

REPORT

of the

DEUTSCHE BUNDESBANK

for the Year 1962



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# REPORT OF THE DEUTSCHE BUNDESBANK

## FOR THE YEAR 1962

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## Part A

### General Part\*)

#### Economic Developments and Central Bank Policy

##### I. General Survey

Economic trends in the Federal Republic of Germany during the period under report were marked by quite heterogeneous tendencies, which made it not easy to determine clearly the level of business activity. Was the economy still in an upswing such as in 1960, and perhaps also 1961, or had economic activity reached, or in fact passed, its peak? Was the expansion (which on the whole still continued) merely a delayed manifestation of the last few years' boom, to be followed possibly in the near future by a recession? The answers to these questions varied, especially in the first part of the year. Opinions also differed in some cases about the "correct" economic policy. Many quarters, pointing to the continued rise in prices, to the further increase of tension on the labour market and to the wage and salary upsurge which drove production costs more and more upward, pressed hard for a more restrictive policy regardless of the tendencies towards a slackening which appeared in various sectors of the economy. Others, pointing to precisely these tendencies, described such a policy as inappropriate; some even called for at least partial relaxations so as to prevent a possible decline of economic activity. Even the Bundesbank, which in this controversy definitely advocated abstention from "stimulative" measures and urged energetic curbing of the rise in public expenditure and of official action to encourage building, at times found itself faced in regard to its own policy with demands both for restrictive and for expansive measures; for the most part however there would seem to have been assent to the "middle course" by which the Bundesbank, while abandoning the policy — pursued in 1961 on balance-of-payments grounds — of lowering interest rates and promoting money-market liquidity, even changing course slightly in so far as the foreign trade and payments situation permitted, nevertheless avoided any drastic reapplication of the credit brakes.

The main object of this section of the Report is to go more fully into these points, and to give the reasons for the Bank's attitude. Much of what is stated in the following pages has already been said in the Monthly Reports of the Bank, and in the speeches of its President as Chairman and spokesman of the Central Bank Council as the Bank's organ responsible for banking policy. It appeared desirable, however, to reassemble these statements here, and to supplement them in certain directions. The central theme will of course be the problems of credit policy. But attention will also be paid to the tasks which arise from the present monetary situation, in the Bank's view, for those who are concerned with general economic and financial policy, since in the present circumstances it is of the utmost importance that the entire economic and financial policy conform to the requirements of a stable currency if monetary policy is to achieve full success.

As a basis for this presentation it seems appropriate, however, in the first place to analyse more fully the past year's economic developments and tendencies.

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\*) The German original went to press on 29 April 1963.

# 1. The Economic Trend

## Continuing Expansion, but also Continuing Tensions

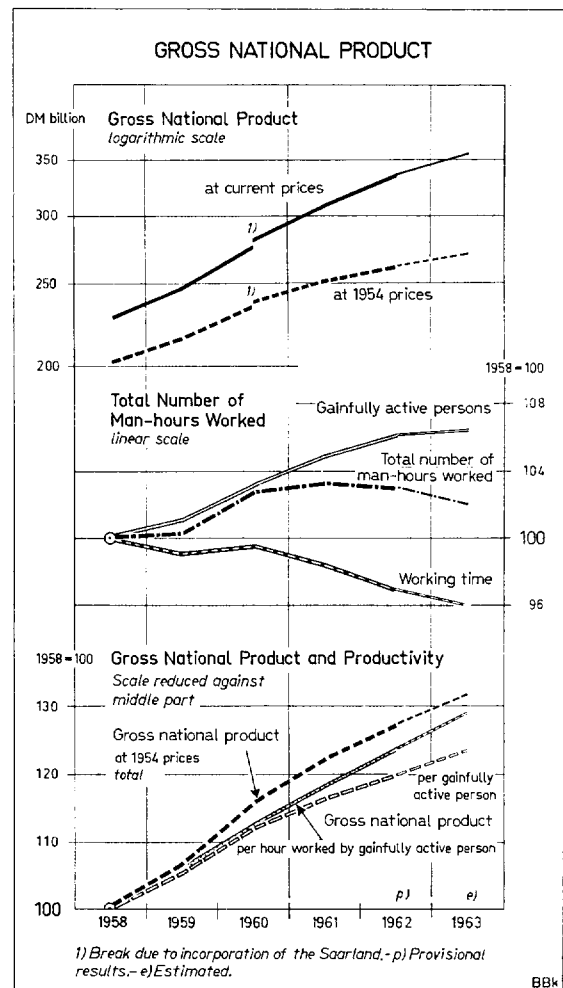
Expansion

The economic trend in the Federal Republic of Germany remained favourable during 1962 inasmuch as the "expansion", which has now been proceeding for one and a half decades, continued. The position as between individual branches of the economy became even more differentiated, however, than in the previous year. Thus, although in many branches the cyclical upswing continued, there was an increase in the number of those industries where activity notably flagged, or even signs of recession appeared; alongside structural shifts, such as always occur in a growing economy, cyclical factors were evidently also at work. But the economic trend as a whole continued to be dominated by the expanding sectors, the more so since the declining demand for labour in the industries which were not doing so well increased, if anything, the possibilities of expansion in the rest. At all events the gross national product grew further in 1962, rising by 4.1 per cent after elimination of the change produced — purely in terms of value — by higher prices and wages. It is true that this "growth-rate" was appreciably smaller than in 1961, 1960 and 1959, when it had been 5.5, 8.8 and 6.7 per cent respectively. Here however it must be borne in mind that the labour bottleneck, which had for years been the element limiting the rise in production, became still more marked in 1962 and accordingly set even narrower limits to a rise than in the preceding years. There is evidence of the economy's dynamic strength, and especially of the continuing substantial progress in rationalisation, in the fact that nevertheless the gross national product rose further by more than 4 per cent.

Adverse features:  
Labour shortage and declining  
personal achievement

On the other hand the fact cannot be overlooked that, with productive forces still heavily employed, certain undesirable concomitants of the cyclical upswing have become more marked. Thus for example the adverse effects of the extreme labour shortage coupled with the years of overstrain on certain occupational groups are becoming increasingly evident. In many cases the standard of service-rendering is no longer what it used to be. Not only has the quality of services fallen off; in many fields it has even become difficult to find anybody to do the work at all, especially repair work. At all events the satisfaction of everyday needs increasingly entails discomfort and friction, which partly outweigh the advantages of higher income. Up to a point, it is true, this is a structural process; but there is no doubt that excessive economic activity has quickened and reinforced that process materially.

Closely connected with this is the decrease of personal performance. The zeal of workers who are eagerly courted understandably declines; people who know that their job is



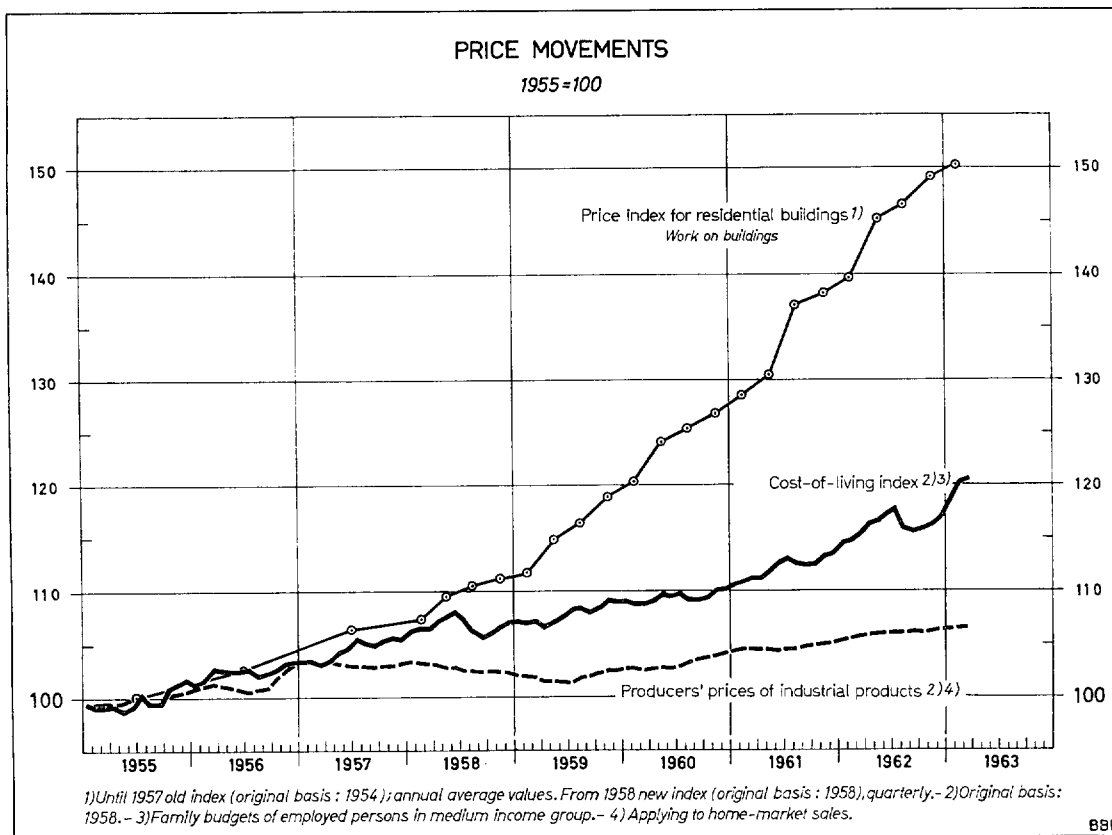
absolutely safe often become more negligent in performing their duties. Absenteeism has increased during recent years; the number of people reporting sick has risen by relation to those employed. At the same time in new collective agreements the trade unions have demanded with increasing force, and have obtained, a reduction of working hours. The hours actually worked per gainfully active person decreased by 1.5 per cent in 1962. This was the more serious since at the same time the number of gainfully active persons rose by only 1.2 per cent, because the stream of refugees from Central Germany almost ceased, because the addition to the numbers gainfully active due to the natural movement of the population and to the rise in the economically active proportion of the population was only small, and because the recruiting of further foreign workers — at least of skilled workers — ran into growing difficulties. The shortening of working hours was in fact such that the total number of man-hours worked did not rise further in 1962, but declined, with the result that the gross national product grew only on the basis of the rise in productivity. This clearly shows that “over-full employment” can in the longer run easily become a clog on growth if it weakens so important a foundation of growth as the readiness to work.

Another undesirable feature of the past year's expansion was that it was accompanied by a further rise in the price level. It is true that, as will be shown later, the rise of prices in some sectors became a good deal slower in the course of last year and that in isolated instances prices actually fell. A gradual steadying of prices was in evidence especially where foreign competition could produce its full effect, and where domestic price formation was therefore increasingly kept in check by the frequently much greater stability of prices in some of the world's major trading countries. But on the whole the tendency of prices remained upward — particularly in the building market, in the branches of activity strongly dependent on building and in those close to the consumer stage, where wage and salary increases produced relatively great effect while foreign competition imposed no check at all, or only a weak one. The cost-of-living index for the household of an employed person in the middle income group was higher than in the corresponding month of the previous year by 2.9 per cent in December 1962 and by 4.4 per cent in March 1963. In that connection it must however be borne in mind that the last few months' price rise was largely due to special circumstances, such as in particular the heavy increase in food costs which the past winter's exceptional cold spell entailed in the Federal Republic as well as in nearly all other Northern hemisphere countries, and the raising of rail and postal charges and of the (still controlled) rents for pre-currency-reform dwellings, which had until then conformed only inadequately to the rise in costs, some of them even now being still not in line with the level of these latter. Nor should the fact be overlooked that, because of the relatively high proportion of food costs contained therein, the cost of living has probably risen more for the medium-income workers' households than for the consumer groups with higher incomes. But these qualifications must not distract attention from the fact that cyclical factors also had their share in the rise of prices.

Attention must especially be drawn in this connection to the substantial increase of costs which the economy had to stand in 1962, just as it already had in the two preceding years. The average earnings per employed person rose by a further 8.7 per cent in 1962 as compared with 10.2 per cent in the previous year and 8.9 per cent in 1960. On the other hand the gross national product per gainfully active person, reckoned at constant prices, increased by only 6.5 per cent in 1960, by only 3.8 per cent in 1961 and by only 2.9 per cent in 1962. Thus in the economy as a whole the wage costs per unit of production rose by 2.2, 6.2 and 5.7 per cent respectively in 1960, 1961 and 1962. This rise substantially exceeded that in foreign countries, particularly since in the United States and some others the cost of wages (reckoned per unit of production) has actually declined during recent years. With the relatively large incidental wage costs, this has put the Federal Republic on to the upper levels in the international wage-cost scale, especially if account is also taken of the DM revaluation in March 1961.

*Continued price increases*

*Rising costs*



True, there is no reason to dramatise this fact, particularly since at the beginning of the fifties the Federal Republic was still relatively distant from the wage standard of other industrial countries. But so rapid a change does face the economy with problems which are not easy to solve, and the difficulties would become still greater if the last few years' tendency in costs were to continue. In that context it is necessary to think not only of international competitive capacity but also of the effects which a continuing rise in costs normally produces on the economy's desire and ability to invest. As will be shown later, dangers threaten here which are already clearly casting their shadows before them.

### Demand

Demand inflation or cost inflation?

The basis of these trends was the continuing high level of the demands made on the national product or, to be more precise, on the available production factors. According to the National Accounts the nominal total spending in 1962 was greater by 8.5 per cent than in the previous year, while the gross national product grew by only a little over 4 per cent in terms of real value; the rise in nominal expenditure was thus twice as great as that in the supply of goods and services. It is however questionable whether it can without qualification be concluded from this that there was an "excess demand" in the sense that demand was *a priori* greater than supply, and to that extent formed the impellent of the inflationary process just described. It is conceivable that with the rise in costs the nominal value of supply was from the outset greater, while total expenditure merely conformed to this and did not initiate the further rise in the price and cost level. Or, in other words, was the upward movement of prices in the period under report induced by demand at all; was it not primarily due to "autonomous" cost increases, that is, induced purely by costs? The fact that rises in costs as such can tend to



raise the price level is not to be denied, and has already been proved by many experiences. It is however a precondition that demand shall at least in some measure conform, which will be the case more particularly when the saving ratio of non-entrepreneurs does not rise or when entrepreneurs do not respond immediately to the increases in wage costs by a reduction of their actual capital expenditure, which will hardly be possible if only for technical reasons. It is obvious that, in this sense, demand has of late still largely "conformed". But many signs indicate that the rôle of demand in the past year's price rise was not confined to such a passive function, but was in some cases actually a leading one, although the impellents have gradually begun to shift from the side of demand to that of costs.

The great importance which still attaches to the demand element is shown above all by the fact that the labour market, where the demands on the national product find their focus, continues to be extremely strained. On the monthly average of the year 1962 the number of unemployed persons registered at labour exchanges was only 142,000, or a mere 0.7 per cent of all wage and salary earners, while on the other hand vacancies numbered almost 550,000 — despite the fact that more than 700,000 foreign workers were, at the height of the season, employed in the Federal Republic. Nor has there been any radical change in that respect during recent months, even though the hoarding of labour has become less in industries where activity is declining; at the end of March 1963 there were on the contrary still 552,000 vacancies as against 204,000 registered unemployed, so that the market for the most universal production factor continued to be overstrained.

In these circumstances the relatively easy position which the employed held in the struggle for wages and salaries remained due primarily to the great demand for labour, and not to the organised power of the trade unions, as in the case of a typical cost-induced rise in prices. Since the beginning of 1962 actual earnings have on the whole risen little more than collectively agreed wages and salaries; but the relatively wide gap which had developed between these two during the boom years has not become narrower either. In other words, the employers have refrained from absorbing the rise of collectively agreed rates in individual enterprises' uncovenanted additional payments; they have on the contrary raised the latter together with the collectively agreed wages and salaries — a clear sign that, in view of the general demand situation, workers have continued to be sought after. Here it must of course be borne in mind that owing to the enforced reduction of working hours the shortage has also been worsened from the side of supply.

On investigating the causes of the persistently strong pull of demand, one finds that in many cases it is still due to the 1959 and 1960 boom. At that time the inflow of orders was so great that they could not be promptly cleared off, and so led to a substantial increase of orders on hand. This accumulated demand is now making itself felt and still induces a considerable productive effort even in quarters where the previous order boom has already given way to a notable decrease of orders.

#### Influence of the Public Authorities

But current demand also remained in general at a relatively high level; on an overall view, indeed, it even continued its rise at considerable speed. The driving force came in particular from public expenditure. The combined expenditure of the territorial authorities (that is the Federal Government, the Länder and local authorities), of the Equalisation of Burdens Fund, of the E. R. P. Special Fund and of the social insurance institutions was about DM 137 billion in 1962 against DM 121 billion in the previous year, DM 109 billion in 1960 and DM 100 billion in 1959; the rise thus amounted to approximately 13 per cent in 1962 as against 11 and 8 per cent in 1961 and 1960, so that it became notably faster. The increase of Federal defence expenditure by over one-third was an important factor in that connection; but the fact that

The labour market as a pointer

Collectively agreed and actual earnings

Clearing the order backlog from the boom years

Substantial increase in public expenditure

under the impression of the abundant cash holdings due to the previous boom there was almost everywhere a generous increase of capital expenditure was also materially significant. At over DM 24 billion in 1962 the total capital expenditure of the territorial authorities, the Equalisation of Burdens Fund and the E. R. P. Special Fund was greater by almost 17 per cent than in the previous year. If the Federal Railways and Postal Administration are added, the result is an amount of almost DM 29 billion and a growth-rate of roughly 16 per cent. The territorial authorities' own capital expenditure, as distinct from loans granted to other parties, was particularly expansive. At an addition of over DM 2 billion it increased in 1962 by 19 per cent, having already risen in the previous year by nearly 17 per cent and in 1960 by 15 per cent.

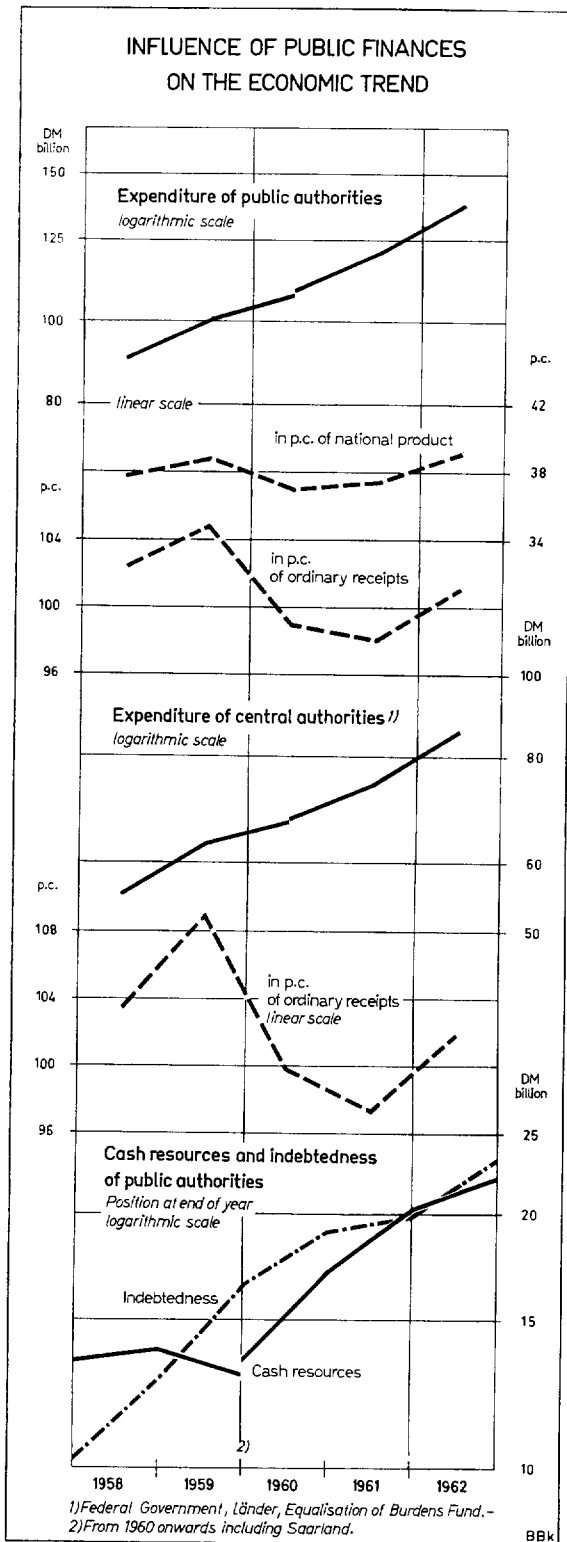
Deficits instead of  
surpluses

But the cyclical forces underlying this rise of expenditure become clearly apparent only when it is realised how the conditions of financing have altered in recent years. In 1960 and 1961 the public authorities' receipts, regarded as a whole, rose faster than their expenditure; this was due to the glut of tax revenues which the boom entailed, and to the sluggishness inherent in at least some expenditure items. In 1962 however the increase in expenditure far exceeded that in receipts, so that the 1961 surplus totalling about DM 2.2 billion was replaced in the following year by a deficit of over DM 1.6 billion. Here again the Federal finances were the governing factor. In 1962 the Federal Government's cash expenditure exceeded its cash receipts by more than DM 1.5 billion, whereas in 1961 it had fallen short of them by over DM 300 million; but in addition the Länder, which in 1961 had achieved a cash surplus of about DM 1.7 billion owing to the particularly favourable course of the taxes received by them, showed one of only just on DM 200 million in 1962 because they had in the meantime further increased their expenditure, chiefly their capital outlay and their grants to local authorities, and had moreover contributed approximately DM 1 billion to the Federal Government.

With the worsening of the current cash position the increase of the public authorities' balances slowed down; in some cases it even gave place to drawing on the cash resources previously accumulated. This latter applied at least to the governmental authorities, namely the Federal Government, the Equalisation of Burdens Fund and the Länder, which as a whole in 1962 used cash assets to the extent of more than DM 0.3 billion, whereas in 1961 they had increased their Bundesbank balances alone by over DM 1 billion. In addition the public authorities' market indebtedness rose considerably in 1962. The Federal Government, the Equalisation of Burdens Fund, the Länder and local authorities in 1962 borrowed almost DM 3.4 billion against less than DM 900 million in the previous year; if the Federal Railways and Postal Administration are included, the amount rises to DM 6.3 billion as against DM 2.9 billion in 1961. Even if allowance is made for the fact that at the same time the cash reserves of the social insurance institutions and of all local authorities increased by more than DM 2 billion (although in the case of the local authorities they did so not only because some of them remained in a position of surplus which — with the present financial adjustment — must be regarded as almost structural, but also because the borrowed funds were not spent as soon as they were received), for the whole of the public authorities in 1962 the excess of borrowing over the net increase of cash reserves is found to have been DM 1.55 billion (plus about DM 100 million of the Federal Government's "profit on coinage"), whereas in 1961 the increase of cash reserves had exceeded borrowing by more than DM 2 billion. This clearly shows how expansive the conduct of the public finances has become, and how to that extent it counteracted the reduction of excess demand.

Official impulses in the  
building market

A particularly serious fact in this connection was however that the increased flood of public expenditure largely impinged on a sector where the tension as between supply and demand was already greatest, namely on the building market. Of the territorial authorities' own capital expenditure, totalling about DM 13.7 billion, over DM 12.5 billion — that is fully DM 2



billion more than in the previous year — was on building. At least up to the end of 1962, moreover, the planning of new buildings on official account did not show any reduction. The value of newly approved projects for building ordered by public authorities was in fact 29 per cent greater in the second half of 1962, according to estimated expenditure, than in the corresponding period of the previous year. Even the 20 per cent blocking of appropriations, ordered in the 1962 Federal Budget Law for the Federal Government's building expenditure, failed to check this tendency because it came rather late (the budget was not passed until the spring of 1962), because in spite of the cut the appropriations still exceeded the previous year's actual expenditure, and because moreover it was possible to build by using residual appropriations carried over from earlier years. At all events in 1962 the Federal expenditure on building was greater by about one-third than in the previous year, even excluding that for defence, figures on which are not available.

Nor have the public authorities done less to promote other parties' expenditure on building. This applies in particular to the encouragement of house construction, where the overheating of the building market is especially apparent. The total housing expenditure of the Federal Government, the Equalisation of Burdens Fund and the Länder in 1962 (without housing premiums) reached over DM 4 billion, or roughly DM 0.5 billion more than in the previous year. By far the greater part of this amount represented subsidies, chiefly granted to the exponents of publicly assisted house-building. It is true that in this connection, in accordance with the Second Housing Law of 1956, the expenditure of the Federal Government declined further; but, in the same way as in the previous year, the Länder more than made good the cut by using their own resources, raising their total housing expenditure from

about DM 1.7 billion in 1961 to nearly DM 2.3 billion in 1962, more particularly because, in part only for political reasons, they endeavoured to record persistently high or even rising figures on housing output. The increased use of public monies of course mobilised a still larger amount of other funds if only because, for some time past, part of the public monies is made

available in the form of grants towards interest and redemption so as to make the parties ordering the building relatively independent — in their capital market borrowing — of the current level of interest rates. In point of fact the amount of finance promised by institutional investors for house-building assisted by public monies rose to DM 6.2 billion in 1962, against DM 5.6 billion in the previous year and DM 4.5 billion in 1959.

Further stimulation was afforded by the fact that house-building, especially that financed by private enterprise, could still rely on the relatively generous depreciation allowed for tax purposes by Article 7b of the Income Tax Law. In various connections during recent years, including its Annual Reports, the Bundesbank has advocated material limitation of this allowance because it appears to it mistaken at a time when the demand for building work far exceeds the capacity of the building trade and prices in that trade are accordingly rising at quite an alarming pace, and because moreover grounds of fiscal justice have increasingly militated against this concession. Up till recently, however, it had achieved no appreciable success. In 1960, it is true, some changes were made; but they reduced only slightly the incentives which the provisions of Article 7b offered, more particularly, for commercial house-building. The house-building planned in 1962 therefore continued in large part to have the benefit of these concessions; in fact the talk about their possible limitation or abolition even caused greater use to be made of them. It is not surprising that in these circumstances the market continues to exhibit the features of definite excess demand, further considerably increased by the long hold-up in building due to the cold spell last winter.

#### Increase of Private Consumption

The rise in mass income

A further factor tending to expand overall demand last year was the increase of consumption due to the rise in mass income. Total wages and salaries rose by 10 per cent in 1962, after deduction of taxes and of employed persons' contributions towards social insurance, although the numbers employed increased only slightly and average working hours further declined. The wage and salary increases were moreover accompanied by rises in the income from social insurance and retirement pensions as well as benefit and relief payments, the more so since a "tradition of adjustment" has increasingly formed in that connection even in cases where there are no legal links (as there are for instance in the case of retirement pensions, or of the social insurance pensions which were newly fixed in the course of the year). Under the influence of these factors the total mass income grew in 1962 by more than DM 14 billion, or 9.6 per cent. Profit withdrawals by the self-employed were also greater in 1962 than in the previous year, although the downward pressure on profits and the decrease in the number of gainfully active persons not working for an employer checked the rise, so that the total disposable income of private households grew by somewhat less than mass income, namely by 9 per cent. With the saving ratio approximately equal to the previous year's — at about 9 per cent of disposable income — there was, however, a roughly equal increase of consumption; that is to say, the increase was only a little smaller than in the two previous years, so that private consumption doubtless provided significant support for the continuing overall expansion of demand.

