149.8	6,598.4	706.0	117.7	104.5	96.0	993.5	30.0	30.0	—	19.3	720.5	666.1
15	11,149.8	6,384.6	706.5	118.1	119.1	116.1	732.2	0.0	0.0	—	32.6	234.1	217.1
23	11,200.5	6,112.4	441.2	117.7	132.2	97.1	523.4	195.0	195.0	—	76.5	2.8	—
30	11,232.9	6,417.8	440.7	115.9	96.9	113.1	782.0	196.5	196.5	—	31.7	552.0	535.9
July 7 ¹⁾	11,232.9	6,368.0	440.7	114.6	110.5	127.2	850.3	151.0	151.0	—	23.8	1,074.9	1,072.8
15	11,279.9	6,341.6	440.7	120.4	123.2	132.0	640.4	66.0	66.0	—	24.3	34.5	16.2
23	11,281.5	6,543.5	440.7	130.7	134.4	108.7	486.3	43.0	43.0	—	58.7	9.5	—
31	11,305.1	6,344.9	440.7	150.3	97.6	102.7	448.2	31.0	31.0	—	14.8	652.6	610.8
Aug. 7	11,297.2	6,203.2	352.6	148.0	112.4	107.0	464.2	1.0	1.0	—	16.5	1,050.0	1,022.7
15	11,285.6	5,967.9	352.6	145.8	123.3	112.1	422.5	3.0	3.0	—	14.0	583.8	565.1
23	11,309.8	5,891.1	352.6	140.4	139.4	72.3	448.0	2.0	2.0	—	17.2	86.0	69.9
31	11,303.8	5,966.5	352.6	136.6	103.5	110.9	658.3	2.0	2.0	—	22.9	739.4	688.7
Sep. 7	10,870.4	5,939.0	352.6	136.5	110.6	127.5	1,193.6	2.0	2.0	—	17.1	998.2	963.2
15	10,870.4	5,937.6	352.6	129.2	125.1	134.6	1,014.2	2.0	2.0	—	19.3	421.3	411.5
23	10,871.5	5,967.7	352.6	130.3	138.3	114.8	983.7	2.0	2.0	—	27.4	4.4	—
30	10,871.5	6,030.7	352.6	149.4	103.6	122.5	1,363.1	20.0	20.0	—	25.7	36.3	32.5
Oct. 7	10,886.3	6,056.5	352.6	141.4	114.4	148.6	1,468.0	10.3	10.3	—	22.9	231.7	231.6
15	10,880.2	6,368.1	352.6	121.5	125.4	138.5	1,063.6	—	—	—	24.9	10.7	—
23	10,923.6	6,390.8	352.6	133.8	136.6	88.2	1,268.8	1.3	1.3	—	24.3	26.4	—
31	10,904.8	6,424.0	352.6	129.9	103.8	113.8	1,136.3	3.0	3.0	—	18.3	43.7	—
Nov. 7	10,904.2	6,686.5	352.6	125.6	112.7	100.1	1,551.6	43.6	43.6	—	21.1	28.3	—
15	10,904.2	6,836.8	352.6	123.5	121.6	100.2	1,476.3	99.3	99.3	—	27.4	25.8	—
23	10,904.9	7,172.2	352.6	122.9	129.0	186.5	1,383.1	30.3	30.3	—	39.0	10.4	—
30	10,904.8	7,251.8	352.6	123.9	92.5	129.0	1,333.8	35.5	35.5	—	28.3	40.7	—
Dec. 7	10,904.8	7,483.4	352.6	127.3	83.7	119.0	1,401.7	25.5	25.5	—	46.4	415.6	385.3
15	10,904.8	7,553.9	352.6	121.0	84.0	150.2	1,037.0	30.5	30.5	—	55.3	139.6	134.7
23	10,905.5	7,824.5	352.6	131.4	84.6	103.8	879.6	18.2	18.2	—	86.1	5.5	—
31	10,934.0	8,248.9	347.8	130.0	88.3	226.2	853.3	80.0	80.0	—	234.4	265.1	244.8

¹⁾ Including equalisation claims resulting from conversion of Berlin pre-capitulation accounts (Supplementary Conversion Law) and from conversion of pre-Federal Government in respect of I.M.F. and I.B.R.D. — ²⁾ Until 23 January 1959 loans to international institutions and consolidation loans to foreign

Deutsche Bundesbank
of DM

Assets													Date of return	
Länder	Other public authorities	Se- curities	Equalisation claims and non-interest-bearing debt certificate					Credits to Federal Govt. for participa- tion in inter- national institu- tions *)	Loans to international institu- tions and consolidation loans 3)			Other assets		Total
			Holding	note					Total	of which :				
				Equalisa- tion claims from con- version of own balance sheet 4)	Equali- sation claims pur- chased	Equalisation claims returned in exchange for money- market paper	Debt certificate			to I. B. R. D.	from liquida- tion of E. P. U.			
14	15	16	17	18	19	20	21	22	23	24	25	26	27	
5.0	1.8	269.2	3,870.1	8,121.7	127.2	4,926.0	547.2	661.7	6,089.4	1,233.7	4,590.3	358.5	32,108.0	1959 Jan. 7
—	5.9	265.2	3,653.8	8,121.7	126.0	5,141.1	547.2	661.7	6,213.4	1,233.7	4,725.8	338.0	31,490.2	15
—	0.7	253.4	3,742.6	8,121.8	106.6	5,033.0	547.2	661.7	5,799.8	1,371.7	4,179.2	328.7	31,364.3	23
22.0	0.2	245.3	3,599.2	8,122.0	106.6	5,176.6	547.2	661.7	5,799.1	1,371.7	4,183.0	235.8	31,338.5	31
14.0	8.4	241.0	3,814.1	8,122.0	106.5	4,961.6	547.2	661.7	5,794.8	1,371.7	4,179.5	206.1	31,529.7	Feb. 7
—	8.2	234.1	3,785.1	8,122.0	106.5	4,990.6	547.2	661.7	5,790.9	1,371.7	4,179.5	209.6	31,160.8	15
—	4.6	232.3	4,150.6	8,122.0	106.5	4,625.1	547.2	661.7	5,793.7	1,371.7	4,179.5	533.3	31,790.4	23
6.1	15.1	232.3	4,171.6	8,122.2	106.5	4,604.3	547.2	661.7	5,792.1	1,371.7	4,179.5	282.9	31,482.8	28
—	16.0	235.5	4,232.2	8,126.5	106.5	4,548.0	547.2	661.7	5,793.3	1,371.7	4,176.0	274.5	31,964.0	Mar. 7
—	23.0	235.2	4,229.1	8,126.6	106.5	4,551.2	547.2	661.7	5,793.8	1,371.7	4,176.0	269.4	32,180.0	15
—	17.5	235.1	4,210.1	8,126.6	106.5	4,570.2	547.2	661.7	5,774.2	1,371.7	4,156.6	291.6	31,886.9	23
4.0	19.4	235.0	3,900.8	8,126.6	106.5	4,879.5	547.2	661.7	5,729.6	1,371.7	4,118.2	562.7	29,789.2	31
—	12.2	234.7	3,733.9	8,126.9	106.3	5,046.5	547.2	661.7	5,722.6	1,371.7	4,111.5	316.2	29,475.1	Apr. 7
—	7.8	234.6	3,121.8	8,126.9	106.3	5,658.6	547.2	661.7	5,536.8	1,371.7	3,927.3	321.0	28,233.8	15
—	18.3	230.6	2,863.7	8,126.9	106.3	5,916.7	547.2	661.7	5,529.4	1,371.7	3,918.7	320.9	27,660.6	23
33.9	26.4	228.4	3,207.6	8,126.9	106.3	5,572.8	547.2	661.7	5,526.2	1,371.7	3,918.7	419.8	28,443.7	30
23.7	2.4	230.3	3,240.0	8,126.9	106.3	5,540.4	547.2	661.7	5,526.8	1,371.7	3,918.7	369.6	28,548.9	May 7
—	9.7	237.8	3,469.7	8,126.9	106.3	5,310.7	547.2	661.7	5,515.6	1,371.7	3,910.8	381.4	28,901.0	15
—	2.0	239.6	3,543.0	8,127.0	106.3	5,237.5	547.2	661.7	5,508.7	1,371.7	3,909.2	356.1	29,093.3	23
23.4	9.6	239.6	3,520.7	8,127.0	106.3	5,259.8	547.2	661.7	5,505.1	1,371.7	3,909.2	741.9	29,946.5	31
19.8	34.6	239.4	3,521.0	8,127.1	106.3	5,259.6	547.2	661.7	5,503.6	1,371.7	3,909.2	353.5	30,108.9	June 7
—	17.0	240.0	3,472.2	8,127.2	104.8	5,307.0	547.2	661.7	5,496.0	1,371.7	3,909.2	354.4	29,110.9	15
—	2.8	239.8	3,546.6	8,127.2	104.8	5,232.6	547.2	661.7	5,495.4	1,371.7	3,905.5	348.3	28,749.4	23
15.8	0.3	239.9	3,746.0	8,127.2	104.2	5,032.6	547.2	661.7	5,404.9	1,371.7	3,810.6	622.6	30,213.9	30
—	2.1	239.8	3,941.3	8,127.2	104.2	4,837.3	547.2	661.7	5,398.7	1,371.7	3,810.6	462.2	30,756.9	July 7 ⁴⁾
—	18.3	239.6	4,065.5	8,127.2	104.2	4,713.1	547.2	661.7	5,379.6	1,371.7	3,790.6	342.5	29,451.2	15
—	9.5	239.5	4,184.6	8,127.2	104.2	4,594.0	547.2	661.7	5,378.5	1,371.7	3,789.8	334.7	29,595.3	23
29.8	12.0	239.3	4,124.1	8,127.2	104.2	4,654.5	547.2	661.7	5,344.4	1,371.7	3,759.8	640.9	30,157.6	31
12.3	15.0	239.1	4,077.0	8,127.3	104.1	4,701.6	547.2	669.6	5,256.9	1,371.7	3,671.6	345.2	29,987.3	Aug. 7
—	18.7	239.0	4,087.2	8,127.3	104.1	4,691.4	547.2	669.6	5,238.5	1,371.7	3,671.6	347.3	29,239.6	15
—	16.1	238.7	4,096.1	8,127.4	104.1	4,682.6	547.2	669.6	5,236.8	1,371.7	3,670.9	348.7	28,696.1	23
29.4	21.3	238.7	4,151.9	8,127.4	104.1	4,626.8	547.2	675.6	5,237.6	1,371.7	3,670.9	676.3	30,024.0	31
25.3	9.7	238.7	4,172.3	8,127.4	104.1	4,606.4	547.2	1,175.2	5,241.3	1,371.7	3,670.9	395.5	30,617.9	Sep. 7
—	9.8	238.5	4,196.2	8,127.4	104.1	4,582.5	547.2	1,175.2	5,359.3	1,488.8	3,670.9	365.0	29,987.9	15
—	4.4	238.4	4,187.7	8,127.4	104.1	4,591.0	547.2	1,175.2	5,355.6	1,488.8	3,670.2	361.2	29,558.2	23
3.7	0.1	238.4	4,416.4	8,127.4	103.2	4,361.4	547.2	1,175.2	5,295.3	1,488.8	3,617.9	762.7	30,610.8	30
—	0.1	235.8	4,662.7	8,127.6	103.2	4,115.3	547.2	1,175.2	5,298.0	1,488.8	3,617.9	359.5	30,811.3	Oct. 7
—	10.7	236.4	4,648.1	8,127.6	103.2	4,129.9	547.2	1,181.3	5,162.1	1,488.8	3,482.3	363.1	30,323.9	15
—	26.4	234.8	3,939.8	8,127.6	103.2	4,838.2	547.2	1,181.3	5,159.9	1,488.8	3,481.6	369.9	29,879.5	23
20.7	23.0	235.6	3,454.4	8,127.6	103.1	5,323.5	547.2	1,181.3	5,162.2	1,488.8	3,481.6	531.5	29,442.6	31
19.4	8.9	235.6	3,521.4	8,127.6	103.1	5,256.5	547.2	1,181.3	5,162.7	1,488.8	3,481.6	375.5	30,050.2	Nov. 7
6.7	19.1	235.7	3,839.5	8,127.6	103.1	4,938.4	547.2	1,181.3	5,161.3	1,488.8	3,481.6	371.1	30,504.0	15
—	10.4	235.6	4,136.2	8,127.6	103.1	4,641.7	547.2	1,181.3	5,161.1	1,488.8	3,480.9	387.7	31,080.2	23
27.5	13.2	235.8	4,183.7	8,127.6	103.1	4,594.2	547.2	1,181.3	5,162.1	1,488.8	3,480.9	788.2	31,491.4	30
23.2	7.1	235.4	4,247.8	8,127.7	103.1	4,530.2	547.2	1,181.3	5,155.7	1,488.8	3,478.8	403.5	31,831.1	Dec. 7
—	4.9	235.6	4,503.9	8,127.7	103.1	4,274.1	547.2	1,210.7	5,156.3	1,488.8	3,478.8	397.0	31,579.8	15
1.3	4.2	235.8	5,018.3	8,127.7	103.1	3,759.7	547.2	1,210.7	5,147.9	1,488.8	3,478.1	574.6	32,226.5	23
—	20.3	234.6	5,731.0	8,127.2	102.1	3,045.5	547.2	1,210.7	4,816.5	1,485.5	3,156.0	311.2	33,364.2	31

currency-reform accounts with credit institutions in the Soviet Sector of Berlin (Second Supplementary Conversion Law). — *) Until 31 July 1959 credit to Central Banks. — 4) As from 7 July 1959 including Land Central Bank in the Saarland.

Returns of the Deutsche Bundesbank (cont'd)