A secondary effect of the boom

Like the gradual clearance of the large order backlogs, this was a typical delayed effect of the boom. Between an upswing and the resulting upsurge of incomes and consumption there is according to experience a certain time-lag, because wage and salary increases do not usually attain their full momentum until the higher level of employment has made labour scarce, just as business activity has often passed its peak before the reversed trend affects the labour market or wages and salaries. The course of incomes and consumption last year also reflected such a delayed effect of the boom; in fact that effect was even more apparent this time than before, because the cyclical upswing of recent years had strained the labour market to a

Figures showing Economic Developments in the Federal Republic of Germany  
excluding Berlin  
Monthly averages

Item	Basis or unit	1956	1957	1958	1959	1960	1961	1962	1962				1963	
									1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr. p)	
<b>Production<sup>1)</sup><sup>15)</sup></b>														
Index of industrial production (per working day) <sup>17)</sup>														
Total	1950 = 100	192	203	209	225	249	264	276	259	283	266	296	262	
Basic and producer goods industries	1950 = 100	187	198	203	228	260	275	292	270	304	296	297	273	
Capital goods industries	1950 = 100	243	253	271	293	337	365	376	364	391	351	400	362	
Consumer goods industries	1950 = 100	176	186	184	195	211	220	232	223	235	217	253	225	
Output of selected products														
Power production <sup>6)</sup> <sup>16)</sup>	mn kw-hrs	7,023	7,576	7,851	8,464	9,416	10,219	11,135	11,339	10,220	10,515	12,469	.	
Rolled steel, per production day <sup>2)</sup> <sup>17)</sup>	'000 tons	51.4	54.9	51.2	63.7	73.9	72.4	72.6	69.8	73.1	74.3	72.0	70.1	
Passenger cars <sup>8)</sup> <sup>17)</sup>	'000's	76	87	109	125	151	159	181	176	177	178	192	.	
Motor trucks <sup>6)</sup> <sup>17)</sup>	'000's	14	14	16	18	20	20	20	20	20	19	21	.	
Television sets <sup>6)</sup> <sup>17)</sup>	'000's	44	65	124	150	180	144	141	132	124	134	175	.	
Farm products <sup>2)</sup> <sup>19)</sup>														
Food production <sup>4)</sup>	1935/36-1938/39 = 100	125	130	138	137	149	145	149 <sup>c)</sup>	.	.	.	.	.	
of which:														
Vegetable products	1935/36-1938/39 = 100	125	127	152	129	162	120	138 <sup>c)</sup>	.	.	.	.	.	
Animal products	= 100	125	131	134	139	145	152	153 <sup>c)</sup>	.	.	.	.	.	
<b>Labour Market and Employment</b>														
Registered unemployed <sup>20)</sup>	'000's	767	668	689	480	237	161	142	190 <sup>3)</sup>	88 <sup>3)</sup>	83 <sup>3)</sup>	219 <sup>3)</sup>	204 <sup>3)</sup>	
Employed <sup>7)</sup> <sup>20)</sup>	'000's	18,384	18,942	19,175	19,748	20,184	20,660	21,097	20,881 <sup>3)</sup>	21,223 <sup>3)</sup>	21,299 <sup>3)</sup>	21,170 <sup>3)</sup>	21,217 <sup>3)</sup>	
of whom, in industry <sup>8)</sup> <sup>17)</sup>	'000's	6,991	7,221	7,273	7,301	7,776	8,002	8,037	8,000 <sup>3)</sup>	8,044 <sup>3)</sup>	8,057 <sup>3)</sup>	7,994 <sup>3)</sup>	.	
Unemployment ratio <sup>8)</sup> <sup>20)</sup>	per cent	2.1 <sup>10)</sup>	1.9 <sup>10)</sup>	1.7 <sup>10)</sup>	0.9 <sup>10)</sup>	0.5 <sup>10)</sup>	0.5 <sup>10)</sup>	0.4 <sup>10)</sup>	0.9 <sup>3)</sup>	0.4 <sup>3)</sup>	0.4 <sup>3)</sup>	1.0 <sup>3)</sup>	1.0 <sup>3)</sup>	
Man-days lost <sup>20)</sup> <sup>20)</sup>	millions	.	.	.	11.6	12.0	30.7	59.6	24.3	.	.	8.8	50.9	
Weekly hours paid in industry <sup>17)</sup> <sup>6)</sup>	hours	48.2	46.5	45.7	45.6	45.6	45.5	44.9	44.7 <sup>11)</sup>	45.0 <sup>11)</sup>	44.9 <sup>11)</sup>	45.1 <sup>11)</sup>	.	
Weekly hours worked in industry <sup>17)</sup> <sup>6)</sup>	hours	.	43.0	41.5	41.3	42.0	40.8	40.8	43.4 <sup>11)</sup>	40.3 <sup>11)</sup>	38.5 <sup>11)</sup>	41.1 <sup>11)</sup>	.	
<b>Orders booked, and Sales<sup>1)</sup><sup>18)</sup></b>														
Orders booked in industry (Values, per calendar month) in per cent of 1954 sales														
Total	1954 = 100	137	143	142	175	201	201	207	202	211	201	213	.	
Basic industries	1954 = 100	136	142	137	168	185	179	188	181	194	191	186	.	
Capital goods industries	1954 = 100	147	154	163	203	255	254	253	259	254	243	258	.	
Consumer goods industries	1954 = 100	126	129	119	147	148	160	170	155	177	156	192	.	
in per cent of current sales	per cent	103	99	97	109	108	101	98	101	103	94	96	.	
Retail sales at current prices <sup>18)</sup> <sup>17)</sup>														
Total	1954 = 100	123	133	139	146	159	174	188	163	185	175	228	169	
<b>Building Industry<sup>17)</sup></b>														
Output of building industry proper <sup>1)</sup> <sup>15)</sup>	1950 = 100	181	177	183	213	222	241	259	178	304	292	266	119	
Estimated expenditure on approved buildings, total <sup>6)</sup>	DM million	1,344.1	1,367.0	1,600.5	1,844.7	2,227.5	2,579.4	2,828.3	2,310.4	2,994.2	3,120.3	2,888.3	.	
Carry-over of unfinished building projects at end of year <sup>6)</sup>														
Residential building	'000 dwellings	522.7	495.5	547.9	565.3	627.9	696.0	.	.	.	.	.	.	
Non-residential building	mn cu.m.	102.0	100.9	113.2	142.0	157.9	186.4	205.0 <sup>p)</sup>	.	.	.	.	.	
Price index for residential buildings <sup>5)</sup>	1958 = 100	93.7	97.0	100.0	105.3	113.2	121.8	132.4	127.4	132.4	133.7	136.0	136.9	
<b>Prices and Wages<sup>17)</sup></b>														
Prices of basic materials (of domestic and foreign origin) <sup>6)</sup>														
Total	1958 = 100	99.6	101.3	100.0	100.5	100.5	100.2	100.1	100.4	100.1	99.7	100.3	100.4	
of which:														
Farm, forest and plantation products	1958 = 100	100.6	101.5	100.0	102.4	100.5	100.0	100.3	100.9	100.3	99.2	101.0	101.4	
Industrial products	1958 = 100	99.0	101.2	100.0	99.3	100.5	100.3	100.0	100.1	99.9	100.0	99.9	99.8	
Purchase prices for foreign goods <sup>14)</sup>														
Total	1958 = 100	106.9	105.5	100.0	97.5	98.2	94.5	93.6	93.7	94.6	92.5	93.5	96.1	
Selling prices for export goods <sup>14)</sup>														
Total	1958 = 100	100.1	102.4	100.0	99.2	100.5	100.3	100.6	100.3	100.6	100.7	100.6	100.5	
Producers' prices of domestic industrial goods <sup>13)</sup>														
Total	1958 = 100	98.6	100.4	100.0	99.2	100.4	101.9	103.0	102.6	103.1	103.1	103.3	103.6	
among which:														
Capital goods industries	1958 = 100	97.1	99.1	100.0	99.2	100.7	103.6	106.8	105.5	107.1	107.4	107.4	107.2	
Consumer goods industries	1958 = 100	98.7	101.8	100.0	97.8	101.3	103.8	105.0	104.9	104.9	104.9	105.4	106.3	
Cost-of-living index <sup>12)</sup> <sup>6)</sup>														
Total	1958 = 100	95.9	97.9	100.0	101.0	102.4	105.0	108.7	107.6	109.3	109.1	108.9	112.2	
of which:														
excluding food	1958 = 100	95.7	97.9	100.0	100.5	102.5	105.9	109.0	108.1	108.6	109.3	110.0	111.5	
Food	1958 = 100	96.3	98.0	100.0	101.7	102.4	103.6	108.3	106.8	110.4	108.6	107.1	113.3	
Industrial workers' wages <sup>6)</sup>														
Hourly earnings	DM	1.99	2.17	2.32	2.44	2.68	2.96	3.30	3.20 <sup>11)</sup>	3.29 <sup>11)</sup>	3.33 <sup>11)</sup>	3.39 <sup>11)</sup>	.	
Weekly earnings	DM	95.77	100.74	105.82	111.51	122.42	134.82	148.49	143.16 <sup>11)</sup>	148.12 <sup>11)</sup>	149.74 <sup>11)</sup>	152.75 <sup>11)</sup>	.	
<b>Foreign Trade<sup>16)</sup><sup>17)</sup></b>														
Imports	DM million	2,330	2,657	2,670	2,985	3,560	3,697	4,125	4,010	4,089	4,010	4,390	4,053	
Exports	DM million	2,572	2,997	3,083	3,432	3,995	4,248	4,415	4,216	4,402	4,333	4,707	4,245	
Balance	DM million	+ 242	+ 340	+ 413	+ 447	+ 435	+ 551	+ 290	+ 206	+ 313	+ 323	+ 317	+ 192	

<sup>1)</sup> Excluding Saarland. — <sup>2)</sup> Until end-1958 excluding Saarland. — <sup>3)</sup> Position at end of quarter. — <sup>4)</sup> Farm years from 1 July to 30 June of following year. — <sup>5)</sup> Until February 1962 excluding Saarland. — <sup>6)</sup> Until end-1959 excluding Saarland. — <sup>7)</sup> Averages computed from end-of-quarter figures. — <sup>8)</sup> Proportion of unemployed to total of employed and unemployed wage and salary earners. — <sup>9)</sup> In building; bad weather period between 1 November and 31 March of following year. — <sup>10)</sup> Position at end of third quarter. — <sup>11)</sup> Mid-quarter position. — <sup>12)</sup> Family budgets of employed persons in medium income group. — <sup>13)</sup> Until end-1960 excluding Saarland. — <sup>14)</sup> Including Berlin; until end-1956 excluding Saarland. — <sup>15)</sup> From 1961 the 5.2-day week has been taken as basis. — <sup>16)</sup> 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. Including Berlin (West). Until 5 July 1959 excluding Saarland. — Sources: <sup>17)</sup> Federal Statistical Office. — <sup>18)</sup> Federal Ministry of Economics. — <sup>19)</sup> Report on the Situation in Agriculture (Green Plan). — <sup>20)</sup> Federal Institution for Labour Exchanges and Unemployment Insurance. — p) Provisional. — e) Estimated.

particularly great extent, and because under the impression of the experience gained at that time many employers hesitated to discharge workers even when the state of their business would perhaps have permitted this. On the other hand, however, the fact cannot be disregarded that those factors which formed the impellents of the boom in 1959 and 1960 and pro tanto also represent the source of its delayed effects, namely the surplus on goods and service transactions with foreign countries and the private sector's urge to invest, further declined in 1962 and in some cases were already exerting contractive effects.

### Investment Activity

Continuing heavy expenditure on earlier orders . . .

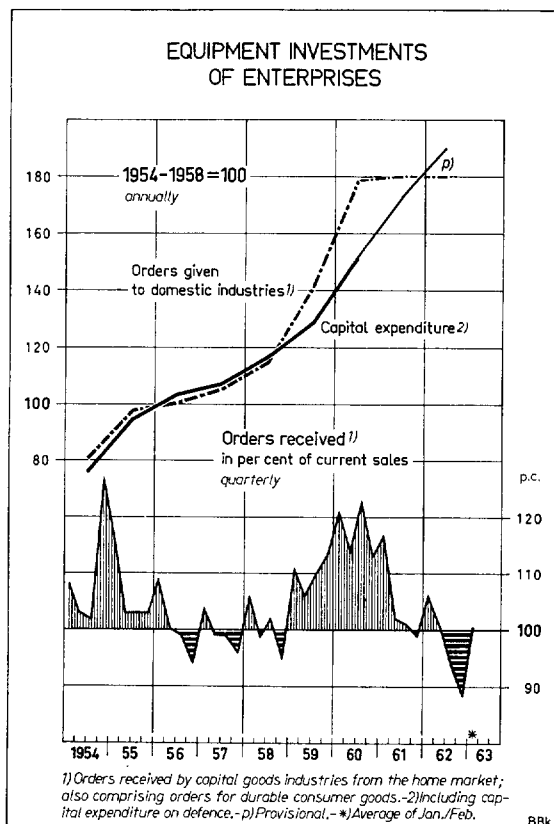
As regards in the first place capital investment, however, a distinction must be made between the current expenditure and the planning, so far as this is reflected in new orders. Actual capital expenditure (even excluding that on housing, which in this connection is on principle disregarded) continued to grow in 1962, although not nearly to the same extent as in 1961 or 1960. One reason for its growth was that prices and costs were as a rule higher in 1962 than before; but the deciding cause was no doubt that capital expenditure in that year was still largely determined by the very generous planning and ordering in previous years. If only because of the relatively long time taken to produce installations and equipment it is characteristic of investment activity that a longish period elapses between planning and execution. In the years 1959 to 1961 moreover prompt execution of the orders then arriving had been possible only in isolated cases, because so many were coming in, so that a relatively large number of enterprises still remain committed to take goods ordered quite a long time ago.

. . . but notable decrease of new orders

In the orders newly given, however, the decreasing readiness and ability to invest is clearly apparent. Even in terms of value the home-market orders booked by the capital goods industries in 1962 were 3 per cent less than in 1961 if one excludes vehicle-building orders, which largely depend on private consumption; in terms of volume the decrease actually amounted to 7 per cent. Since the middle of last year the trend has been definitely downward; in the first two months of 1963 the incoming orders were lower than a year previously by over 8 per cent. At the same time the inflow of orders (even apart from vehicle building) was assisted in some capital goods industries by the fact that these industries to a considerable extent also produce consumer durables, or that their products can be used for private consumption as well as for capital purposes, and that as a result of the rise in consumption the demand for many such products remained keen. In those industries where this factor did not operate the inflow of orders was accordingly even less favourable than for the group of capital goods industries as a whole. Thus for instance in mechanical engineering, which especially depends on equipment investments, the inflow of home-market orders in terms of value was smaller in the fourth quarter of 1962 than in the corresponding quarters of 1961 and 1960 by 13 and 21 per cent respectively; it fell short of the simultaneous sales by about 20 per cent. In typical capital goods industries current demand has thus already declined notably, although in some of them the order backlogs are still considerable.

The causes:  
Contractive pressure on profit margins . . .

In some measure this process may represent a reaction to the order boom of 1959, 1960 and part of 1961, and to that extent may amount only to a "breathing space". But its real causes lie deeper. In the last two or three years the conditions for private investment as regards profitability and financing have changed so rapidly and so widely that many enterprises reacted to these changes in the first place by cutting down their capital projects. Crucial importance attaches in this context to the contraction of profit margins owing to the rise in costs. In the economy as a whole the wage costs per unit of production rose by 15 per cent between 1959 and 1962, because total gross wages and salaries per employed person increased by 30 per cent while the output per gainfully active person rose by only 14 per cent. It became increasingly difficult, however, to pass on the rising wage costs in prices because, as the level of prices in



some of the world's major industrial countries was gradually stabilised, foreign competition became much stronger — especially after the revaluation of the DM — and because in some cases moreover the course of the home market no longer readily permitted price increases without danger of falling sales. In industry for instance producers' prices did rise by 4 per cent between 1959 and 1962, but this rise fell appreciably short of that in wage costs; and in most of the remaining spheres of production — other than building, where the course of prices was determined until very recently by a persistent excess of demand in the almost complete absence of foreign competition — the conditions were similar. The income of entrepreneurs was moreover subjected to considerable pressure by way of taxation during recent years. Not only because of the progressive scale of personal Income Tax, but also owing to the lag of payments behind the arising of the liability, the tax burden on enterprises continued to grow rapidly when the rise in wage costs was already becoming

clearly perceptible. Accordingly the total profit remaining to entrepreneurs after their own withdrawals has fallen somewhat steeply since 1961. Undistributed profits in 1962 amounted to only DM 13 billion, against DM 15.6 billion in the previous year and DM 18.4 billion in 1960. In relation to the capital employed, which of course rose correspondingly as new amounts were currently invested, the decrease was even greater; in other words the marginal return on capital has considerably declined during the last few years.

This produced a double effect on the conditions for investment. First, the earning prospects for new capital projects have deteriorated, at least in those cases where the investment fails to achieve a degree of efficiency sufficient to compensate for the rise in wages and salaries within total costs. The fact that the rate of interest on capital is higher than in 1959 is not without importance in this connection. The reduced "natural" rate of interest has against it an increased "market interest rate": that is to say, the return on new capital expenditure has been limited from that side too, with the result that entrepreneurs' propensity to invest has weakened.

Apart from this the contraction of profits has made the financing of capital investment more difficult for at least some enterprises. As total profits have decreased, so the possibilities of "internal financing" have naturally been reduced. The gap could be closed if the previous financing out of enterprises' own resources could be replaced, without difficulty, by corresponding financing from outside. Apart from the inhibitions which have resulted from decreased earning power, for many enterprises greater use of funds from outside was and is ruled out if only because that would worsen the relation between capital resources and borrowed funds, and such a shift is, in particular, avoided when business becomes more difficult and profits are shrinking. Above all however in the last few years the chances of attracting equity capital on a major scale, especially through the issue of new shares, have become smaller. Under the influence of the decline in profits, and of the consequent more sober valuation of shares, the

... reduces  
the propensity to invest ...

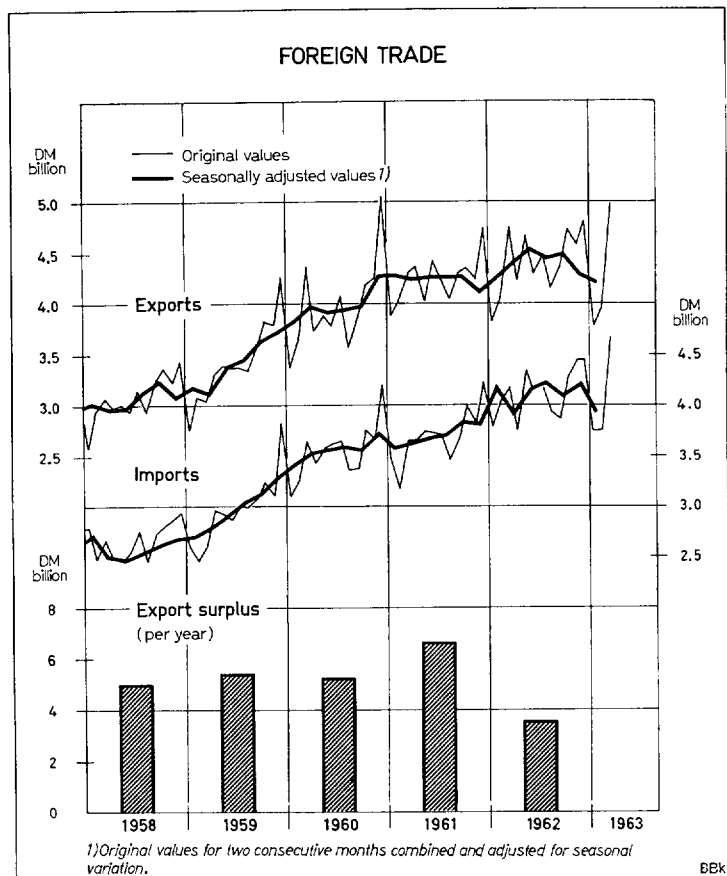
... and impedes financing

share market has suffered a heavy slump since mid-1960; particularly in the early summer and autumn of 1962 there were substantial price falls. Consequently the average level of prices for shares quoted on German stock exchanges was lower by about one-third in October 1962 than at the beginning of the year, while in comparison with the August 1960 peak the decline was actually about 50 per cent. Nor has the situation materially changed in the period which has elapsed since then. An appreciable recovery after settlement of the Cuban conflict was followed towards the close of the year by a new period of fluctuations, and at the end of April 1963 the level of quotations was still below that of August 1960 by around 40 per cent. Obviously in these circumstances it was difficult to place new shares; some of the attempts to effect capital increases even produced a definitely discouraging effect, so that at sale value the total amount of shares newly issued in 1962 was only about DM 2.2 billion, as against DM 3.3 billion in the previous year and DM 2.8 billion in 1960. It appears that this deterioration of the prospects for enlarging the capital resources was another cause for reducing or slowing down the execution of capital projects.

### Foreign Trade and Payments

Disappearance of the external impellents

Finally, the external impellents which had so markedly underlain the boom of 1959 to 1961, as well as the expansion in preceding years, have increasingly disappeared since 1961. This is most comprehensively reflected by the movement of current items in the balance of payments. As can be seen in detail from one of the following sections (The Balance of Payments), the surplus on goods and services dropped in 1962 to less than DM 2.4 billion (against nearly DM 6.5 billion in the previous year and DM 7.4 billion in 1960); this was no longer sufficient to cover the deficit of not much less than DM 3.8 billion on transfer payments. Accordingly in 1962, for the first time since 1950, the current items showed a deficit, so that in that year the Federal Republic received less from abroad than it paid out to foreign countries. For the German economy, therefore, external transactions in 1962 entailed no longer an excess but a deficit of demand. Even the surplus which resulted in 1962 from capital transactions, and from the "residual item" in the balance of payments, did not fully make this good. In fact, on its overall balance of payments for 1962 the Federal Republic showed a deficit, amounting to about DM 550 million; on the so-called "basic balance", which takes account only of net current items and long-term capital movements (excluding special transactions such as exceptional debt repayments), the





excess of outgoings actually reached almost DM 1.3 billion as compared with net receipts of DM 2.8 billion in 1961 and nearly DM 4.4 billion in 1960.

One reason for this lay in the course of exports. These were only 3.9 per cent greater in 1962 than in 1961, whereas they had grown by 6.3 per cent in 1961, by 16.4 per cent in 1960 and by 11.3 per cent in 1959. In the course of the year, moreover, the increase further slowed down; if seasonal changes are eliminated, the level of exports since the spring of 1962 even gives the impression of having remained stationary. The reasons are manifold. One was no doubt that the absorptive power of world markets increased only slightly in 1962, because in the raw-material countries the balance-of-payments difficulties continued to increase owing to the persistent weakness of international raw-material prices, because the recovery in the United States and the United Kingdom remained relatively weak, and because moreover in the continental European countries the cyclical upsurge flagged just as it did in the Federal Republic. Above all, however, the competitive advantage which the Federal Republic had enjoyed until 1961 as compared with other important industrial countries has since then more and more disappeared. The boom in domestic demand lengthened delivery periods for German exporters as well; the revaluation of the DM in March 1961 deliberately checked the rapid expansion of exports as well as the consequent upward price tendencies; and lastly, but not least, the previous relative strength of the German export position was impaired through the cost increases which have been proceeding since 1960. Wage costs per unit of production have risen much more in the Federal Republic since 1959 than in most other industrial countries; in some of these they have actually declined, especially in the United States, where wages in the last two years have increased appreciably less than productivity.

Exports almost stationary

The change in the Federal Republic's foreign trade and payments position was, however, reflected not only in perceptibly slower expansion of exports, but perhaps even more clearly in the substantial rise of German expenditure on imports of goods and services. Imports of goods in 1962 were greater by 11.6 per cent than in the previous year, while exports, as already mentioned, increased by 3.9 per cent. At the same time the expenditure on foreign services (excluding that on transport and insurance of imported goods, which the foreign trade statistics include in the value of imports) was above its level of a year earlier by 16.8 per cent. In that connection the increase of expenditure on travel was especially important; at over DM 4.6 billion in 1962 such expenditure was greater than in 1961 by more than DM 1.1 billion, and exceeded by almost DM 2.5 billion the expenditure of foreign tourists in the Federal Republic. The resulting deficit alone amounted to 70 per cent of the export surplus. Altogether it is at all events clear that last year a substantially greater part of demand was directed to foreign goods and foreign services so that, just as happened with the slowing of the rise in exports, the impulses which foreign trade and payments had previously exerted on domestic activity became considerably weaker, if indeed they have not already given place to a certain contractive pressure on the home market.

Increased expenditure on foreign goods and services

This is certainly not meant to imply that matters have reached a critical stage. In the years up to 1960 the Federal Republic had such large surpluses on its balance of payments, and consequently accumulated such great monetary reserves, that it could now stand deficits for a time. A limited decrease of its monetary reserves would even benefit the international payments situation, just as diversion of part of the growing domestic demand to foreign goods and services — and the weakening of foreign demand — would assist the easing of the internal cyclical position. Nor can one forecast with any certainty a progressive worsening of the German export situation; during recent months it has on the contrary been precisely the inflow of orders from abroad which revived, either because at least in some important customer countries the demand for imports has become greater and costs have begun to rise appreciably there too, or because German industry is endeavouring to make good the above-described shortfall of home-market orders through an increase of orders from abroad. Only further events

Appraisal

will show what longer-term trend is to be expected in this connection. Last year, however, the course of foreign trade and payments, in addition to the weakening of the private sector's desire and ability to invest, contributed materially towards causing (below the surface of a continuing good economic trend) a perceptible change in the primary impellents, which change — as just mentioned — is indeed at the moment entirely desirable for the sake of restoring economic activity to normal, but would also entail dangers if it went beyond a certain point. Altogether, therefore, the cyclical trends in the period under report were anything but uniform; in any case they were less so than in the period when the signs in general pointed upwards. What problems resulted for credit policy, how the Bundesbank tried to solve them, and what tasks arise from such a situation, shall now be discussed in the following pages.

## 2. Credit Policy

No major measures

The main feature of credit policy, both in 1962 and in the first months of 1963, was a deliberate abstention from major measures; this stood in marked contrast to the frequent interventions in 1960 and 1961. Since it was last reduced in May 1961, the Bundesbank's discount rate has remained unchanged at 3<sup>0</sup>/<sub>0</sub>; the minimum reserve ratios, which are the Bundesbank's most important instrument for affecting liquidity, have not been changed either since they were lowered (in December 1961 for liabilities to residents and in February 1962 for those to non-residents), by way of concluding a rather long series of reductions, to the level at which they had stood in the autumn of 1959 before the start of the 1959/60 restrictive policy; and since November 1961 (that is since the last part of the reductions ordered in the so-called standard quotas during the restriction period were cancelled) the credit institutions' rediscount quotas have been raised only in accordance with the increase in the liable funds of individual credit institutions, but not generally. The policy directed to lowering interest rates and increasing liquidity, which the Bundesbank had pursued in 1961 by abolishing the 1959 and 1960 credit restrictions, was accordingly not continued in 1962; by several times again raising its selling rates for the money-market paper which it sells in connection with its open-market operations the Bank even slightly changed course.

### *Relaxation Aligned to the Balance of Payments at an End*

Altered balance-of-payments situation

This was due to the fact that in 1962 — as already mentioned — the large balance-of-payments surpluses, which at the end of 1960 had caused gradual cancellation of the restrictive measures previously adopted, not only disappeared but were replaced by deficits. For monetary policy a fact of special importance in this connection was that the short-term money inflow, which had been so important a factor in 1960 and to some extent also in 1961, was only small in 1962. One reason was that in that year, just as in the second half of 1961, speculatively induced international money movements remained within relatively narrow limits. Another significant fact was that, under the influence of the 1961 relaxing measures, the level of money-market rates had declined to such an extent that it hardly attracted foreign funds any longer; on the German money market the level of interest rates at the end of 1961 was actually lower than in most other international centres. Continuance of the previous year's policy of relaxation aligned to the balance-of-payments situation was therefore not required. The Bundesbank was on the contrary able to cease applying the pressure, which it had exerted on the money market from the end of 1960 to the end of 1961 so as to reduce the inflow of foreign monies or to inhibit its resumption, and could thus in many respects give a different inflection to its monetary policy.

Neutrality in face of strained liquidity

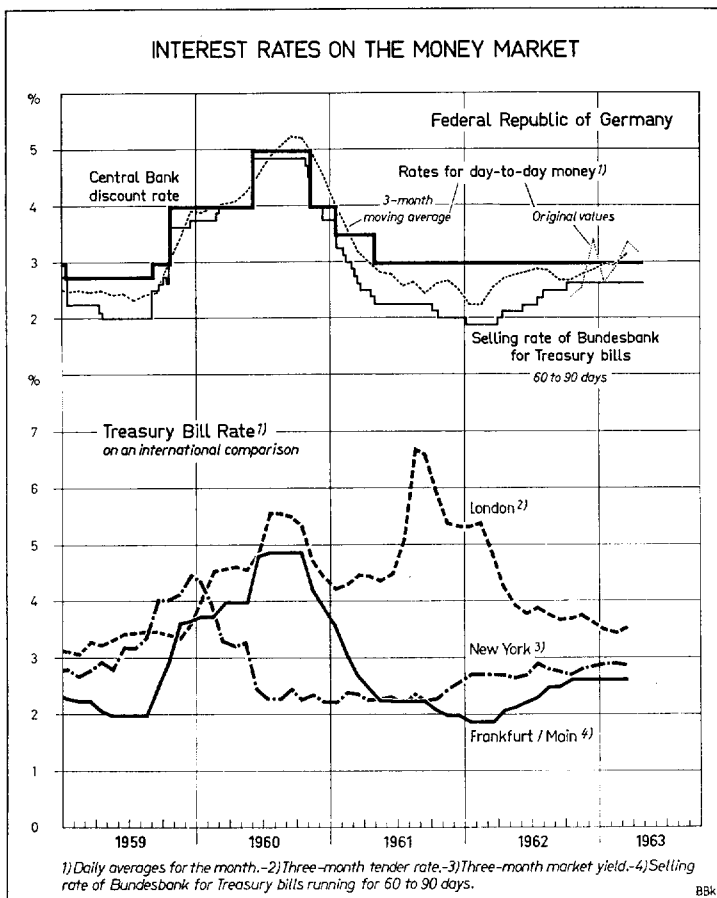
Since the last reduction of minimum reserve ratios, in December 1961 or, for foreign liabilities, in February 1962, the Bundesbank has accordingly in the first place deliberately

refrained from counteracting the market strain on bank liquidity. As will be shown in detail in one of the following sections (Trends in Money and Credit), this strain was therefore distinctly felt in 1962. The note and coin circulation continued to rise, although no longer so much as in 1961, and pro tanto deprived the banks of resources. The balance-of-payments deficit entailed a substantial outflow of funds to foreign countries, although in the existing circumstances this affected the banks' liquidity — as regards the major money streams — only inasmuch as the Federal Government's foreign payments prevented a part of its receipts from returning into internal circulation, and hence this outflow exerted direct action only through the "internally effective" Federal cash surpluses. Finally, the continuing increase of their liabilities automatically obliged the banks to maintain greater minimum reserves, since the prescribed minimum reserve ratios were not further lowered. The result is that for some time the banks' free liquidity reserves have been declining, or in other words, absorption of the excess liquidity (which had been generated in the banking system chiefly in consequence of the surpluses on the balance of payments) has begun. For the Bundesbank this is desirable, because in that way it obtains a better hold on the credit institutions at least in so far as they are no longer protected by large liquidity cushions, to the same extent as before, against possible restrictive measures. True, it must be borne in mind in this connection that nowadays the larger banks are probably all able in case of need to finance their requirements abroad. But the incentive to do so has hitherto been small, if only because of late — despite the steep rise of rediscounting — the banks have used their rediscount quotas at the Bundesbank only in relatively small part, and are therefore still able to procure substantial sums at the Central Bank discount rate, which by international standards is comparatively low. Adherence to the 3% discount rate has accordingly prevented the strain on liquidity, which has prevailed since the

beginning of last year, from leading to more than merely occasional inflows of fresh foreign money; on a longer view, this strain produced its effect exclusively in a reduction of the credit institutions' liquidity reserves, thereby again "forcing them into the Bank" to a greater extent. For this reason the complaints, made in some quarters about excessive reduction of the banking system's liquidity, are unfounded; every bank which has rediscountable bills, and has not already largely exhausted its rediscount quota, can procure money at 3% by rediscounting at the Bundesbank — quite apart from the fact that these facilities set limits to the tightening of the domestic money market.

It was however no longer necessary to keep domestic

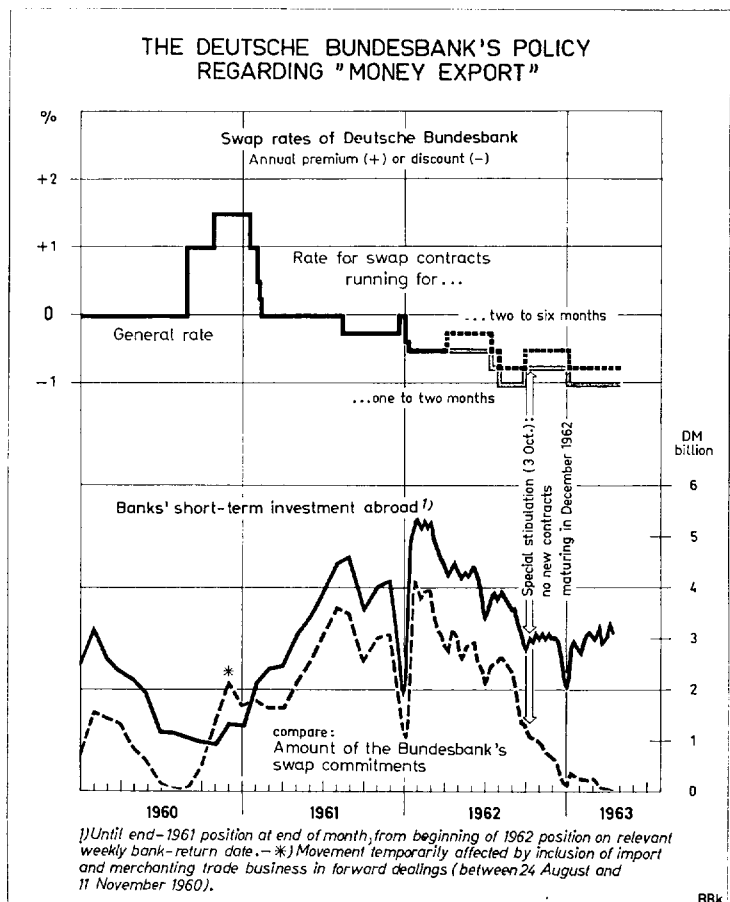
Raising the selling rates



money-market rates down to the relatively low level to which they had fallen in the course of 1961. On the contrary, in this respect the change in the balance-of-payments situation permitted the restoring of more normal conditions. Hence in the course of 1962 the Bundesbank, besides tolerating a certain strain on credit institutions' liquidity, again raised in a number of stages the selling rates for the money-market paper sold in the course of its open-market operations, and did so after having gradually reduced those rates to a very low level by January 1962. Thus for instance the rate for Treasury bills with a life of two to three months, which is best comparable with the Central Bank discount rate, was by degrees raised from  $1\frac{7}{8}\%$  in January and February 1962 to  $2\frac{5}{8}\%$  in October, being thus brought appreciably closer to Bank Rate; the rest of the rates were also correspondingly raised, that for two-year non-interest-bearing Treasury bonds — the open-market paper with the longest life — being raised from  $2\frac{3}{4}\%$  to  $3\frac{1}{2}\%$ . The fact that money rates in the United States had already risen in the last months of 1961, and that they rose further in the summer of 1962, materially assisted this measure; the latter was thus at least in harmony with the trend in the United States, while in relation to most other countries it was justified if only by the fact that — despite this rise — money-market rates in the Federal Republic remained below the level of corresponding rates abroad, and that moreover the difference was as a rule not fully offset by the forward exchange discounts which from time to time prevailed.

No further encouragement of money exports

A further important fact in this connection was, however, that particular weight no longer needed to be attached to encouraging the German banks' "money exports" once the persistent exchange inflows into the Federal Republic had ceased. Last year the Bundesbank was even interested in preventing money exports, so far as there was reason to suppose that they only represented investments which would be brought home again after a short time. Since the period of growing liquidity ended, however, the banks' money exports have been more or less confined to funds which are from the outset employed at relatively short term, this being because additional funds by which the foreign balances and investments could have been built up were no longer available for lengthy periods. Consequently the changes in the holding of foreign assets more and more reflected the short-term fluctuations of credit institutions' liquidity alone. In the months when the banks became more liquid for seasonal reasons or owing to the trend in the public authorities' cash flows, they put money out; in the months when they were subject to strain they brought it home. In themselves, it is true, such fluctuations are not open to objection; but at a



time when appreciable international money movements are usually observed with some nervousness they can easily cause unnecessary anxiety. Last year the Bundesbank therefore tried to induce the credit institutions to hold so far as possible at home their reserves designed to even out short-term variations of liquidity, instead of employing those reserves temporarily abroad. With that object it refused in the autumn of 1962 to conclude swap transactions maturing in December, when it was fairly certain that the funds would be brought home, whereas before that it had made the conclusion of rate-covering transactions more expensive at relatively short than at longer term. Besides this the Bundesbank gradually terminated the concessions which it had introduced to assist money exports by engaging in forward exchange covering at a critical time. Thus the discount rate charged by the Bundesbank on forward exchange transactions (in practice only in U. S. dollars) was several times raised, thereby progressively nullifying the difference which it had previously shown by comparison with the rates payable for forward rate covering in the market; of late indeed the swap rates of the Bundesbank have as a rule been above those of the market. As a result the Bundesbank's swap commitment rapidly declined from the beginning of 1962 onwards. At the close of that year it amounted to only about DM 130 million, against more than DM 4.1 billion when the year began; in the first months of 1963, after rising for a time in the first week of January, it has fallen practically to nil.

Similarly the above-mentioned raising of selling rates was intended to cause the banks to hold more of their liquid assets at home than abroad, since it rendered more attractive the interest return on reserves held inside the country. In fact the basic tendency of the banks' reserves employed in domestic money-market paper, mostly mobilisation paper, has hardly been downward since mid-1962, whereas under the influence of the strain on liquidity their short-term foreign balances and investments (excluding those of the Reconstruction Loan Corporation) declined from about DM 5.4 billion in January 1962 to roughly DM 2.9 billion in January 1963. The fact that the balance-of-payments situation permitted this, and that money-market policy could to that extent again be guided somewhat more by internal considerations, is certainly to be regarded as a step forward.

#### *No Fresh Application of the Credit Brakes* Foreign Trade and Payments Considerations

On the other hand it was not desirable to apply the credit brakes in order to counteract the persistent cyclical tensions, in particular the rise of prices. So as to limit overall demand through influencing the granting of credit, the level of interest rates would have had to be considerably raised, and the banking system would have had to be subjected to a constriction of liquidity seriously impairing its freedom of movement. The attainment of that object would however have been nullified through further inflows of money from abroad. In the last year and a half too, stronger seasonal strains on bank liquidity have regularly led to the banks' borrowing more from foreign institutions (although these borrowings were rapidly reduced again), just as foreigners' purchases of German securities substantially increased after the yield on fixed-interest-bearing paper had risen again to 6% or more in the second half of 1961. An avowed restrictive policy would no doubt have materially strengthened these tendencies and thereby destroyed its own effect, much as the 1960 attempt to master the boom through drastic credit-policy measures came to grief on the heavy influx of foreign money. Repetition of that experience was the more likely inasmuch as of late years industry too has obtained relatively large foreign credit facilities. If the German banks had been obliged more or less to refuse the applications addressed to them for credit, or if they had been able to satisfy such demands only at interest rates appreciably higher than those charged by foreign lenders, many enterprises could without difficulty have fallen back on these latter. The credit restrictions would thus not have produced

The danger of  
foreign money inflow

the desired effect, but would have given rise to money and capital movements which would certainly have been felt as disturbing the international payments situation when this was already clearly improving.

Credit policy and  
convertibility

From these inhibitions it has sometimes been concluded that credit policy in conditions of convertibility is simply condemned to powerlessness, at least if freedom to switch from one currency area to another, even in the matter of capital movements, is so unrestrained as it now is in the Federal Republic. In so unqualified a form, however, that conclusion is not correct. Convertibility imposes restraints on credit policy only in so far as it requires that policy to allow for international circumstances, and to refrain from taking solitary economic action along specific national lines. External difficulties for a more restrictive credit policy would moreover in recent times have arisen not from convertibility as such, but from the fact that in most foreign countries a different credit policy was being pursued. It is true that money rates in the United States rose in some measure from the autumn of 1961 onwards, as already mentioned; but this afforded German monetary policy only a narrow margin for any raising of the interest rate level. After having been several times raised between March and October 1962 the Bundesbank's selling rate for Treasury bills had almost regained the level of the United States' Treasury bill rate; and the remaining interest rates, above all the longer-term rates, were already as a rule higher than the corresponding rates in America. In relation to most European countries too the German interest rate level outside the money market was and is still relatively high. By comparison with the beginning of 1962 the differential has in certain cases actually widened, because in some of those countries the recent trend of interest rates was downward. In these circumstances any further raising of the German interest rate level would probably have created a differential which would promptly have induced greater capital inflows. Only if a restrictive course had at the same time been adopted abroad would the prospects of success for restrictive measures have been greater; and they would have been greater in spite of convertibility.

To limit convertibility,  
or to alter exchange  
rate policy?

It has occasionally been urged, however, that this relative dependence of credit policy on that pursued abroad should cease through convertibility (at least in connection with capital movements) being terminated, or in any case reduced, thereby ensuring greater independence for domestic credit policy. It is however doubtful whether such an experiment would really achieve the desired object. The possibilities of evading exchange controls must not be underestimated, especially in an economy so closely interlocked with foreign countries as the German economy is. Even more serious are the objections of principle. To reintroduce restrictions on foreign payments could hardly be reconciled with the Federal Republic's general economic policy. Some of the measures designed for keeping out foreign money and capital inflows by administrative action would moreover probably conflict with the Federal Republic's existing international obligations, and would have to be approved by the competent international authorities. Any renewed compartmentation in international money and capital transactions would certainly conflict with the objective of progressive international integrating and harmonising of individual countries' economic policy. If this objective is approved because it ensures a substantial increase of overall efficiency and is an indispensable precondition for closer political rapprochement, those concerned will not be readily prepared to destroy part of the freedom already attained for international capital movements, even if short-term advantages could thereby be obtained.

The same applies to the abandonment of exchange rate stability, occasionally recommended as a "liberal" alternative to reintroduction of defensive exchange controls. That too, apart from all other objections, would sacrifice an essential prerequisite for integration; above all, it would destroy the basis of the attempt made in the European Economic Community to establish a common market through gradual removal of all quota and tariff barriers to the international movement of goods, and through progressive harmonising of economic policy. It is also highly

doubtful whether radical alteration of the monetary policy of a country such as the Federal Republic would not entail an extremely dangerous shock to the present world monetary system, and whether the advantages to be anticipated from such a change would justify the incurring of so great a risk.

### Cyclical Policy Aspects

Nor, however, did the general course of economic activity in 1962 call for credit policy measures in the same way as in 1959 and 1960. This is not meant to imply that no intervention at all was required. As previously shown, the year 1962 also was marked by strong cyclical tensions and in particular by a persistent rise in costs, the dangers of which the Bundesbank tirelessly pointed out. Even the beginnings of relaxation, appearing in various quarters, failed to remove all the anxiety; so long as they did not suffice to stop the rise in costs there remained a danger that stagnation or even crisis would develop, in a manner which must be taken seriously on both internal and external grounds, the more so since experience shows that a rise in the level of costs can hardly be reversed. The Bundesbank therefore repeatedly urged that the tendencies to partial relaxation should be strongly supported by instruments of economic policy, the object being to rein in the rising trend of costs before it leads to an extremely painful and radical "self-adjustment" or, if the recurrence of inflationary tendencies abroad permitted it, to renewed reinforcement of the rise in prices.

Restraint of overall demand remains necessary . . .

Under the surface of an excessive boom which on the whole appeared to persist, however, there has been in the course of the last two years a material change in the pattern of the forces determining the level of economic activity, and hence also in the tasks for cyclical policy. The foregoing analysis shows that expansive effects have of late come almost solely from public expenditure, from officially encouraged capital investment and from private consumption: on the other hand the demand emanating from private investment and from foreign countries, which demand together with the increase of house-building had been the most important impellent of the boom in 1959 and 1960, showed a decrease — although it remains to be seen how, on a longer view, the last few months' rise in the inflow of orders from abroad must be assessed.

. . . but the tasks for cyclical policy have altered in detail

From the angle of cyclical policy this differentiation is noteworthy inasmuch as it shows that at the present time the continuance of a certain excess demand is mainly due to factors which credit policy cannot influence (at least not directly, hence hardly in the short run), even if steps could be taken to make sure that the instruments of credit policy would "work". The slightness of the direct effect produced by credit policy on private consumption calls for no further explanation, particularly in a country where consumer credit is not a very important factor and is relatively inelastic as compared with other countries. Besides this, however, public spending also largely escapes the effects of credit policy. In particular, certain Länder and local authorities have considerable cash reserves, which would enable them for some time appreciably to increase their expenditure without having recourse to borrowing, even if the growth of their revenues became slower. The public authorities' borrowing is moreover relatively insensitive to interest rates, quite apart from the fact that many such authorities can resort to sources of credit which are within the range of Central Bank policy — if at all — only in limited degree. The officially assisted capital projects are also largely protected against credit restrictions through grants towards capital and interest payments; it is well known that, in publicly assisted house-building in particular, the increased lending and the variable grants towards interest out of public funds prevented the raising of interest rates from producing any greater effects.

Small influence of credit policy on the expansive forces

In these circumstances renewed credit restrictions — provided that it had proved possible to make them effective despite the difficulties arising in respect of foreign trade and payments — would in the main have hit only private investment, which is in any case already under pressure. The Central Bank certainly does not take the view that thorough relaxing of cyclical

tension does not also call for restraint of private investment. Hence it has not met the wishes, expressed in some quarters, for a relaxation of credit with a view to maintaining the volume of investment, any more than it has changed over to a definitely restrictive course. Incentives to invest are ruled out, at least as long as overall business activities clearly bear the marks of an upward phase and the price level continues to tend upwards. On the other hand however it seemed undesirable, at a time when the influence of cost inflation was already decreasing both willingness and ability to invest, to worsen the terms for investment through measures of credit policy. If it had proved possible to make such measures really effective despite the external difficulties they would, it is true, have quickened the restoration of cyclical conditions to normal, although they would have done so at the cost of investment alone. But at the same time they would have produced effects which might in the longer run have too greatly weighed down on the economy, and might have unduly delayed the renewed rise of capital investment. Under the influence of tighter credit restrictions the share and bond markets in particular would probably have been exposed to a further slump, if this had not been prevented by inflows of external capital which would have been highly undesirable on other grounds.

In the present situation, where excess demand is mainly based on public expenditure and officially assisted capital investment, the Bank feels that it is on the contrary primarily a matter for the authorities responsible in this connection to act directly on these tendencies in such a way as to remove the centres of overheating, thereby counteracting continuance of the cost and price upsurge in the manner which promises the quickest success.

### 3. Tasks for Economic and Financial Policy

Limiting the rise of public expenditure

In present circumstances the public finances are of special importance. Public expenditure last year made the largest contribution towards general expansion of demand, and looks like doing the same again this year. To judge by the shape which the Federal budget estimates for 1963 have assumed in the course of the last few weeks' deliberations, the expenditure appropriations at about DM 55.3 billion (this excludes offsetting items and debt redemption) will exceed the comparable 1962 actual expenditure by over 9 per cent. In the case of the Länder the rise in expenditure appropriations by comparison with last year's actual amounts may be put at fully 8 per cent, and the evidence regarding most other authorities' expenditure points in the same direction. At least in the case of the Federal Government, moreover, the possibility that some expenditure appropriations may be increased cannot be ruled out. Revenues are unlikely to grow in equal degree. If expenditure is increased on the contemplated scale, then in all cases where there were already cash deficits last year a further increase of those deficits must be expected, while in the remaining cases there is reason to suppose that the surpluses will decline or will turn into deficits. The drawing on public cash reserves which already took place last year will accordingly continue (especially for instance in the case of the Länder, which together at the end of 1962 had at the Bundesbank alone credit balances exceeding DM 3.5 billion), and the demand for credit will grow.

Obviously such a process is not in accordance with the needs of cyclical policy as just outlined. That is moreover fully recognised in the "Economic Report" which the Federal Cabinet presented to Parliament and to the public at the end of February. The "guiding principles" which are given in that Report for the "conduct of public authorities" in 1963 expressly lay down that in the present phase the rise in the total expenditure of the Federal Government, the Länder and the local authorities must "be made to accord with the prospective upward movement of the real national product". According to the forecast of the Federal Ministry of Economics and of the other authorities concerned in these estimates, the real national product will hardly rise in 1963 by more than 3.5 per cent. An increase of expenditure by at least 8 per



cent (and this would have to be expected if the proposed budget appropriations were realised, even if the increases contemplated in the case of the Federal Government and the Länder were not attained in that of the other authorities) would thus not be "in accordance with cyclical requirements", and according to the "guiding principles" stated in the Economic Report it ought so far as possible to be prevented or at least limited.

Any attempt to achieve this is of course likely to run into great difficulties. The financial year is already fairly far advanced. In many items of expenditure the contemplated rise appears to be more or less inevitable, so that a reduction of total spending could be attained only if other expenditure, and the respective appropriations, were correspondingly cut down. In this connection however a great difficulty results from the fact that in the Federal Republic it is less possible than in other countries to speak of public authorities as a single entity, because a large number of authorities are concerned in public expenditure, some of them being important authorities that enjoy far-reaching or even complete independence in the matter of spending. The expenditure of the Länder for instance is at present equal to about two-thirds, and that of the local authorities (excluding what is financed by grants from Länder) to more than one-third, of the Federal expenditure. If only for that reason, therefore, the establishing of a "priority scale" for public expenditure is not simple. Still, much might perhaps be achieved if the efforts announced in the Economic Report to coordinate the budgetary policy of the various public authorities were pursued with full energy, especially in the sphere of the Federal Government itself, which apart from its own budget has a far-reaching influence on the finances of its Special Funds comprising the Federal Railways and Postal Administration, the E.R.P. Special Fund and the Equalisation of Burdens Fund.

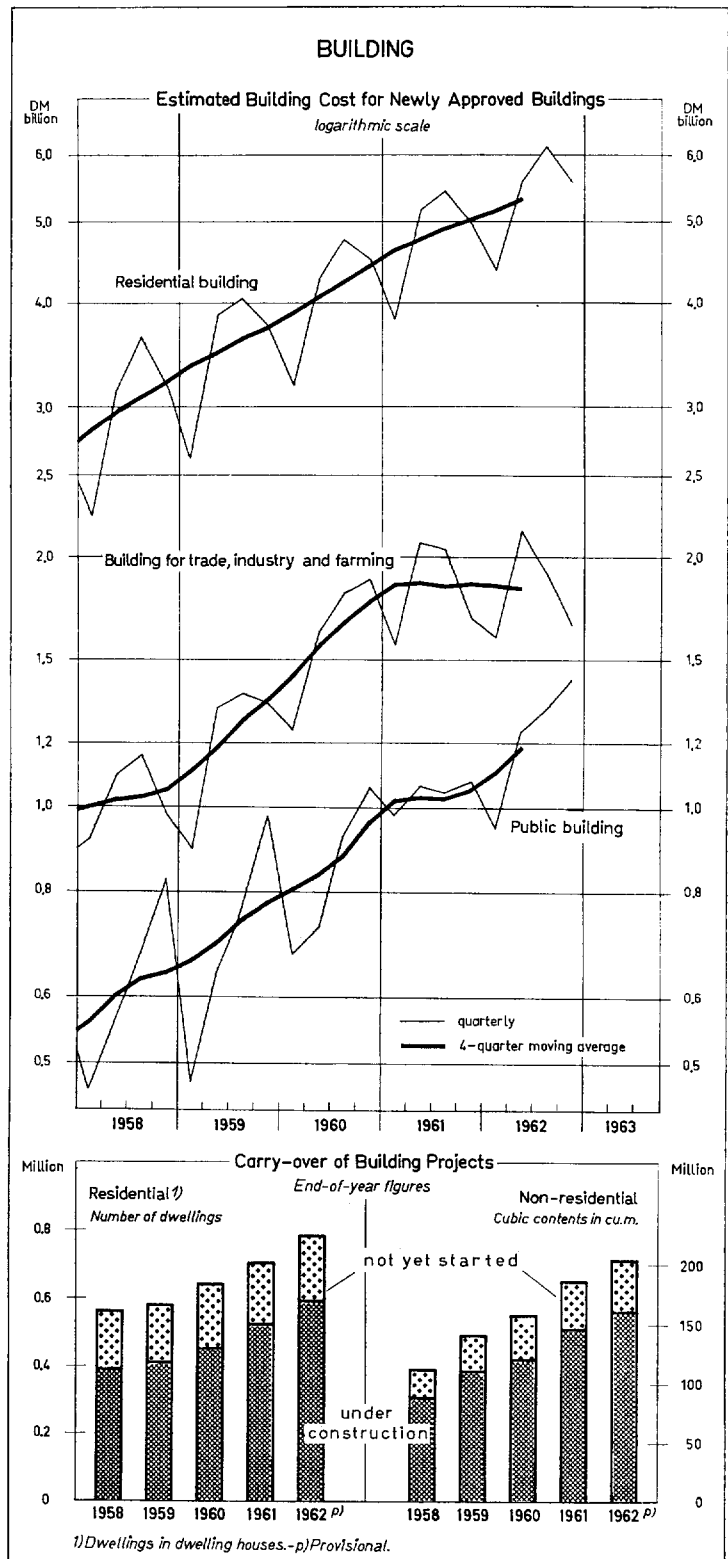
Apart from this, the public authorities' need for credit ought so far as possible to be met in non-expansive fashion. The fact that the Bundesbank, in conformity with the law, will not provide cash advances to finance budgetary deficits (viz., finance extraordinary expenditure), that is to say will not go beyond occasional short-term covering of fluctuations in receipts, need hardly be emphasised; nor will it take steps, through actions affecting liquidity, to enable the credit institutions to take larger amounts of public authorities' bonded loans. In present circumstances, therefore, the official demand for credit ought to be met in the capital market. But even this does not necessarily ensure the monetary „neutrality“ of the borrowing, because some part of the loans issued in the capital market usually finds its way into the banks' hands, thereby implying a tendency towards credit expansion.