in millions of DM

Date of return	Liabilities															
	Bank notes in circulation	Deposits							Liabilities in respect of foreign business				Reserves	Capital	Other liabilities	Total
		Total	of credit institutions (including Postal Cheque and Postal Savings Bank offices)	of public depositors				of other German depositors	Total	Deposits of foreign depositors	Other	Amounts placed to reserve for specific liabilities				
				Total	Federal Government and Federal Special Funds	Länder	other public depositors									
28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	
1959																
Jan. 7	16,452.2	12,781.7	7,567.1	5,006.3	4,275.3	712.8	18.2	208.3	1,152.2	563.3	588.9	655.8	491.6	290.0	284.5	32,108.0
15	16,055.6	12,595.5	6,540.4	5,861.8	4,652.3	1,194.2	15.3	193.3	1,122.2	528.0	594.2	655.8	491.6	290.0	279.5	31,490.2
23	15,313.7	13,247.3	6,861.4	6,197.3	5,014.0	1,165.3	18.0	188.6	1,105.2	511.9	593.3	655.8	491.6	290.0	260.7	31,364.3
31	17,204.9	11,568.2	6,289.1	5,088.4	4,546.2	520.8	21.4	190.7	1,039.7	449.3	590.4	655.8	491.6	290.0	88.3	31,338.5
Feb. 7	16,179.8	12,756.1	7,661.0	4,909.3	4,365.0	528.5	15.8	185.8	1,029.9	432.6	597.3	655.8	491.6	290.0	126.5	31,529.7
15	15,852.1	12,613.7	6,712.5	5,720.5	4,783.9	908.2	28.4	180.7	1,044.5	443.6	600.9	655.8	491.6	290.0	213.1	31,160.8
23	15,187.9	13,999.4	6,613.4	7,184.4	6,134.7	1,028.3	21.4	201.6	1,072.3	475.7	596.6	655.8	491.6	290.0	93.4	31,790.4
28	17,618.5	11,248.2	6,160.9	4,891.7	4,263.4	607.2	21.1	195.6	1,081.2	497.5	583.7	655.8	491.6	290.0	97.5	31,482.8
Mar. 7	16,687.8	12,637.4	7,771.3	4,668.1	3,945.1	701.9	21.1	198.0	1,079.5	496.6	582.9	655.8	491.6	290.0	121.9	31,964.0
15	16,442.7	13,062.6	6,809.6	6,053.3	4,029.2	2,004.4	19.7	199.7	1,082.3	499.9	582.4	655.8	491.6	290.0	155.0	32,180.0
23	15,773.0	13,156.9	7,494.0	5,430.6	3,592.1	1,808.8	29.7	232.3	1,279.6	710.4	569.2	655.8	491.6	290.0	240.0	31,886.9
31	17,924.6	9,399.4	6,310.6	2,872.1	1,852.7	978.7	40.7	216.7	920.4	657.2	263.2	655.8	491.6	290.0	107.4	29,789.2
Apr. 7	16,532.5	10,280.7	7,938.5	2,120.2	1,205.7	895.6	18.9	222.0	891.1	628.4	262.7	655.8	491.6	290.0	333.4	29,475.1
15	16,149.3	9,634.7	6,886.0	2,554.4	1,342.3	1,193.2	18.9	194.3	868.7	615.3	253.4	655.8	491.6	290.0	143.7	28,233.8
23	15,513.1	9,814.2	6,606.1	3,019.0	1,814.8	1,179.4	24.8	189.1	889.0	639.8	249.2	655.8	491.6	290.0	6.9	27,660.6
30	18,161.6	7,909.3	6,032.6	1,692.0	1,095.0	578.5	18.5	184.7	881.7	575.7	306.0	671.6	522.2	290.0	7.3	28,443.7
May 7	17,253.9	8,927.0	6,921.7	1,811.2	1,166.9	628.7	15.6	194.1	814.4	508.1	306.3	671.6	522.2	290.0	69.8	28,548.9
15	16,719.0	9,753.9	7,065.9	2,495.0	1,344.4	1,116.9	33.7	193.0	921.3	611.2	310.1	671.6	522.2	290.0	23.0	28,901.0
23	15,653.8	11,100.5	7,874.0	3,014.1	1,776.4	1,208.4	29.3	212.4	831.3	513.9	317.4	671.6	522.2	290.0	23.9	29,093.3
31	18,139.0	9,527.5	6,691.8	2,632.6	1,916.8	687.9	27.9	203.1	787.1	463.4	323.7	671.6	522.2	290.0	9.1	29,946.5
June 7	17,175.6	10,555.4	8,253.5	2,101.4	1,470.7	612.4	18.3	200.5	828.8	528.2	300.6	671.6	522.2	290.0	65.3	30,108.9
15	16,625.3	10,048.9	6,399.6	3,437.4	1,262.2	2,154.7	20.5	211.9	858.7	565.4	293.3	671.6	522.2	290.0	94.2	29,110.9
23	15,676.8	10,555.5	7,094.5	3,253.2	1,438.1	1,782.3	32.8	207.8	956.4	654.8	301.6	671.6	522.2	290.0	76.9	28,749.4
30	18,215.2	9,478.3	6,559.5	2,697.0	1,749.6	898.7	48.7	221.8	898.1	592.8	305.3	671.6	522.2	290.0	138.5	30,213.9
July 7 ¹⁾	17,781.4	10,337.6	7,831.3	2,295.3	1,296.2	980.0	19.1	211.0	869.1	586.2	282.9	671.6	522.2	290.0	285.0	30,756.9
15	17,139.5	9,895.6	7,081.1	2,607.0	1,227.4	1,356.2	23.4	207.5	705.3	418.0	287.3	671.6	522.2	290.0	227.0	29,451.2
23	16,420.6	10,602.2	7,506.7	2,887.9	1,637.2	1,213.8	36.9	207.6	876.4	485.8	390.6	671.6	522.2	290.0	212.3	29,595.3
31	18,688.8	8,762.6	6,261.6	2,288.5	1,495.8	768.0	24.7	212.5	1,037.5	658.6	378.9	671.6	522.2	290.0	184.9	30,157.6
Aug. 7	17,603.6	9,700.8	7,520.9	1,982.2	1,206.2	753.5	22.5	197.7	931.8	574.0	357.8	671.6	522.2	290.0	267.3	29,987.3
15	17,268.5	9,302.4	6,683.0	2,417.2	1,184.4	1,197.2	35.6	202.2	885.8	526.6	359.2	671.6	522.2	290.0	299.1	29,239.6
23	16,282.7	9,795.0	7,234.5	2,338.7	974.4	1,333.6	30.7	221.8	880.2	496.8	383.4	671.6	522.2	290.0	254.4	28,696.1
31	18,646.4	8,763.0	6,380.3	2,164.0	1,590.3	547.5	26.2	218.7	908.6	472.6	436.0	671.5	522.2	290.0	222.3	30,024.0
Sep. 7	17,691.3	10,170.4	8,152.9	1,804.5	1,181.8	599.6	23.1	213.0	974.7	535.8	438.9	671.5	522.2	290.0	297.8	30,617.9
15	17,087.4	10,104.3	6,706.7	3,190.9	1,125.1	2,047.9	17.9	206.7	870.2	429.3	440.9	671.2	522.2	290.0	442.6	29,987.9
23	16,145.2	10,861.8	7,007.6	3,649.3	1,756.3	1,859.8	33.2	204.9	808.5	368.3	440.2	671.2	522.2	290.0	259.3	29,558.2
30	18,723.3	9,346.2	6,459.2	2,669.9	1,668.0	963.0	38.9	217.1	805.9	377.2	428.7	671.2	522.2	290.0	252.0	30,610.8
Oct. 7	17,655.2	10,551.8	7,941.4	2,401.6	1,344.6	1,036.4	20.6	208.8	788.0	363.1	424.9	671.2	522.2	290.0	332.9	30,811.3
15	17,253.5	10,547.8	7,414.1	2,934.1	1,493.2	1,418.6	22.3	199.6	742.7	327.3	415.4	671.2	522.2	290.0	296.5	30,323.9
23	16,414.1	10,977.9	7,469.3	3,288.4	1,938.3	1,320.4	29.7	220.2	738.5	325.2	413.3	671.2	522.2	290.0	265.6	29,879.5
31	18,708.5	8,251.3	6,204.4	1,829.3	1,133.4	667.6	28.3	217.6	788.7	379.0	409.7	671.2	522.2	290.0	210.7	29,442.6
Nov. 7	17,595.8	10,031.8	8,139.0	1,690.9	908.7	752.7	29.5	201.9	706.5	299.7	406.8	671.2	522.2	290.0	232.7	30,050.2
15	17,176.2	10,890.1	7,953.1	2,731.7	1,547.2	1,151.1	33.4	205.3	702.0	299.9	402.1	671.2	522.2	290.0	252.3	30,504.0
23	16,291.0	12,202.2	8,727.6	3,256.0	2,087.7	1,124.5	43.8	218.6	720.0	318.9	401.1	671.2	522.2	290.0	383.6	31,080.2
30	19,161.3	9,910.8	7,519.0	2,161.0	1,731.9	391.6	37.5	230.8	702.6	305.8	396.8	671.2	522.2	290.0	233.3	31,491.4
Dec. 7	18,665.0	10,571.1	8,870.5	1,453.8	1,001.8	425.8	26.2	246.8	748.7	351.4	397.3	671.2	522.2	290.0	362.9	31,831.1
15	17,998.0	10,844.8	7,388.3	3,226.1	921.5	2,269.1	35.5	230.4	746.1	367.6	378.5	671.2	522.2	290.0	507.5	31,579.8
23	17,656.4	12,088.8	8,568.0	3,308.4	1,512.6	1,771.8	24.0	212.4	740.6	366.5	374.1	671.2	522.2	290.0	257.3	32,226.5
31	19,045.7	11,604.6	9,343.8	2,039.0	922.4	1,069.9	46.7	221.8	672.5	299.4	373.1	671.2	522.2	290.0	558.0	33,364.2

¹⁾ As from 7 July 1959 including Land Central Bank in the Saarland.

Turnover on the Giro Accounts of the Deutsche Bundesbank

	Debits				Credits			
	1958		1959		1958		1959	
	'000 ¹⁾	DM mn	'000 ¹⁾	DM mn	'000 ¹⁾	DM mn	'000 ¹⁾	DM mn
Land Central Bank								
Baden-Württemberg	15,449	120,841	16,880	133,529	18,217	120,977	19,627	133,709
Bavaria	15,935	118,307	17,470	132,964	16,111	118,485	17,585	133,218
Berlin	1,908	28,899	2,090	36,352	2,733	28,902	2,819	36,389
Bremen	2,959	16,673	3,154	18,498	3,328	16,694	3,608	18,541
Hamburg	6,197	101,944	6,266	112,288	7,558	101,969	7,857	112,320
Hesse	10,961	138,500	11,665	162,818	11,122	138,646	12,049	163,052
Lower Saxony	13,961	74,393	15,192	82,941	12,019	74,482	13,193	83,162
North Rhine-Westphalia	32,560	376,328	35,052	419,772	30,619	376,646	33,034	420,378
Rhineland-Palatinate	6,529	38,562	7,118	44,072	6,022	38,652	6,710	44,139
Saarland	—	—	408	8,690	—	—	288	8,780
Schleswig-Holstein	4,226	21,706	4,399	23,782	3,290	21,680	3,496	23,818
Total	110,685	1,036,153	119,694	1,175,706	111,019	1,037,133	120,266	1,177,506
Bundesbank—Directorate—	728	147,660	754	150,702	691	145,439	751	146,781
Grand total	111,413	1,183,813	120,448	1,326,408	111,710	1,182,572	121,017	1,324,287

1) Number of transactions.

of which
a) Simplified Cheque Collection

	Cheques lodged				Cheques paid			
	1958		1959		1958		1959	
	'000	DM mn	'000	DM mn	'000	DM mn	'000	DM mn
Land Central Bank								
Baden-Württemberg	12,720	15,158	13,641	17,350	11,007	14,734	12,016	16,958
Bavaria	11,331	13,965	12,261	15,677	10,808	13,688	11,719	15,903
Berlin	2,074	2,341	2,089	2,746	1,187	2,078	1,335	2,452
Bremen	2,443	2,255	2,689	2,455	1,970	2,157	2,076	2,401
Hamburg	4,399	6,799	4,542	7,557	2,478	6,679	2,629	7,326
Hesse	7,758	9,772	8,349	11,535	7,757	11,920	8,268	13,578
Lower Saxony	8,251	9,508	9,054	10,791	9,710	9,578	10,648	11,092
North Rhine-Westphalia	19,687	31,813	21,159	35,729	22,462	33,183	24,012	36,838
Rhineland-Palatinate	3,694	4,552	4,170	5,126	4,219	4,700	4,554	5,331
Saarland	—	—	207	352	—	—	314	502
Schleswig-Holstein	1,909	2,356	2,013	2,685	2,599	2,253	2,707	2,411
Total	74,266	98,519	80,174	112,003	74,197	100,970	80,278	114,792
Bundesbank—Directorate—	101	2,636	114	2,779	5	67	7	98
Grand total	74,367	101,155	80,288	114,782	74,202	101,037	80,285	114,890

b) Telegraphic Giro Transactions
telegraphic giro transfers despatched

	1958		1959	
	'000	DM mn	'000	DM mn
Land Central Bank				
Baden-Württemberg	29	18,942	27	18,871
Bavaria	26	21,142	25	21,483
Berlin	8	6,081	7	9,528
Bremen	3	1,753	3	1,999
Hamburg	13	14,677	11	14,279
Hesse	24	20,152	24	21,182
Lower Saxony	18	11,535	18	12,825
North Rhine-Westphalia	54	61,530	52	69,377
Rhineland-Palatinate	10	5,138	10	6,826
Saarland	—	—	1	979
Schleswig-Holstein	5	2,951	4	3,113
Total	190	163,901	182	180,462
Bundesbank—Directorate—	9	7,076	9	8,529
Grand total	199	170,977	191	188,991

c) Certified Cheques

	1958		1959	
	number	DM mn	number	DM mn
Land Central Bank				
Baden-Württemberg	2,002	1,209	2,114	1,322
Bavaria	1,221	667	1,123	596
Berlin	222	5	163	3
Bremen	350	95	449	168
Hamburg	470	69	492	49
Hesse	2,152	1,158	2,096	1,262
Lower Saxony	508	358	516	388
North Rhine-Westphalia	11,759	13,484	11,073	12,901
Rhineland-Palatinate	932	433	850	235
Saarland	—	—	29	28
Schleswig-Holstein	827	54	796	23
Total	20,443	17,532	19,701	16,975

Turnover in Clearing Transactions

	1958						1959					
	Bills, cheques, etc., lodged		Local transfers lodged		Total		Bills, cheques, etc., lodged		Local transfers lodged		Total	
	'000	DM mn	'000	DM mn	'000	DM mn	'000	DM mn	'000	DM mn	'000	DM mn
Land Central Bank												
Baden-Württemberg	15,253	26,549	2,337	3,779	17,590	30,328	16,387	29,414	2,638	4,542	19,025	33,956
Bavaria	16,942	26,438	4,365	4,178	21,307	30,616	17,963	29,632	5,118	4,908	23,081	34,540
Berlin	5,456	8,996	2,318	8,567	7,774	17,563	5,564	9,664	2,553	9,327	8,117	18,991
Bremen	3,468	5,065	2,669	5,458	6,137	10,523	3,633	5,504	2,895	5,889	6,528	11,393
Hamburg ¹⁾	4,711	11,970	14,685	57,773	19,396	69,743	5,109	13,720	16,407	71,008	21,516	84,728
Hesse	11,342	76,461	2,297	78,503	13,639	154,964	11,928	96,380	2,641	91,420	14,569	187,800
Lower Saxony	10,160	13,817	3,113	4,616	13,273	18,433	10,653	15,132	3,436	5,697	14,089	20,829
North Rhine-Westphalia	34,079	55,788	5,399	18,325	39,478	74,113	35,894	60,066	6,109	22,399	42,003	82,465
Rhineland-Palatinate	5,158	7,266	1,160	1,440	6,318	8,706	5,420	7,869	1,339	1,545	6,759	9,414
Saarland	—	—	—	—	—	—	445	1,513	423	2,221	868	3,734
Schleswig-Holstein	3,405	4,040	3,128	2,220	6,533	6,260	3,526	4,205	3,307	2,461	6,833	6,666
Total	109,974	236,390	41,471	184,859	151,445	421,249	116,522	273,099	46,866	221,417	163,388	494,516

¹⁾ The Hamburg clearing transactions, which are subject to special arrangements, include moreover 857,000 transfers to and from other places amounting to DM 2,265 million (1958, 895,000 amounting to DM 2,184 million).

Bank Note Circulation

Denominations	1956		1957		1958		1959	
	DM million	per cent	DM million	per cent	DM million	per cent	DM million	per cent
100 II	3,724.26	25.73	4,699.79	29.13	5,640.83	31.94	6,651.72	34.93
50 I	3,445.17	23.80	3,153.59	19.55	2,552.23	14.45	1,808.24	9.49
50 III	3,608.43	24.93	4,506.21	27.92	5,631.81	31.89	6,669.46	35.02
20 I/III	2,528.65	17.47	2,575.89	15.97	2,612.62	14.79	2,622.56	13.77
10 I/II	1,003.37	6.93	1,041.91	6.46	1,091.89	6.18	1,159.07	6.09
5 II	125.45	0.87	128.78	0.80	126.97	0.72	130.36	0.68
Other bank notes and small money tokens	38.14	0.27	26.75	0.17	5.12	0.03	4.28	0.02
Total	14,473.47	100.00	16,132.92	100.00	17,661.47	100.00	19,045.69	100.00

Coin in Circulation

Coins at DM	1956		1957		1958		1959	
	DM million	per cent	DM million	per cent	DM million	per cent	DM million	per cent
5.—	396.98	36.82	409.33	35.89	417.21	34.86	439.73	34.39
2.—	141.15	13.09	137.84	12.09	151.82	12.69	152.78	11.95
1.—	296.31	27.49	323.25	28.35	337.79	28.22	364.40	28.50
—,50	102.12	9.47	113.33	9.94	121.88	10.18	137.03	10.72
—,10	93.23	8.65	102.71	9.01	109.93	9.19	119.52	9.35
—,05	29.64	2.75	32.92	2.89	34.37	2.87	37.43	2.93
—,02	2.02	0.19	2.02	0.18	2.81	0.23	4.58	0.36
—,01	16.58	1.54	18.90	1.65	21.05	1.76	23.07	1.80
Total	1,078.03	100.00	1,140.30	100.00	1,196.86	100.00	1,278.54	100.00

Branch Establishments of the Deutsche Bundesbank

German Abbreviations: BW = Baden-Württemberg HB = Bremen N = Lower Saxony S = Saarland
 BY = Bavaria HH = Hamburg NW = North Rhine-Westphalia SH = Schleswig-Holstein
 B = Berlin H = Hesse R = Rhineland-Palatinate

Serial number	Bank place	Appropriate Main Branch	Land Central Bank	Serial number	Bank place	Appropriate Main Branch	Land Central Bank
39	Aachen	Aachen	NW	336*)	Essen-Werden*)	Essen	NW
563	Aalen (Württ)	Ulm	BW	554	Eßlingen (Neckar)	Stuttgart	BW
319	Ahlen (Westf)	Hamm	NW	397	Euskirchen	Bonn	NW
282	Alfeld (Leine)	Hildesheim	N				
431	Alsfeld (Oberhess)	Fulda	H	232	Flensburg	Flensburg	SH
415	Altena (Westf)	Hagen	NW	512	Frankenthal (Pfalz)	Ludwigshafen	R
655	Amberg (Oberpf)	Regensburg	BY	4	Frankfurt (Main)	Frankfurt	H
447	Andernach	Koblenz	R	57	Freiburg (Breisgau)	Freiburg	BW
646	Ansbach (Mittelfr)	Nürnberg	BY	435	Friedberg (Hess)	Gießen	H
416	Arnsberg (Westf)	Lippstadt	NW	599	Friedrichshafen	Konstanz	BW
614	Aschaffenburg	Würzburg	BY	644	Fürth (Bay)	Nürnberg	BY
68	Augsburg	Augsburg	BY	433	Fulda	Fulda	H
				689	Garm.-Partenkirchen	München	BY
536	Baden-Baden	Karlsruhe	BW	438	Gelnhausen	Fulda	H
429	Bad Hersfeld	Fulda	H	341	Gelsenkirchen	Gelsenkirchen	NW
469	Bad Kreuznach	Bad Kreuznach	R	317	Gelsenkirchen-Buer	Gelsenkirchen	NW
699	Bad Reichenhall	München	BY	385	Gevelsberg	Hagen	NW
62	Bamberg	Nürnberg	BY	43	Gießen	Gießen	H
63	Bayreuth	Hof	BY	316	Gladbeck (Westf)	Gelsenkirchen	NW
352	Beckum (Bz Münster, Westf)	Hamm	NW	323	Goch	Krefeld	NW
496	Bensheim	Darmstadt	H	565	Göppingen	Stuttgart	BW
1	Berlin (West)	Berlin	B	288	Göttingen	Göttingen	N
444	Betzdorf (Sieg)	Koblenz	R	296	Goslar	Braunschweig	N
597	Biberach (Riß)	Ulm	BW	353	Gütersloh	Bielefeld	NW
424	Biedenkopf	Gießen	H	441	Gummersbach	Bonn	NW
26	Bielefeld	Bielefeld	NW				
481	Bingen (Rhein)	Mainz	R	41	Hagen	Hagen	NW
462	Bitburg (Eifel)	Trier	R	2	Hamburg	Hamburg	HH
313	Bocholt	Münster	NW	22	Hamburg-Altona	Hamburg	HH
346	Bochum	Bochum	NW	226	Hamburg-Harburg	Hamburg	HH
442	Bonn	Bonn	NW	279	Hameln	Hannover	N
29	Braunschweig	Braunschweig	N	35	Hamm (Westf)	Hamm	NW
21	Bremen	Bremen	HB	439	Hanau	Frankfurt	H
215	Bremerhaven	Bremen	HB	27	Hannover	Hannover	N
531	Bruchsal	Karlsruhe	BW	381	Hattingen (Ruhr)	Bochum	NW
537	Bühl (Baden)	Karlsruhe	BW	236	Heide (Holst)	Husum	SH
267	Bünde (Westf)	Minden	NW	523	Heidelberg	Mannheim	BW
				567	Heidenheim (Brenz)	Ulm	BW
				54	Heilbronn (Neckar)	Heilbronn	BW
272	Celle	Hannover	N	293	Helmstedt	Braunschweig	N
622	Coburg	Hof	BY	269	Herford	Bielefeld	NW
221	Cuxhaven	Lüneburg	N	343	Herne	Bochum	NW
				367	Hilden	Düsseldorf	NW
49	Darmstadt	Darmstadt	H	28	Hildesheim	Hildesheim	N
673	Deggendorf	Regensburg	BY	452	Höhr-Grenzhausen	Koblenz	R
278	Demold	Bielefeld	NW	633	Hof (Saale)	Hof	BY
451	Dillenburg	Gießen	H	414	Hohenlimburg	Hagen	NW
34	Dortmund	Dortmund	NW	284	Holzminen	Göttingen	N
348*)	Dortmund-Hörde*)	Dortmund	NW	231	Husum	Husum	SH
395	Düren	Aachen	NW				
36	Düsseldorf	Düsseldorf	NW	474	Idar-Oberstein	Bad Kreuznach	R
32	Duisburg	Duisburg	NW	66	Ingolstadt (Donau)	München	BY
331	Duisburg-Hamborn	Duisburg	NW	411	Iserlohn	Dortmund	NW
329	Duisburg-Ruhrort	Duisburg	NW	222	Itzehoe	Husum	SH
592	Ebingen (Württ)	Reutlingen	BW	393	Jülich	Aachen	NW
235	Eckernförde	Kiel	SH				
224	Elmshorn	Kiel	SH	513	Kaiserslautern	Kaiserslautern	R
212	Emden	Emden	N	233	Kappeln (Schlei)	Flensburg	SH
573	Emmendingen	Freiburg	BW	53	Karlsruhe	Karlsruhe	BW
322	Emmerich	Duisburg	NW	42	Kassel	Kassel	H
643	Erlangen	Nürnberg	BY	686	Kaufbeuren	Augsburg	BY
428	Eschwege	Kassel	H	685	Kempten (Allgäu)	Augsburg	BY
394	Eschweiler	Aachen	NW	23	Kiel	Kiel	SH
33	Essen	Essen	NW	619	Kitzingen	Würzburg	BY

The branch establishments marked *) were closed down on 31 December 1959.

Appendix 5 (cont'd) to the Report of the Deutsche Bundesbank for the Year 1959

Serial number	Bank place	Appropriate Main Branch	Land Central Bank	Serial number	Bank place	Appropriate Main Branch	Land Central Bank
321	Kleve	Krefeld	NW	518	Pirmasens	Kaiserslautern	R
44	Koblenz	Koblenz	R	418	Plettenberg	Hagen	NW
3	Köln	Köln	NW	535	Rastatt	Karlsruhe	BW
378	Köln-Mülheim	Köln	NW	59	Ravensburg	Ulm	BW
58	Konstanz	Konstanz	BW	318	Recklinghausen	Gelsenkirchen	NW
421	Korbach	Kassel	H	65	Regensburg	Regensburg	BY
363	Krefeld	Krefeld	NW	446	Remagen	Koblenz	R
364	Krefeld-Uerdingen	Krefeld	NW	374	Remscheid	Remscheid	NW
634	Kulmbach	Hof	BY	389	Remscheid-Lennep	Remscheid	NW
571	Lahr (Schwarzwald)	Freiburg	BW	237	Rendsburg	Kiel	SH
519	Landau (Pfalz)	Ludwigshafen	R	55	Reutlingen	Reutlingen	BW
67	Landshut (Bay)	Regensburg	BY	312	Rheine (Westf)	Münster	NW
432	Lauterbach (Hessen)	Fulda	H	328	Rheinhausen	Duisburg	NW
216	Leer (Ostfriesl)	Emden	N	368	Rheydt	Mönchengladbach	NW
277	Lemgo	Bielefeld	NW	697	Rosenheim	München	BY
453	Limburg (Lahn)	Wiesbaden	H	591	Rottweil	Reutlingen	BW
688	Lindau (Bodensee)	Augsburg	BY	457	Rüdesheim (Rhein)	Wiesbaden	H
262	Lingen (Ems)	Osnabrück	N	47	Saarbrücken	Saarbrücken	S
356	Lippstadt	Lippstadt	NW	476	Saarlouis	Saarbrücken	S
577	Lörrach	Freiburg	BW	578	Säckingen	Freiburg	BW
548	Ludwigsburg	Stuttgart	BW	516	St. Ingbert (Saar)	Saarbrücken	S
51	Ludwigshafen (Rhein)	Ludwigshafen	R	234	Schleswig	Flensburg	SH
24	Lübeck	Lübeck	SH	647	Schwabach	Nürnberg	BY
417	Lüdenscheid	Hagen	NW	562	Schwäbisch Gmünd	Stuttgart	BW
227	Lüneburg	Lüneburg	N	545	Schwäbisch Hall	Heilbronn	BW
48	Mainz	Mainz	R	616	Schweinfurt	Würzburg	BY
52	Mannheim	Mannheim	BW	384	Schwelm	Wuppertal-Elberfeld	NW
425	Marburg (Lahn)	Gießen	H	593	Schwenningen (Neckar)	Freiburg	BW
638	Marktrewitz	Hof	BY	295	Seesen	Braunschweig	N
449	Mayen	Koblenz	R	443	Siegburg	Bonn	NW
683	Memmingen	Augsburg	BY	445	Siegen	Siegen	NW
412	Menden (Sauerland)	Dortmund	NW	584	Singen (Hohentwiel)	Konstanz	BW
371	Mettmann	Wuppertal-Elberfeld	NW	355	Soest	Hamm	NW
617	Miltenberg	Würzburg	BY	373	Solingen	Remscheid	NW
268	Minden (Westf)	Minden	NW	372	Solingen-Ohligs	Remscheid	NW
365	Mönchengladbach	Mönchengladbach	NW	515	Speyer	Ludwigshafen	R
325	Moers	Duisburg	NW	273	Stadthagen	Hannover	N
526	Mosbach (Baden)	Heilbronn	BW	396	Stolberg (Rheinl)	Aachen	NW
335	Mülheim (Ruhr)	Mülheim (Ruhr)	NW	672	Straubing	Regensburg	BY
6	München	München	BY	5	Stuttgart	Stuttgart	BW
31	Münster (Westf)	Münster	NW	465	Traben-Trarbach	Trier	R
413	Neheim-Hüsten	Lippstadt	NW	46	Trier	Trier	R
238	Neumünster	Kiel	SH	557	Tübingen	Reutlingen	BW
478	Neunkirchen (Saar)	Saarbrücken	S	594	Tuttlingen	Konstanz	BW
366	Neuß	Köln	NW	229	Uelzen	Lüneburg	N
239	Neustadt (Holst)	Lübeck	SH	56	Ulm (Donau)	Ulm	BW
514	Neustadt (Weinstraße)	Ludwigshafen	R	354	Unna	Hamm	NW
448	Neuwied	Koblenz	R	338	Velbert (Rheinl)	Wuppertal-Elberfeld	NW
271	Nienburg (Weser)	Hannover	N	362	Viersen	Mönchengladbach	NW
661	Nördlingen	Augsburg	BY	582	Villingen (Schwarzw)	Freiburg	BW
211	Norden	Emden	N	342	Wanne-Eickel	Bochum	NW
263	Nordhorn	Osnabrück	N	359	Warburg (Westf)	Lippstadt	NW
286	Northeim (Han)	Göttingen	N	653	Weiden (Oberpf)	Regensburg	BY
64	Nürnberg	Nürnberg	BY	521	Weinheim (Bergstr)	Mannheim	BW
333	Oberhausen (Rheinl)	Oberhausen	NW	528	Wertheim	Heilbronn	BW
332	Oberhausen (Rheinl)-Sterkrade	Oberhausen	NW	324	Wesel	Duisburg	NW
455	Oberlahnstein	Koblenz	R	383*)	Wetter (Ruhr*)	Hagen	NW
491	Offenbach (Main)	Frankfurt	H	454	Wetzlar	Gießen	H
539	Offenburg (Baden)	Karlsruhe	BW	45	Wiesbaden	Wiesbaden	H
217	Oldenburg (Oldb)	Oldenburg	N	458*)	Wiesbaden-Biebrich*)	Wiesbaden	H
419	Olpe	Siegen	NW	213	Wilhelmshaven	Oldenburg	N
376	Opladen	Remscheid	NW	382	Witten	Dortmund	NW
265	Osnabrück	Osnabrück	N	489	Worms	Mainz	R
298	Osterode (Harz)	Göttingen	N	61	Würzburg	Würzburg	BY
357	Paderborn	Lippstadt	NW	38	Wuppertal-Barmen	Wuppertal-Elberfeld	NW
677	Passau	Regensburg	BY	37	Wuppertal-Elberfeld	Wuppertal-Elberfeld	NW
275	Peine	Hildesheim	N	517	Zweibrücken	Kaiserslautern	R
534	Pforzheim	Pforzheim	BW				

The branch establishments marked *) were closed down on 31 December 1959.

Annex

Statistics on Money and Credit and the Balance of Payments

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**I. Extracts from the Consolidated Condition Statement for the Credit Institutions
including the Deutsche Bundesbank**

*1) Bank Lendings to German Non-Banks, Net Claims on Foreign Countries,
and Principal Bank Liabilities to German Non-Banks*)*

in millions of DM

Items	Position at end of year						Increase (+) or decrease (—) in the year ¹⁾				
	1954	1955	1956	1957	1958	1959	1955	1956	1957	1958	1959
I. Bank Lendings to German Non-Banks, total	62,385	76,233	85,737	95,334	107,985	126,618	+13,548	+10,064	+ 9,983	+12,542	+18,096
(1) Credit institutions except Deutsche Bundesbank, total	61,651	75,222	84,962	94,695	107,136	125,082	+13,271	+10,300	+10,119	+12,332	+17,409
Short-term lendings, total to business and private customers	27,137	29,464	31,228	33,952	34,152	36,468	+ 2,317	+ 1,764	+ 2,724	+ 91	+ 2,316
to public authorities	25,716	28,654	30,132	31,644	31,755	34,613	+ 2,928	+ 1,478	+ 1,512	+ 111	+ 2,858
Banks' holdings of German Treasury bills and non-interest-bearing Treasury bonds (excluding "mobilisation paper" ²⁾)	317	326	433	625	530	307	+ 9	+ 107	+ 192	— 95	— 223
note: banks' holdings of "mobilisation paper" ³⁾	(—)	(714)	(1,126)	(4,027)	(4,300)	(2,915)	(+ 714)	(+ 412)	(+ 2,901)	(+ 273)	(— 1,385)
Medium and long-term lendings, total to business and private customers	31,919	42,357	50,371	57,306	67,850	81,866	+10,148	+ 8,574	+ 7,234	+10,544	+13,479
to public authorities	26,382	34,614	41,100	46,666	54,165	64,766	+ 8,192	+ 6,944	+ 5,571	+ 7,499	+10,254
Banks' holdings of German securities and syndicate participations (excluding holdings of bank bonds ⁴⁾)	5,537	7,743	9,271	10,640	13,685	17,100	+ 1,956	+ 1,630	+ 1,663	+ 3,045	+ 3,225
note: banks' holdings of bank bonds ⁵⁾	(2,170)	(3,154)	(3,464)	(4,785)	(7,883)	(10,962)	(+ 984)	(+ 310)	(+ 1,286)	(+ 3,098)	(+ 3,079)
(2) Deutsche Bundesbank, total	734	1,011	775	639	849	1,536	+ 277	— 236	— 136	+ 210	+ 687
Lendings to public authorities	473	630	541	475	748	1,456	+ 157	— 89	— 66	+ 273	+ 708
Holdings of Treasury bills and non-interest-bearing Treasury bonds ⁴⁾	132	261	136	158	100	80	+ 129	— 125	+ 22	— 58	— 20
Lendings to business and private customers	129	120	98	6	1	0	— 9	— 22	— 92	— 5	— 1
II. Net Claims on Foreign Countries (Bundesbank and other banks)	9,744	11,410	15,827	20,893	24,936	24,510	+ 1,666	+ 4,242	— 5,066	+ 4,218	— 261
III. Note and Coin Circulation, total	13,296	14,642	15,591	17,273	18,858	20,324 ⁶⁾	+ 1,346	+ 949	+ 1,682	+ 1,585	+ 1,466
including: Banks' cash holdings	545	601	715	812	918	955	+ 56	+ 114	+ 97	+ 106	+ 37
IV. Deposits of German Non-Banks and other Bank Liabilities to German Non-Banks											
(1) Credit institutions except Deutsche Bundesbank											
Sight deposits of business and private customers	13,414	14,867	16,111	18,316	21,402	24,323	+ 1,453	+ 1,244	+ 2,205	+ 3,086	+ 3,040
public authorities	2,077	2,330	2,608	2,690	2,900	3,103	+ 193	+ 278	+ 82	+ 210	+ 203
Time deposits ⁷⁾ of business and private customers	5,126	5,612	7,147	9,348	9,791	10,689	+ 486	+ 1,535	+ 2,201	+ 443	+ 898
public authorities	4,946	4,513	4,828	6,150	6,720	7,500	— 446	+ 315	+ 1,364	+ 570	+ 780
Savings deposits	17,205	21,353	24,252	29,349	36,065	44,170	+ 4,148	+ 2,899	+ 5,097	+ 6,716	+ 8,105
note: Accrual of funds in savings business ⁸⁾	(.)	(.)	(.)	(.)	(.)	(.)	(+ 4,115)	(+ 2,910)	(+ 5,085)	(+ 6,737)	(+ 8,146)
Bank bonds in circulation	8,573	11,575	13,218	15,414	19,804	25,628	+ 2,752	+ 1,606	+ 2,264	+ 4,390	+ 5,824
note: Accrual of funds from sale of bank bonds to non-banks ⁹⁾	(.)	(.)	(.)	(.)	(.)	(.)	(+ 1,551)	(+ 1,206)	(+ 969)	(+ 1,057)	(+ 2,744)
Monies and loans taken from non-banks including: at notice of, or fixed for, six months and over	15,966	20,219	24,424	26,645	27,654	29,327	+ 4,233	+ 4,446	+ 2,979	+ 1,784	+ 1,322
Capital and reserves under Art. 11, German Banking Law	(15,825)	(19,948)	(24,052)	(26,367)	(27,259)	(28,856)	(+ 4,103)	(+ 4,345)	(+ 3,093)	(+ 1,667)	(+ 1,246)
(2) Deutsche Bundesbank	3,555	4,367	5,181	6,422	7,546	8,919	+ 812	+ 814	+ 845	+ 1,124	+ 1,373
Sight deposits of business and private customers	305	242	294	340	336	222	— 63	+ 52	+ 46	— 4	+ 13
public authorities ⁸⁾	5,608	6,489	7,196	4,590	4,271	1,838	+ 881	+ 1,055	— 2,605	— 616	— 2,686

^{*}) The figures in this survey relate to the area of the Federal Republic except the Saarland, but including Berlin (West); they are based on the "Consolidated Condition Statement for the Credit Institutions including the Deutsche Bundesbank". Assets and liabilities in respect of foreign countries — with the exception of DM notes and coins as well as bank bonds held by foreigners, the amount of which holdings cannot be ascertained — are combined in an overall net balance and hence not contained in any of the other items. Thus the figures are not immediately comparable with the other statistical data presented in this Annex. — ¹⁾ The changes in the items recorded in the text column are here taken into account only in so far as they are relevant to the money supply. They cannot, therefore, be immediately computed from the end-of-year figures. — 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. Elimination from bank holdings partly estimated. — ³⁾ Banks' holdings of other banks' bonds do not represent any immediate granting of credit to non-banks. — ⁴⁾ Except "mobilisation paper", which is not held by the Bundesbank. — ⁵⁾ Deposits at notice or fixed period of at least one month. — 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 (Art. 5, Equalisation of Burdens Law) were redeemed. — ⁷⁾ Set off against the credit institutions' holdings of their own and other banks' bonds; moreover, 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 balances of German public authorities temporarily employed in equalisation claims and, until end-1958, deposits of agencies of the former occupying powers. — ⁹⁾ Including DM notes and coins newly issued in the Saarland.