It is further crucially important that the public authorities counteract the excess demand in the building market because it is there, as already explained, that the most important centre of general cyclical tension still lies. The Bundesbank has already been pointing to this necessity for years; and conditions would certainly not have come to such a head if the building boom had not been constantly stimulated afresh by the public authorities. This year again the situation is extremely critical. To a large extent the lengthy cold spell crippled building activity in the first months of the year. On the other hand the carry-over of building work at the end of the last building season was greater than ever, because the decrease in planned building for trade and industry was cancelled out through greater orders in connection with official and residential building; as already mentioned, the measures adopted last year to check the building boom have as a whole not yet even affected the amount of orders given.

In recent months the Federal Government has strengthened and in some cases supplemented those measures. Thus in the Federal budget estimates for 1963 the appropriations for expenditure on building of all kinds were appreciably reduced in comparison with the previous year's actual expenditure; the appropriations for the Federal Government's own building work (including roads, but not building for defence purposes) were for instance cut down to DM 1.7 as against 2.3 billion, and the expenditure on house-building (other than housing premiums) to DM 0.8 as against nearly 1.1 billion. Much as last year, a part of the appropriations has been

Special restraint in expenditure on building

subjected to provisional 20 per cent blocking. In addition the allocating of the amounts which the Federal Government has appropriated for publicly assisted housing is to be further delayed. Normally these amounts are already promised towards the close of the previous year. In 1962 the authorities already refrained from doing this, and they now propose to start allocating the amounts only in the autumn of this year so as to delay the placing of orders by the recipients. In addition the Law to limit new construction of office and administrative buildings, shops and other buildings not regarded as urgent, promulgated in 1962 but expiring on 30 June 1963, will in all probability be replaced by a similar Law; and finally the proposal — advocated by the Bundesbank with special vigour for years — that the depreciation facilities allowed in Article 7b of the Income Tax Law for house-building shall be limited has at long last been adopted. At the beginning of March 1963, on the proposal of the Federal Cabinet, the Bundestag suspended for the period from 9 October 1962 to 31 March 1964 the preferential rates of depreciation allowed under Article 7b on the construction of new rented dwellings; however, this decision has not yet attained force of law (and will possibly be modified as regards the periods set), because the Bundesrat refused to give this amending measure the retroactive effect as from 9 October 1962 (the date it was announced) for which the Federal Cabinet had asked.



It is however hardly to be expected that these measures will exert any effect worth mentioning on this year's actual expenditure on building; apart from everything else the carry-over of building projects from earlier years is too great for that to be possible. Still, the restrictions now imposed might contribute towards cooling the temperature in the building market, at least in so far as they tend to restrain the giving of new orders and thus stop the further increase of the building backlog or perhaps even reduce it. The effect on market conditions would undoubtedly be most salutary. It would of course be a precondition that the measures resolved shall be executed with the necessary energy, and that no use shall be made of the possibilities of weakening and evasion which unfortunately exist in certain cases. Thus for instance the effect of the so-called Building Suspension Law will largely depend on the extent to which exemptions are in practice granted from the prohibitions which it imposes in principle — and according to the new version of the Law as proposed by the Federal Cabinet even subordinate regional authorities shall be empowered to grant such exemptions. It is also important that the cutting down of expenditure appropriations in the Federal budget shall not be rendered ineffective through the authorities' making greater use of unspent appropriations carried over from earlier years. The course of total official building orders will in particular largely depend on the Länder also cutting down their own building projects and exerting their influence on the local authorities in a like sense. Above all, however, much will depend on the reducing and delaying of the allocation of monies provided by the Federal Government for publicly assisted house-building not being again cancelled out, as it mostly has been in recent years, through the Länder making use of their own resources. The fact that the finances of the Länder are gradually deteriorating has increased the chances that they will not do this again, or at least will not do it on the previous scale; but even so in the budgets of the Länder as a whole the expenditure on house-building is put somewhat higher for this year than for the last.

A further question which is very frequently raised in present circumstances is whether it would not be possible by measures of general economic policy to some extent also directly to affect incomes so as to prevent a rise which would be "excessive" in terms of cyclical and monetary policy. During recent years international organisations have in fact canvassed on a growing scale the idea of such an "income policy", autonomous in the sense that it is pursued independently of other measures, and have recommended it to their member countries. Only recently for example the Commission of the European Economic Community described it, in a statement of its attitude towards present-day cyclical policy, as an important instrument for countering the cost inflation which the Commission too regards as particularly undesirable, and even suggested to the E.E.C. countries that — where practicable — they should set up institutions with that object. The Commission's action evidently springs from the fear that in a modern mass society wages and salaries may easily be raised faster than is compatible with the maintenance of stable prices, and that on the other hand the attempt to counteract such a process through general restraint of demand would inevitably impair the growth which would in itself be possible.

Income policy

The question whether such a situation already exists in the Federal Republic is however a moot one. As has been shown in another context, the present upward wage and price tendencies are also still largely rooted in an "excess demand situation", so that it cannot yet be regarded as having been empirically proved that such upward tendencies in costs would persist even when a situation of that kind no longer existed. In any event the establishment of normal market conditions (and also, in that connection, a limitation of overall demand) still appears to be the primary cyclical policy problem, the solution of which may at least be expected to lessen cost inflation.

Still, the fact must not be overlooked that even in the Federal Republic it is impossible to exclude the danger of cost increases which take place in relative independence of the general state of the market. The persistent shortage of supply in the labour market has undoubtedly strengthened such tendencies, and the fact that the potential labour supply will grow only

slowly in the next few years, while strongly expansive forces possibly remain at work, could strengthen them still further. Last year "autonomous" cost increases were already operating, at least inasmuch as the average hours of labour were reduced (with, as a rule, full compensation in wages), although this was obviously inconsistent with the continuing great and in fact growing labour shortage. Incidentally, in its last Annual Report the Bundesbank already raised the question whether it is wise, even from the workers' point of view, to exploit all the opportunities offered by the market if one bears in mind the danger which this may in the longer run entail for the state of employment.

Without any desire to belittle the central importance of the need to establish better equilibrium in the market as soon as possible, therefore, an "income policy" designed to effect a better adjustment of wage and salary rises to the real growth of the national product seems appropriate. Measures of compulsion with that object can of course not be considered; nor does it seem desirable, at least for the time being, to institutionalise the official influence on wage negotiations so much as this is done in some other countries. Through voluntary agreements, and through regular contacts between representatives of the official interest on the one hand and of employers and employed on the other, it ought however to be possible to achieve a good deal — the more so since the trade unions say they are perfectly ready for official discussion of whether their wage demands are justified in view of the overall economic situation. The Federal Cabinet has already taken first steps in that direction. Discussions about the Economic Report, which established "guiding principles" for the behaviour not only of public authorities but also of entrepreneurs, as well as of employers and employed, are now to be followed by the setting up of the long-planned Board of Experts, whose reports are designed to prepare for systematic official discussion of general economic policy as between all the parties concerned, including employers and employed. In these discussions the representatives of the general interest will of course be able convincingly to advocate a restrictive course on matters of wage and salary policy only if there is a prospect that the rest of economic policy, and in particular the actions of the public authorities themselves, will conform to overall economic needs. In other words "income policy" must not be pursued in isolation from the rest of cyclical policy, but will prove — at least so long as it must be confined to the exerting of psychological influence — successful only if it is embodied in a comprehensive economic policy conception. It is in line with this idea that the contemplated Board of Experts — whose main object, as already mentioned, is to bring about and prepare for discussions and negotiations between the parties responsible — shall (contrary to earlier suggestions) not only become a "Board of Wage Commissioners", but shall always have in view the entire horizon of economic policy, just as the wage policy principles in the "Economic Report" were closely linked with the other recommendations concerning economic policy.

Increase in the  
saving ratio

It would however also be highly desirable to blunt the acuteness of the problem set by the fact that increases of incomes are at present evidently too great in relation to the real possibilities of growth, and to do so by affecting not only the formation but also the appropriation of incomes. To put the matter in concrete terms, the inflationary tendencies would certainly be weaker if in the event of a rise in incomes, which was to be regarded as excessive from the point of view of the economy as a whole, as great a part as possible of the additional income were not consumed but saved, because then the demand effect of the rise in incomes would be smaller. So far as the rises in incomes were due to wage and salary increases, the burden on enterprises' costs would, it is true, remain the same. The pressure exerted by costs on profits would in that event actually grow because, with consumption smaller, the transferring of the increased costs on to prices would at least, other things being equal, become more difficult. But on the other hand precisely that would entail a slowing of the rise in prices. If private households' saving ratio rose, then public expenditure would need to be restrained less than seems desirable at present with a view to removing cyclical tensions as rapidly

as possible. On a longer view that would seem indeed to be of greatest importance for the purpose of safeguarding economic equilibrium, if total demand threatened to attain an extent exceeding production capacity; in the long run it will not be possible to rank public demand (and still less private investment, on which the growth of the economy largely depends) after private consumption (it being understood, as a matter of course, that the public authorities fully meet the requirement of efficient management of their finances). A large part of public capital expenditure is actually in the direct interest of private consumption, because in large sections this latter can grow, and lead to full satisfaction of consumers, only if it is supplemented by public capital expenditure; to increase the total number of motor vehicles, for example, makes sense only if steps are taken to provide an adequate road network, quite apart from other needs which can be met only through collective action, that is only by the public authorities. If only in view of these longer-term prospects it would be desirable that the restoration of cyclical conditions to normal should also be assisted through greater restraint on the part of consumers, in other words that there should be an increase in private households' saving ratio, which has not appreciably altered in the last two years despite the large increases in income.

Whether governmental economic policy can materially contribute to this is of course a separate question. In present circumstances it would certainly be well not to promote private consumption further by governmental action, as is now done by the appreciable concealed subsidies on consumption which still exist. In view of the rise which has taken place in incomes during the last decade and a half it is for instance not necessary that rents for publicly assisted dwellings, built after the war, should still be generally maintained at the level at which they were fixed when building costs were much lower; in this connection there has indeed been a crop of definite social injustices and inequities, which could be removed if the level of rents were revised so as to permit the payment of adequate interest on governmental building loans as well as more rapid repayment of such loans. In regard to official scales of charges the process of assimilation to the level of costs should likewise be carried further. A "combing" of those public assistance pensions which are not based on the insurance principle, with the object of eliminating payments that the beneficiary — in the light of his pecuniary circumstances — does not require at all, would also be appropriate.

Relatively narrow limits would appear to be set, however, to any governmental action designed to affect voluntary saving. Compulsory measures, including the introduction of a scheme by which part of the increase in wage rates is set aside for investment in the respective firm, seem unlikely to prove successful. It would also appear that an increase of the "savings premiums", which have been granted for some years, can hardly achieve very much. The saver takes the premiums, but there is little evidence to show that they appreciably stimulate total saving. Nor is greater governmental publicity in favour of saving to be advocated; the German saver is apt to distrust such propaganda. It would be useful, however, if other agencies did more to cultivate the idea of saving. The fact that for some time the trade unions have been fairly active in this direction is for example extremely noteworthy, and is entirely consistent with their actual wage policy objectives. Wage increases which exceed the growth of productivity so greatly as is now the case have that much more prospect of not being largely offset by price rises, and hence remaining largely nominal, if they lead to greater savings formation — quite apart from the fact that the formation of wealth in broader categories of the people (which is now so widely preached) has, as a necessary prior condition, not only a different distribution of incomes but — above all — corresponding savings on the part of those who benefit from income increases.

It is of course an important condition for increased private savings formation that the saver's confidence in the value of money shall not be shaken. Up to a point, therefore, an increase of individual savers' saving ratio depends on stabilisation of the price level just as much as it is important for ensuring such stabilisation. Still, the saver's confidence in the value

of money will already be strengthened if he becomes convinced that all the instruments of economic policy are being applied to that object. The consistent shaping of overall economic policy so as to conform to the requirements of monetary stability would therefore soon be strongly reinforced by psychological factors.

## II. International Monetary Policy

The international payments situation has somewhat eased in the period under review, inasmuch as certain factors of disequilibrium either disappeared — as did, in particular, the German surplus position — or at least diminished. On the other hand by far the most important cause of disturbance to international monetary equilibrium, namely the deficit in the United States' balance of payments, continued during 1962 in only slightly reduced degree and has, by its long duration and persistency, raised problems which were if anything greater than before. The fact that nevertheless tendencies toward a relaxation of the international monetary situation in general (and in the foreign exchange and gold markets in particular) became apparent during the period under report was primarily due to the increasingly close cooperation between monetary authorities and to the methodical build-up of lines of defence against speculative disturbances, these factors having materially strengthened the international currency system. At all events during the period under review that system has withstood with notable flexibility and resilience the strains imposed by several critical situations, such as the world-wide fall in share prices, the devaluation of the Canadian dollar, the Cuban crisis, and the pressure on sterling owing to the failure of the Brussels negotiations and to other reasons.

### 1. Further Developing of Instruments for Defence of the International Currency System

The development of arrangements for defending the international currency system against speculative disturbances began in 1961 as an immediate reaction by monetary authorities to the troubles which occurred on foreign exchange markets following the upward revaluation of the D-mark and the Netherlands guilder, and the simultaneous sterling crisis. The first defensive measures of this kind — the Central Banks' Basle arrangement to support sterling and the American monetary authorities' change-over to active intervention in the exchange markets — and, moreover, the negotiations about strengthening the International Monetary Fund's resources in order to avert currency disturbances have already been fully described on pages 71 to 75 of our last Annual Report.

In the period now under review the arsenal of foreign exchange instruments was systematically further developed, the initiative coming mainly from the American monetary authorities, who made particular efforts by timely countermeasures to avert speculative and other short-term influences before they led to crises of confidence in foreign exchange markets. The instruments of foreign exchange policy now present the following picture:

The cooperation between the Central Banks mainly concerned with regard to current intervention in the exchange markets, both spot and forward, has become increasingly close and effective; in case of need the Central Banks' own monetary reserves can be supplemented, without any delay, by dint of their mutual swap arrangements which have been further developed. Success has been shown by the fact, among others, that in the period under review none of the crises mentioned led to any excessive fluctuations in the forward rates such as had at times occurred in 1961. The cooperation between a number of Central Banks proved particularly effective in operations on the London *gold market*. The Central Banks' "gold pool", existing since the autumn of 1961 and providing for combined action in connection with sales and

Close cooperation on  
foreign exchange  
and gold markets

purchases of gold on the London market through the Bank of England as joint agent, has since then warded off, with relatively small resources, major speculative rises in the gold market, and has moreover prevented the Central Banks from forcing up the price of gold by bidding against each other when they themselves are in the market.

On the initiative of the United States Central Bank, a network of short-term mutual credit facilities was gradually created last year as between the Federal Reserve System on the one hand and nearly all the important European Central Banks, the Bank for International Settlements (B. I. S.) and the Bank of Canada on the other. At the end of March 1963 the total amount of these reciprocal currency agreements was 1,100 million U. S. dollars, of which however at that time less than 100 million U. S. dollars had been actually used by the Federal Reserve System. These currency agreements run for short periods, limited in most cases to three months but in one case to six, and provide mutual credit lines in the currencies of both parties in the form of swaps, so that no exchange rate risk is involved for the Central Bank granting the credit. These credit lines, which are used only in case of need, appear in the books of the Central Banks concerned only when there are actual drawings. The largest bilateral credit line of this kind was arranged in June 1962 between the Federal Reserve System and the Bank of Canada under their 250 million U. S. dollars reciprocal currency agreement; this represented a part of the international assistance, totalling 1,050 million U. S. dollars, which had been provided during last year's Canadian currency crisis in order to defend the new Canadian par value. That credit line was fully used by Canada at the time; the credit taken has in the meantime been repaid after one prolongation. The United States has used, in part and for certain periods, the swap facilities which had been agreed with the Swiss National Bank, with the Bank for International Settlements (in Swiss francs) and with the Belgian, Netherlands and Italian Central Banks. Within this general framework, also the Bundesbank last year concluded with the Federal Reserve a reciprocal currency agreement, at first for 50 million U. S. dollars or DM 200 million, which was increased in January 1963 to 150 million U. S. dollars or DM 600 million; up to the time when this Report went to press that credit line had not been used, because the DM amounts from time to time required by the American monetary authorities for intervention have so far been taken from existing DM holdings of the United States Treasury and the Federal Reserve.

These swap lines negotiated by the Federal Reserve with other Central Banks and with the B. I. S., and which can be flexibly adjusted to current needs, represent a *first line of defence* by which temporary speculative attacks on the U. S. dollar — or, as the Canadian example shows, on one of the other currencies covered — can be warded off without impairment of the parties' monetary reserves. Up till now no other Central Bank has created a similar network of precautionary stand-by agreements with other Central Banks for "outpost defence" of its own currency. But during the speculative attacks on sterling in February/March 1963 various Central Banks, including the Bundesbank, did grant the Bank of England short-term currency credits on an ad hoc basis, which perform a function similar to the facilities made available to the Federal Reserve under the swap agreements. In this context it may be mentioned that when the European Monetary Agreement was prolonged by a decision of the O. E. C. D. Council with effect from 1 March 1963 the E. M. A. countries agreed to exchange information about such support agreements, and that for this purpose they use the Bank for International Settlements at Basle as a kind of "information centre".

The Central Banks' swap and similar credit facilities are by their nature in most cases short-term. For this reason they are normally used only in situations where there is reason to suppose that the outflow of funds will be reversed within a relatively brief period. The use of the American-Canadian swap agreement, and the Federal Reserve System's various transactions under the stand-by agreements concluded with European Central Banks, have conformed to this principle.

The Central Banks' mutual swap facilities . . .

. . . as first line of defence

Medium-term bonds in the creditor's currency

There are however situations in which — contrary to the original supposition — the payments position is not reversed within a few months, or in which there is from the outset reason to suppose that the disequilibrium in the exchange market will last for longer than just some months or so. In these cases either a longer-term arrangement should be made from the outset, or the originally short-term Central Bank facilities should be replaced by credits running for somewhat longer periods, much as under the Central Banks' Basle arrangement of 1961 the short-term Central Bank credits to the United Kingdom were afterwards replaced through a medium-term drawing by that country on the International Monetary Fund.

Recognising these facts, the United States monetary authorities began in the late autumn of 1962 to offer to various foreign monetary authorities medium-term special certificates and bonds of the American Treasury denominated in the currency of the foreign country concerned. By the end of March 1963 they had sold such paper to European takers for the equivalent of altogether 529 million U. S. dollars; besides Italy and Switzerland the Bundesbank also took such paper — in its case expressed in DM — to the extent of DM 800 million (= 200 million U. S. dollars). To a corresponding extent the Bundesbank therefore converted dollars, which it had previously taken, into DM claims on the United States Treasury. These special bonds of the United States Treasury taken by the Bundesbank have maturities of between 15 and 24 months; the Bundesbank has retained the right in certain cases to ask for an exchange into three-month Treasury Bills, so that a better liquidity of the credits in question is ensured.

The purposes of this medium-term borrowing by the United States Treasury vary as between individual cases. While in the case of Italy — and partly also of Switzerland — the dollar balances newly accruing to those countries were by this means consolidated in a form which excludes the foreign currency risk, thereby forestalling their conversion into gold, the taking of such special instruments by the Bundesbank represented a partial consolidation (and forward exchange rate covering) of German balance-of-payments surpluses which had accrued at earlier dates — this of course also rendering unnecessary an otherwise possible conversion into gold. In the case of Switzerland the United States Treasury's special medium-term bonds in part also served as interest-bearing investments, safeguarded against currency risk, for employing unused cash surpluses.

These medium-term special certificates and bonds of the U. S. Treasury might, in certain conditions, become a *second line of defence* behind the short-term swap credit lines. They might do so either by tiding over disequilibria of longer duration or by affording, *ex post facto*, a currency guarantee for foreign countries' previously accumulated dollar reserves. In the former case they may well constitute an additional instrument for financing further American deficits. It goes without saying that this can be justified on a major scale only if eventual equilibrium of the American balance of payments is to be expected within the foreseeable future. The parties concerned realise that the use of this financial instrument must not become a means of "painless deficit financing" which would remove the pressure on the deficit country to remedy the disequilibrium in its balance of payments.

So far as such medium-term special instruments do not serve merely to consolidate previously accumulated foreign exchange assets, and to give them a currency guarantee, they can be usefully employed to cover — in particular — such balance-of-payments deficits as are not likely to be reversed within the brief periods contemplated under swap arrangements, but which on the other hand are not of so general or deep-seated a nature as to justify or require drawing on the Fund which would provide loans running for between three and five years. So far it has not been necessary for the United States to draw on the I. M. F. for the purpose of meeting its balance-of-payments deficit. It must not be overlooked, however, that the United States, whose I. M. F. quota amounts to no less than 4.1 billion U. S. dollars, has available here — so far as it fulfils the basic conditions for I. M. F. drawings — a further source of international liquidity; as long ago as January 1961, in his balance-of-payments message in which he undertook to



maintain the dollar's existing gold parity, the United States President indicated that in order to fulfil that undertaking his country would if necessary use its monetary reserves as well as its I. M. F. drawing rights.

The I. M. F.'s resources were strengthened in the period under report by up to 6 billion dollars through the coming into force of the General Arrangements to Borrow. It will be remembered that these resources, to which the Bundesbank has agreed to contribute up to DM 4 billion (1 billion dollars) at the maximum, are designed to enable the ten countries taking part in the Arrangements to obtain credit facilities through the I. M. F. "when supplementary resources are needed to forestall or cope with an impairment of the international monetary system", as the Preamble to the Arrangements states. The Arrangements became effective on 24 October 1962 when eight out of the ten member countries, having total obligations amounting to 5.65 billion dollars, had adhered to them. Details of these Arrangements have been explained in the Bundesbank's last Annual Report. In the meantime all the countries taking part, with the exception of Canada, have ratified the agreement. In addition Switzerland, which as a non-member of the I. M. F. could not directly take part in the General Arrangements to Borrow within that institution, is on the point of concluding with the Fund a special parallel agreement committing it to provide currency assistance up to the equivalent of 200 million dollars on terms and conditions analogous to those in the General Arrangements to Borrow.

## 2. Supply of "International Liquidity"

To cover fluctuations in balances of payments, therefore, the following possibilities are now available:

- (1) Official gold and foreign exchange reserves;
- (2) Credit facilities of bilateral and multilateral character, including:
  - (a) Formalised swap credit lines, agreed in advance by Central Banks with each other, or similar bilateral agreements on an ad hoc basis;
  - (b) Issue of special medium-term certificates and bonds expressed in the currency of the creditor country;
  - (c) Credit facilities at international monetary institutions, especially the International Monetary Fund (including the "General Arrangements to Borrow"), and also — in the European context — the European Fund within the framework of the European Monetary Agreement;
  - (d) Credit provided by E. E. C. countries as mutual assistance in the event of balance-of-payments troubles, in which case however the amount of the relevant credits and the conditions for them have to be agreed ad hoc according to the circumstances of the individual case.

Multilateral and bilateral credit facilities as a supplement to monetary reserves

In view of the last few years' development of international and bilateral credit facilities for balance-of-payments purposes the question whether the present monetary system is sufficiently flexible, that is whether it ensures an adequate supply of "international liquidity", cannot be answered solely by consideration of official gold and exchange reserves and of their presumable further movements. Mechanical comparison between world trade and official monetary reserves — a method still occasionally used in international monetary discussion to assess the adequacy of the reserve supply — is open to great criticism on other grounds as well. One is that it takes account neither of the extremely important regional distribution of monetary reserves between individual countries and groups of countries, nor of the fact that such reserves are required not for financing the *turnover* in world trade but to cover *deficits* in national balances of payments, and that these deficits depend much less on the volume of world trade than on demand and costs keeping in step as between the leading countries, on the correctness of exchange rates,

and on fluctuations in capital movements. With balanced development of the world economy it is probable that monetary reserves and other liquidity facilities much smaller than those now available would be sufficient, as indeed is clearly shown by the experience in the period before the first world war.

So far no shortage  
of "international  
liquidity"

Whether the international liquidity reserves are adequate or otherwise can therefore be determined not by any mechanical and statistical, but in the main only by a qualitative and dynamic analysis. The events of the last ten to fifteen years by themselves show that there need be no direct connection between world trade and the movement of the world's total monetary reserves. Thus in the 14 years from the end of 1948 to that of 1962 the Western world's officially published monetary reserves rose by only about 2 per cent per annum. At the same time, however, world trade expanded at a yearly average rate of almost 6 per cent; and in the last four years the discrepancy, with average annual growth at the rate of 1.8 per cent in the reserves as against 7 per cent in world trade, was actually greater still. The almost uninterrupted expansion of world trade since the war — an expansion unique in economic history — which was linked with progressive liberalisation of trade and payments certainly does not indicate any lack of international liquidity; in addition the international price movement in that period shows no sign of deflationary pressure due to shortage of monetary reserves, but rather points to an overabundant supply of international liquidity.

International credit  
assistance even more  
important in the future

Any review of *prospects* for the international supply of liquidity must of course take into account that the creation of *exchange* reserves, a process which in recent years rested mainly on deficits in the United States' balance of payments, will become much smaller, or perhaps even completely cease for a time, after — as is sooner or later almost inevitable — that country's balance of payments has been brought into equilibrium. The growth of national monetary reserves will then mainly depend on the accrual of monetary gold. If the new supply of gold from current production and Russian gold sales is estimated at a total of about 1.5 billion dollars per year, and on the assumption that the international monetary situation remains quiet without any major hoarding of gold, there might remain available for addition to national monetary reserves an amount of the order of 0.8 to 0.9 billion dollars per annum, which would permit the present monetary reserves — amounting in all to 62 billion dollars — to increase by between 1.3 and 1.5 per cent per year. To supplement this potential inflow of gold by improved regional distribution of the existing reserves, and above all by a properly functioning network of bilateral and international borrowing arrangements, would seem to be even more important in future than it is now in order to secure sufficient "international liquidity". This would be even more so, if the United States' balance of payments in the near future not only returned to equilibrium — as the United States Government are now making every effort to ensure that it will — but at times actually showed surpluses; against such an event the American monetary authorities have already announced in advance that for their part they would counteract any resulting pressure on the rest of the world's monetary reserves by holding greater balances in other convertible currencies, that is by providing foreign exchange credits at short and medium term.

That the existing system of multilateral and bilateral credit assistance is quite capable of mastering without difficulty even great temporary currency disturbances is shown by the last two years' experience, in particular by the arrangements to assist the United Kingdom in the spring and summer of 1961, when in the first place the European Central Banks provided more than 900 million U. S. dollars of short-term assistance and thereafter the International Monetary Fund granted a drawing facility of 1.5 billion U. S. dollars and an additional stand-by credit of 0.5 billion U. S. dollars; it is also shown by the above-mentioned aid for the Canadian currency, for which a total of 1,050 million U. S. dollars was provided within a few days in June 1962 through joint action of the I. M. F., the United States monetary authorities and the Bank of England.

Great as is the importance which attaches to this system — in part already complete, in part in the process of building — of bilateral and multilateral credit facilities, and great as is the progress which it represents by comparison with all earlier monetary systems, it still remains necessary to bear in mind that such liquidity facilities can never do more than temporarily bridge existing deficits in balances of payments, and that they cannot remedy the underlying disturbances. Indeed it will on the contrary always be necessary to investigate whether unduly facilitated or generous provision of liquidity does not too much weaken the pressure on deficit countries to remove the deeper causes of their disequilibrium, whether, that is to say, the greater *flexibility* of our currency system is not being bought at the price of undue weakening of monetary *discipline*, which is an indispensable prerequisite to the working of any convertible currency system with stable exchange rates. It is therefore highly significant that the United States monetary authorities, who in the period under report were especially active in further developing the international credit system, have for their part emphatically stated that no responsible person in the United States “has any illusions that such devices provide any substitute for policy action to correct basic imbalances in the payments accounts of the countries involved”<sup>1</sup>).

But no panacea for balance-of-payments difficulties

### 3. The International Balance of Payments Situation

What is more important than the temporary covering of foreign exchange deficits, therefore, is to remove the underlying causes of disturbance in balances of payments. Hence an account of the international monetary trends into which the Bundesbank's monetary policy had to be fitted in the period under report will not be complete without a brief review of the most important movements in balances of payments and of the factors which affected them.

The most important change in the international balance-of-payments situation during 1962 was the tendency towards a *reduction of continental Europe's balance-of-payments surpluses*. This tendency is the more significant since it appears to be continuing in the current year, and is thus to be interpreted as indicating an incipient new state of equilibrium between Europe and the rest of the world. Whereas in 1960 and 1961 the balance-of-payments surpluses of all the continental European countries combined in the O. E. C. D. had amounted (after elimination of special transactions) to over 4 billion dollars per annum (see Table 1), they declined in 1962 to about 2 billion dollars, the E. E. C. countries' balance-of-payments surpluses dropping from an annual total of over 3 billion dollars to 1.2 billion dollars. The great importance in that connection of the change in the German balance of payments from the previous surplus to the present slight deficit is shown by comparison of the relevant figures. Out of the decrease of the (adjusted) continental European total surpluses by something over 2 billion dollars between 1961 and 1962 the Federal Republic's change from a surplus to a deficit country alone accounted for about 1.1 billion dollars. But at the same time the table overleaf makes clear that the tendency to a reduction of surpluses is by no means confined to the Federal Republic, but has also become effective in a number of other European surplus countries. These include, for example, Italy, Spain, Switzerland and Sweden. It is true that in what is now the most important surplus country, namely France, the exchange surpluses have continued as great as ever into the first quarter of 1963; but even there they will probably decline in the course of the year.

Reduction of foreign exchange surpluses in continental Europe

The reasons for this reduction in the surplus position of many European countries are in general similar to those which caused the reduction of the German surplus position. The long-continuing boom, which increasingly came up against the limits set by the possible expansion of the supply from domestic sources, favoured the import of goods and services; this tendency

<sup>1</sup>) See the Federal Reserve Bank of New York's Monthly Review, Vol. 45, No. 3, March 1963, page 45.

Table 1: Changes in Central Monetary Reserves of the European O. E. C. D. Countries<sup>1)</sup>  
in the Years 1960 to 1962

in millions of dollars

	Changes recorded			Changes after elimination of special transactions <sup>2)</sup>		
	1960	1961	1962	1960	1961	1962
<i>E. E. C. countries, total</i>	+ 3,284	+ 1,221	+ 591	+ 3,524	+ 3,228	+ 1,181
<i>of which: Federal Republic<sup>3)</sup></i>	+ 2,204	- 195	- 95	+ 2,081	+ 907	- 215
France	+ 350	+ 869	+ 671	+ 721	+ 1,407	+ 1,276
Italy	+ 127	+ 339	+ 22	+ 119	+ 501	+ 160
Netherlands	+ 403	- 27	+ 28	+ 403	+ 140	+ 20
Belgium	+ 200	+ 235	- 35	+ 200	+ 273	- 60
<i>Other O.E.C.D. countries in continental Europe</i>	+ 677	+ 935	+ 670	+ 773	+ 1,012	+ 771
<i>Continental Europe, total</i>	+ 3,961	+ 2,156	+ 1,261	+ 4,297	+ 4,240	+ 1,952
<i>United Kingdom</i>	+ 489	+ 85	- 512	+ 912	- 1,163	+ 548

Increase (+) or decrease (-).  
Source: I.M.F. (International Financial Statistics). — <sup>1)</sup> Except Ireland. — <sup>2)</sup> I.M.F. transactions (net), premature debt redemption (including E.P.U. credits), special credits, Central Bank swaps. — <sup>3)</sup> Gold and freely usable foreign assets (gross).

was strengthened during 1962 in some countries through special circumstances, such as the poor harvest in the autumn of 1961, and through the coming into force of the new E.E.C. market arrangements about the middle of the year. On the other hand the stagnation in markets so important as the United States and the United Kingdom, and still more the difficult foreign exchange situation of most developing countries, restrained European exports to those areas. In addition there was a change in the international competitive situation in the matter of costs. In most continental European countries, as a result of the boom and of the accompanying tensions on the labour market, wages rose faster than per capita productivity, so that the costs per unit of production went up. In the E. E. C. countries for instance this increase of costs per unit of industrial production in 1962 averaged about 4 per cent, and in the Federal Republic 6 per cent, whereas at the same time in the United States industrial wages rose less than productivity of labour, so that production costs fell, and in the United Kingdom the rise of wage costs per unit of production at all events remained smaller than in the E. E. C. area. In the case of the Federal Republic and the Netherlands the effect of the revaluation by 5% in March 1961 added to these divergencies in the development of cost levels.

The consequences of these various shifts were most clearly reflected in the *E.E.C. countries' balance of trade* in relation to non-E.E.C. countries. Whereas that balance had been roughly in equilibrium in 1961, it showed a deficit of about 1.2 billion dollars in 1962. The E.E.C. countries' imports from outside countries (excluding associated overseas territories) rose in 1962 by no less than 9 per cent, while their exports to those countries increased by only just on 3 per cent.

The tendencies now discernible on the continent of Europe — the process of diminution in the foreign exchange surpluses of France, Italy and some smaller surplus countries on the one hand, and the possible increase of the deficit in the German balance of payments on the other — suggest that in 1963 the reduction of the continental European surplus position as against the rest of the world will make further progress unless this trend is offset by opposite speculative capital movements.

Among the deficit countries the *United Kingdom* succeeded during the period under review in establishing equilibrium in its balance of payments, which had shown a large deficit in 1961. It is true that the abrupt change from a deficit of 1.2 billion dollars in 1961 to a surplus of 0.5 billion dollars in the following year, as shown in the foregoing table concerning the "adjusted" net foreign exchange movements, resulted to the extent of only just on 400 million dollars from improvement in the United Kingdom's position on goods and services; apart from this it was due to a reversal of the net capital movement together with a large increase of the surplus on "errors and omissions", which however, according to British statements, contain a good deal of current receipts in respect of goods and services. The United Kingdom owes the improvement of its current balance of payments, not least, to the unusually favourable course of its exports to the rapidly expanding E.E.C. countries, by which means it more than made good the unfavourable trend in its exports to overseas sterling countries. In point of fact the United Kingdom in 1962 increased its exports to E. E. C. countries by no less than 17 per cent as compared with the previous year (among them its exports to the Federal Republic rose by 15 per cent), while its total imports from E.E.C. countries were only slightly more, and those from the Federal Republic were actually less, than a year before. The improvement in the British basic balance of payments, together with the fact that thanks to the re-establishing of its internal and external equilibrium the United Kingdom was able already by mid-1962 to repay before due date the 1.5 billion dollars of currency credits which it had obtained from the International Monetary Fund about the middle of 1961 in order to overcome its payment crisis, strengthened the position of sterling by comparison with earlier years. Although one cannot expect inflows of foreign capital into the United Kingdom to continue on the same scale as in 1962, and indeed in the case of a currency so greatly held abroad one has to anticipate substantial capital outflows from the United Kingdom in the event of confidence being disturbed through political or other causes, it will be much easier to overcome such disturbances if — as at present — the basic payments position of the country is in relatively good shape. Whether this will remain so if in accordance with its Government's present economic policy the United Kingdom, adopting a course of cautious expansion, uses the available margin for the purpose of increasing its output, will mainly depend on whether it at the same time manages, by keeping its level of costs stable, to preserve the more favourable competitive position which it has now attained.

Stronger position of sterling

In the payments position of the world's present principal deficit country, the *United States*, the reduction of the continental European surplus position has so far hardly been reflected; incidentally this clearly indicates that the connection between the United States' balance-of-payments deficit and continental Europe's surplus is by no means so direct as has often been assumed on both sides. On the contrary, the balance-of-payments disequilibria of both areas are partly rooted in their relations to third countries. The United States' total deficit according to the official American definition (losses of reserves plus increase of liquid dollar liabilities to foreign countries) was little lower in 1962, at about 2.2 billion dollars, than in the previous year (2.4 billion dollars), while the American balance-of-payments position was relieved in both years by anticipated debt repayments to the tune of nearly 0.7 billion dollars each year. This balance-of-payments development, described in official American quarters as "disappointing", has made it necessary further to postpone the original hope that the American balance of payments would reach approximate equilibrium about the turn of the year 1963/64. There are various forces at work, however, which tend towards a better equilibrium in the American balance of payments: for instance, the improvement of the American competitive position in international trade thanks to the stabilisation of the cost level in the United States during the past few years; export promotion by a series of Government measures; the fact that foreign aid is largely tied to the purchase of American goods; and the gradual reduction of foreign

The United States' payments position not yet in balance

currency payments for military purposes, which payments are being compensated progressively by other countries' expenditure on buying armaments in the United States.

Even if future prospects for the American balance of payments are viewed with some optimism, the deficits already accumulated so far have created many a problem. Since 1958, when the American balance-of-payments deficit for the first time after the war suddenly reached a disquieting level, rising in fact to 3.4 billion dollars, the United States in the five years up to the end of 1962 have run up a cumulative deficit of over 15 billion dollars; of this amount they met over 6 billion dollars through parting with gold, while the residue amounting to more than 9 billion dollars was financed through an increase in the dollar assets held by the rest of the world, including international financial institutions. In those years the United States' "liquidity position" in relation to foreign countries correspondingly deteriorated. At the end of 1962 an official gold and exchange reserve of 16.1 billion dollars had against it more than 20 billion dollars of short-term dollar liabilities to foreign countries (excluding international institutions); of this amount 12 billion dollars represented short-term dollar assets of foreign monetary authorities. Considerable short-term indebtedness to foreign countries is of course an almost inevitable result of the United States' position as banker for world trade and as a reserve currency country. Nor must it be forgotten that against the considerable short-term debt there has to be set a very large United States' creditor position at longer term. The country's long-term assets abroad, private and official together, amounted at the end of 1962 to over 70 billion dollars; and a large part of the deficits on the balance of payments from 1958 to 1962 was due precisely to the fact that in those years the United States increased their private long-term foreign investments by more than 12 billion dollars (excluding re-invested profits) at the cost of their liquidity position. While on the one hand this worsening of the American liquidity position helped to supply the rest of the world with monetary reserves or "international liquidity", and while on the other hand at 15.9 billion dollars the United States' gold reserves available at the end of March 1963 may be regarded as adequate for normal requirements, if not indeed as abundant, this persistent trend has raised the question whether and how that disequilibrium can be finally removed, and how any further American payments deficits which may in the meantime accrue are to be met or financed.

#### 4. International Coordination of Monetary and Economic Policy

In the period reviewed the problems raised by the American deficits stood in the foreground of the efforts to achieve international *coordination of monetary policy*. Such coordination was not only the subject of lively public discussion but was also debated in the monetary committees of the O.E.C.D. in Paris and of the E.E.C. in Brussels, at the meetings of the Ministers concerned and of Central Bank Governors on the occasion of the international monetary conferences, and in the monthly Board meetings of the B.I.S. at Basle. One of the basic questions in that context was what measures the United States themselves must and can adopt in order to overcome the disequilibrium, and what was to be done by the surplus countries.

In the international discussion of this question the European surplus countries have frequently been given to understand that they should, by assuming heavier military burdens and increased foreign aid, by further opening their doors to imports, and above all by still greater monetary expansion and lowering of their interest rate level, make a contribution — or even the decisive contribution — towards further removal of the American deficit. On the European side, it has been argued against this that in their "*good creditor policy*" the European surplus countries have during recent years already gone to the limit of what can be expected of them. It is a fact that in many European countries, not least in the Federal Republic, monetary expansion during the last few years' economic boom went so far that it even endangered

Contribution by  
European countries  
towards better  
monetary equilibrium

Table 2: Principal Items of the U.S. Balance of Payments

in billions of U.S. dollars

	Annual averages <sup>1)</sup>		Years				
	1953 to 56	1958 to 62	1958	1959	1960	1961	1962
I. Net transactions in goods and services <sup>2)</sup> (including investment income, wages and salaries, retirement pensions, etc.)	+ 4.0	+ 5.1	+ 4.7	+ 1.9	+ 5.8	+ 6.8	+ 6.3
II. Government expenditure on foreign aid and net military expenditure abroad <sup>3)</sup>	- 4.6	- 5.3	- 5.7	- 4.8	- 5.4	- 5.3	- 5.4
III. Net balance of I and II	- 0.6	- 0.2	- 1.0	- 2.9	+ 0.4	+ 1.5	+ 0.9
IV. Private capital, net <sup>4)</sup> of which:	- 0.7	- 2.9	- 2.4	- 1.0	- 4.3	- 3.8	- 3.1
U.S. capital (net): at long term	- 1.2	- 2.5	- 2.5	- 2.2	- 2.5	- 2.5	- 2.6
at short term	- 0.3	- 0.7	- 0.3	- 0.1	- 1.3	- 1.5	- 0.5
Total	- 1.5	- 3.2	- 2.8	- 2.3	- 3.9	- 4.0	- 3.1
Foreign capital <sup>5)</sup>	+ 0.4	+ 0.5	+ 0.0	+ 0.5	+ 0.2	+ 0.7	+ 1.0
Errors and omissions	+ 0.4	- 0.2	+ 0.4	+ 0.8	- 0.6	- 0.6	- 1.0
V. Net overall balance (= movements in gold and other reserves plus increase in short-term indebtedness <sup>6)</sup> )	- 1.3	- 3.1	- 3.4	- 3.8	- 3.9	- 2.4	- 2.2
VI. Basic balance of payments <sup>7)</sup>	- 1.4	- 2.3	- 3.8	- 4.8	- 1.9	- 0.4	- 0.6

<sup>1)</sup> 1957 has been left out of account because the balance of payments for that year was distorted due to the effects of the Suez crisis. — <sup>2)</sup> Excluding military expenditure and receipts. — <sup>3)</sup> Foreign aid of U.S. Government in the form of loans and grants; military expenditure abroad in foreign currency, less military expenditure of other countries (e. g., on armament supplies) in the U.S.A. — <sup>4)</sup> Including errors and omissions. — <sup>5)</sup> At short and long term, net. — <sup>6)</sup> Official definition of the net overall balance according to U.S. Department of Commerce. — <sup>7)</sup> Overall balance less identifiable short-term capital movements, and less errors and omissions.

internal stability. International coordination of monetary policy cannot consist in simply removing one country's difficulties through inflation with others. As for the Federal Republic, moreover, its upward revaluation of the DM in March 1961 by 5% made a special contribution towards overcoming the international monetary imbalances. In many European countries the increase of purchasing power, and the liberalisation of imports, have already led to a substantial rise in these latter; thus in the case of the E.E.C. countries, as the main (although not the only) European surplus countries in recent years, the imports from all non-E.E.C. countries together rose by 38 per cent and those from the United States by no less than 59 per cent during the four years from 1958 to 1962. The reduction already proceeding in the continental European countries' surpluses on goods and services shows that, in the field where market forces operate at all, tendencies in the direction of new and lasting world economic equilibrium are already discernible in Europe. In other respects, too, the European surplus countries have made substantial contributions towards remedying the imbalances. Thus in each of the years 1961 and 1962 they paid, by way of premature debt redemption, between 0.6 and 0.7 billion dollars to the United States alone (and further amounts to other deficit countries such as the United Kingdom and Canada); among them the Federal Republic paid 587 million dollars in 1961. The continental European countries' expenditure on development assistance rose — according to the internationally comparable statistics produced by the O.E.C.D. — from 2.4 billion dollars on the average of the years 1956 to 1959 to 3.3 billion dollars in 1961. Finally certain countries, with the Federal Republic in the lead, have offset through an increase in their orders for armaments in America — and through other efforts — a substantial part of the American foreign exchange expenditure of military character. The above-described trend in European balances of payments shows that Europe's contributions have already notably reduced the European surpluses without this having so far correspondingly diminished the American deficit.

Incidentally it appears from closer review of the American balance of payments that its marked deterioration since 1958 was due, not to any corresponding rise in political foreign exchange charges arising from military expenditure and foreign aid, but quite clearly to the *heavy increase in private capital exports* from the United States. It is therefore quite understandable that the last few years' international discussion about the United States' balance of payments has been strongly concentrated on its deficit on capital account. Special emphasis on this seemingly structural change in the American balance of payments is also justified by the fact that the deficit on the American overall balance since 1960 has been consistently smaller than the surplus of the American net capital position in relation to foreign countries as a result of the United States' large capital exports: that is to say, the worsening of that country's liquidity position in relation to foreign countries (through gold losses and an increase of short-term foreign debt) was outweighed through an improvement of its net private capital position in relation to non-residents.

The causes of this structural trend in the United States' balance of capital transactions are not to be discussed here in detail. It is however noteworthy that the remaining sections of the United States' balance of payments have as yet adjusted themselves very little to this structural shift on capital account, even after so long a time — or in other words that the “boomerang effect”, according to which a capital export is supposed relatively soon to induce a corresponding increase in the export of goods or in the export surplus, takes so long to materialise in this case. American appeals to European countries, urging that — through further removal of exchange restrictions on capital transactions with foreign countries, through measures for strengthening their capital markets and for opening them to outside borrowers, and finally through an expansive monetary policy designed for lowering interest rates — they should alleviate the burdens imposed on the United States' balance of payments by capital exports, touch only part of the problem. Admittedly the demand for removal of exchange restrictions, and for the opening of European capital markets to outside borrowers, is largely justified; but the meeting of that demand hardly promises to contribute materially towards remedying the disequilibrium, because the chief hindrances to an export of capital by the major European countries now lie no longer in exchange restrictions but in the level of interest rates and in institutional obstacles. This is confirmed not least by the experience of the Federal Republic, where the exchange restrictions on the export of capital have been completely removed for more than five years, but where nevertheless no appreciable net excess of capital export over capital import has yet taken place. Finally, as regards the demand for a lowering of European interest rates and for a more expansive monetary policy in the surplus countries, this overlooks the fact that the price increases which still persist in the majority of those countries rule out a definitely expansive monetary policy, and that moreover the interest rate level in most European countries would now seem to be roughly in accordance with the underlying market conditions. There is the further point that a substantial part of the large American capital exports to Europe is based not on considerations of interest rates at all, but — especially in the case of direct investments and share purchases — on other grounds. On the other hand it appears that in America, where current formation of capital in liquid form seems at present to exceed the domestic demand, thereby both depressing interest rates and tending to cause an outflow to foreign countries, the possibility of influencing the net capital movement through monetary or other economic measures is relatively limited, while in the case of the dollar as the most important leading currency any administrative controls of capital exports are out of the question, and have indeed always been categorically rejected by the American authorities. Thus we have here a definite dilemma; the adjustment of private American capital exports to the possibilities afforded by the balance of payments — or, per contra, the adjusting of the rest of the balance of payments to the unavoidable amount of net capital exports — would seem not altogether easy to achieve in the future either. Yet certain market forces are already at work, tending



slowly to bring about such adjustment. The present American economic policy, which aims at promoting expansion of the domestic economy while keeping costs as stable as possible, should assist the tendencies which already exist towards a better balance also on capital account.

### 5. Coordination of Monetary Policy in the E.E.C.

The E.E.C. countries, which until 1962 were the world's chief surplus countries and with monetary reserves at present amounting to over 17 billion dollars (against just under 8 billion dollars at the beginning of 1958) now hold a particularly strong position in the international currency system, have become the natural partners for discussion with the United States and United Kingdom both as regards remedying the great disequilibria in balances of payments and as regards strengthening and further developing the international monetary system as such. The increased importance of this group of countries imposes on them added responsibility for international monetary equilibrium and for the future of the international currency system. Consequently the close coordination between the E. E. C. countries — which is to be ensured in the sphere of monetary policy by the E. E. C. Monetary Committee and by close cooperation between Central Bank Governors and the Ministers concerned — was mainly concentrated, during the period under report, on the great international monetary problems. Thus the committees of the Six were above all concerned to establish so far as possible a joint attitude towards the questions discussed within the International Monetary Fund and in the O.E.C.D. Monetary Committee at Paris, since it is in these world-wide bodies that the coordination with the Anglo-Saxon key currency countries takes place which is of particular importance at present. In addition, the E. E. C. Monetary Committee has begun to investigate the prospects for further development of the international currency system, including any need which may emerge in that connection for reforms; these discussions are not yet showing any concrete results, however. The coordination of monetary policy within the Community, although by no means neglected, was by comparison not so much in the foreground.

The E.E.C. countries' increased responsibility for the international monetary system

Some months ago, in its "Programme of Action for the Second Phase of the Transition Period", the Commission of the European Economic Community made certain concrete proposals for still closer monetary cooperation between the E.E.C. members. So far as the Commission aims at the most uniform possible attitude vis-à-vis the "external problems", that is the key currencies and the other major questions concerning the international monetary system, its proposals are in line with what has already resulted during recent years from day-to-day needs. It is true that the ultimate objective indicated by the Commission in this context, namely the creation of a monetary union and of a unitary European reserve currency, is for the moment far beyond the range of practical possibilities. In order to create a European reserve currency it would certainly not suffice to bring a part of the member countries' monetary reserves into a common pool; there would in fact have to be a common currency unit, which would also be used as invoicing currency and payment medium in international trade, as well as an efficient money and capital market, in that unitary currency, which would afford other countries adequate facilities for the investment of foreign exchange balances. But the monetary union as between the member states, which is indispensable for such a unitary reserve currency, cannot be conceived until there is not only a common trade policy but also a common (or jointly and bindingly agreed) financial and budgetary policy, a common economic and cyclical policy and a common social and wage policy, that is a common policy *tout court* — in a word, until there is a Federal state with a European Parliament which has power to legislate for all the member states.

The E.E.C. Commission's proposals for a further increase of monetary cooperation

Even the closest coordination of monetary and credit policy would not in itself suffice to create the preconditions for attainment of these far-ranging objectives. One need only point to the effects produced by each nation's financial and budgetary policy on monetary trends in order to show that further integration of the E.E.C. countries must go forward on a broad front, and must cover all important fields of economic and financial policy. These considerations do not of course exclude the possibility of further progress in the sphere of monetary and credit policy as such, especially in the sense that the main lines of monetary policy will be mutually agreed between the member countries even more closely than hitherto, and so far as possible in advance.

This requirement too has already been partly met in the practice of international monetary cooperation. Progress is indeed to be sought less in new institutions or rules of procedure than in purposeful further development of the existing monetary cooperation, which in the period under report had such notable successes to show.

### III. Trends in Money and Credit

#### 1. Assets and Liabilities-side Business of the Monthly Reporting Credit Institutions

##### *Loans and Investments*

Overall trend

The credit extended to business enterprises, individuals and public authorities by the credit institutions rendering monthly returns, as well as their total security holdings, continued to increase relatively fast last year. Between the end of December 1961 and the end of December 1962 the total of such assets rose by about DM 27.0 billion to over DM 210 billion; this roughly corresponded to the 1961 increase of DM 26.7 billion, but was appreciably more than in 1960, when under the influence of restrictive policy the rise had amounted to only DM 18.25 billion. The extent to which individual groups of banks shared in the total expansion of lending to non-banks, and of security holdings, can be seen from the following table.

Credit extended to enterprises, individuals and public authorities

A large part of the securities acquired by banks again comprised other credit institutions' bonds, which in order to avoid duplications have to be left out of account when the banks' total commitment on loans and securities towards *non-bank customers* is ascertained. With the holdings of bank bonds excluded the total credit granted to resident and non-resident business enterprises, individuals and public authorities by the monthly reporting credit institutions<sup>1)</sup>, plus their holdings of such issuers' securities, amounted at the end of 1962 to about DM 195 billion. In the course of that year it had risen by about DM 24.1 billion, that is by roughly the same amount as in 1961 (DM 24.0 billion) but by considerably more than in 1960 (DM 17.9 billion).

Regarded separately (with security holdings excluded) the short, medium and long-term credits granted to non-banks increased last year by DM 23.4 billion; the greater part of this amount, in fact about 85 per cent, went as usual to enterprises and private persons. The credit extended to public authorities, which during recent years has included a good deal of loans (mostly development loans) to foreign public authorities, increased in 1962 by about DM 3.6 billion, that is by some DM 300 million more than in 1961 and by roughly DM 1 billion more than in 1960.

A special feature of last year's lending business was the shift within the maturity structure of loans newly granted. Thus the short-term credits (that is the credits in account granted with an agreed life of up to 6 months, as well as all credits on bills) in 1962 accounted for only about 15 per cent of the total expansion of the banks' commitment towards non-bank customers

<sup>1)</sup> Including the banks' holdings of Treasury bills and non-interest-bearing Treasury bonds, but excluding mobilisation paper and excluding the holdings of foreign public issuers' short-term debt instruments, both of which are to be regarded as purely money-market investments.

Expansion of Lending Business and Security Holdings <sup>1)</sup> at Banking Groups

Banking groups	1960		1961		1962	
	DM mn	p.c.*)	DM mn	p.c.*)	DM mn	p.c.*)
Commercial banks	+ 4,474	24.5	+ 6,914	25.9	+ 4,960	18.4
Big banks	(+ 1,436)	( 7.9)	(+ 2,893)	(10.8)	(+ 1,934)	( 7.2)
State, regional and local banks	(+ 2,083)	(11.4)	(+ 2,988)	(11.2)	(+ 2,544)	( 9.4)
Private bankers	(+ 623)	( 3.4)	(+ 828)	( 3.1)	(+ 164)	( 0.6)
Specialised commercial banks	(+ 332)	( 1.8)	(+ 205)	( 0.8)	(+ 318)	( 1.2)
Savings banks and central giro institutions	+ 6,716	36.8	+10,121	38.0	+11,964	44.3
Central giro institutions	(+ 1,535)	( 8.4)	(+ 3,568)	(13.4)	(+ 4,289)	(15.9)
Savings banks	(+ 5,181)	(28.4)	(+ 6,553)	(24.6)	(+ 7,675)	(28.4)
Industrial credit cooperatives and their central institutions	+ 858	4.7	+ 1,052	3.9	+ 1,229	4.6
Central inst's of industrial credit coop's	(+ 38)	( 0.2)	(+ 93)	( 0.3)	(+ 51)	( 0.2)
Industrial credit cooperatives	(+ 820)	( 4.5)	(+ 959)	( 3.6)	(+ 1,178)	( 4.4)
Agricultural credit cooperatives and their central institutions	+ 628	3.4	+ 827	3.1	+ 975	3.6
Central inst's of agricultural credit coop's	(+ 88)	( 0.5)	(+ 244)	( 0.9)	(+ 130)	( 0.5)
Agricultural credit cooperatives	(+ 540)	( 2.9)	(+ 583)	( 2.2)	(+ 845)	( 3.1)
Private and public mortgage banks	+ 2,977	16.3	+ 4,178	15.7	+ 4,877	18.0
Private mortgage banks	(+ 1,459)	( 8.0)	(+ 2,088)	( 7.8)	(+ 2,488)	( 9.2)
Public mortgage banks	(+ 1,518)	( 8.3)	(+ 2,090)	( 7.9)	(+ 2,389)	( 8.8)
Credit institutions with special functions	+ 1,417	7.7	+ 2,378	8.9	+ 1,813	6.7
Instalment credit institutions	+ 707	3.9	+ 549	2.1	+ 344	1.2
Postal Cheque and Postal Savings Bank offices	+ 485	2.7	+ 633	2.4	+ 853	3.2
All banking groups	+18,262	100.0	+26,652	100.0	+27,015	100.0

\*) Proportion of overall expansion at all banking groups. — <sup>1)</sup> Short, medium and long-term credits to business enterprises, individuals and public authorities, including holdings of domestic Treasury bills and non-interest-bearing Treasury bonds, but excluding mobilisation paper; security holdings including bank bonds.

on loans and securities, as compared with 26 per cent in 1961 and more than 30 per cent in 1960; in the course of the last two years, therefore, their proportion has diminished by half. Per contra the proportion of medium and long-term credits rose from about 70 per cent in each of the years 1960 and 1961 to nearly 82 per cent in 1962, rising in the case of credits at medium term (running for between 6 months and 4 years) from between approximately 8 and 9 per cent in 1960/61 to some 15 per cent in 1962, and in that of long-term loans from about 61 per cent in 1960/61 to approximately 67 per cent in 1962. The reason why long-term loans account for so high a proportion of bank lending is largely that in the Federal Republic not only the numerous savings banks but also a number of specialised institutions (mortgage banks and credit institutions with special functions) conduct a brisk long-term credit business, and that — contrary to the practice in most foreign countries — these institutions are included in the monthly banking statistics.