2) Note and Coin Circulation and Residents' Sight Deposits*)

in millions of DM

End of month	Note and coin circulation, and residents' sight deposits ¹⁾ , total including, excluding amounts temporarily employed in equalisation claims ¹⁾		Note and coin circulation excluding credit institutions' cash holdings ²⁾	Sight deposits of German business and private customers			Sight deposits of German public authorities					Deposits of agencies of former occupying powers with Deutsche Bundesbank ⁴⁾
				Total	with credit institutions (except Deutsche Bundesbank ³⁾)	with Deutsche Bundesbank ³⁾	Total including amounts temporarily employed in equalisation claims ¹⁾	excluding	with credit institutions (except Deutsche Bundesbank)	with Deutsche Bundesbank		
									on giro account	temporarily employed in equalisation claims ¹⁾		
1952 December	26,011	24,286	10,804	10,512	10,247	265	3,942	2,217	1,829	388	1,725	753
1953 "	29,441	26,311	11,955	11,443	11,198	245	5,404	2,274	1,849	425	3,130	639
1954 "	34,155	29,419	12,751	13,719	13,414	305	7,162	2,426	2,077	349	4,736	523
1955 "	37,969	34,388	14,041	15,109	14,867	242	8,554	4,973	2,330	2,643	3,581	265
1956 "	41,085	37,864	14,876	16,405	16,111	294	9,660	6,439	2,608	3,831	3,221	144
1957 "		42,397 ¹⁾	16,461	18,656	18,316	340		7,139 ¹⁾	2,690		4,449 ¹⁾	141
1958 March	41,140		16,950	17,561	17,202	359	6,515		2,618		3,897	114
June	42,933		17,239	18,704	18,355	349	6,919		2,445		4,474	71
September	43,853		17,584	19,518	19,209	309	6,708		2,510		4,198	43
December	46,849		17,940	21,738	21,402	336	7,124		2,900		4,224	47
1959 March	44,287		18,027	21,110	20,893	217	5,150		2,863		2,287	—
June	45,622		18,433	22,590	22,368	222	4,599		2,682		1,917	—
September	46,927		18,987	23,291	23,074	217	4,649		2,746		1,903	—
December	48,855		19,369	24,545	24,323	222	4,941		3,103		1,838	—
December ⁵⁾	49,446		19,344	25,067	24,845	222	5,035		3,197		1,838	—
1960 March ⁵⁾ p)	48,954		19,465	23,805	23,580	225	5,684		3,067		2,617	—

*) As from July 1959 including DM notes and coins newly issued in the Saarland as well as deposits of Saarland non-banks with the Deutsche Bundesbank. — ¹⁾ 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. — ²⁾ Including DM notes and coins held abroad. — ³⁾ Until the end of 1958 including the (relatively small) deposits of foreign business enterprises and individuals at the Bundesbank. — ⁴⁾ As from January 1959 included in foreign liabilities. — ⁵⁾ As from January 1960 including the Saarland; the rows of figures were linked together by showing for December 1959, firstly, the figures *excluding* the Saarland and, secondly, the figures *including* the Saarland. Cf. footnote *). — p) Provisional.

3) Savings Deposits

in millions of DM

Period	Savings deposits total	including: Savings deposits carrying tax privileges	Total savings deposits comprise those at:				
			Savings banks	Credit co-operatives	Commercial banks	Postal Savings Bank	Other credit institutions
End-of-month figures							
1958 June	32,610	4,112	20,633	4,578	5,160	2,079	160
September	34,043	4,209	21,540	4,789	5,393	2,169	152
December	36,102	4,157	22,882	5,081	5,698	2,286	155
1959 March	38,333	4,183	24,340	5,383	5,953	2,491	166
June	40,002	4,295	25,314	5,579	6,325	2,595	189
September	41,682	3,926	26,349	5,825	6,633	2,676	199
December	44,268	4,045	27,958	6,167	7,142	2,783	218
Change during quarter							
1958 3rd qtr.	+ 1,433	+ 97	+ 907	+ 211	+ 233	+ 90	- 8
4th qtr.	+ 2,059	- 52	+ 1,342	+ 292	+ 305	+ 117	+ 3
1959 1st qtr.	+ 2,231	+ 26	+ 1,458	+ 302	+ 255	+ 205	+ 11
2nd qtr.	+ 1,669	+ 112	+ 974	+ 196	+ 372	+ 104	+ 23
3rd qtr.	+ 1,680	- 369	+ 1,035	+ 246	+ 308	+ 81	+ 10
4th qtr.	+ 2,586	+ 119	+ 1,609	+ 342	+ 509	+ 107	+ 19

II. Interim Statements of the Credit Institutions* 1)

in millions of DM

Assets

End of year or month	Total of balance sheet	Cash reserve ²⁾		Balances with credit institutions ³⁾ and on Postal Cheque account	Bills of exchange	Treasury bills and non-interest-bearing Treasury bonds ⁴⁾	Medium-term notes, securities and syndicate participations	Bonds of own issues	Equalisation claims ⁵⁾ and covering claims according to Currency Conversion Compensation and "Old Savings" Laws ⁶⁾	Debtors		Long-term lendings		Loans on a trust basis		Other assets ⁷⁾	
		Total	including: balances with Deutsche Bundesbank							Non-banks	Banks	Non-banks	Banks	Non-banks	Banks		
1949		1,645.9	1,371.1	2,089.9	1,695.3	275.9			5,531.1	7,357.8	744.9	1,776.7			360.7		
1950	35,515.4	2,171.6	1,862.5	2,410.1	2,676.3	528.7	526.6	52.7	5,991.6	9,722.1	871.6	5,886.2	2,146.2		595.2	133.5	1,803.0
1951	45,377.2	3,210.3	2,806.5	3,537.8	3,777.0	945.1	714.3	53.9	6,074.0	10,565.5	965.1	9,048.2	2,909.0		1,132.7	158.9	2,285.4
1952	59,010.7	3,581.0	3,114.9	4,787.4	6,231.0	1,039.4	1,332.0	134.3	6,299.4	12,876.0	1,186.6	12,744.3	3,601.6		1,681.4	646.5	2,869.8
1953	74,701.0	3,916.4	3,436.6	6,197.8	7,485.6	1,169.8	2,629.7	69.7	6,807.3	15,928.4	1,584.8	17,826.5	4,439.8		2,328.8	1,001.0	3,315.4
1954	95,760.3	4,682.1	4,137.2	8,599.9	8,948.4	1,103.7	4,769.3	112.7	8,070.3	18,547.1	1,786.1	23,370.6	5,183.4		4,391.4	2,265.5	3,929.8
1955	113,791.0	5,191.6	4,590.1	8,886.0	9,793.6	1,197.9	6,559.2	174.7	8,150.3	20,495.6	2,010.6	30,909.7	6,103.2		6,392.6	3,357.2	4,568.8
1956	130,289.7 ¹⁰⁾	6,404.9	5,689.9	9,932.6	11,535.3	1,789.0	6,836.8	267.5	8,314.7	22,505.0	2,020.2	36,668.4	6,614.5		7,854.3 ¹⁰⁾	4,440.4 ¹⁰⁾	5,106.1
1957	154,714.8 ¹¹⁾	8,551.1	7,739.3	14,922.4	12,985.0	6,156.4	8,227.5	214.3	8,266.9	24,240.4	2,085.7	42,207.6 ¹²⁾	7,643.5 ¹²⁾		8,691.3 ¹²⁾	5,073.6 ¹²⁾	5,779.1
1958	177,289.1 ¹⁴⁾	9,806.0	8,888.1	17,462.3	13,327.4	6,767.0	13,146.2	180.0	8,163.0	25,912.1	2,286.2	50,739.1 ¹⁵⁾	8,507.4		9,629.0 ¹⁵⁾	5,105.1 ¹⁵⁾	6,258.3
1959	204,052.9	10,830.9	9,875.3	18,575.3	14,845.4	5,694.6	18,106.7	262.9	8,200.9	30,317.0	2,814.5	61,140.6	9,718.7		10,949.3	5,430.7	7,165.4
1959 ¹⁷⁾	207,425.4	11,010.7	10,030.9	19,379.8	15,166.4	5,729.7	18,345.1	268.0	8,200.9	30,649.9	2,833.9	62,324.3	9,740.9		11,016.0	5,430.8	7,329.0
1959 Jan.	177,935.7	7,191.8	6,383.4	18,560.8	12,698.5	7,687.9	14,023.2	224.9	8,183.3	26,278.4	2,419.5	51,762.9	8,460.7		9,701.1	5,113.6	5,629.1
Feb.	180,426.5	7,350.5	6,547.8	19,395.9	12,926.3	7,058.3	14,580.4	228.7	8,184.0	26,707.2	2,331.3	52,362.2	8,593.2		9,714.8	5,110.0	5,919.7
March	182,386.5	7,759.6	6,665.4	19,288.6	13,079.5	7,126.6	14,821.8	203.3	8,238.5	26,766.8	2,341.9	52,907.8	8,834.5		9,811.5	5,146.2	6,155.9
April	183,852.7	7,151.3	6,316.6	19,282.8	13,070.9	7,838.6	15,600.8	213.2	8,241.6	26,574.4	2,243.5	53,589.0	8,834.5		9,957.2	5,190.8	6,064.1
May	186,496.6	8,000.4	7,107.1	19,233.0	13,154.6	7,413.6	16,225.8	226.3	8,251.2	26,982.7	2,310.1	54,481.1	8,834.5		10,020.2	5,199.0	6,107.1
June	188,957.1	7,815.7	6,828.7	20,080.1	13,324.8	7,154.1 ¹⁸⁾	16,373.9	217.6	8,217.4	27,954.4 ¹⁸⁾	2,265.6	54,834.9	9,013.5		10,080.0	5,244.3	6,380.8
July	191,397.8 ²⁰⁾	7,536.1	6,582.2	20,415.2 ²⁰⁾	13,769.9	6,944.3	16,855.2	213.6	8,220.8	28,220.4 ²⁰⁾	2,232.1	56,247.7	9,071.8		10,159.3	5,242.8	6,268.6
Aug.	194,911.2	7,508.3	6,550.4	21,709.3	13,623.5	7,026.8	17,261.6	215.0	8,227.9	28,589.0	2,339.8	57,154.9	9,270.4		10,252.6	5,297.2	6,434.9
Sep.	196,912.4 ²¹⁾	7,536.1	6,560.9	21,061.3	13,104.2	7,084.7	17,595.4	237.6	8,239.3	29,538.0	2,545.0	58,123.2	9,373.6		10,501.6 ²¹⁾	5,366.6	6,635.8
Oct.	200,600.5	7,139.9	6,259.2	21,754.4	13,319.9	8,256.6	17,944.8	265.4	8,261.9	29,443.1	2,579.0	59,334.4	9,511.3		10,635.0	5,363.9	6,790.9
Nov.	202,027.6	8,831.4	7,809.4	20,403.2	13,040.6	7,246.5	18,168.1	272.8	8,313.1	30,075.6	2,737.2	60,237.4	9,592.0		10,769.9	5,406.3	6,933.5
Dec.	204,052.9	10,830.9	9,875.3	18,575.3	14,845.4	5,694.6	18,106.7	262.9	8,200.9	30,317.0	2,814.5	61,140.6	9,718.7		10,949.3	5,430.7	7,165.4
Dec. ¹⁷⁾	207,425.4	11,010.7	10,030.9	19,379.8	15,166.4	5,729.7	18,345.1	268.0	8,200.9	30,649.9	2,833.9	62,324.3	9,740.9		11,016.0	5,430.8	7,329.0
1960 Jan. ¹⁷⁾	206,410.4	9,159.7	8,236.7	19,213.1	13,938.1	6,271.8	18,953.4	329.7	8,200.0	31,269.1	2,803.3	63,037.2	9,765.7		11,087.3	5,441.9	6,940.1
Feb.	209,711.4	10,030.9	9,058.1	19,950.9	14,261.0	5,899.4	19,074.8	339.4	8,213.1	31,868.3	2,773.7	63,777.8	9,898.4		11,148.7	5,473.8	7,001.2

Liabilities

End of year or month	Deposits					Borrowed funds		Own acceptances in circulation	Bonds in circulation ⁸⁾	Long-term borrowings (4 years and over)		Loans on a trust basis		Capital funds including reserves (Art. 11 German Banking Law)	Other liabilities ⁹⁾	Endorsement liabilities on rediscounted bills ⁹⁾
	Deposits by non-banks					Non-banks	Banks			Non-banks	Banks	Non-banks	Banks			
	Total	Sight deposits	Time deposits	Savings deposits	Deposits of credit institutions											
1949	13,759.1 ²²⁾	8,573.9	2,108.8	3,076.4	1,493.1	1,492.3	1,864.6	1,230.1	711.5		394.3		830.7		2,327.5	
1950	17,981.6 ²²⁾	9,657.6	4,213.3	4,110.7	1,915.9	302.0	1,851.7	1,809.9	2,651.0	2,501.7	554.9	173.8	1,148.4	2,766.3	3,635.8	
1951	22,533.0	11,601.4	5,843.9	5,087.7	2,917.2	583.2	1,174.6	2,537.6	4,324.1	3,419.2	1,017.1	274.5	1,509.1	3,408.5	5,345.6	
1952	28,084.7	12,446.0	8,057.5	7,581.2	4,871.9	832.0	1,679.1	3,361.8	6,821.8	4,047.9	1,662.2	665.7	2,049.4	4,000.9	5,379.5	
1953	35,336.3	13,521.4	10,268.4	11,546.5	6,532.3	1,094.8	542.9	5,024.8	8,663.9	4,906.6	2,399.4	930.4	2,623.5	4,475.7	4,351.2	
1954	43,333.5	15,991.7	10,117.2	17,224.6	9,067.9	934.7	478.8	6,698.3	10,042.0	5,725.0	4,988.8	1,668.1	3,055.2	5,366.6	4,655.8	
1955	49,297.8	17,769.0	10,155.3	21,373.5	9,695.5	1,074.7	582.3	11,755.4	11,998.1	6,585.9	7,247.0	2,502.8	3,806.1	6,504.3	6,200.5	
1956	55,679.3	19,378.3	12,025.4	24,275.6	11,166.9	1,586.6	453.4	13,498.0	13,803.9	6,872.7	9,133.1 ¹⁹⁾	3,161.6	4,572.7	7,270.8	4,635.6	
1957	66,768.8	21,795.3	15,585.2	29,388.3	16,031.2	1,635.9	340.9	15,629.3	15,245.6	7,891.6	9,954.0 ¹⁸⁾	3,819.0	5,732.9	8,226.7	3,771.9	
1958	78,054.9	25,305.1	16,647.6	36,102.2	19,245.5	1,433.8	267.0	19,983.6	16,168.1 ¹⁵⁾	8,802.0	10,363.0 ¹⁴⁾	4,371.1	6,813.6	8,786.9	2,757.8	
1959	91,171.7	28,457.4	18,445.9	44,268.4	20,716.4	1,545.8	332.4	25,890.7	16,710.0	9,514.7	11,393.1	4,986.9	8,168.1	10,095.6	2,506.4	
1959 ¹⁷⁾	92,826.6	29,075.6	18,712.4	45,038.6	21,143.4	1,554.6	336.5	26,116.7	17,211.6	9,684.8	11,452.5	4,994.3	8,256.7	10,281.9	2,586.0	
1959 Jan.	77,968.3	23,441.0	17,462.5	37,064.8	19,317.7	1,367.7	2,771.8 ²³⁾	205.4	21,121.6 ²⁴⁾	10,648.5	8,807.0	10,399.6	4,415.1	6,919.4	8,593.6	2,031.1 ²⁵⁾
Feb.	78,943.1	23,735.0	17,366.3	37,841.8	20,207.9	1,251.7	2,756.3	190.4	21,655.3	16,107.3	8,926.7	10,377.0	4,447.8	7,032.6	8,530.4	1,826.9
March	79,863.8 ²⁶⁾	24,758.2 ²⁶⁾	16,772.3	38,333.3	20,096.2 ²⁷⁾	1,184.3	2,687.8	201.4	22,005.9	16,056.9	9,007.4	10,464.0	4,497.7	7,188.2	9,136.9	1,866.2
April	81,178.6	25,075.8	17,110.9	38,991.9	19,876.7	1,214.3	2,645.4	225.2	22,553.7	15,959.8	9,035.5	10,597.2	4,550.8	7,318.4	8,697.1	2,081.3
May	82,610.2	25,706.2	17,432.1	39,471.9	20,191.9	1,219.8	2,547.6	188.4	23,169.8	16,033.2	9,086.8	10,628.0	4,591.2	7,434.3	8,795.4	2,404.7
June	82,884.8	26,042.5	16,840.8	40,001.5	21,079.7	1,296.3	2,662.3	197.9	23,520.0	15,940.0	9,022.5	10,692.8	4,631.5	7,551.8	8,477.5	2,330.2
July	83,847.7	26,147.8	17,216.7	40,483.2	21,166.5	1,546.0 ²⁸⁾	2,708.4 ²⁸⁾	341.6	24,114.5	15,907.2	9,104.5	10,723.1	4,679.0	7,632.9	9,626.4	2,056.6
Aug.	85,451.7	26,721.0	17,638.7	41,092.0	22,256.9	1,444.2	2,706.9	371.2	24,492.9	16,018.6	9,254.3	10,818.0	4,731.8	7,784.0	9,580.7	2,168.3
Sep.	85,980.2	26,754.1	17,544.4	41,681.7	21,957.4	1,486.0	2,899.1	381.9	24,864.7	16,068.9	9,354.7	10,945.7 ²¹⁾	4,892.5	7,897.3	10,184.0	2,878.6
Oct.	87,613.9 ²⁹⁾	27,200.8 ²⁹⁾	17,935.2	42,477.9	22,330.7	1,568.3	3,097.5	376.5	25,074.8	16,486.7	9,521.3	11,103.8	4,895.1	8,033.0	10,498.9 ²⁹⁾	2,723.0
Nov.	88,746.4	27,641.2	18,197.0	42,908.2	21,450.3	1,617.9	3,022.1	424.3	25,507.7	16,706.0	9,551.4	11,241.0	4,935.2	8,088.9	10,736.5	2,760.1
Dec.	91,171.7	28,457.4	18,445.9	44,268.4	20,716.4	1,545.8	3,323.2	536.7	25,890.7	16,710.0	9,514.7	11,393.1	4,986.9	8,168.1	10,095.6	2,506.4
Dec. ¹⁷⁾	92,826.6	29,075.6	18,712.4	45,038.6	21,143.4	1,554.6	3,365.5	536.8	26,116.7	17,211.6	9,684.8	11,452.5	4,994.3	8,256.7	10,281.9	2,586.0
1960 Jan. ¹⁷⁾	92,613.5	27,327.2	19,461.0	45,825.3	20,134.7	1,734.1	3,182.9	484.3	26,512.9	16,856.8	9,723.6	11,509.8	5,019.4	8,356.2	10,282.2	3,029.1
Feb.	94,083.7	27,557.6	19,898.8	46,627.3	21,051.3											

III. Central Bank Lendings to Non-Banks and Central Bank Deposits of Non-Banks*)

1) Central Bank Lendings to Non-Banks

in millions of DM

End of month	Total lendings to non-banks including | excluding Treasury bills and securities		Public authorities											Business and private customers			
			Total in- | ex-cluding Treasury bills and securities		Federal Government and Federal Special Funds ¹⁾					Länder					Other public authorities	"Direct lendings" ²⁾	Credits granted to insurance companies and building and loan associations ³⁾
					Total	Treasury bills and non-interest-bearing Treasury bonds	Cash advances	Credit to Fed. Govt. for participation in international institutions	Securities	Total	Treasury bills and non-interest-bearing Treasury bonds	Cash advances	Advances on securities				
1949 Dec.	802.1	568.4	756.1	522.4	504.2	101.1	403.1	—	—	250.6	132.6	97.2	20.8	1.3	27.7	18.3	
1950 "	1,622.8	926.4	1,503.7	807.3	1,213.8	241.3	637.5	—	335.0	288.7	120.1	161.1	7.5	1.2	53.8	65.3	
1951 "	1,166.5	299.1	1,036.6	169.2	839.4	553.3	—	—	286.1	196.0	28.0	168.0	—	1.2	69.3	60.6	
1952 "	750.0	380.4	603.4	233.8	538.2	355.2	—	183.0	—	64.8	14.4	50.4	—	0.4	85.6	61.0	
1953 "	622.5	369.1	478.4	225.0	430.4	203.1	—	183.0	44.3	47.6	6.0	41.6	—	0.4	108.4	35.7	
1954 "	734.3	601.9	605.4	473.0	522.7	100.4	—	390.7	31.6	61.2	0.4	60.8	—	21.5	109.9	19.0	
1955 "	1,011.2	749.8	891.0	629.6	652.1	247.3	—	390.7	14.1	205.8	—	180.4	25.4	33.1	103.5	16.7	
1956 "	813.0	639.3	715.0	541.3	564.5	119.9	—	390.8	53.8	101.8	—	101.8	—	48.7	88.7	9.3	
1957 "	808.6	480.4	802.8	474.6	719.0	153.7	—	390.8	174.5	83.8	—	83.8	—	—	2.2	3.6	
1958 "	1,094.4	748.7	1,094.0	748.3	1,024.9	100.0	17.5	661.7	245.7	69.1	—	69.1	—	—	—	0.4	
1959 March	877.0	666.1	876.6	665.7	872.6	—	—	661.7	210.9	4.0	—	4.0	—	—	—	0.4	
June	1,626.3	1,213.8	1,625.9	1,213.4	1,610.1	196.5	535.9	661.7	216.0	15.8	—	15.8	—	—	—	0.4	
Sep.	1,446.5	1,211.8	1,446.1	1,211.4	1,442.4	20.0	32.5	1,175.2	214.7	3.7	—	3.7	—	—	—	0.4	
Dec.	1,747.8	1,455.5	1,747.8	1,455.5	1,747.8	80.0	244.8	1,210.7	212.3	—	—	—	—	—	—	0.0	
1960 Jan.	1,424.8	1,212.4	1,424.8	1,212.4	1,423.1	—	—	1,210.7	212.4	1.7	—	1.7	—	—	—	0.0	
Feb.	1,819.0	1,573.8	1,819.0	1,573.8	1,813.1	34.0	342.5	1,225.4	211.2	5.9	—	5.9	—	—	—	—	
March	1,627.4	1,396.1	1,627.4	1,396.1	1,627.4	25.0	148.6	1,247.5	206.3	—	—	—	—	—	—	—	

*) As from July 1959 including the Land Central Bank in the Saarland.

¹⁾ Including Federal Railways, Federal Postal Administration and Federal Equalisation of Burdens Office. — ²⁾ Discount credits and advances on securities granted by Land Central Bank branches in the former French zone of occupation. — ³⁾ Through temporary purchase of, or lending on, equalisation claims.

2) Central Bank Deposits of Non-Banks*)

in millions of DM

End of month	Total including | excluding amounts temporarily employed in equalisation claims ¹⁾		Public authorities ²⁾		E.R.P. Special Fund ³⁾	Agencies of former occupying powers ⁵⁾	Other depositors ⁶⁾
	Federal Government (without Special Funds), Länder and Equalisation of Burdens Authorities	Other public authorities ⁴⁾					
1949 Dec.	1,641.3	1,236.5	634.6	323.5	—	470.0	213.2
1950 "	3,693.3	3,446.0	594.3	396.7	965.0	907.6	829.7
1951 "	3,997.3	2,990.0	1,191.8	223.0	1,312.8	997.3	272.4
1952 "	3,957.8	2,194.1	1,906.1	207.2	825.9	753.4	265.2
1953 "	4,935.3	1,704.2	3,181.4	373.2	496.7	639.3	244.7
1954 "	6,266.5	1,529.9	4,684.7	400.6	352.8	523.4	305.0
1955 "	7,003.5	3,420.7	5,949.7	274.3	272.2	265.5	241.8
1956 "	7,682.3	4,459.3	6,711.8	339.8	192.5	143.8	294.4
1957 March	7,531.1	5,373.8	6,643.2	269.1	174.1	216.5	228.2
June	7,079.2	5,628.9	6,099.7	256.0	152.1	358.9	212.5
Sep.	6,285.6 ⁷⁾	—	4,912.8	314.6	246.5	501.4	310.3
Dec.	5,097.3	—	4,017.1	431.4	167.8	140.6	340.4
1958 March	4,669.5	—	3,660.8	235.9	299.2	114.4	359.2
June	5,220.0	—	3,870.3	603.9	326.7	70.5	348.6
Sep.	5,000.4	—	3,631.6	567.0	450.2	42.8	308.8
Dec.	4,968.2	—	3,614.0	610.3	361.2	46.8	335.9
1959 Jan.	5,279.1	—	4,224.4	251.6	612.4	— ⁵⁾	190.7
Feb.	5,087.3	—	3,971.4	339.9	580.4	—	195.6
March	3,088.8	—	1,550.8	735.9	585.4	—	216.7
April	1,876.7	—	784.3	287.9	619.8	—	184.7
May	2,835.7	—	1,300.6	749.6	582.4	—	203.1
June	2,918.8	—	1,345.2	571.7	780.1	—	221.8
July ⁸⁾	2,501.0	—	831.4	606.2	850.9	—	212.5
Aug.	2,382.7	—	736.1	622.0	805.9	—	218.7
Sep.	2,887.0	—	1,225.9	676.9	767.1	—	217.1
Oct.	2,046.9	—	1,031.8	280.9	516.6	—	217.6
Nov.	2,391.8	—	954.2	818.0	388.8	—	230.8
Dec.	2,260.8	—	1,161.3	677.3	200.4	—	221.8
1960 Jan.	3,282.1	—	1,840.8	620.2	609.5	—	211.6
Feb.	3,143.5	—	1,506.0	870.1	549.7	—	217.7
March	3,411.0	—	1,752.9	864.4	569.0	—	224.7

*) As from July 1959 including deposits maintained with the Land Central Bank in the Saarland.

¹⁾ Including amounts temporarily employed in equalisation claims. — ²⁾ Until 31 July 1957 "counterpart funds" only. — ³⁾ 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.

⁴⁾ 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. — ⁵⁾ As from January 1959 included in "foreign business". — ⁶⁾ Other foreign depositors, until December 1958 contained in this item, are now included in "foreign business".

IV. Bank Liquidity

1) Bank Liquidity and the Credit Institutions' Recourse to Central Bank Credit*)

in millions of DM

Items	Change during year or quarter (calculated from the averages of the four weekly bank-return dates in the last month of the year or quarter)							
	1957	1958	1959	1959				1960
				1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.
The plus and minus signs indicate whether the changes in the items recorded in the text column had the effect of an influx (+) or an efflux (-) of funds at the banking system ^{o)}								
A. Influx or Efflux of Funds at the Credit Institutions as a result of Changes in the following Items								
I. Note and coin circulation	- 1,531	- 1,482	- 937	+ 491	- 227	- 210	- 991	+ 572
II. Net position of German non-banks in relation to the Deutsche Bundesbank ¹⁾ of which: (1) Federal Government (except Special Funds), Länder and Equalisation of Burdens Authorities (2) Others ²⁾	- 561	- 2,081	- 2,877	- 1,129	+ 196	- 1,457	- 487	- 2,137
III. Net foreign exchange purchases or sales by the Deutsche Bundesbank ³⁾	(- 561)	(- 1,816)	(- 3,249)	(- 1,187)	(+ 134)	(- 1,323)	(- 873)	(- 2,048)
IV. Other factors ⁴⁾	(-)	(- 265)	(+ 372)	(+ 58)	(+ 62)	(- 134)	(+ 386)	(- 89)
Overall effect of the above-named factors on bank liquidity	+ 8,062	+ 5,503	+ 3,388	- 315	+ 521	+ 834	+ 2,348	+ 1,530
	+ 22	+ 423	+ 40	+ 155	+ 38	- 107	- 46	+ 33
	+ 5,992	+ 2,363	- 386	- 798	+ 528	- 940	+ 824	- 2
B. Influx or Efflux of Funds at the Credit Institutions as a result of Open Market Operations of the Deutsche Bundesbank, total	- 3,119	- 809	+ 1,437	+ 674	- 445	+ 644	+ 564	+ 824
of which, by purchase or sale of								
(1) Federal money-market paper deriving from conversion of the Bundesbank's equalisation claims ("mobilisation" paper)	(- 3,352)	(- 581)	(+ 1,412)	(+ 679)	(- 571)	(+ 672)	(+ 632)	(+ 686)
(2) Other paper	(+ 233)	(- 228)	(+ 25)	(- 5)	(+ 126)	(- 28)	(- 68)	(+ 138)
C. Change in the Credit Institutions' Balances with the Deutsche Bundesbank, total ⁵⁾	+ 1,694	+ 927	+ 1,344	- 82	- 19	- 17	+ 1,462	+ 2,026
D. Change in Central Bank Lendings to Credit Institutions (recourse to Central Bank credit)	- 1,179	- 627	+ 293	+ 42	- 102	+ 279	+ 74	+ 1,204

^{o)} As from the third quarter 1959 including the Saarland; changes due to the reincorporation have been eliminated.
¹⁾ The changes in the items recorded in the text column under A and B are here taken into account only in so far as they entailed an influx or efflux of funds at the credit institutions. They are therefore not necessarily identical with the changes in the corresponding items of the Return of the Deutsche Bundesbank (or, for previous periods, of the Bank deutscher Länder and Land Central Banks). Further explanations regarding these differences will be found in the Monthly Report of the Bank deutscher Länder for January 1957, pages 7 and 8. — ²⁾ Net balance of credit balances held and cash advances taken (not including Treasury bills and non-interest-bearing Treasury bonds purchased in pursuance of open-market policy, and also disregarding promises to purchase Treasury bills). — ³⁾ Including the minimum reserve balances kept by the Federal Postal Administration on behalf of the Postal Cheque and Postal Savings Bank offices because, since the introduction on 1 May 1958 of the optional central maintaining of minimum reserves, they can no longer be separated from the other Central Bank deposits of the Federal Postal Administration. — ⁴⁾ Including the Bundesbank's foreign-exchange transactions with German banks in connection with "money exports". — ⁵⁾ Items in course of settlement; special credit granted to the Federal Government to meet its liabilities towards I.M.F. and I.B.R.D., as well as other items which cannot be allocated explicitly to any of the above factors. — ⁶⁾ Without the minimum reserve balances kept by the Federal Postal Administration on behalf of Postal Cheque and Postal Savings Bank offices; cf. footnote ²⁾.

2) Central Bank Lendings to Credit Institutions and Central Bank Deposits of Credit Institutions*)

in millions of DM

End of month	Lendings ¹⁾				De- posits ²⁾
	Total	Discount credits	Advances on securities	Equalisation claims purchased	
1949 Dec.	3,807.2	3,226.2	338.2	242.8	1,277.1
1950 "	5,201.9	4,235.4	360.6	605.9	1,887.7
1951 "	5,717.5	4,757.2	290.8	669.5	2,675.0
1952 "	4,128.4	3,389.0	253.5	485.9	2,992.6
1953 "	3,351.1	2,739.1	245.2	366.8	3,286.9
1954 "	3,339.0	2,837.7	265.1	236.2	4,005.9
1955 "	4,683.0	4,130.9	340.5	211.6	4,502.2
1956 "	3,127.1	2,723.7	220.7	182.7	5,258.5
1957 "	1,676.6	1,463.0	52.8	160.8	7,108.9
1958 March	1,509.2	1,324.7	30.0	154.5	5,814.7
June	1,594.7	1,397.9	46.5	150.3	5,989.5
Sep.	865.7	701.2	22.4	142.1	5,773.6
Dec.	960.3	769.6	63.9	126.8	8,243.1
1959 March	701.0	563.9	31.0	106.1	6,310.6
June	812.8	677.3	31.7	103.8	6,559.5
Sep.	1,352.4	1,223.9	25.7	102.8	6,459.2
Dec.	1,285.7	949.2	234.4	102.1	9,343.8
1960 Jan.	1,626.6	1,495.7	28.8	102.1	7,895.7
Feb.	1,456.6	1,319.4	45.0	92.2	8,395.9
March	2,110.4	1,988.0	31.2	91.2	9,428.1

^{o)} As from July 1959 including Saarland credit institutions.

¹⁾ Excluding cash advances to the Reconstruction Loan Corporation; including foreign bills and export drafts purchased, but excluding money-market paper purchased in the open market. — ²⁾ Including Central Bank deposits of Postal Cheque and Postal Savings Bank offices. — ³⁾ As from May 1958 without the minimum reserve balances kept by the Federal Postal Administration on behalf of Postal Cheque and Postal Savings Bank offices.

3) Borrowing by Banking Groups from Deutsche Bundesbank

in millions of DM

Banking groups	1958		1959	
	30 June	31 Dec.	30 June	31 Dec.
Commercial banks	1,447	898	842	937
of which:				
Big banks ¹⁾	(693)	(339)	(338)	(374)
State, regional and local banks	(376)	(274)	(240)	(254)
Private bankers	(298)	(232)	(221)	(259)
Specialised commercial banks	(80)	(53)	(43)	(50)
Savings institutions	188	63	126	60
of which:				
Savings banks	(76)	(58)	(61)	(57)
Central giro institutions	(112)	(5)	(65)	(3)
Cooperative credit institutions	154	95	77	129
of which:				
Industrial credit cooperatives	(88)	(41)	(30)	(80)
Agricultural credit cooperatives	(66)	(54)	(47)	(49)
All other credit institutions	113	72	60	292
including:				
Credit institutions with special functions	(99)	(63)	(53)	(284)
All banking groups ²⁾	1,902	1,128	1,105	1,418

¹⁾ Deutsche Bank A.G., Dresdner Bank A.G., Commerzbank A.G., and their Berlin subsidiaries. — ²⁾ Deviations of these figures, which are reported for the monthly banking statistics, from the corresponding data resulting from the Central Bank statistics as shown in Table IV (2) are partly due to the time-lag between the booking of Central Bank credits at the credit institutions and at the Central Bank, and partly to the fact that the Storage Agency bills purchased by the Central Bank under its open-market policy are not comprised in the latter figures.