The short-term credits extended to business enterprises, private borrowers and public authorities<sup>1)</sup> by credit institutions rendering monthly returns rose by about DM 3.73 billion last year to DM 52.9 billion when the year ended. The increase thus equalled only about three-fifths of that in the previous year (DM 6.29 billion); in comparison with 1958 and 1959, however, it was still quite substantial. In the first quarter of 1963 — as the following table shows — these credits, for the first time in a somewhat lengthy period, showed greater expansion than in the corresponding quarter of the previous year.

Last year again much the greater part of the newly granted short-term bank credit, in fact about nine-tenths, went to business and private borrowers. The total of such lending rose by DM 3.33 billion in 1962 against DM 6.32 billion in 1961 and DM 5.48 billion in 1960. The slowing of the expansion in the year under report would seem to have been largely due to the

Bank credit extended at short term . . .

. . . to business enterprises and individuals

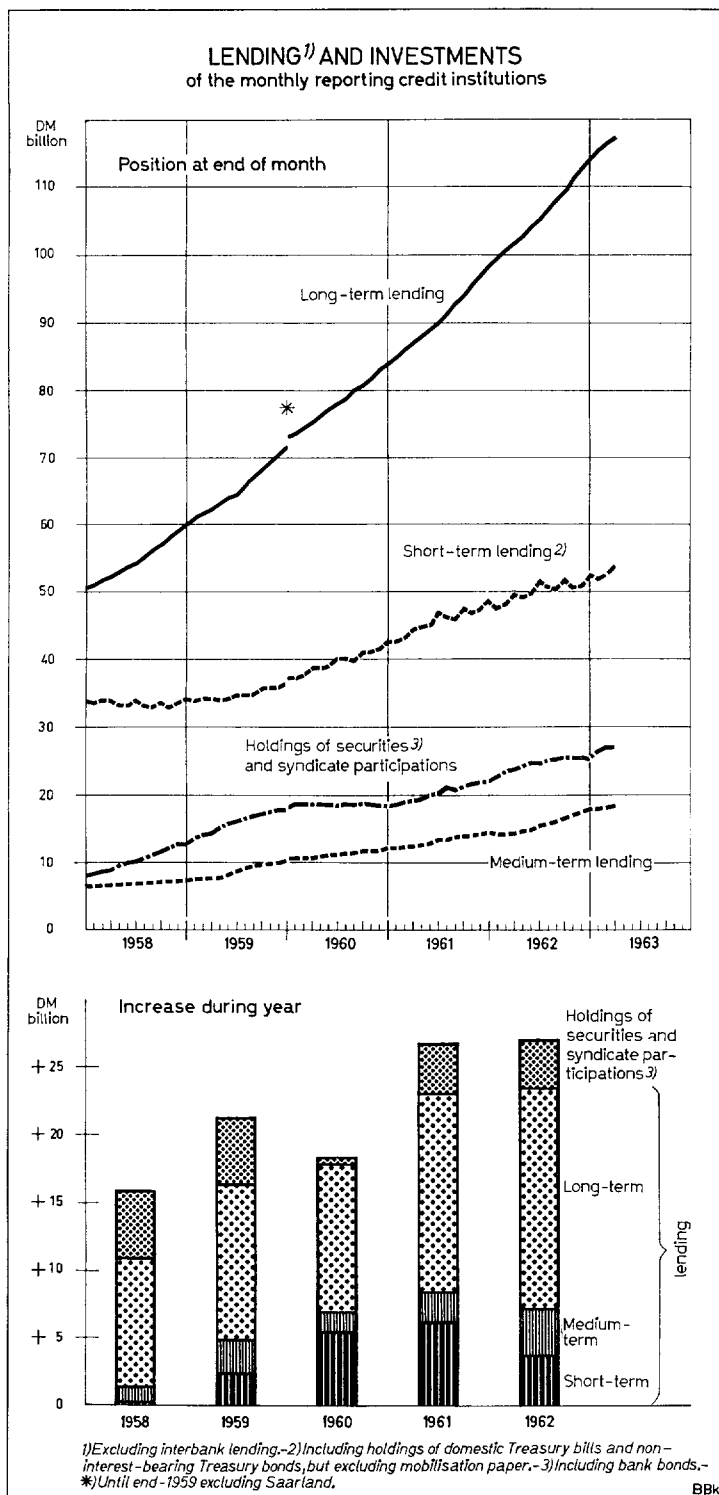
<sup>1)</sup> Including the banks' holdings of Treasury bills and non-interest-bearing Treasury bonds of domestic public issuers, but excluding mobilisation paper, the taking of which by banks does not involve any granting of credit to non-banks.

Lending<sup>1)</sup> and Investment of the Monthly Reporting Credit Institutions<sup>2)</sup>

Increase (+) or decrease (-), in millions of DM<sup>3)</sup>

I t e m s	Yearly figures				Quarterly figures				
	1959	1960	1961	1962	Year	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.
I. Short-term lending <sup>4)</sup> , total	+ 2,388	+ 5,502	+ 6,292	+ 3,729	1961 + 1,905 1962 + 831 1963 + 1,261P)	+ 2,429	+ 575	+ 1,383	+ 682
(a) to business enterprises and individuals	+ 2,918	+ 5,484	+ 6,323	+ 3,383	1961 + 1,853 1962 + 1,000 1963 + 1,039P)	+ 2,280	+ 1,022	+ 1,168	+ 373
(b) to public authorities <sup>4)</sup>	- 530	+ 18	- 31	+ 346	1961 + 52 1962 - 169 1963 + 222P)	+ 149	- 447	+ 215	+ 309
II. Medium and long-term lending, total	+ 14,016	+ 12,401	+ 16,787	+ 19,704	1961 + 3,461 1962 + 3,409 1963 + 3,430P)	+ 3,871	+ 4,738	+ 4,717	+ 6,233
(a) to business enterprises and individuals	+ 10,513	+ 9,821	+ 13,445	+ 16,456	1961 + 2,517 1962 + 2,681 1963 + 2,811P)	+ 3,168	+ 3,925	+ 3,835	+ 5,203
(b) to public authorities	+ 3,503	+ 2,580	+ 3,342	+ 3,248	1961 + 944 1962 + 728 1963 + 619P)	+ 703	+ 813	+ 882	+ 1,030
(1) Medium-term lending, total	+ 2,493	+ 1,502	+ 2,195	+ 3,571	1961 + 339 1962 + 16 1963 + 455P)	+ 897	+ 491	+ 468	+ 1,411
(a) to business enterprises and individuals	+ 2,322	+ 1,480	+ 2,170	+ 3,642	1961 + 352 1962 + 167 1963 + 580P)	+ 908	+ 461	+ 449	+ 1,379
(b) to public authorities	+ 171	+ 22	+ 25	- 71	1961 - 13 1962 - 151 1963 - 125P)	- 11	+ 30	+ 19	+ 32
(2) Long-term lending, total	+ 11,523	+ 10,899	+ 14,592	+ 16,133	1961 + 3,122 1962 + 3,393 1963 + 2,975P)	+ 2,974	+ 4,247	+ 4,249	+ 4,822
(a) to business enterprises and individuals	+ 8,191	+ 8,341	+ 11,275	+ 12,814	1961 + 2,165 1962 + 2,514 1963 + 2,231P)	+ 2,260	+ 3,464	+ 3,386	+ 3,824
(b) to public authorities	+ 3,332	+ 2,558	+ 3,317	+ 3,319	1961 + 957 1962 + 879 1963 + 744P)	+ 714	+ 783	+ 863	+ 998
III. Holdings of securities and syndicate participations, excluding bank bonds	+ 1,881	+ 26	+ 898	+ 701	1961 + 114 1962 + 341 1963 + 312P)	+ 228	+ 424	+ 132	+ 23
Lending to non-banks, total (I to III)	+ 18,285	+ 17,929	+ 23,977	+ 24,134	1961 + 5,480 1962 + 4,581 1963 + 5,003P)	+ 6,528	+ 5,737	+ 6,232	+ 6,892
Note: Holdings of Treasury bills and non-interest-bearing Treasury bonds, total	- 953	+ 272	+ 612	- 842	1961 + 1,394 1962 - 555 1963 + 383P)	- 709	+ 557	- 630	+ 320
of which: Mobilisation paper <sup>5)</sup>	- 1,385	+ 1,188	+ 106	- 862	1961 + 836 1962 - 351 1963 + 552P)	- 711	+ 664	- 683	- 178
Other domestic Treasury bills and non-interest-bearing Treasury bonds	- 319	- 63	- 310	+ 499	1961 - 176 1962 - 145 1963 - 60P)	+ 22	- 250	+ 94	+ 547
Foreign Treasury bills and non-interest-bearing Treasury bonds	+ 751	- 853	+ 816	- 479	1961 + 734 1962 - 59 1963 - 109P)	- 20	+ 143	- 41	- 49
Holdings of securities and syndicate participations, total	+ 4,960	+ 359	+ 3,573	+ 3,582	1961 + 839 1962 + 1,913 1963 + 1,403P)	+ 1,093	+ 951	+ 690	+ 81
among which: Bank bonds <sup>6)</sup>	+ 3,079	+ 333	+ 2,675	+ 2,881	1961 + 725 1962 + 1,572 1963 + 1,091P)	+ 865	+ 527	+ 558	+ 104

<sup>1)</sup> Excluding interbank lending. — <sup>2)</sup> Credit institutions in the area of the Federal Republic including Berlin (West), from 1960 also including Saarland. — <sup>3)</sup> Changes due to statistical reasons have been eliminated. — <sup>4)</sup> Including holdings of domestic Treasury bills and non-interest-bearing Treasury bonds, but excluding "mobilisation paper". — <sup>5)</sup> That is, Federal Treasury bills and non-interest-bearing Treasury bonds resulting from exchange for a corresponding partial amount of the Deutsche Bundesbank's equalisation claim, the taking over of which paper by the banks does not represent any additional granting of credit to non-banks. — <sup>6)</sup> Including loans issued by the Equalisation of Burdens Fund with the commitment of the Equalisation of Burdens Bank, which in the securities statistics — in contrast to this table — are counted as part of the public authorities' loan issues. — p) Provisional.



trend towards lengthening of the terms of credit in the banks' new business. Evidently borrowers have an increased need of consolidation, which the banks try so far as possible to meet.

The short-term bank credit extended to public authorities<sup>1)</sup> increased in the year under report by not quite DM 350 million net after having altered on the whole only slightly in the two preceding years. The short-term credits granted in account to public authorities by banks rendering monthly returns declined in 1962 by about DM 150 million, with some fluctuation; in 1961 they had risen by about DM 280 million, and in 1960 by some DM 80 million. The chief reason for these movements was once again the advances, which as a rule fluctuate considerably, to the Federal Railways. On the other hand the banks' holdings of Treasury bills and non-interest-bearing Treasury bonds (excluding mobilisation paper) rose in the year under report by about DM 500 million, after having declined in previous years in greater or lesser degree. The increase in the banks' holdings of such paper was not accompanied by any rise in the total circulation, however, but was due to shifts in ownership. A fact of principal importance in this

... to public authorities

connection was that the 1961 investment, in non-interest-bearing Treasury bonds of the Federal Railways and Postal Administration, of part of the proceeds obtained from sale of Volkswagen shares (some DM 230 million), which investment had temporarily raised the amount of such paper in circulation outside banks, was liquidated in the year under report.

<sup>1)</sup> Including the banks' holdings of Treasury bills and non-interest-bearing Treasury bonds of domestic public issuers, but excluding mobilisation paper, the taking of which by banks does not involve any granting of credit to non-banks.

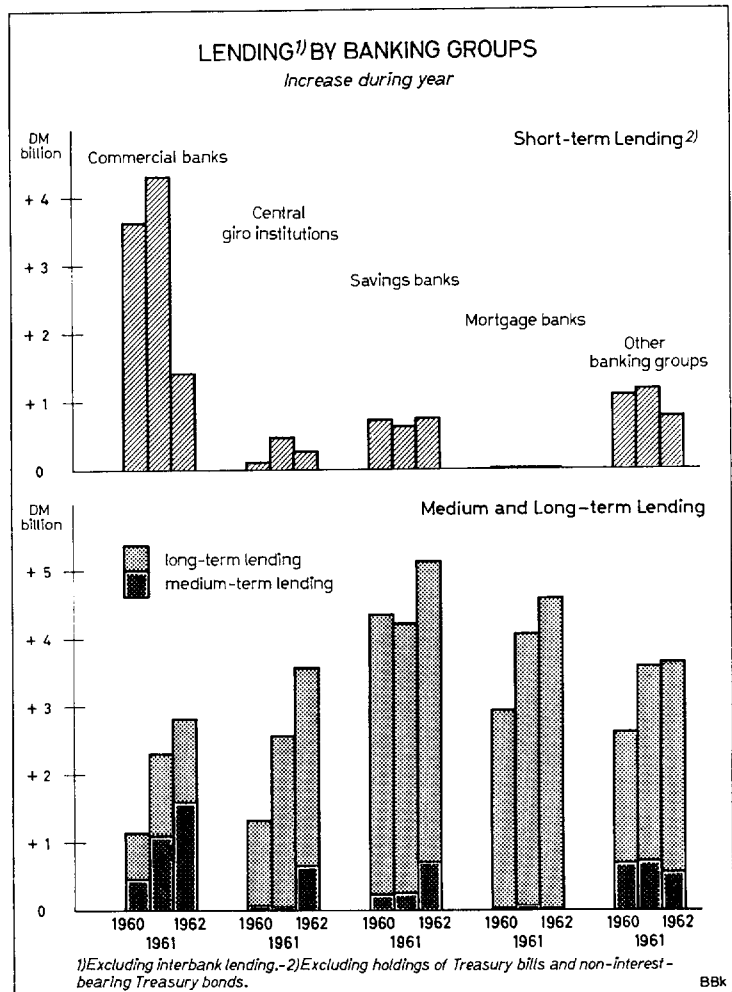
Medium-term lending

Last year, as already mentioned, there was a large increase in the medium-term credit business which the banks mainly conduct with business enterprises and individuals. Total medium-term bank credits granted to non-banks rose by DM 3.57 billion in 1962, reaching about DM 18.3 billion at the end of that year, as compared with increases by roughly DM 2.2 billion in 1961 and DM 1.5 billion in 1960; in the first months of 1963 the growth continued to quicken. As appears from a study published in the Bundesbank's Monthly Report for March 1963, page 3, it is especially the commercial banks, and of late also the central giro institutions, that have become prominent in medium-term credit business.

Long-term loans

The loans granted by banks to business enterprises, individuals and public authorities at long term (that is loans with an agreed life of 4 years or more) increased by DM 16.13 billion in the year under report to about DM 115 billion at the end of 1962. Their expansion was thus greater than in 1961 by over DM 1.5 billion, and exceeded the 1960 growth by as much as nearly DM 5.25 billion. In the first quarter of 1963, however, as the preceding table shows, there was no further acceleration of growth. The chief reason for last year's relatively steep rise in long-term bank credits was the continuing keen demand for housing loans, together with the growing demand for longer-term funds to finance industry, which increasingly depends for its new capital investment on borrowing from outside sources.

The decisive factor, however, has until very recently been the financing of house construction. According to the Bundesbank's quarterly statistics as to borrowers, in 1962 almost DM 7 billion, or two-fifths of the total expansion in long-term lending, went into housing; this was almost DM 1.1 billion more than in 1961 and nearly DM 1.7 billion more than in 1960. At the same time, despite their rise by more than DM 1 billion, the amount of mortgage loans paid out for housing purposes was again far exceeded last year by that of the housing mortgage loans newly promised. Such promises were given in 1962 to the extent of about DM 8.25 billion, as compared with not quite DM 7.5 billion in 1961. The rise was entirely due to greater activity on the part of savings banks, which in 1962 promised DM 3.96 billion of new housing mortgage loans against DM 3.13 billion in 1961. At about DM 4.3 billion in the case of the security-issuing institutions (central giro institutions as well as private and public mortgage banks) the loans newly promised in 1962 were about as great as in 1961.



Owing to the substantial excess of loans newly promised over those currently paid out to borrowers the amount of housing mortgage loans promised but not yet given showed a further considerable increase.

Among the other private-sector borrowers industry, handicrafts, and public utilities were the most important. Their long-term indebtedness to banks increased in 1962 by about DM 3.02 billion, against DM 2.52 billion in 1961 and only DM 0.9 billion in 1960. Of the total addition DM 580 million went to public utilities alone, as against DM 290 and about 130 million respectively in the two preceding years; approximately DM 340 million went into steel construction, mechanical engineering and vehicle building, DM 300 million into chemicals and pharmaceuticals, DM 220 million into industries working for the building trade, and upwards of DM 200 million into mining. Among other branches of activity special mention may be made of agriculture as well as forestry, water supply and regulation, and trade. Further information will be found in the table below.

The long-term loans to public authorities, which at DM 25.7 billion at the end of 1962 accounted for more than one-fifth of all long-term bank lending, increased in 1962 by about DM 3.32 billion; this roughly equalled their rise in 1961 and 1959, but was greater by about DM 750 million than in 1960. An amount which was relatively large (at least by comparison with other sections of the lending business) went to foreign borrowers, who for the

*Breakdown of Medium and Long-term Lending by Borrowers or Purposes \*)*

Millions of DM

Year	Total lending to non-banks	Industries and handicrafts, total	among which:										Residential building	Public utilities	Trade	Agriculture, forestry, and water regulation and supply <sup>2)</sup>	Other public borrowers <sup>3)</sup>	Other branches of economic activity and other borrowers <sup>4)</sup>	Lending of instalment credit institutions <sup>5)</sup>
			Mining	Iron and metal working industries and foundries	Steel construction, machine and vehicle building	Electrical engineering, precision instruments and optical goods	Chemical and pharmaceutical industries	Foodstuffs, beverages and tobacco	Textiles, leather, footwear, and clothing	Industries working for building <sup>1)</sup>									
<b>Medium-term Lending</b>																			
End-of-year figures																			
1959	10,810	3,567	472	377	400	382	418	187	179	215	1,097	148	836	306	993	2,541	1,322		
1960	12,196	3,589	321	251	433	409	400	245	238	255	1,233	196	1,141	350	1,066	2,955	1,666		
1961	14,420	4,453	355	411	652	497	407	296	305	330	1,471	123	1,199	395	1,231	3,510	2,038		
1962	17,958	6,042	462	694	1,066	583	709	338	330	427	1,836	253	1,511	444	1,112	4,530	2,230		
Increase (+), decrease (-), during year <sup>6)</sup>																			
1960	+ 1,386	+ 22	- 151	- 126	+ 33	+ 27	- 18	+ 58	+ 59	+ 40	+ 136	+ 48	+ 305	+ 44	+ 73	+ 414	+ 344		
1961	+ 2,181	+ 864	+ 34	+ 160	+ 219	+ 88	+ 7	+ 51	+ 67	+ 75	+ 238	- 73	+ 58	+ 45	+ 165	+ 555	+ 329		
1962	+ 3,558	+ 1,589	+ 107	+ 283	+ 414	+ 86	+ 302	+ 42	+ 25	+ 97	+ 365	+ 130	+ 312	+ 49	- 119	+ 1,040	+ 192		
<b>Long-term Lending</b>																			
End-of-year figures																			
1959	71,948	11,478	1,120	1,173	2,158	859	645	1,136	997	759	30,552	2,264	2,201	6,625	11,862	6,960	6		
1960	82,465	12,265	1,061	1,186	2,161	893	660	1,276	1,141	870	35,844	2,393	2,554	7,647	13,605	8,153	4		
1961	96,725	14,492	1,104	1,396	2,597	1,121	869	1,511	1,285	1,008	41,748	2,684	3,112	8,964	15,804	9,917	4		
1962	112,197	16,899	1,317	1,467	2,936	1,178	1,169	1,714	1,384	1,228	48,718	3,239	3,818	10,649	17,847	11,022	5		
Increase (+), decrease (-), during year <sup>6)</sup>																			
1960	+ 10,517	+ 787	- 59	+ 13	+ 3	+ 34	+ 15	+ 140	+ 144	+ 111	+ 5,292	+ 129	+ 353	+ 1,022	+ 1,743	+ 1,193	- 2		
1961	+ 14,260	+ 2,227	+ 43	+ 210	+ 436	+ 228	+ 209	+ 235	+ 144	+ 138	+ 5,904	+ 291	+ 558	+ 1,317	+ 2,199	+ 1,764	-		
1962	+ 15,817	+ 2,437	+ 218	+ 91	+ 339	+ 57	+ 300	+ 203	+ 99	+ 220	+ 6,970	+ 580	+ 706	+ 1,685	+ 2,158	+ 1,280	+ 1		
<p>*) Not including Saarland. — 1) Stones and earths, flat glassware, sawmills and woodworking, building and allied trades. — 2) The credits granted by the agricultural credit cooperatives not included in the banking statistics also probably represent to a relatively large extent credits to agriculture. — 3) This includes all credits granted to public authorities in so far as they are not shown among the individual branches of economic activity or industries, as well as the credits granted for the building and maintenance of roads, road bridges, harbours and waterways. — 4) Credits to enterprises engaged in transport and communications, to the hotel and tourist industry and to "other private borrowers". Until March 1962 including unclassified loans granted by credit institutions before currency reform which, since June 1962, have been attributed to individual branches of economic activity or to individual borrowers. — 5) Including purchase credits granted to traders, and small amounts of "other credits". — 6) Changes due to statistical reasons have been eliminated.</p>																			

most part receive such monies from the Reconstruction Loan Corporation under certain development assistance programmes. Long-term lending to foreign public authorities (mostly the Governments of the recipient countries) rose by about DM 710 million in 1962 as against roughly DM 880 million in 1961, DM 540 million in 1960 and something over DM 200 million in 1959. Among domestic borrowers the local authorities as usual took first place, the Federal Railways and Postal Administration coming second.

The banks' investments  
in securities

Finally a notable element in the banks' assets-side business during the year under report was the acquisition of securities and syndicate holdings. At the end of 1962 the banks' holdings of domestic and foreign securities (including medium-term notes), plus their participations in syndicates, amounted to about DM 25.6 billion; this was greater by some DM 3.58 billion than at the end of 1961, so that the rise roughly equalled that in 1961 but far exceeded that in 1960. In the latter year the banks' investments in securities had increased by only just on DM 0.4 billion net, since the banks had reacted to the Bundesbank's restrictive policy particularly by cutting down their security purchases. In the course of the year under report, however, the growth of their security holding became much slower, falling from over DM 1.9 billion in the first quarter to DM 840 million in the second, about DM 750 million in the third and about DM 80 million in the fourth quarter of 1962; in the first quarter of 1963 it amounted to DM 1.4 billion, being thus again smaller than in the corresponding period a year before. The reason appears to have lain in the increasing prominence of medium and long-term credit business together with gradual narrowing of the banks' liquidity margin. It must moreover be borne in mind that changes in the amount of these assets may arise, more than in the case of other balance-sheet items, from value adjustments. The sharp fall of share prices last year entailed such cuts in the valuation of the banks' stock-exchange dividend-bearing securities; some of these cuts will however be reflected only in 1963, as soon as the new entries from annual balance sheets pass

#### Security Holdings of the Banks

Year or quarter	Total		Domestic securities and syndicate participations								Foreign securities and syndicate participations	
	in-cluding	ex-cluding	Fixed-interest-bearing securities						Market-able equities <sup>2)</sup>	Syndi-cate partici-pations		Other securities
			Bank bonds		Public issues		Industrial bonds and other interest-bearing debentures					
	Bank bonds		Total	among which: Medium-term notes (Kassen-obli-gationen)	Total	among which: Medium-term notes (Kassen-obli-gationen)						
End-of-year figures, in millions of DM												
1958	13,146	5,263	7,883	74 <sup>pe)</sup>	2,743	—	767	1,242	297	85	129	
1959 <sup>1)</sup>	18,346	7,200	11,146	561	3,967	659	876	1,489	377	94	397	
1960	18,705	7,226	11,479	611	3,534	472	763	1,987	469	102	371	
1961	22,278	8,124	14,154	778	4,062	702	842	2,211	540	104	365	
1962	25,610	8,825	16,785	986	4,616	658	954	2,232	543	127	353	
Increase (+) or decrease (—), in millions of DM												
1959	+ 4,960	+ 1,881	+ 3,079	+ 483	+ 1,189	+ 656	+ 91	+ 246	+ 81	+ 7	+ 267	
1960 <sup>1)</sup>	+ 359	+ 26	+ 333	+ 50	— 433	— 187	— 113	+ 498	+ 92	+ 8	— 26	
1961	+ 3,573	+ 898	+ 2,675	+ 167	+ 528	+ 230	+ 79	+ 224	+ 71	+ 2	— 6	
1962	+ 3,582	+ 701	+ 2,881	+ 208	+ 554	— 44	+ 112	+ 21	+ 3	+ 23	— 12	
1961 1st qtr.	+ 839	+ 114	+ 725	— 15	+ 113	— 38	+ 38	+ 57	— 48	— 10	— 36	
2nd qtr.	+ 1,093	+ 228	+ 865	+ 21	+ 38	+ 31	— 45	+ 94	+ 101	+ 9	+ 31	
3rd qtr.	+ 951	— 424	+ 527	+ 87	+ 303	+ 79	+ 58	+ 111	— 49	+ 3	— 2	
4th qtr.	+ 690	+ 132	+ 558	+ 74	+ 74	+ 158	+ 28	— 38	+ 67	—	+ 1	
1962 1st qtr.	+ 1,913	+ 341	+ 1,572	+ 180	+ 302	+ 96	+ 20	+ 1	— 61	+ 27	+ 52	
2nd qtr.	+ 840	+ 127	+ 713	+ 39	+ 62	— 73	+ 47	+ 13	+ 73	— 20	— 48	
3rd qtr.	+ 748	+ 256	+ 492	+ 57	+ 278	+ 59	+ 37	— 36	— 7	+ 18	— 34	
4th qtr.	+ 81	— 23	+ 104	— 68	— 88	— 126	+ 8	+ 43	— 2	— 2	+ 18	
1963 1st qtr. P)	+ 1,403	+ 312	+ 1,091	+ 59	...	...	...	— 124	— 35	...	...	

<sup>1)</sup> From end-1959 including Saarland credit institutions. — <sup>2)</sup> Including investment fund certificates. — pe) Partly estimated. — p) Provisional.



into the monthly statistics. Movements in securities and syndicate holdings of individual groups of banks are shown by the table on this page.