V. Interest Rates

1) Selling Rates of the Deutsche Bundesbank applying to the Sale of Money Market Paper in the Open Market in % per annum

Applicable as from:	Treasury Bills of Federal Government and Federal Railways		Non-interest-bearing Treasury Bonds of Federal Government, Federal Railways and Federal Postal Administration				Storage Agency Bills	
	running for		running for				running for	
	30 to 59 days	60 to 90 days	6 months	12 months	18 months	24 months	30 to 59 days	60 to 90 days
1957 Jan. 3	4 1/2	4 5/8	5 1/2	5 3/4	6	6 1/4	4 5/8	4 3/4
Jan. 4	4 3/8	4 1/2	5 3/8	5 5/8	5 7/8	6 1/8	4 1/2	4 5/8
Jan. 11	4 1/8	4 1/4	5 1/8	5 5/8	5 7/8	6 1/8	4 1/4	4 3/8
Jan. 30	4 1/8	4 1/4	5	5 1/4	5 1/2	5 3/4	4 1/4	4 3/8
Mar. 4	4 1/4	4 3/8	5	5 1/4	5 1/2	5 3/4	4 3/8	4 1/2
Mar. 7	4 3/8	4 1/2	5 1/4	5 1/2	5 3/4	6	4 1/2	4 5/8
Mar. 18	4 1/4	4 3/8	5	5 1/4	5 1/2	5 3/4	4 3/8	4 1/2
Apr. 15	4 1/4	4 3/8	5 1/4	5 1/2	5 3/4	6	4 1/2	4 5/8
July 5	4 1/8	4 1/4	5	5 1/4	5 1/2	5 3/4	4 1/4	4 3/8
Aug. 12	4	4 1/8	4 3/4	5	5 1/4	5 1/2	4 1/8	4 1/4
Aug. 22	3 7/8	4	4 5/8	4 3/4	5	5 1/4	4	4 1/2
Aug. 24	3 3/4	3 7/8	4 1/2	4 5/8	4 7/8	5 1/8	3 7/8	4
Aug. 27	3 3/8	3 3/4	4 1/8	4 5/8	4 7/8	5 1/8	3 3/4	3 7/8
Sep. 2	3 7/8	4	4 3/8	4 5/8	4 7/8	5 1/8	4	4 1/8
Sep. 6	4	4 1/8	4 1/2	4 3/4	5	5 1/4	4 1/8	4 1/4
Sep. 19	3 5/8	3 3/4	4 1/8	4 3/8	4 5/8	4 7/8	3 3/4	3 7/8
Sep. 27	3 3/4	3 7/8	4 1/4	4 1/2	4 3/4	5	3 7/8	4
Oct. 3	3 5/8	3 3/4	4 1/8	4 3/8	4 5/8	4 7/8	3 3/4	3 7/8
Oct. 18	3 1/2	3 5/8	4	4 1/4	4 1/2	4 3/4	3 1/2	3 5/8
Oct. 24	3 3/8	3 1/2	3 7/8	4 1/8	4 1/2	4 3/4	3 3/8	3 1/2
Nov. 9	3 1/4	3 3/8	3 3/4	4 1/8	4 1/2	4 3/4	3 1/4	3 3/8
Nov. 29	3 3/8	3 1/2	3 7/8	4 1/8	4 1/2	4 3/4	3 1/2	3 5/8
Dec. 4	3 1/2	3 5/8	4	4 1/4	4 1/2	4 3/4	3 5/8	3 3/4
Dec. 27	3 5/8	3 3/4	4 1/8	4 1/4	4 1/2	4 3/4	3 3/4	3 7/8
1958 Jan. 2	3 3/8	3 1/2	3 3/4	4	4 1/4	4 1/2	3 1/2	3 5/8
Jan. 6	3 1/4	3 3/8	3 5/8	3 7/8	4 1/8	4 3/8	3 3/8	3 1/2
Jan. 17	3 1/8	3 1/4	3 1/2	3 3/4	4 1/8	4 3/8	3 1/4	3 3/8
Apr. 15	3 1/8	3 1/4	3 1/2	3 5/8	3 7/8	4 1/8	3 1/4	3 3/8
May 30	3 1/8	3 1/4	3 1/2	3 5/8	3 3/4	4	3 1/4	3 3/8
June 27	2 5/8	2 3/4	3	3 1/8	3 1/4	3 1/2	2 3/4	2 7/8
July 11	2 1/2	2 5/8	2 1/8	3	3 1/8	3 3/8	2 5/8	2 3/4
Aug. 11	2 3/8	2 1/2	2 3/4	3	3 1/8	3 3/8	2 1/2	2 5/8
Oct. 28	2 1/4	2 3/8	2 5/8	2 7/8	3	3 1/4	2 3/8	2 1/2
1959 Jan. 10	2 1/8	2 1/4	2 1/2	2 5/8	2 7/8	3 1/8	2 1/4	2 3/8
Apr. 9	2	2 1/8	2 3/8	2 1/2	2 3/4	3	2 1/4	2 1/4
Apr. 15	1 7/8	2	2 1/4	2 3/8	2 5/8	2 7/8	2	2 1/8
Sep. 4	2 3/8	2 1/2	2 3/4	3	3 1/4	3 1/2	2 1/2	2 5/8
Sep. 23	2 1/2	2 5/8	2 7/8	3	3 1/4	3 1/2	2 5/8	2 3/4
Sep. 30	2 5/8	2 3/4	3	3 1/8	3 3/8	3 5/8	2 3/4	2 7/8
Oct. 16	2 1/2	2 5/8	2 7/8	3 1/8	3 3/8	3 5/8	2 3/4	2 7/8
Oct. 23	3 1/2	3 5/8	3 7/8	4 1/8	4 1/4	4 1/2	3 5/8	3 3/4
Oct. 28	3 1/2	3 5/8	3 7/8	4 1/8	4 1/4	4 3/8	3 5/8	3 3/4
Dec. 21	3 5/8	3 3/4	4	4 1/4	4 3/8	4 1/2	3 3/4	3 7/8
1960 Feb. 29	3 3/4	3 7/8	4 1/8	4 3/8	4 1/2	4 5/8	3 7/8	4
Mar. 3	3 7/8	4	4 1/4	4 1/2	4 5/8	4 3/4	4	4 1/2

2) Money Market Rates¹⁾ in Frankfurt (Main), by Months in % per annum

Month	Day-to-day money ²⁾	One-month loans ²⁾	Three-month loans ²⁾	Note: Central Bank Discount Rate
1958 April	3 — 4 1/8	3 3/8 — 3 5/8	3 5/8 — 4	3 1/2
May	3 1/8 — 3 5/8	3 3/8 — 3 5/8	3 1/2 — 3 3/4	3 1/2
June	3 — 3 7/8	3 3/8 — 4	3 5/8 — 3 3/4	3 1/2 ³⁾
July	2 5/8 — 3 1/8	3 — 3 1/8	3 1/8 — 3 3/8	3
Aug.	2 1/4 — 2 7/8	2 3/4 — 3	3 1/8	3
Sep.	2 5/8 — 3 1/8	2 7/8 — 3 1/8	3 — 3 1/4	3
Oct.	2 — 3 1/8	2 1/2 — 3	4	3
Nov.	2 1/2 — 3 1/4	2 3/4 — 3	.	3
Dec.	2 1/4 — 3 ⁴⁾	3 — 3 7/8	3 1/4 — 3 3/4	3
1959 Jan.	2 — 2 3/4	2 3/8 — 2 5/8	2 5/8 — 3	3 ⁵⁾
Feb.	2 3/8 — 3 1/2	2 1/2 — 2 5/8	2 3/4 — 3	2 5/4
March	2 — 2 7/8	2 5/8 — 3	2 7/8 — 3 1/8	2 3/4
April	1 3/4 — 2 7/8	2 1/4 — 2 3/4	2 1/2 — 2 7/8	2 3/4
May	2 1/4 — 2 7/8	2 5/8 — 2 3/4	2 3/4 — 2 7/8	2 3/4
June	2 — 3	2 1/8 — 2 3/4	2 3/4 — 3	2 3/4
July	1 3/4 — 2 3/4	2 1/8 — 2 5/8	2 1/2 — 2 7/8	2 3/4
Aug.	2 1/8 — 2 3/4	2 3/8 — 2 5/8	2 5/8 — 2 3/4	2 3/4
Sep.	2 3/8 — 3 1/8	2 5/8 — 3	2 7/8 — 3 1/4	2 5/4 ⁶⁾
Oct.	1 1/2 — 3 1/4	2 3/4 — 3 1/4	3 1/2 — 4	3 ⁷⁾
Nov.	3 3/4 — 4 1/8	3 5/8 — 4 1/8	4 1/2 — 4 5/4	4
Dec.	3 — 4 1/8 ⁸⁾	4 3/4 — 4 7/8	4 5/8 — 4 7/8	4
1960 Jan.	3 1/4 — 4 1/8	3 7/8 — 4 1/4	4 1/4 — 4 3/8	4
Feb.	3 5/8 — 4 1/4	4 1/8 — 4 1/4	4 3/8 — 4 1/2	4
March	3 1/2 — 4 5/8	4 3/8 — 4 3/4	4 5/8 — 4 7/8	4

¹⁾ Money-market rates are not fixed or quoted officially. The rates here published have been ascertained from Frankfurt banks. They may be considered to be representative. — ²⁾ Lowest and highest rate quoted during month. — ³⁾ As from 27 June 1958 = 3%. — ⁴⁾ Money at the end of the month 4%. — ⁵⁾ As from 10 January 1959 = 2 1/4%. — ⁶⁾ As from 4 September 1959 = 3%. — ⁷⁾ As from 23 October 1959 = 4%. — ⁸⁾ Money at the end of the month 5 to 5 1/8%.

3) Rates for Day-to-Day Money¹⁾ in Frankfurt (Main), by Bank Return Weeks (in % per annum)

Week	Lowest rate	Highest rate
1959 Oct. 1 — 7	2 7/8	3 1/8
8 — 15	2 3/8	2 7/8
16 — 23	1 1/2	2 3/8
24 — 31	1 1/2	3 1/4
Nov. 1 — 7	3 3/4	4
8 — 15	3 7/8	4 1/8
16 — 23	4	4 1/8
24 — 30	3 7/8	4 1/8
Dec. 1 — 7	3 7/8	4 1/8
8 — 15	3 3/4	4
16 — 23	3 3/4	4 1/8
24 — 31	3	3 7/8
1960 Jan. 1 — 7	3 5/8	4
8 — 15	3 3/4	4 1/8
16 — 23	3 7/8	4 1/8
24 — 31	3 1/4	3 7/8
Feb. 1 — 7	4	4 1/8
8 — 15	3 5/8	4
16 — 23	4	3 7/8
24 — 29	3 3/4	4 1/4
Mar. 1 — 7	4 1/8	4 3/8
8 — 15	4 1/4	4 1/2
16 — 23	4 1/2	4 3/8
24 — 31	3 1/2	4 3/8
Apr. 1 — 7	4 1/8	4 3/8
8 — 15	4	4 1/4
16 — 23	3 1/2	4

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

4) Debtor and Creditor Interest Rates since the Currency Reform

a) Maximum Debtor Interest Rates *)

in % per annum

Applicable as from:	Central Bank Discount Rate	Central Bank Rate for advances on securities	Charges for credits in current account ¹⁾		Charges for acceptance credits	Charges for discount credits ²⁾ , items amounting to			
			Approved credits	Overdrafts		DM 20,000 or above	DM 5,000 to under DM 20,000	DM 1,000 to under DM 5,000	under DM 1,000
1948 July 1	5	6	-	-	-	6 1/2	7	7 1/2	8
Sep. 1			9	10 1/2	8	7	7 1/2	8	8 1/2
Dec. 15			9 1/2	11	8 1/2 — 9 1/2	7	7 1/2	8	8
1949 May 27	4 1/2	5 1/2	9	10 1/2	8	6 1/2	7	7 1/2	8
July 14	4	5	8 1/2	10	7 1/2 — 8 1/2 ³⁾	6	6 1/2	7	7 1/2 ⁴⁾
1950 Oct. 27	6	7	10 1/2	12	9 1/2	8	8 1/2	9	9
1952 May 29	5	6	9 1/2	11	8 1/2	7	7 1/2	8	8
Aug. 21	4 1/2	5 1/2	9	10 1/2	8	6 1/2	7	7 1/2	7 1/2
1953 Jan. 8	4	5	8 1/2	10	7 1/2	6	6 1/2	7	7
June 11	3 1/2	4 1/2	8	9 1/2	7	5 1/2	6	6 1/2	6 1/2
1954 May 20	3	4	8	9 1/2	6 1/2	5	5 1/2	6	6
July 1			7 3/4	9 1/4					
1955 Aug. 4	3 1/2	4 1/2	8	9 1/2	7	5 1/2	6	6 1/2	6 1/2
1956 Mar. 8	4 1/2	5 1/2	9	10 1/2	8	6 1/2	7	7 1/2	7 1/2
May 19	5 1/2	6 1/2	10	11 1/2	9	7 1/2	8	8 1/2	8 1/2
Sep. 6	5	6	9 1/2	11	8 1/2	7	7 1/2	8	8
1957 Jan. 11	4 1/2	5 1/2	9	10 1/2	8	6 1/2	7	7 1/2	7 1/2
Sep. 19	4	5	8 1/2	10	7 1/2	6	6 1/2	7	7
1958 Jan. 17	3 1/2	4 1/2	8	9 1/2	7	5 1/2	6	6 1/2	6 1/2
June 27	3	4	7 3/4	9 1/4	6 1/2	5	5 1/2	6	6
July 21			7 1/2	9					
1959 Jan. 10	2 3/4	3 3/4	7 1/4	8 3/4	6 1/4	4 3/4	5 1/4	5 3/4	5 3/4
Sep. 4	3	4	7 1/2	9	6 1/2	5	5 1/2	6	6
Oct. 23	4	5	8 1/2	10	7 1/2	6	6 1/2	7	7

*) Official rates for credits to non-banks, which may only be exceeded in exceptional cases. The interest rates here quoted were compiled on the basis of announcements by the Hessian Bank Supervisory Authority; in most of the other Federal Länder equal rates apply. They are to be understood as including credit, acceptance, or discount commissions, but excluding turnover commission. — ¹⁾ Apart from cases where 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 charges for the approved credit are below the rate quoted, whereas the charges for the credit taken may exceed this rate. According to Art. 2 of the Debtor Interest Agreement, interest 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, from the highest debit balance. — ²⁾ Not including domicile commission. — ³⁾ From 1 Sep. 1949 to 26 Oct. 1950 = 7 1/2%. — ⁴⁾ From 1 Sep. 1949 to 26 Oct. 1950 = 7%.

b) Maximum Creditor Interest Rates *)

in % per annum

Applicable as from:	Monies payable on demand		Savings deposits		Monies at notice ¹⁾ of				Monies placed for fixed periods ¹⁾ of				Postal savings deposits	
	on accounts free of commission	on accounts subject to commission	with legal period of notice	with agreed period of notice of	1 to less than 3 months	3 to less than 6 months	6 to less than 12 months ²⁾	12 months and over ²⁾	30 to 89 days	90 to 179 days	180 to 359 days	360 days and over		
1948 Sep. 1	1	2	2 1/2	3	4	2 1/4	2 3/4	3	3 3/4	2 1/4	2 3/4	3	3 3/4	2 ³⁾
1949 Sep. 1	1	1 1/2	2 1/2	3	4	2 1/4	2 1/2	2 7/8	3 3/4	2 1/4	2 1/2	2 3/4	3 1/2	2 1/4
1950 July 1	1	1 1/2	2 1/2	3	4	2 1/4	2 1/2	2 7/8	3 3/4	2 1/4	2 1/2	2 3/4	3 1/2	2 1/4
Dec. 1	1	1 1/2	3	3 1/2	4 1/2	3 1/2	3 7/8	4 3/8	4 3/4	3 1/2	3 7/8	4 1/4	4 5/8	2 1/4 ⁴⁾
1952 Sep. 1	1	1 1/2	3	3 1/2	4 1/2	3	3 3/8	3 7/8	4 1/4	3	3 3/8	3 3/4	4 1/8	2 3/4
1953 Feb. 1	1	1 1/2	3	3 1/2	4 1/4	2 1/2	2 7/8	3 3/8	3 3/4	2 1/2	2 7/8	3 1/4	3 5/8	2 3/4
July 1	3/4	1 1/4	3	3 1/2	4 1/4	2 1/4	2 3/8	3 1/8	3 1/2	2 1/4	2 3/8	3	3 3/8	2 3/4
1954 July 1	1/2	1	3	3 1/4	4	2	2 3/8	2 7/8	3 1/4	2	2 3/8	2 3/4	3 1/8	2 3/4
1955 Aug. 4	3/4	1 1/4	3	3 1/2	4	2 3/8	2 3/4	3 1/4	3 3/4	2 3/8	2 3/4	3 1/8	3 3/8	2 3/4
1956 Mar. 16	1	1 1/2	3	4	5	3 3/8	3 3/4	4 1/4	4 5/8	3 3/4	3 3/4	4 1/4	4 5/8	2 3/4
May 19	1 1/2	2	3 1/2	4 1/2	5 1/2	4 1/4	4 3/4	5 1/4	5 1/2	4 1/4	4 3/4	5 1/4	5 1/2	2 3/4 ⁵⁾
Oct. 1	1 1/4	1 3/4	3 1/2	4 1/2	5 1/2	4 1/4	4 3/4	5 1/4	5 1/2	4 1/4	4 3/4	5 1/4	5 1/2	3 1/4 ⁶⁾
1957 Feb. 1	1	1 1/2	3 1/2	4 1/2	5 1/2	3 3/4	3 3/4	4 1/4	4 3/4	3 3/4	3 3/4	4 1/4	4 3/4	3 1/4 ⁶⁾
Oct. 17	3/4	1 1/4	3 1/2	4 3/4	5 1/4	3 3/8	3 3/4	4 1/4	4 1/2	2 7/8	3	3 3/4	4 1/4	3 1/2
1958 Feb. 10	1/2	1	3 1/4	4	5	2 7/8	3	3 3/4	4 1/2	2 3/8	2 3/4	3	3 7/8	3
July 21	1/2	1	3	3 1/4 ⁷⁾	4 ⁷⁾	2	2 1/2	2 3/4	3 1/2	2	2 1/2	2 3/4	3 1/2	3
Nov. 20	1/2	1	3	3 1/4 ⁷⁾	4 ⁷⁾	2	2 1/2	2 3/4	3 1/2	2	2 1/2	2 3/4	3 1/2	3
1959 Feb. 1	3/8	3/4	3	3 1/4	4	1 1/2	2	2 1/2	3 1/4	1 1/2	2	2 1/2	3 1/4	3
Nov. 20	1/2	1	3	3 1/4	4	2 1/4	2 3/4	3 1/4	4	2 1/4	2 3/4	3 1/4	4	3
1960 Jan. 1	1/2	1	3 1/2	3 3/4	4 1/2	2 1/4	2 3/4	3 1/4	4	2 1/4	2 3/4	3 1/4	4	3 1/2

*) Official rates for deposits of non-banks, which may only be exceeded in exceptional cases. The rates here quoted were compiled on the basis of announcements by the Hessian Bank Supervisory Authority; in most of the other Federal Länder equal rates apply. — ¹⁾ For larger amounts deposited (DM 50,000.— or more and DM 1 million or more, respectively) higher rates of interest were paid between 1 Sep. 1949 and 19 November 1958. — ²⁾ In so far as monies at notice of 6 months and over carry higher rates of interest than monies placed for corresponding fixed periods, the rates quoted may be granted only where the customer does not take advantage of the right to demand repayment, in the case of monies at notice of 6 to less than 12 months for at least three months, and in the case of monies at notice of 12 months and over for at least six months, in each case from the date of the agreement. Otherwise only the rates for monies placed for fixed periods may be granted. — ³⁾ As from 1 July 1949 = 2 1/4%. — ⁴⁾ As from 1 Jan. 1951 = 2 3/4%. — ⁵⁾ As from 1 July 1956 = 3 1/4%. — ⁶⁾ As from 1 May 1957 = 3 1/2%. — ⁷⁾ As from 20 November 1958, when accepting savings deposits with agreed period of notice, notice will only be permissible after expiry of a period of six months, such period to commence on the day of deposit.

VI. Placing of Securities

1) Gross Placing of Fixed-interest-bearing Securities and Shares¹⁾

Nominal value in millions of DM

Period	Fixed-interest-bearing securities									Shares	Fixed-interest-bearing securities and shares total
	Bonds of German issuers						Loans of foreign issuers	Total	including: Medium-term notes		
	Mortgage bonds (including ship mortgage bonds)	Communal bonds	Bonds of specialised credit institutions	Industrial bonds (including convertible bonds)	Loans of public authorities	Other bonds					
during year											
1948 2nd half	6.3	2.3	—	10.0	—	—	—	18.6	—	0.5	19.1
1949	201.1	33.0	19.9	95.7	420.4	—	—	770.1	—	41.3	811.4
1950	210.7	99.2	96.2	53.2	217.1	0.1	—	676.5	—	51.2	727.7
1951	468.0	158.9	1.9	61.7	56.9	—	—	747.4	—	164.7	912.1
1952	628.1	161.3	219.8	130.3	418.2	—	—	1,557.7	—	259.3	1,817.0
1953	1,043.4	429.4	224.6	396.2	774.5	33.8	—	2,901.9 ²⁾	—	268.7	3,170.6
1954	2,238.8	1,001.4	64.9	791.5	590.2	4.2	—	4,691.0 ²⁾	—	453.0	5,144.0
1955	1,381.7	1,026.1	257.7	432.0	583.2	0.0	—	3,680.7 ²⁾	—	1,554.8	5,235.5
1956	1,038.2	616.1	14.2	563.7	332.0	0.0	—	2,564.2 ²⁾	—	1,837.5	4,401.7
1957	1,161.1	1,125.2	265.2	931.1	690.9	10.0	21.0	4,204.5	—	1,631.7	5,836.2
1958	1,618.8	2,337.6	422.1	1,651.9	2,002.7	2.0	92.0	8,127.1	102.0	1,139.5	9,266.6
1959	3,050.0	2,363.7	830.1	918.7	2,540.2	0.8	344.6	10,048.1	1,295.2	1,383.0	11,431.1
during month											
1959 Jan.	435.8	396.4	61.6	180.0	436.4	—	12.0	1,522.2	200.0	74.8	1,597.0
Feb.	228.9	233.2	1.2	100.0	151.4	0.0	112.6	827.3	50.0	124.3	951.6
March	173.3	177.2	131.7	3.8	52.4	—	—	538.4	20.0	80.2	618.6
April	215.7	246.0	52.3	119.8	442.4	—	220.0	1,296.2	81.0	34.1	1,330.3
May	164.9	219.8	82.2	256.0	390.5	—	—	1,113.4	194.1	10.0	1,123.4
June	234.4	186.2	18.1	50.0	1.4	—	—	490.1	10.0	66.8	556.9
<i>Saarland</i>											
<i>1948 to mid-1959³⁾</i>											
July	328.3	202.9	134.7	2.8	241.9	0.0	—	910.6	369.4	351.4	1,262.0
Aug.	217.5	100.5	55.7	125.0	210.0	—	—	708.7	51.3	92.9	801.6
Sep.	211.1	113.2	109.4	—	10.5	—	—	444.2	15.3	107.7	551.9
Oct.	191.3	87.7	4.6	—	183.8	0.8	—	468.2	183.8	155.9	624.1
Nov.	244.4	157.7	62.7	50.0	331.5	—	—	846.3	32.3	17.9	864.2
Dec.	298.2	165.3	115.9	31.3	88.0	—	—	698.7	88.0	141.2	839.9
1960 Jan.	229.7	95.7	92.6	23.7	514.9	—	32.8	989.4	15.0	248.3	1,237.7
Feb.	203.8	108.0	35.8	—	53.4	—	12.0	413.0	31.0	112.0	525.0
March	192.0	55.1	129.2	3.8	4.0	—	—	384.1	124.7	313.0	697.1

¹⁾ Only initial placing of newly issued securities, no account being taken of amounts redeemed or repurchased. — Except conversion and "old" savers' securities. — Up to 1953 excluding Berlin (West); the 1954 annual figures comprise the amounts issued between 1948 and 1953 by Berlin issuers. The Saarland figures have been included in the monthly results only from July 1959 onwards. The 1959 annual figures comprise also the securities issued between 1948 and June 1959 by Saarland issuers. — ²⁾ Including placing with Investment Assistance creditors: 1953, DM 199.8 million; 1954, DM 388.8 million; 1955, DM 587.9 million; 1956, DM 1.2 million. — ³⁾ Amounts in French francs were converted at the rate of 100 francs = DM 0.8507.

2) Redemption and Net Placing of Fixed-interest-bearing Securities¹⁾ and Change in the Total of Issues Repurchased

Nominal value in millions of DM

Period	Post-Currency-Reform issues									Pre-Currency-Reform issues ²⁾	Fixed-interest-bearing securities total	
	Bonds of German issuers						Loans of foreign issuers	Total	including: Medium-term notes			Conversion and "old" savers securities
	Mortgage bonds (including ship mortgage bonds)	Communal bonds	Bonds of specialised credit institutions	Industrial bonds (including convertible bonds)	Loans of public authorities	Other bonds						
Redemption												
1948 2nd half	—	—	—	—	—	—	—	—	—	—	—	
1949	—	—	—	—	—	—	—	—	—	—	—	
1950	—	—	—	—	—	—	—	—	—	—	—	
1951	0.2	0.0	—	—	—	—	—	0.2	—	—	—	
1952	0.5	0.1	—	0.8	7.4	—	—	8.8	—	—	—	
1953	0.3	0.8	—	—	36.2	—	—	37.3	—	—	—	
1954	0.7	1.2	30.0	3.0	46.5	0.5	—	81.9	—	—	—	
1955	2.0	5.6	0.1	34.5	32.0	0.4	—	74.6	—	—	—	
1956	11.5	20.4	53.3	31.1	299.2	0.4	—	415.9	—	—	—	
1957	21.8	32.1	53.3	53.2	586.4	0.3	—	747.1	—	136.2	883.3	
1958	60.3	100.4	93.6	102.0	259.8	0.4	—	616.5	—	80.1	696.6	
1959	231.5	223.2	109.4	305.8	603.2	3.8	—	1,476.9	—	106.2	1,583.1	
Net placing³⁾												
1948 2nd half	6.3	2.3	—	10.0	—	—	—	18.6	—	—	—	
1949	201.1	33.0	19.9	95.7	420.4	—	—	770.1	—	—	—	
1950	210.7	99.2	96.2	53.2	217.1	0.1	—	676.5	—	—	—	
1951	467.8	158.9	1.9	61.7	56.9	—	—	747.2	—	—	—	
1952	627.6	161.2	219.8	129.5	410.8	—	—	1,548.9	—	—	—	
1953	1,043.1	428.6	224.6	396.2	738.3	33.8	—	2,864.6	—	—	—	
1954	2,238.1	1,000.2	34.9	788.5	543.7	3.7	—	4,609.1	—	—	—	
1955	1,379.7	1,020.5	257.6	397.5	551.2	—0.4	—	3,606.1	—	—	—	
1956	1,026.7	595.7	—39.1	532.6	32.8	—0.4	—	2,148.3	—	—	—	
1957	1,139.3	1,093.1	211.9	877.9	104.5	9.7	21.0	3,457.4	—	—46.6	3,410.8	
1958	1,558.5	2,237.2	328.5	1,549.9	1,742.9	1.6	92.0	7,510.6	102.0	408.3	7,918.9	
1959	2,818.5	2,140.5	720.7	612.9	1,937.0	—3.0	344.6	8,571.2	1,295.2	291.1	8,862.3	
Change in the total amount of issues repurchased												
increase (+) / decrease (—)												
1951	—	—	—	—	—	—	—	—	—	—	—	
1952	+ 8.9	+ 1.5	+ 7.6	+ 1.5	—	—	—	+ 19.5	—	—	—	
1953	+ 12.8	— 0.2	— 8.8	— 1.6	—	—	—	+ 2.2	—	—	—	
1954	— 4.5	+ 8.5	— 4.4	+ 3.4	—	—	—	+ 3.0	—	—	—	
1955	+ 29.2	+ 11.7	+ 12.1	+ 1.3	+ 28.4	—	—	+ 82.7	—	—	—	
1956	+ 44.0	+ 27.5	+ 4.6	+ 13.1	+ 314.9	—	—	+ 404.1	—	—	—	
1957	— 18.6	— 10.3	— 3.7	— 3.1	— 97.1	—	—	— 132.8	—	—	—	
1958	— 1.9	+ 8.3	— 12.0	— 11.1	— 95.2	—	—	— 111.9	—	— 37.7	— 149.6	
1959	+ 35.7	+ 18.7	+ 21.9	— 1.9	+ 9.0	+ 0.1	—	+ 83.5	—	— 14.0	+ 69.5	

¹⁾ Up to 1953 excluding Berlin (West); the 1954 annual figures comprise bonds issued between 1948 and 1953 by Berlin issuers. The 1959 annual figures comprise, apart from the new business in the Saarland, also the bonds issued between 1948 and June 1959 by Saarland issuers (amounts in French francs were converted at the rate of 100 francs = DM 0.8507). — ²⁾ Statistically ascertained as from January 1957 only. — ³⁾ Gross placing less redemption; the minus sign indicates an excess of redemption over the amount newly placed during the period under report (or, in the case of pre-Currency-Reform issues, the amount recognised under the Securities Validation Law or other indemnification laws).

3) Initial Placing of Fixed-interest-bearing Securities by Categories of Buyers¹⁾

in per cent

Period	Fixed-interest-bearing securities, total					including:														
						Mortgage and communal bonds					Loans of public authorities					Industrial bonds				
	German buyers					German buyers					German buyers					German buyers				
	Public authorities	Credit institutions	Other business enterprises	Private buyers	Foreign buyers	Public authorities	Credit institutions	Other business enterprises	Private buyers	Foreign buyers	Public authorities	Credit institutions	Other business enterprises	Private buyers	Foreign buyers	Public authorities	Credit institutions	Other business enterprises	Private buyers	Foreign buyers
1955	23	54	20	3	2)	24	63	9	4	2)	36	49	9	6	2)	9	21	70	0	2)
1956	44	32	9	15		60	28	7	5		35	41	10	14		2	38	13	47	
1957	17	55	10	18		23	67	5	5		20	46	14	20		3	33	16	48	
1958 1st half	13	58	10	19		20	73	4	3		11	50	15	24		3	34	19	44	
1958 2nd half	11	65	8	13	3	15	78	4	3	0	8	66	10	13	3	2	33	17	40	8
1959 ³⁾	11	67	10	10	2	16	72	8	4	0	5	73	9	10	3	6	35	19	34	6
1959 Jan.	7	72	9	11	1	7	83	7	3	0	3	76	8	12	1	17	23	18	37	5
Feb.	4	72	11	11	2	7	81	8	4	0	1	99	—	—	—	2	23	28	41	6
March	12	70	8	9	1	13	77	6	4	0	8	59	13	19	1	100	—	—	—	—
April	11	60	12	13	4	14	78	5	3	0	9	56	16	15	4	5	42	17	27	9
May	15	62	9	12	2	25	63	7	4	1	10	76	6	7	1	2	44	15	34	5
June	17	65	12	6	0	16	70	10	4	0	100	—	—	—	—	1	30	35	33	1
Saarland 1948 to mid-1959	19	34	38	9	0	19	34	38	9	0	—	—	—	—	—	—	—	—	—	—
July ⁴⁾	13	81	3	3	0	22	68	6	4	0	—	100	—	—	—	—	100	—	—	—
Aug.	10	65	10	13	2	12	78	5	5	0	4	66	15	12	3	1	30	21	40	8
Sep.	10	82	4	4	0	13	79	4	4	0	—	100	—	—	—	—	—	—	—	—
Oct.	10	83	4	3	0	15	73	7	5	0	—	100	—	—	—	—	—	—	—	—
Nov.	6	62	10	15	7	8	80	5	7	0	5	45	16	21	13	0	38	9	84	19
Dec.	27	54	11	7	1	40	42	12	6	0	—	100	—	—	—	2	65	19	12	2
1960 Jan.	11	55	12	13	9	18	69	6	7	0	5	43	19	18	15	0	95	1	4	0
Feb.	14	69	8	6	3	10	76	7	6	1	23	38	13	14	12	—	—	—	—	—
March	22	69	4	5	0	24	64	4	8	0	—	100	—	—	—	100	—	—	—	—

¹⁾ As far as distribution is known. — ²⁾ The initial placing with foreign buyers has only been ascertained separately from July 1958 onwards. Until then it is contained in the figures for the four other categories of buyers. — ³⁾ Including issues made in the Saarland from 1948 to 1959. — ⁴⁾ As from July 1959 including the Saarland.