In the year under report, as usual, the greater part of the securities newly acquired by banks consisted of bank bonds. If medium-term notes issued by credit institutions are included, the banks' holdings of such securities rose by about DM 2.88 billion in the year under report, against DM 2.68 billion in 1961 and only DM 0.33 billion in 1960. At the end of 1962 the monthly reporting credit institutions held bank bonds amounting to almost DM 16.8 billion, that is nearly two-thirds of their total securities and syndicate participations. The other securities held by the banks, and their syndicate holdings (which, unlike bank bonds, ultimately represent credit granted to non-bank customers, namely the issuers of the securities in question), increased in the year under report by about DM 700 million as against almost DM 900 million in

*The Movement in Security Holdings<sup>1)</sup>  
of the Banking Groups*

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

Banking groups	1960	1961	1962
Commercial banks	— 176	+ 440	+ 599
of which:			
Big banks	(— 398)	(+ 115)	(+ 331)
State, regional and local banks	(+ 113)	(+ 231)	(+ 265)
Private bankers	(+ 91)	(+ 59)	(+ 20)
Specialised commercial banks	(+ 18)	(+ 35)	(— 17)
Savings banks and central giro institutions	+ 207	+ 2,272	+ 2,021
of which:			
Central giro institutions	(+ 77)	(+ 568)	(+ 227)
Savings banks	(+ 130)	(+ 1,704)	(+ 1,794)
Credit cooperatives and their central institutions	+ 66	+ 311	+ 287
of which:			
Central institutions of credit cooperatives	(+ 30)	(+ 194)	(+ 85)
Credit cooperatives	(+ 36)	(+ 117)	(+ 202)
Private and public mortgage banks	+ 22	+ 108	+ 270
Credit institutions with special functions	+ 77	+ 140	+ 57
Postal Cheque and Postal Savings Bank offices	+ 161	+ 303	+ 340
Instalment credit institutions	+ 2	— 1	+ 8
All banking groups	+ 359	+ 3,573	+ 3,582

<sup>1)</sup> Including bank bonds.

1961, about DM 30 million in 1960 and nearly DM 1.9 billion in 1959; their growth was thus subject to considerable fluctuations. In the year under report, owing to changes in the security market, there were moreover some shifts in the composition of the securities newly acquired. In accordance with the greater issuing activity on the part of public authorities the banks' holdings of loans issued by German public authorities rose in 1962 by about DM 600 million, that is roughly twice as much as in the previous year. The banks, however, did not further increase their holding of public issuers' medium-term notes; this declined in 1962 by almost DM 50 million as compared with a rise by about DM 230 million in 1961. The amount of credit granted by the banks to "private" issuers through purchase of securities and taking of syndicate participations was relatively small, because in particular the banks' holdings of domestic marketable dividend-

bearing securities (including investment fund certificates) increased in the year under report by only a small net amount (DM 21 million) as against about DM 225 million in 1961 and almost DM 500 million in 1960. Since about the middle of last year the relevant holdings — amounting at the end of 1962 to about DM 2.2 billion — have almost continuously declined; this may be partly due to changes of valuation, as already mentioned, but probably results in the main from the banks' sales of shares held.

*Deposits and Borrowings*

The liabilities-side business of the monthly reporting credit institutions was chiefly marked in 1962 by faster growth of savings deposits and by a continued increase in proceeds from the sale of bank bonds. The addition to time deposits, too, was greater in 1962 than in the previous year, while the rise in sight deposits and the taking of monies and loans from non-banks

Overall trend

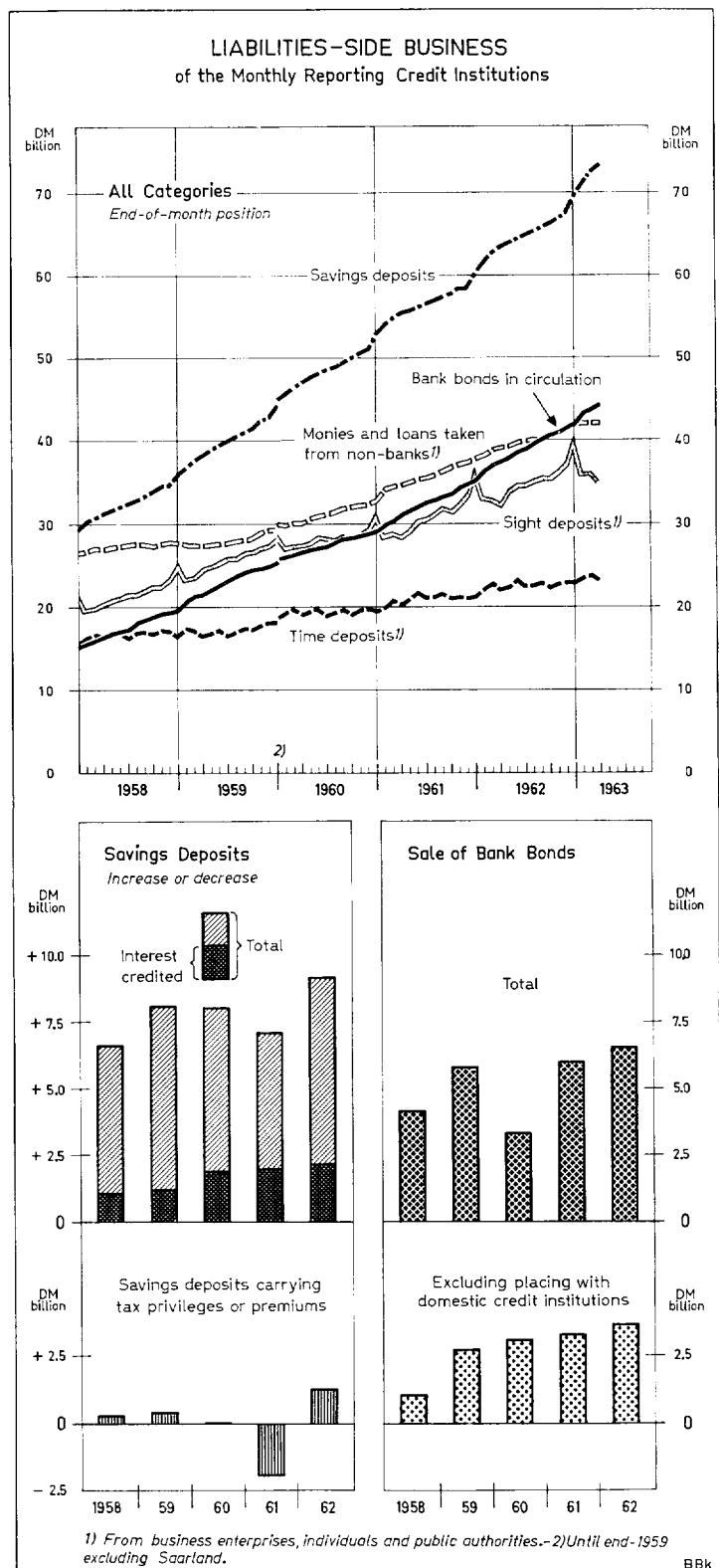
became slower. As a whole the said liabilities increased in the year under report by DM 25.1 billion against not quite DM 24.5 billion in 1961 and DM 17.5 billion in 1960.

Sight deposits

Sight deposits of business enterprises, individuals and public authorities at the credit institutions rendering monthly returns rose in the year under report by about DM 3.55 billion, that is by over DM 1.5 billion less than in 1961 but by almost DM 1.4 billion more than in 1960. On the result for the year the rise in sight deposits is often due to wide fluctuations, some of them fortuitous, because at the end of the year sight deposits as a rule rise to far above their average level and such seasonal "end-of-year peaks" may well assume widely varying sizes; at the ends of 1961 and 1962 they were relatively great. This applies in particular to enterprises' and individuals' sight deposits, which accounted at the end of 1962 for almost nine-tenths of the total. Such deposits increased in the year under report by DM 2.65 billion (in the fourth quarter of 1962 by about DM 3.1 billion) as compared with roughly DM 4.47 billion in 1961 and DM 1.67 billion in 1960. In the first quarter of 1963 they declined again, by the very substantial amount of DM 3.86 billion.

Time deposits

In the year under report the time deposits of non-banks rose by DM 1.71 billion to DM 23.14 billion. The addition was thus somewhat greater than that of DM 1.31 billion in the previous year, and materially exceeded the 1960 rise of DM 0.98 billion, which however had been relatively small. In the case of the main groups of depositors there were much greater fluctua-



tions, which partly offset each other. Thus roughly two-thirds of the total addition (DM 1.11 billion) in 1962 was to time deposits of business enterprises and private persons; in 1961 these had fallen by the small margin of DM 20 million after a vigorous rise by about DM 0.65 billion in 1960. On the other hand the increase in public authorities' time deposits by DM 0.60 billion was not nearly so great as that of DM 1.33 billion in 1961, but was almost twice as great as in 1960. The causes of these fluctuations are not discernible in detail. In the case of public time deposits certain shifts in the social insurance institutions' investments were a factor, especially their 1960 employment of funds in mobilisation paper of the Bundesbank; this investment was liquidated in the two following years.

During the year under report for the first time in a considerable period foreign non-banks again placed time deposits at German banks, the rule forbidding payment of interest on such deposits having been cancelled at the beginning of May 1962, although the interest rates paid were not fully adjusted to the domestic level. The fresh afflux of foreign time deposits consequently remained within narrow limits, especially by comparison with the security purchases of foreigners, which are not subject to any German-imposed restrictions. Even so the time deposits of foreign business enterprises, individuals and public authorities rose by altogether about DM 190 million in the year under report to DM 415 million at its close. Since the early summer of 1960, that is approximately since the time when the rule forbidding payment of interest on foreigners' deposits was introduced, such deposits had on the other hand been reduced almost month by month.

Savings deposits increased by DM 9.28 billion in the year under report to nearly DM 70 billion. Their increase was thus considerably greater than in 1961, when it had amounted to DM 7.31 billion, and also substantially exceeded the growth by DM 8.2 and 8.1 billion respectively in 1959 and 1960. Apart from private households, public authorities and business enterprises contributed in no small degree to the formation of savings deposits in 1962. Public authorities alone increased their savings deposits by more than DM 1 billion to about DM 5.68 billion at the end of the year. Thus the rise in such deposits, which had amounted in 1958 to only DM 400 million, in each of the years 1959 and 1960 to about DM 780 million and in 1961 to around DM 800 million, has continued to quicken. Business enterprises increased their savings balances last year by DM 173 million, that is by about the same amount as in the year before, but by less than in 1960 (DM 225 million) and 1959 (DM 400 million).

Private households' savings deposits rose by DM 8.09 billion in 1962 as against DM 6.33 billion in 1961 and between about DM 7.0 and 7.1 billion in each of the years 1959 and 1960. These fluctuations were, however, largely due to special factors, the movement in savings deposits carrying tax concessions and premiums being particularly significant. Whereas the total amount of governmentally promoted savings deposits had on balance remained virtually unchanged in 1960, it had declined by over DM 1.9 billion in 1961 on the expiry of the blocking period for the greater part of the deposits carrying tax privileges; in the year under report it rose again by about DM 1.3 billion owing to the excess of new in-payments into savings accounts carrying premiums. Although it may be assumed that considerable amounts of released tax-privileged savings deposits remained on normal savings accounts, just as the increase in savings deposits with the benefit of premiums is only in part due to new in-payments, the fluctuations in savings deposits carrying tax concessions and premiums would nevertheless seem to have been a co-determinant of the great variations in the overall growth of private households' savings deposits in the individual years. This also applies to other special factors which likewise can hardly be expressed in amount, namely to the partial denationalisation of Volkswagen Works, a process which for a time in 1961 absorbed considerable amounts of savings and thus tended to divert funds from saving through accounts, as well as to the crediting of special amounts during 1962, in accordance with the 13th Law to Amend the Equalisation of Burdens Law, to savings accounts held by recipients of basic compensation. The amount so credited totalled over

Savings deposits

DM 200 million in 1962; it is not known, however, to what extent such monies were withdrawn. Special factors on the whole assisted the growth of savings deposits in the year under report, but in the previous year slowed it down, so that the movement permits no direct conclusion regarding private saving activity as such. Another reason why no such conclusion can be drawn is that at the level of incomes now attained there are other forms of saving, especially the acquisition of securities, which increasingly attract savers. The great extent to which savings deposits are nevertheless still of central interest for savers is shown, for instance, by the statistics of savings deposits for the first quarter of 1963. According to these the accrual on private households' savings accounts in the first three months of the current year, at DM 3.13 billion, was greater again than in the corresponding period of 1962; it exceeded that in the first quarter of 1961 by as much as approximately DM 1 billion. Further details, especially regarding savings deposits at the various groups of banks, will be found in the relevant table in the Statistical Annex to this Report.

*Bank Liabilities of the Monthly Reporting Credit Institutions<sup>1)</sup>*

Increase (+) or decrease (—), in millions of DM<sup>2)</sup>

I t e m s	Yearly figures				Quarterly figures				
	1959	1960	1961	1962	Year	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.
I. Sight deposits	+ 3,271	+ 2,168	+ 5,092	+ 3,548	1961 — 2,586	+ 2,129	+ 1,034	+ 4,515	
					1962 — 3,891	+ 2,178	+ 874	+ 4,387	
					1963 — 5,070 <sup>P)</sup>				
(a) of business enterprises and individuals	+ 3,047	+ 1,668	+ 4,468	+ 2,650	1961 — 2,033	+ 1,908	+ 903	+ 3,690	
					1962 — 3,167	+ 1,878	+ 809	+ 3,130	
					1963 — 3,857 <sup>P)</sup>				
(b) of public authorities	+ 224	+ 500	+ 624	+ 898	1961 — 553	+ 221	+ 131	+ 825	
					1962 — 724	+ 300	+ 65	+ 1,257	
					1963 — 1,213 <sup>P)</sup>				
II. Time deposits	+ 1,798	+ 982	+ 1,313	+ 1,711	1961 + 947	+ 697	— 88	— 243	
					1962 + 734	+ 501	— 71	+ 547	
					1963 + 208 <sup>P)</sup>				
(a) of business enterprises and individuals	+ 982	+ 651	— 20	+ 1,111	1961 + 603	— 255	— 327	— 41	
					1962 + 156	+ 121	— 45	+ 879	
					1963 + 313 <sup>P)</sup>				
(b) of public authorities	+ 816	+ 331	+ 1,333	+ 600	1961 + 344	+ 952	+ 239	— 202	
					1962 + 578	+ 380	— 26	— 332	
					1963 — 105 <sup>P)</sup>				
III. Savings deposits	+ 8,166	+ 8,075	+ 7,310	+ 9,279	1961 + 2,453	+ 1,171	+ 1,166	+ 2,520	
					1962 + 3,175	+ 1,399	+ 1,436	+ 3,269	
					1963 + 3,643 <sup>P)</sup>				
(a) of individuals	+ 6,986	+ 7,074	+ 6,330	+ 8,087	1961 + 2,177	+ 1,058	+ 960	+ 2,135	
					1962 + 2,797	+ 1,206	+ 1,265	+ 2,819	
					1963 + 3,129 <sup>P)</sup>				
among which: carrying tax privileges and premiums	(+ 446)	(+ 7)	(— 1,911)	(+ 1,317)	1961 (— 89)	(+ 153)	(— 466)	(— 1,509)	
					1962 (+ 241)	(+ 264)	(+ 181)	(+ 631)	
					1963 (+ 409 <sup>P)</sup>				
(b) of business enterprises	+ 401	+ 225	+ 174	+ 173	1961 + 51	+ 11	+ 54	+ 58	
					1962 + 58	+ 21	+ 36	+ 58	
					1963 + 93 <sup>P)</sup>				
(c) of public authorities	+ 779	+ 776	+ 806	+ 1,019	1961 + 225	+ 102	+ 152	+ 327	
					1962 + 320	+ 172	+ 135	+ 392	
					1963 + 421 <sup>P)</sup>				
IV. Circulation of bank bonds, total <sup>3)</sup>	+ 5,824	+ 3,443	+ 5,976	+ 6,592	1961 + 1,888	+ 1,472	+ 1,068	+ 1,548	
					1962 + 2,250	+ 1,550	+ 1,656	+ 1,136	
					1963 + 2,581 <sup>P)</sup>				
among which: Circulation without banks' holdings	(+ 2,745)	(+ 3,110)	(+ 3,501)	(+ 3,711)	1961 (+ 1,163)	(+ 607)	(+ 541)	(+ 950)	
					1962 (+ 678)	(+ 837)	(+ 1,164)	(+ 1,032)	
					1963 (+ 1,490 <sup>P)</sup>				
V. Monies and loans taken from non-banks	+ 1,333	+ 2,851	+ 4,763	+ 4,013	1961 + 1,565	+ 1,034	+ 1,172	+ 992	
					1962 + 1,261	+ 832	+ 230	+ 1,650	
					1963 + 237 <sup>P)</sup>				
(a) from business enterprises and individuals	— 273	+ 390	+ 462	+ 799	1961 + 214	+ 79	+ 84	+ 85	
					1962 + 227	+ 234	+ 85	+ 253	
					1963 + 192 <sup>P)</sup>				
(b) from public authorities	+ 1,606	+ 2,461	+ 4,301	+ 3,214	1961 + 1,351	+ 955	+ 1,088	+ 907	
					1962 + 1,034	+ 598	+ 145	+ 1,437	
					1963 + 45 <sup>P)</sup>				

<sup>1)</sup> Credit institutions in the area of the Federal Republic including Berlin (West), from 1960 including Saarland. — <sup>2)</sup> Changes due to statistical reasons have been eliminated. — <sup>3)</sup> Excluding bonds of own issues in the credit institutions' portfolios. — p) Provisional.

The proceeds from the sale of bank bonds last year reached almost DM 6.6 billion; thus they were once again greater than in 1961 and 1960, when they had attained DM 5.98 and 3.44 billion respectively. A substantial part of the newly sold mortgage bonds, communal bonds and specialised credit institutions' debt instruments (including medium-term notes) was again taken by credit institutions, which thereby enabled the issuing banks to grant loans at medium and long term to non-bank customers. If the purchases by domestic credit institutions are left out of account there remain net sales to non-banks (including any foreign purchasers) amounting to DM 3.71 billion in the year under report, as compared with DM 3.3 billion in 1961, DM 3.11 billion in 1960 and DM 2.75 billion in 1959. Thus the proceeds from sale of bank bonds to the "public" have steadily risen in recent years, whereas the sales to credit institutions were in many cases subject to relatively great fluctuations. In the first three months of 1963, as the preceding table shows, the sales to the public continued to make good progress.

Circulation  
of bank bonds

In the year under report the banks' obtaining of monies and loans from non-banks was no longer so great an element in their liabilities-side business as in the previous year, even though it remained substantial. The funds accruing from this source amounted in 1962 to DM 4.01 billion as against DM 4.76 billion in 1961 and DM 2.85 billion in 1960. One reason was that in 1961 special transactions — in particular the transfer of the development assistance loan proceeds as a loan from the Federal Government to the Reconstruction Loan Corporation, and the employment at that institution of part of the proceeds obtained from partial denationalisation of Volkswagen Works — materially contributed towards raising the amount which accrued, whereas in 1962 partial liquidation of those investments reduced the net amount accruing. Accordingly the afflux of monies and loans to the banks was again mainly confined to capital development loans granted by public authorities, especially for housing purposes, in the transmitting of which to borrowers the banks are concerned. More than in earlier years, however, the banks in 1962 were also provided with funds from "private" quarters, mostly no doubt from institutional investors like insurance companies, special agreements having presumably been made in some cases with the banks about the use of those funds in their lending business.

Monies and loans  
obtained from non-banks

## 2. Monetary Analysis

To supplement what has been said about the assets and liabilities-side business of the credit institutions rendering monthly returns, the following table combines the figures in the monthly banking statistics and the Bundesbank's return, and arranges them so as to indicate the movement in the volume of money and the factors determining it. Apart from their combination with the Central Bank return the following figures differ from the monthly banking statistics, which were the subject of comment in the previous section, mainly inasmuch as all the foreign assets and liabilities discernible as such have been taken out of the "consolidated" assets and liabilities and combined into one aggregate "net claim on foreign countries", thereby making it possible to compare the effects of foreign trade and payments on the volume of money with those of home-market business. Thus in the volume of money too, so far as possible, only money holdings of residents are recorded. In accordance with international practice the "volume of money" is deemed to mean the total notes and coin in circulation (other than banks' cash holdings) plus sight deposits of domestic non-banks, but excluding Central Bank deposits of domestic public authorities. The following table contains all the elements needed for the purpose of extending the definition, if required, by adding the Central Bank deposits of domestic public authorities, the relatively short-term time deposits of domestic non-banks, and domestic public authorities' investments — although these are now only insignificant — in mobilisation paper of the Bundesbank. Further explanations on points of method, as well as regarding the limits to the evidential value of the analysis, are contained in the study on "The Money Supply in the

Preliminary note  
on methods

Money Supply\*)

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

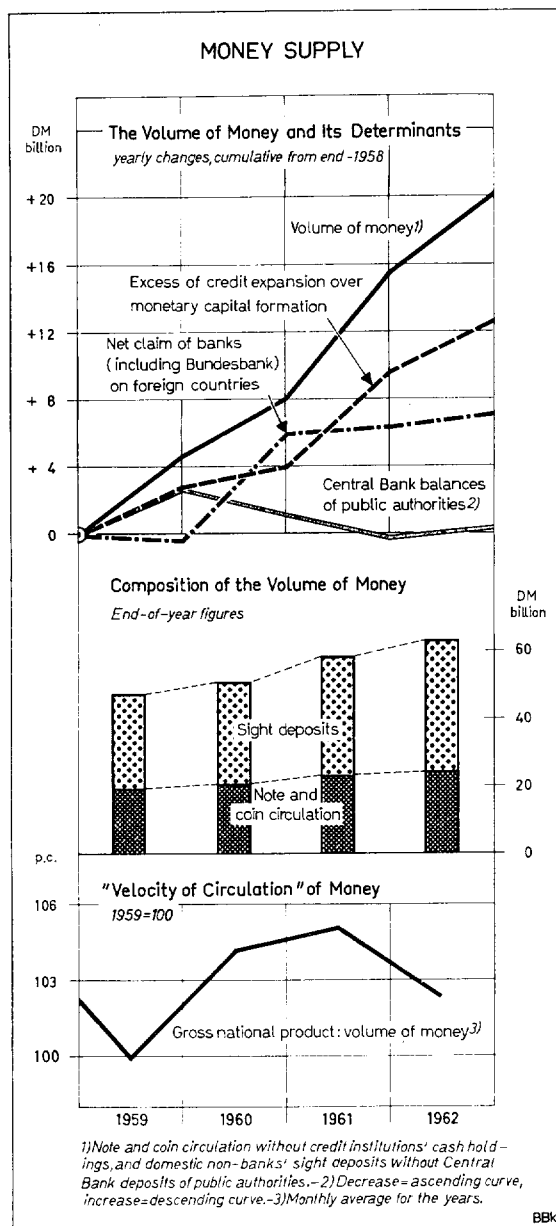
Items	Yearly figures				Quarterly figures				
	1959	1960	1961	1962	Year	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.
I. Bank lending to German non-banks, total	+ 18,096	+ 17,307	+ 23,966	+ 22,771	1961 + 5,316	+ 6,523	+ 6,586	+ 5,541	
					1962 + 3,857	+ 6,565	+ 5,235	+ 7,114	
					1963 + 4 068P)				
(1) Short-term lending (including holdings of domestic Treasury bills and non-interest-bearing Treasury bonds but excluding "mobilisation paper" <sup>1)</sup> ), total	+ 3,003	+ 5,512	+ 7,461	+ 3,666	1961 + 1,891	+ 2,752	+ 1,643	+ 1,175	
					1962 + 353	+ 2,184	— 81	+ 1,210	
					1963 + 543P)				
of which:					1961 + 1,893	+ 2,400	+ 591	+ 1,305	
Credit institutions (except Bundesbank)	+ 2,316	+ 5,447	+ 6,189	+ 3,570	1962 + 817	+ 2,040	+ 133	+ 580	
					1963 + 1,274P)				
Bundesbank <sup>2)</sup>	+ 687	+ 65	+ 1,272	+ 96	1961 — 2	+ 352	+ 1,052	— 130	
					1962 — 464	+ 144	— 214	+ 630	
					1963 — 731				
among which:					1961 (+ 181)	(+ 362)	(+ 1,070)	(— 292)	
Special credits to Fed. Govt. for meeting its obligations to I.M.F., I.B.R.D. and European Fund <sup>3)</sup>	(+ 549)	(+ 177)	(+ 1,321)	(— 480)	1962 (— 301)	(+ 140)	(— 247)	(— 72)	
					1963 (+ 8)				
(2) Medium and long-term lending to German non-banks	+ 13,479	+ 11,743	+ 15,630	+ 18,406	1961 + 3,275	+ 3,574	+ 4,517	+ 4,264	
					1962 + 3,214	+ 4,218	+ 5,019	+ 5,955	
					1963 + 3,092P)				
(3) Holdings of German securities and syndicate participations (except bank bonds <sup>4)</sup> )	+ 1,614	+ 52	+ 875	+ 699	1961 + 150	+ 197	+ 426	+ 102	
					1962 + 250	+ 163	+ 297	— 51	
					1963 + 316P)				
II. Formation of monetary capital at credit institutions out of domestic sources, total	+ 15,187	+ 16,170	+ 18,457	+ 19,584	1961 + 6,528	+ 4,134	+ 3,213	+ 4,582	
					1962 + 5,878	+ 3,909	+ 3,125	+ 6,672	
					1963 + 5,928P)				
(1) Residents' savings deposits <sup>5)</sup>	+ 8,146	+ 7,960	+ 7,232	+ 9,055	1961 + 2,424	+ 1,137	+ 1,153	+ 2,518	
					1962 + 3,102	+ 1,330	+ 1,370	+ 3,253	
					1963 + 3,592P)				
(2) Residents' time deposits, total	+ 1,678	+ 1,040	+ 1,318	+ 1,522	1961 + 994	+ 693	— 132	— 237	
					1962 + 717	+ 396	— 92	+ 501	
					1963 + 253P)				
among which:					1961 (+ 1,026)	(+ 1,003)	(— 472)	(— 565)	
at notice or fixed period of 6 months or more	(+ 1,549)	(+ 794)	(+ 992)	(+ 952)	1962 (+ 554)	(+ 632)	(— 54)	(— 180)	
					1963 (— 32)Pe)				
(3) German bank bonds in circulation (except those held by credit institutions <sup>6)</sup> )	+ 2,744	+ 3,118	+ 3,306	+ 3,728	1961 + 1,154	+ 624	+ 541	+ 987	
					1962 + 675	+ 853	+ 1,168	+ 1,032	
					1963 + 1,492P)				
(4) Monies and loans taken from German non-banks at longer term	+ 1,246	+ 2,636	+ 4,881	+ 3,682	1961 + 1,489	+ 1,088	+ 1,240	+ 1,064	
					1962 + 842	+ 801	+ 427	+ 1,612	
					1963 + 133P)				
(5) Capital and reserves	+ 1,373	+ 1,416	+ 1,720	+ 1,597	1961 + 467	+ 592	+ 411	+ 250	
					1962 + 542	+ 529	+ 252	+ 274	
					1963 + 458Pc)				
III. Net claim on foreign countries <sup>7)</sup> (Bundesbank and other banks)	— 261	+ 6,269	+ 427 <sup>11)</sup>	+ 792	1961 + 3,276 <sup>11)</sup>	— 844 <sup>12)</sup>	— 1,506	— 499	
					1962 + 1,439	+ 27	+ 140	— 814	
					1963 + 1,624P)				
Note: Influx of funds (+) into the "economy" due to foreign exchange transactions <sup>8)</sup>	(+ 5 699)	(+ 9,541)	(+ 7,816)	(+ 5,169)	1961 (+ 3,972)	(+ 3,147)	(+ 454)	(+ 243)	
					1962 (+ 2,300)	(+ 943)	(+ 1,146)	(+ 780)	
					1963 (+ 2,960)P)				
IV. Note and coin circulation <sup>9)</sup> and sight deposits of German non-banks (except German public authorities' Central Bank deposits)	+ 4,685	+ 3,408	+ 7,479	+ 4,579	1961 — 1,624	+ 2,494	+ 2,018	+ 4,591	
					1962 — 3,448	+ 2,544	+ 1,418	+ 4,065	
					1963 — 4,259P)				
of which:					1961 + 809	+ 484	+ 823	+ 250	
Note and coin circulation <sup>9)</sup>	+ 1,429	+ 1,428	+ 2,366	+ 1,026	1962 + 336	+ 347	+ 509	— 166	
					1963 + 653P)				
Sight deposits	+ 3,256	+ 1,980	+ 5,113	+ 3,553	1961 — 2,433	+ 2,010	+ 1,195	+ 4,341	
					1962 — 3,784	+ 2,197	+ 509	+ 4,231	
					1963 — 4,912P)				
V. Central Bank deposits of German public authorities <sup>10)</sup>	— 2,686	+ 1,453	+ 1,293	— 448	1961 + 2,747	+ 1,184	— 1,308	— 1,330	
					1962 + 1,362	— 51	+ 702	— 2,461	
					1963 + 2,594				
VI. Mobilisation paper sold to German public authorities	—	+ 851	— 269	— 561	1961 + 130	— 81	— 56	— 262	
					1962 — 414	— 51	— 27	— 69	
					1963 — 9				
VII. Residents' time deposits at notice or fixed period of less than 6 months	+ 129	+ 246	+ 326	+ 570	1961 — 32	— 310	+ 340	+ 328	
					1962 + 163	— 236	— 38	+ 681	
					1963 + 285Pc)				

\*) The data in this survey relate to the area of the Federal Republic including Berlin (West), since December 1959 also including Saarland. They are based on the "Consolidated Condition Statement for the Credit Institutions including the Deutsche Bundesbank" (see Table I 1 in 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. — <sup>1)</sup> 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. — <sup>2)</sup> 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). — <sup>3)</sup> These credits granted in accordance with Art. 20 par. (1) item 2 of the Bundesbank Law involve the taking of foreign exchange from the Bundesbank and in so far do not directly affect the domestic circulation of money. — <sup>4)</sup> Banks' holdings of other banks' bonds do not represent any immediate granting of credit to non-banks but form part of interbank indebtedness. — <sup>5)</sup> Amounts credited as currency conversion compensation to expelled persons or as compensation to holders of old savings are taken into account only in so far as covering claims on the Equalisation of Burdens Fund were redeemed. The savings deposits created under Art. 252 par. 4 of the Equalisation of Burdens Law (meeting of basic compensation claims) are taken into account only in so far as the Equalisation of Burdens Fund has made available the countervalue. — <sup>6)</sup> 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. — <sup>7)</sup> Including I.B.R.D. bonds taken by Bundesbank. — <sup>8)</sup> Change in banks' net claim on foreign countries after elimination of public authorities' net foreign payments as well as the Bundesbank's interest income on its foreign investments and other transactions on the Bundesbank's own account such as, e.g., that mentioned in footnote <sup>12)</sup>. — <sup>9)</sup> Excluding the credit institutions' cash holdings, but including DM notes and coins held abroad. — <sup>10)</sup> From 1961 including deposits of the E.R.P. Special Fund. — <sup>11)</sup> After elimination of the decrease in the Bundesbank's gold and exchange holdings due to alteration of the exchange parity. — <sup>12)</sup> The decline in the net claim on foreign countries is exclusively due to the Bundesbank's acquisition of roughly DM 3.1 billion of claims on the Federal Government in respect of post-war economic aid. — p) Provisional. — pe) Partly estimated.