4) Circulation of Investment Fund Units

Investment Company and Fund	Inventory value ¹⁾				Number of units issued ¹⁾				Issue price per unit			
	1957	1958	1959	March 1960	1957	1958	1959	March 1960	1957 ¹⁾	1958 ¹⁾	1959 ¹⁾	March 1960 ²⁾
	Thousands of DM				Number				DM			
Allfonds Gesellschaft für Investmentanlagen mbH Allfonds	—	—	—	24,491	—	—	—	249,500	—	—	—	100.90
Allgemeine Deutsche Investment-GmbH Adifonds	—	87,793	135,179	129,613	—	848,942	794,400	770,022	—	107.90	176.90	174.27
Adiropa	—	—	—	5,094	—	—	—	52,634	—	—	—	99.93
Fondak	31,239	119,376	209,378	213,416	317,863 ³⁾	786,353	1,652,702 ⁴⁾	1,683,619	102.90 ⁵⁾	158.30	131.90 ⁶⁾	130.58
Fondis	30,269	54,452	121,431	117,278	262,722	306,986	831,900 ⁶⁾	808,278	120.60	185.—	151.80 ⁶⁾	149.44
Fondra	5,449	26,793	38,304	46,490	28,577	202,129 ⁴⁾	204,642	493,637 ⁴⁾	198.50	138.— ⁴⁾	194.50	97.34 ⁴⁾
Anlage-Gesellschaft für französische Aktienwerte mbH Agefra-Fonds	—	—	120,423	112,234	—	—	1,081,800	1,083,723	—	—	116.60	107.42
Anlage-Gesellschaft mbH für englische und holländische Aktienwerte Anglo-Dutch-Fonds	—	—	—	16,925	—	—	—	181,840	—	—	—	97.21
Deutsche Gesellschaft für Wertpapiersparen mbH Investa	84,163	255,084	497,564	494,028	817,820	1,607,789	3,779,531 ⁴⁾	3,809,468	106.90	164.40	136.90 ⁶⁾	133.97
Intervest	—	—	83,081	81,568	—	—	908,569	943,147	—	—	96.—	90.57
Deutscher Investment-Trust, Ges. für Wertpapieranlagen mbH Concentra	128,970	292,842	504,382	478,495	1,304,000	1,970,000	4,208,805 ⁵⁾	4,231,346	103.—	154.20	124.30 ⁶⁾	116.07
Industria	—	—	122,096	120,369	—	—	785,494	1,639,173 ⁵⁾	—	—	161.30	75.52 ⁴⁾
Thesaurus	—	84,100	108,203	102,120	—	890,000	671,779	644,843	—	98.20	167.10	163.13
Transatlanta	—	—	—	82,077	—	—	—	1,765,253	—	—	—	48.44
Deutsche Kapitalanlage-GmbH Dekafonds I	17,830	58,414	136,769	135,833	161,929	354,956	1,057,035 ⁴⁾	1,098,669	114.20	170.60	134.— ⁴⁾	127.24
Europa und Übersee Kapitalanlage-GmbH Atlantic-Fonds	—	—	—	81,188	—	—	—	2,207,500	—	—	—	39.07
Europafonds I	—	—	55,770	49,444	—	—	373,600	362,700	—	—	155.60	142.21
Union-Investment-GmbH Unifonds	17,096	65,497	126,121	124,846	384,558	1,000,123	1,165,524	1,158,728	46.70	68.80	113.70	112.55
Uscaponds	2,130	4,998	7,777	9,932	23,831	45,629	68,673	93,489	93.90	116.20	120.10	111.59
Total	317,146	1,049,349	2,266,478	2,425,441								

¹⁾ Position at end of year or month indicated. — ²⁾ Average during month. — ³⁾ Exceptional change against previous year (cf. Report of the Deutsche Bundesbank for the Year 1958, p. 116) due to distribution of two bonus units to each existing holder of Fondak Certificates (at end of January 1957). — ⁴⁾ Exceptional change against previous year due to distribution of one bonus unit to each existing holder of (a) Fondra Certificates (in June 1958); (b) Fondis Certificates (in April 1959); (c) Investa Certificates (in May 1959); (d) Concentra Certificates (in June 1959); (e) Dekafonds I Certificates (in June 1959); (f) Fondak Certificates (in November 1959); (g) Fondra Certificates (on 1 February 1960); (h) Industria Certificates (in February 1960).

VII. Foreign Trade and the Balance of Payments

1) *Balance of Payments of the Federal Republic of Germany 1954 to 1959*)* °)

in millions of DM

Items	1954	1955	1956	1957	1958	1959 ^{p)}
A. Balance of Transactions in Goods, Services, Donations and Capital						
I. Current account						
1. Goods and services						
(a) Goods						
Exports (f. o. b.) ¹⁾	21,938	25,580	30,712	35,831	36,849	41,026
Imports (f. o. b.) ¹⁾	18,046	22,339	25,079	28,509	29,380	33,165
Merchanting trade (balance)	+ 28	- 4	+ 98	+ 74	+ 36	- 132
Net transactions in goods	+ 3,920	+ 3,237	+ 5,731	+ 7,396	+ 7,505	+ 7,729
(b) Services						
Travel	847	1,159	1,553	1,864	1,898	1,896
Transportation	667	877	1,079	1,381	2,043	2,399
Insurance	1,544	2,184	2,737	3,198	3,017	3,269
Investment income	1,538	2,498	3,303	3,891	3,356	3,493
including: Interest payments under the London Debt Agreements ²⁾	87	108	153	182	211	228
Government ³⁾	135	172	213	234	311	379
including: Services rendered to foreign military agencies ⁴⁾	112	209	295	409	424	613
Sundry services	612	816	731	804	1,048	1,645
Receipts	295	290	288	228	233	212
Expenditure	1,022	1,227	1,760	2,662	3,879	4,128
Receipts	110	144	200	291	388	481
Expenditure	1,022	1,226	1,757	2,660	3,877	4,121
Receipts	1,108	1,060	930	1,061	1,111	1,043
Expenditure	1,602	1,795	2,100	2,684	2,995	3,243
Total of services	4,720	5,947	7,428	9,376	10,540	11,177
Receipts	4,664	6,302	7,626	9,285	10,141	11,640
Expenditure	+ 56	- 355	- 198	+ 91	+ 399	- 463
Net services	+ 3,976	+ 2,882	+ 5,533	+ 7,487	+ 7,904	+ 7,266
Net transactions in goods and services	+ 3,976	+ 2,882	+ 5,533	+ 7,487	+ 7,904	+ 7,266
2. Donations (by Germans: —, by foreigners: +)						
(a) Foreign aid						
Payments received	+ 291	+ 130	+ 127	+ 70	+ 75	+ 79
Repayments ⁵⁾	- 28	- 29	- 9	- 0	- 0	- 0
Under Agreement with Israel	- 354	- 368	- 332	- 327	- 317	- 240
(b) Indemnification	- 154	- 350	- 679	- 1,171	- 1,144	- 1,326
Other	- 89	- 96	- 51	- 30	- 23	- 42
(c) European Coal and Steel Community	- 65	- 77	- 106	- 89	- 36	- 5
Guarantee Fund and other Funds	- 90	+ 64	+ 58	+ 51	+ 50	+ 42
Perequation levies	- 73	- 81	- 108	- 132	- 186	- 242
(d) Other private donations⁶⁾	+ 3	+ 10	+ 6	+ 10	+ 8	+ 2
by foreigners	- 10	- 16	- 11	- 29	- 76	- 904
by Germans	+ 3	+ 10	+ 6	+ 10	+ 8	+ 2
(e) Other official donations⁷⁾	- 10	- 16	- 11	- 29	- 76	- 904
by foreigners	+ 3	+ 10	+ 6	+ 10	+ 8	+ 2
by Germans	- 10	- 16	- 11	- 29	- 76	- 904
Net donations	- 389	- 813	- 1,105	- 1,647	- 1,649	- 2,636
Net balance on current account	+ 3,587	+ 2,069	+ 4,428	+ 5,840	+ 6,255	+ 4,630
II. Capital transactions (German payments: —, foreigners' payments: +)⁸⁾						
1. Long-term capital						
(a) Net German capital investments abroad (increase: —)						
Private	- 172	- 258	- 325	- 777	- 1,150	- 2,241
Official	- 190	- 29	- 260	- 318	- 847	- 959
Total	- 362	- 287	- 585	- 1,095	- 1,997	- 3,200
(b) Net foreign capital investments in the Federal Republic (increase: +)						
Private	- 92	+ 148	+ 455	+ 910	+ 628	+ 846
Official	- 264	- 271	- 426	- 541	- 502	- 1,420
Total	- 356	- 123	+ 29	+ 369	+ 126	- 574
including: Redemption payments under the London Debt Agreements ¹⁰⁾	- 423	- 252	- 126	- 147	- 86	- 163
Private	- 225	- 265	- 326	- 382	- 436	- 1,311
Official	- 718	- 410	- 556	- 726	- 1,871	- 3,774
Net long-term capital transactions	- 718	- 410	- 556	- 726	- 1,871	- 3,774
2. Short-term capital						
(a) Net German capital investments abroad (increase: —)						
Private: Banks other than Bundesbank	- 122	- 156	- 191	- 606	- 599	- 1,309
Non-banks	- 14	- 12	- 18	- 34	- 49	- 117
Official	- 5	- 75	- 213	- 1,705	+ 201	- 1,384
Total	- 141	- 243	- 422	- 2,345	- 447	- 2,810
(b) Net foreign capital investments in the Federal Republic (increase: +)						
Private: Banks other than Bundesbank	+ 441	+ 287	+ 1,103	+ 581	- 135	+ 280
Non-banks	+ 43	- 84	- 4	+ 56	+ 45	- 52
Official	+ 484	+ 203	+ 1,099	+ 631	- 68	+ 442
Total	+ 343	+ 40	+ 677	+ 1,268	- 515	+ 2,368
Net short-term capital transactions	+ 343	+ 40	+ 677	+ 1,268	- 515	+ 2,368
Net total of capital transactions	- 375	- 450	+ 121	- 2,440	- 2,386	- 6,142
Net Transactions in Goods, Services, Donations and Capital	+ 3,212	+ 1,619	+ 4,549	+ 3,400	+ 3,869	- 1,512
B. Movement of Gold and Exchange (increase: —, decrease: +)						
I. Change in gold holdings of Deutsche Bundesbank	- 1,261	- 1,234	- 2,413	- 4,399	- 411	+ 8
II. Change in assets and liabilities of Deutsche Bundesbank						
1. Change in assets (increase: —)	- 1,607	- 613	- 2,691	- 1,281	- 2,436	+ 2,322
2. Change in liabilities (increase: +)	+ 86	- 5	+ 17	+ 559	- 341	- 229
Net balance of changes in assets and liabilities	- 1,521	- 618	- 2,674	- 722	- 2,777	+ 2,093
Net Movement of Gold and Exchange	- 2,782	- 1,852	- 5,087	- 5,121	- 3,188	+ 2,101
C. Net Errors and Omissions (calculated as residue¹¹⁾)	- 430	+ 233	+ 538	+ 1,721	- 681	- 589

^{*)} Area of the Federal Republic including Berlin (West); as to ascertainment of the Saarland figures, cf. footnote °). — °) As from 6 July 1959, the date of the Saarland's economic incorporation, including its transactions with foreign countries, but excluding its transactions — previously recorded in the balance of payments — with the other Länder of the Federal Republic. In the absence of comprehensive statistical data, no account has been taken of the change caused by that incorporation in the Federal Republic's total external assets and liabilities on 6 July 1959. — ¹⁾ Special trade. Including supplementary items (e.g., export and import of electric current); for 1957 and 1958 also including imports of the Federal Government which were subsequently reported and are therefore not recorded in the official foreign trade statistics for these two years; excluding the export of ships' and aircraft's fuel and other supplies, which has been included under receipts from services (item "Transportation"). — ²⁾ As from 1956 excluding interest paid on German-held external bonds. — ³⁾ Services used or rendered by German or foreign government agencies and not included in any other item of the balance of payments. — ⁴⁾ Receipts from deliveries and services to foreign troops. — ⁵⁾ Reclamation of foreign aid and transfer, out of counterpart funds, of contributions towards administrative costs; repayment of part of the "post-war economic aid" as arranged in the London Debt Agreements is shown, together with the other redemption payments under these Agreements, in item A II 1 (b). — ⁶⁾ Transactions between German and foreign private parties only. — ⁷⁾ Donations received or made by German or foreign public authorities. — ⁸⁾ Transactions are classified as "Private" or "Official" according to the sector to which the participating German parties belong. — ⁹⁾ Cf. footnote °). — ¹⁰⁾ As from 1958 excluding redemption paid on German-held external bonds. — ¹¹⁾ This residual item, ascertained as difference between the net movement of gold and exchange and net transactions in goods, services, donations and capital, reflects the changes in the terms of payment, which are not statistically ascertainable (movement of gold and exchange more favourable than balance of transactions: +, movement of gold and exchange less favourable than balance of transactions: —). — p) Provisional.

2) Gold Holdings and Foreign Assets¹⁾ of the Deutsche Bundesbank²⁾

in millions of DM

Position at end of year or month	Total gold holdings and foreign assets (net)	Gold holdings and freely usable foreign assets (net)				Foreign assets at fixed term or of only limited usability (net)				
		Total	Gold holdings	Freely usable foreign assets		Total	including:			
				Total	including: U.S. \$ (including Canadian \$)		Bilateral claims from former credits to E.P.U. (until end-1958: credit granted to E.P.U.)	Notes of I.B.R.D.	Earmarked balances with foreign banks and earmarked money-market investments	Consolidation loans to foreign Central Banks
1952	4,635	2,750	587	2,163	2,088	1,885	1,061	—	—	—
1953	8,158	5,330	1,367	3,963	3,545	2,828	1,782	—	—	—
1954	10,930	8,274	2,628	5,646	5,453	2,656	2,054	—	—	146
1955	12,782	9,958	3,862	6,096	5,789	2,824	2,187	—	—	304
1956	17,869	14,169	6,275	7,894	7,332	3,700	2,890	73	240	403
1957	22,990	16,587	10,674	5,913	6,148	6,403	4,242	808	1,032	384
1958	26,178	18,990	11,085	7,905	7,442	7,188	4,597	1,239	971	265
1959	23,848	18,779	11,077	7,702	7,278	5,069	3,159	1,496	353	175
1957 March	18,713	14,903	7,379	7,524	6,823	3,810	3,218	73	70	383
June	20,171	16,011	8,523	7,488	6,646	4,160	3,571	73	171	352
Sep.	23,554	17,576	10,077	7,499	6,690	5,978	4,028	493	953	327
Dec.	22,990	16,587	10,674	5,913	6,148	6,403	4,242	808	1,032	384
1958 March	22,938	16,674	10,333	6,341	6,245	6,264	4,202	808	897	349
June	24,231	17,348	10,814	6,534	6,101	6,883	4,447	1,123	915	303
Sep.	25,206	18,283	10,907	7,376	7,265	6,923	4,287	1,323	1,002	283
Dec.	26,178	18,990	11,085	7,905	7,442	7,188	4,597	1,239	971	265
1959 March	23,006	16,656	11,248	5,408	5,766	6,350	4,121	1,378	707	240
June	22,583	16,842	11,355	5,487	5,661	5,741	3,813	1,378	441	223
Sep.	21,918	16,397	11,009	5,388	5,370	5,521	3,621	1,496	353	188
Dec.	23,848	18,779	11,077	7,702	7,278	5,069	3,159	1,496	353	175
1960 Jan.	23,205	18,421	11,078	7,343	6,862	4,784	2,997	1,391	353	163
Feb.	23,494	18,738	11,140	7,598	7,087	4,756	2,996	1,391	353	143
March	24,212	19,465	11,214	8,251	7,729	4,747	2,978	1,391	353	143

²⁾ The figures are not fully identical with those shown in the Return of the Bundesbank, because gold holdings and foreign assets 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 certain differences as to the delimitation of the items to be taken into account; thus, in the absence of statistical data on turnover it is not yet possible at present to make allowance in the balance of payments for all liabilities contained in the item "Deposits of foreign depositors" in the Bundesbank Return. As from the beginning of 1959 however the greater part of these liabilities has been included.

¹⁾ Credit balances on current foreign currency accounts and non-residents' DM accounts as well as claims at fixed term or of only limited usability; less corresponding liabilities.

3) The Banks²⁾ Short-term Assets and Liabilities in relation to Foreign Countries^{*}

in millions of DM

Position at end of year or month	Net assets or liabilities	Assets						Liabilities				
		Total	Balances at foreign banks		Money-market investments	Short-term credits		Total	Non-residents' deposits		Short-term credits	
			Deposits payable on demand	Time deposits		Foreign currency	DM		Foreign currency	DM	Foreign currency	DM
1955	— 1,397	524	312	7	1	35	169	1,921	62	1,411	448	0
1956	— 2,309	715	362	13	4	35	301	3,024	52	2,062	904	6
1957	— 2,285	1,320	307	20	448	22	523	3,605	50	2,600	930	25
1958	— 1,551	1,919	431	128	481	55	824	3,470	91	2,802	537	40
1959	— 278	3,465	939	358	1,246	224	698	3,743	333	3,077	317	16
1957 March	— 2,332	768	362	14	4	16	372	3,100	108	1,963	1,007	22
June	— 2,168	986	396	12	0	29	549	3,154	107	2,112	923	12
Sep.	— 3,088	723	269	20	0	21	413	3,811	38	2,794	949	30
Dec.	— 2,285	1,320	307	20	448	22	523	3,605	50	2,600	930	25
1958 March	— 1,525	2,055	342	26	610	31	1,046	3,580	82	2,740	721	37
June	— 1,408	2,102	407	35	474	40	1,146	3,510	90	2,688	702	30
Sep.	— 1,207	2,263	491	112	493	53	1,114	3,470	112	2,747	580	31
Dec.	— 1,551	1,919	431	128	481	55	824	3,470	91	2,802	537	40
1959 March	— 208	2,747	486	916	620	143	582	2,955	96	2,403	398	58
June	+ 145	3,356	662	1,099	890	161	544	3,211	203	2,690	285	33
Sep.	+ 762	3,977	903	1,255	950	149	720	3,215	261	2,670	267	17
Dec.	— 278	3,465	939	358	1,246	224	698	3,743	333	3,077	317	16
1960 Jan.	+ 735	4,219	1,200	705	1,356	230	728	3,484	308	2,821	339	16
Feb.	+ 106	3,609	947	510	1,171	226	755	3,503	332	2,776	374	21
March ^{p)}	— 386	3,456	1,059	500	824	230	843	3,842	431	2,947	437	27

²⁾ Other than Bundesbank. — ^{*}) As from the end of September 1959 including the assets and liabilities of the Saarland banks in relation to foreign countries, excluding however the assets and liabilities in relation to the Saarland — recorded until the end of June 1959 — of the banks in the other Länder of the Federal Republic. — ^{p)} Provisional.