Second Half of 1962" on page 58 of the Deutsche Bundesbank's Monthly Report for January 1963.

The increase in the volume of money during the year under report again was chiefly due to domestic money creation, which — accompanied by a definite slowing of the externally induced expansion — had already become prominent in 1961. If the difference is measured between total credit expansion within the country (excluding, however, the changes in the Bundesbank's special credits which do not directly affect the internal money circulation; see the table) and the monetary capital formation from domestic sources, the result is an excess of domestic credit expansion by DM 3.67 billion in 1962, as against DM 4.19 billion in 1961, DM 0.96 billion in 1960 and DM 2.36 billion in 1959. The expansive effect produced on the volume of money by domestic factors was thus very considerable by comparison with the years before 1961, although somewhat smaller than in that year. Further details concerning individual components will be found in the table.

Determinants of the money supply



On the other hand, as is shown by Item III in the table, the externally induced expansion resulting from domestic non-banks' net foreign exchange sales to the banking system was no more than relatively small in the year under report. It amounted to not quite DM 0.8 billion and was thus well below that in 1960, just as had been the expansion (by DM 0.4 billion) in 1961, when the reversal of the balance of payments occurred. At over DM 6.25 billion the 1960 expansion had been extremely great, because at that time the economy's borrowing abroad had increased the already considerable inflow of foreign exchange resulting from the movement in the current items of the balance of payments. However, the 1962 increase — in itself only small — in the net claim of the banks including the Bundesbank was the result of two opposing influences. Thus, while the "economy" continued to sell a large net amount of foreign exchange to the banks and thereby increased its money holdings (see the note to Item III in the table), the central public authorities took substantial amounts of foreign exchange for external payments by the debit of their Bundesbank accounts.

Domestic public authorities' total Central Bank balances declined by altogether DM 0.45 billion in the year under review, whereas in the previous year they had increased by the substantial margin of almost DM 1.3 billion, and in 1960 by as much as DM 1.45 billion. Since, however, the central public authorities' above-mentioned external payments were much greater than the

decrease in their credit balances, the "domestic transactions" of public Central Bank depositors continued to exert a contractive effect on the money holdings mainly in private hands (that is on the "volume of money" in the sense defined above). The withdrawal of funds which was entailed by public authorities' cash and debt transactions, and which cannot be statistically ascertained with adequate accuracy, therefore counteracted the addition to the "economy's" liquidity which resulted from foreign transactions.

Increase in the  
"volume of money"

As a result of the influences described the volume of money increased by nearly DM 4.6 billion in 1962 to about DM 63 billion at the end of the year. Its expansion was thus a good deal smaller than in 1961 (DM 7.5 billion), but greater than in 1960 (DM 3.4 billion); in 1960, however, the seasonal end-of-year increase had not yet attained the relatively great extent reached in the two subsequent years, so that changes in the seasonal components materially impair the comparison. In the fourth quarter of 1962 alone the volume of money rose by almost DM 4.1 billion; in the first quarter of 1963 it declined sharply, in fact by DM 4.3 billion — that is to say, contrary to the movement in earlier years, the decline actually was slightly greater than would correspond to the increase in the preceding quarter. If, with a view to eliminating the seasonal influence, one bases the year-to-year comparison on averages of the end-of-month figures for the volume of money, one finds that in 1962 this latter was above the previous year's level by almost DM 5.7 billion, or 10.9 per cent, as compared with a rise by DM 4.3 billion or 0.9 per cent between 1960 and 1961, and one by DM 4.1 billion or 9.4 per cent between 1959 and 1960. Incidentally therefore in the year under report the increase in the volume of money was somewhat greater than the growth of the gross national product at current prices, so that in other words the velocity of circulation of money declined by comparison with 1961.

### 3. Bank Liquidity

Overall trend

The liquidity of the banking system declined as a whole in the year under report and in the first months of 1963, whereas in 1961 it had risen to a relatively great extent, and in the first two months of 1962 — as measured by the banks' free liquidity reserves — had reached a level higher than at any time since the end of the 1959/60 restrictive period. The banks' holdings of all types of domestic money-market paper, their claims in respect of "money exports", and their unused rediscount quotas, that is to say their free or easily mobilisable liquidity reserves in the widest sense, had been equal in the first two months of 1962 to between 18 and 19 per cent of the deposits of non-banks; in the course of the following twelve months the ratio fell to something over 15 per cent, and in March this year — when there was of course a heavy seasonal strain on the banks — it dropped further to not quite 14 per cent. At this level it was still somewhat higher than at the end of the 1959/60 restrictive period, when it had been just under 12 per cent; but it was well below the levels of about 22 to 24 per cent and 24 to 25 per cent reached, respectively, in 1959 and 1958. The main reason for the gradual narrowing of the banks' liquidity margin was that the Bundesbank no longer counteracted the tendencies to tightness, which had already been emanating from the market for over two years, by taking steps to ease liquidity as it had done in 1961, more particularly, through its numerous reductions of the minimum reserve ratios, but allowed the tightness to produce its full effect. The reasons for this policy have already been fully discussed in the General Survey at the beginning of this Report.

Withdrawal of liquidity  
through movements on  
Central Bank accounts  
of domestic non-banks

The chief factor depressing the banks' liquidity<sup>1)</sup> in the year under report, just as in 1961, was the cash transactions of the central public authorities, although — as explained in detail in another context (cf. p. 62 seq.) — despite considerable allocations by the Länder the 1962 cash

<sup>1)</sup> In accordance with the figures in the table the following figures on bank liquidity are based, with a view to eliminating chance fluctuations, on averages of the four weekly bank-return dates in the months at the ends of years or quarters.



receipts and expenditure of the Federal Government, in particular, showed a substantial deficit which it partly covered by taking credits in account at the Bundesbank. So far as the deficit was, in addition, covered by market borrowing, the banks on balance received no fresh resources; so far as the proceeds of borrowing temporarily remained on Bundesbank accounts of the authorities, the effect was even to deprive the banks of money. The central public

*Bank Liquidity*  
in millions of DM

Items	1960	1961	1962	1962				1963
				1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.
I. Influx (+) or efflux (—) of liquid resources at the banks as a result of the following determinants	Change during period, calculated from the averages of the four weekly bank-return dates in the last month of the year or quarter							
(1) Change in note and coin circulation <sup>1)</sup>	-1,684	-2,524	-1,803	+ 739	- 551	- 529	-1,462	+1,031
(2) Movements on Central Bank accounts of domestic non-banks in so far as they affect bank liquidity <sup>2)</sup> of which:	-4,823	-5,683	-2,524	-1,241	- 470	-1,188	+ 375	-3,141
(a) on accounts of Fed. Govt. (without Special Funds), Länder and Equalisation of Burdens Fund	(-5,312)	(-5,095)	(-2,785)	(-1,692)	(- 581)	(- 940)	(+ 428)	(-3,322)
(b) on accounts of other depositors	(+ 489)	(- 588)	(+ 261)	(+ 451)	(+ 111)	(- 248)	(- 53)	(+ 181)
(3) Foreign exchange transactions in so far as they affect bank liquidity <sup>3)</sup>	+9,348 <sup>pe)</sup>	+6,775 <sup>pe)</sup>	+3,464 <sup>pe)</sup>	+1,334 <sup>pe)</sup>	+ 487	+ 840	+ 803	+1,442
(4) Other factors (not attributable to other items)	+ 298	+ 221	+ 327	+ 76	+ 3	+ 46	+ 202	- 43
Total (balance of 1 to 4)	+3,139	-1,211	- 536	+ 908	- 531	- 831	- 82	- 711
II. Central Bank balances of banks (determined over longer periods by the minimum reserve requirements <sup>4)</sup> ; increase: +, decrease: —)	+4,001	-2,936	+1,005	- 562	+ 246	+ 362	+ 959	- 642
Note: Minimum reserve required <sup>4)</sup> (increase: +, decrease: —)	(+4,364)	(-3,361)	(+ 833)	(+ 40)	(+ 367)	(+ 152)	(+ 274)	(+ 208)
Total (balance of I and II) Influx or release (+), or efflux or tying up (—), of liquid resources	- 862	+1,725	-1,541	+1,470	- 777	-1,193	-1,041	- 69
III. Investment or disinvestment, and recourse to Bundesbank								
(1) Acquisition (—) or resale (+) of open-market paper	-1,335	- 45	+1,145	+ 728	- 11	+ 166	+ 262	- 251
(2) Formation (—) or repatriation (+) of short-term investments abroad <sup>5)</sup> by the banks	+1,400 <sup>e)</sup>	-1,200 <sup>e)</sup>	- 131 <sup>pe)</sup>	-2,180 <sup>pe)</sup>	+ 718	+ 804	+ 527	- 444
(3) Banks' credit repayment to (—) or borrowing from (+) Bundesbank	+ 797	- 480	+ 527	- 18	+ 70	+ 223	+ 252	+ 764
Total (balance of 1 to 3)	+ 862	-1,725	+1,541	-1,470	+ 777	+1,193	+1,041	+ 69
Note:	Position at end of period							
Liquidity reserves of credit institutions in the shape of								
Holdings of domestic Treasury bills and non-interest-bearing Treasury bonds	4,626 <sup>e)</sup>	5,419 <sup>e)</sup>	5,056	4,923	5,053	4,687	5,056	5,548
Short-term balances with foreign banks and money-market investments abroad <sup>5)</sup>	1,315	2,135	2,156	4,557	3,499	2,880	2,156	3,112
Total in millions of DM	5,941	7,554	7,212	9,480	8,552	7,567	7,212	8,660
in per cent of deposits of non-banks	5.7	6.4	5.4	8.0	7.0	6.1	5.4	6.6

<sup>1)</sup> Including changes in the credit institutions' cash holdings, which cannot be eliminated here. — <sup>2)</sup> That is, after elimination of all payments not affecting liquidity (chiefly net foreign payments of Federal Government). — <sup>3)</sup> According to the changes in the Bundesbank's net foreign exchange reserves combined with the simultaneous changes in the other banks' short-term investments abroad, and after elimination of domestic non-banks' net foreign payments made to the debit of Central Bank accounts and not affecting liquidity (cf. footnote<sup>2)</sup>), as well as of the Bundesbank's transactions on own account not affecting liquidity (e.g., interest income on foreign investments). — <sup>4)</sup> The differences between changes in the required minimum reserve and changes in Central Bank balances are mainly explained by the fact that banks are obliged to maintain the required minimum reserve only on the daily average for the month, whereas the Central Bank balances here recorded — in accordance with the design of the table — are calculated on the basis of the four weekly bank-return dates. The differences moreover reflect the trend of the banks' excess reserves which are almost exclusively due to technical reasons. — <sup>5)</sup> Without foreign money-market investments of the Reconstruction Loan Corporation out of proceeds of the development aid loan. — <sup>6)</sup> The holdings of special mobilisation paper series "L" ("Blessing Milliarde") were included at the time (August 1961) when the prohibition on sale was cancelled. — <sup>pe)</sup> Partly estimated. — <sup>e)</sup> Estimated.

authorities' foreign payments (much the greater part of which relate to the Federal Government) also reduced the liquidity of the domestic banking system, since these payments are financed through current receipts (including borrowing) from internal circulation.

Central  
public authorities

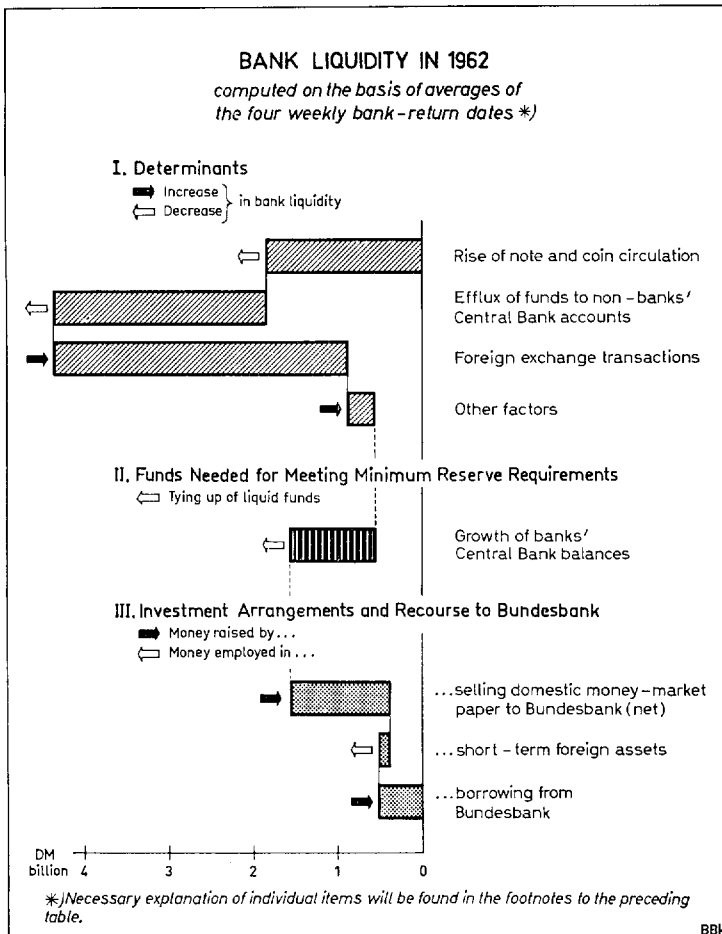
Through the central public authorities' "domestic" cash and debt transactions the banks in 1962 lost accordingly almost DM 2.8 billion of liquid resources. That however was considerably less than in the two preceding years, when domestic transactions had on balance put about DM 5.1 billion (in 1961) and DM 5.3 billion (in 1960) on to the Central Bank accounts of such authorities. In addition, as is shown by the preceding table, the movements differed greatly as between individual quarters of 1962. In the last quarter of that year the changes on such accounts even caused a net addition to the banks' liquidity, although this was due to temporary factors. At something over DM 3.3 billion in the first quarter of this year the strain imposed on the banks by the central public authorities' cash and debt transactions was, for the time being, greater than in the corresponding periods of 1962 and 1961, when it had amounted to DM 1.7 and 2.5 billion respectively. But this was because the authorities incurred more debt on the free market than a year previously, so that their net position in relation to the Bundesbank showed improvement greater than is usual at the season; in addition the Federal Government's external payments were particularly large in the first quarter of 1963.

Other depositors

It will be seen from the table that last year and in the first quarter of this year the actions of the other depositors at the Bundesbank, which include not only the Federal Postal Administration, the E. R. P. Special Fund and other domestic public agencies but also private depositors (in particular, large firms), contributed on the whole towards increasing the banking system's liquidity, whereas in 1961 on the contrary they had on balance attracted funds from internal circulation. The almost continuous addition to the banks' liquidity as the result of these depositors' transactions was mainly due to the fact that large firms usually receive more payments from abroad through the Bundesbank than they make to foreign recipients through that channel, so that they are able currently to draw corresponding amounts from their balances at the Bundesbank. Chiefly as the result of such net foreign receipts, business enterprises and private persons transferred funds to their own banks or made payments to other domestic recipients out of their Bundesbank accounts last year to a net extent of about DM 770 million, thereby adding to the banking system's liquidity; at over DM 1 billion in 1961 the corresponding amount had indeed been greater still. The reason why contractive money movements had nevertheless predominated in 1961 among the "other" depositors as a whole was largely that the proceeds of issue of the development assistance loan, and of the Volkswagen shares, were then transferred to special accounts at the Bundesbank.

Increase of the note  
and coin circulation

A substantial reduction of the banks' liquidity was moreover entailed last year by the further rise in the note and coin circulation. On the average of the four weekly bank-return dates in the month the circulation amounted in December last year to DM 25.6 billion; it was thus above the December 1961 level by DM 1.8 billion. The increase was considerably smaller than that of over DM 2.5 billion between December 1960 and December 1961, although somewhat greater than the rise by not quite DM 1.7 billion in the year before that. One reason for this movement was the current growth of mass incomes, which was likewise smaller last year than in 1961, but did exceed the 1960 rise. But a further reason for the notable slowing in the growth of the note and coin circulation by comparison with 1961 is that in the year under report there was no such abrupt increase of that circulation as had occurred in 1961 on the introduction of the five-day banking week. It is true that in the first quarter of 1963 the circulation of notes and coin on the whole considerably decreased; this however is in line with the seasonal tendency. Still, at DM 1.03 billion the reduction was greater than in earlier comparable periods; this was no doubt mainly due to the long persistence of the cold spell, with its crippling influence on employment.



Once again last year the above-described contractive influences on bank liquidity had against them, as an alleviating factor, the payment transactions with foreign countries. This conflicts only in appearance with the fact that for some time the Federal Republic's balance of payments has shown deficits in place of the previous large surpluses, since these deficits were due to payments which do not directly affect the liquidity of the domestic banking system. Apart from the Bundesbank's "own transactions" (such as taking over claims in connection with the premature redemption in 1961 of debt arising from post-war economic aid) they comprised in particular the Federal Government's net foreign payments; the liquidity-reducing effect of these is recorded under the head of the central public authorities' cash and

Foreign exchange transactions

debt transactions, as explained above, and must therefore be left out of account — contrary to what is done in the balance of payments — when it comes to calculating foreign exchange transactions as a determinant of the banks' liquidity. If allowance is also made for those amounts of foreign exchange which the banks hold abroad as a liquidity reserve, the addition to their liquidity as a result of external payments amounted in the year under report to about DM 3.46 billion; at this level it was appreciably smaller than that of DM 6.75 billion in 1961, and was in particular much less than the extremely large afflux of DM 9.3 billion in 1960. In the first quarter of 1963, as the table shows, foreign exchange transactions continued to be one of the factors increasing liquidity; they even became more significant again, mainly — it appears — as the result of certain speculative inflows. On the whole however the relief afforded to the banks by external payments sufficed neither in 1962 nor in the first quarter of 1963 to offset the whole of the strain imposed on bank liquidity by official cash transactions and by further growth of the note and coin circulation. If the effects produced on bank liquidity by the mainly "market" determinants so far mentioned are combined, it appears that on balance they narrowed the banks' liquidity margin last year by about half a billion DM as compared with DM 1.2 billion in 1961.

Although the strain placed on the banks by "market" movements was thus smaller in the year under report than in 1961, it nevertheless became for the first time perceptible to the banks in that year by reason of the opposite movement in the requirements regarding their minimum reserves. In 1961, in an effort (made in view of the balance of payments) to prevent strain on the banking system's liquidity, the Bundesbank had lowered the minimum reserve

Minimum reserve requirements

ratios by successive steps, so that in December 1961 the required reserve<sup>1)</sup> had been below the level in the corresponding month of the previous year by almost DM 3.4 billion; at that time, therefore, the decrease caused in liquidity by "market factors" had been far outweighed through the releasing of minimum reserves. In the year under report, on the other hand, the revision of minimum reserve regulations was confined to a reduction (which mainly served to restore reserve holding to normal) of the minimum reserve against foreign liabilities with effect from 1 February of that year<sup>2)</sup>. Consequently in the course of the year the required minimum reserve greatly increased as a result of the current rise in the reserve-carrying liabilities, so that in December 1962 it was above the level for February 1962 and December 1961 by about DM 830 million. Thus the overall strain imposed on the banks by movements on the Central Bank accounts of non-banks, by the rise in the note and coin circulation and by foreign exchange transactions was substantially increased through the greater minimum reserve requirements. In the first three months of 1963 the required minimum reserves increased further, reaching about DM 10 billion in March 1963; they were thus above their December level by about DM 0.2 billion, and above the level for March of last year by nearly DM 1.0 billion. On a longer view therefore the "growth-induced" increase of the required minimum reserve, or the resulting sterilisation of the banks' free assets, forms an appreciable tightening factor.

Open-market transactions  
of the Bundesbank

To finance the growing demands on their liquidity the banks last year — the year being regarded as a whole — mainly drew on their holdings of domestic money-market paper, even though the Bundesbank's raising of its selling rates for such paper by steps in the course of the year again made employment of funds at home attractive and thereby tended to prevent further reduction of the holdings. It was however not only through resale of their open-market paper to the Bundesbank that the banks received liquid funds; they also gained liquidity from the further reduction in the social insurance institutions' holdings of mobilisation paper. Altogether such paper was resold to the Bundesbank in the year under report to the net extent of about DM 1.25 billion. Special importance attaches to the movement last December, in which month resales amounted to DM 1 billion (net). One reason lay in the banks' exceptionally large seasonal need for liquidity in that month, another in the Bundesbank's offer to meet this need by temporarily repurchasing domestic money-market paper on preferential terms, i. e., without charging the otherwise usual addition to the selling rate; this measure served to counteract the banks' repatriation of short-term foreign assets at the close of the year, and above all to make it easier for the banks to refrain from short-term borrowing abroad. But in January and February 1963 the banks' holdings of mobilisation paper again greatly increased, thereby cancelling out the greater part of the reduction which took place last December. Not until March did the banks again draw on their holdings of mobilisation paper owing to the great temporary strain on their liquidity. In that month moreover, for the first time in a considerable period, a substantial amount of Storage Agency bills and prime bankers' acceptances was offered to the Bundesbank; at the end of the month the Bundesbank held such paper to a total extent of nearly DM 250 million.

The banks' short-term  
foreign assets

To cover their increased need for liquidity the banks, at least from March of last year onwards, also used their balances at foreign banks as well as their money-market investments abroad; to a certain extent, however, such foreign assets may also have been replaced by domestic assets in the course of the year. In the year under report as a whole, it is true, the banks' liquidity reserves maintained abroad did somewhat increase. That however was mainly due to the exceptionally large rise in those assets, by about DM 2.25 billion, in January 1962; since then, as the table shows, they have almost continuously fallen. In December alone the repatriation of short-term foreign assets, due to the strain on liquidity and to end-of-year

<sup>1)</sup> In each case excluding the minimum reserves required of the Postal Cheque and Postal Savings Bank offices.

<sup>2)</sup> The minimum reserve ratios in respect of foreign liabilities were reduced from the maximum permitted by law to the level of the ratios for domestic liabilities; the minimum reserve obligation was abolished in respect of customers' drawings on credits opened at banks abroad.

arrangements, amounted to over DM 0.4 billion; it was thus well within those relatively narrow limits which the Bundesbank aimed at setting by its above-mentioned open-market measures as well as by its "money export policy" (which was explained in the General Survey). It is true that in the first three months of this year the banks again effected exports of money; these, however, were only about equal to the amounts repatriated in December last year.

The gradual narrowing of the banks' liquidity margin is finally reflected in their greater recourse to the Bundesbank. On the average of the four weekly bank-return dates last December the banks' total liability on rediscounts and advances was above the level of a year earlier by over half a billion DM. In the first two months of 1963, it is true, the banks reduced such borrowing by a total of about DM 600 million; but in March and the first days of April the amount again considerably increased. On the average of the four weekly bank-return dates in March it reached DM 2.86 billion; this was above last December's level by more than DM 750 million. In the meantime, however, the rediscount quotas of the banks have also risen; thus the greater use of the quotas through increased rediscounting of bills did not reduce in equal degree the banks' available margin for rediscounting.

The banks' recourse to the Bundesbank

#### 4. Security Markets

The chief feature of the *bond market* in 1962 was growing power to absorb new issues. On the other hand, not least because of increased demands on the market's capacity, no further progress was made towards lowering the rate of interest on capital; at the close of the year that rate was on the contrary slightly above the level prevailing at its beginning. Nevertheless the bond market suffered no major setbacks, such as there had been in some previous years, so that the course of prices and interest rates last year was on the whole steadier than in earlier years. A fact which doubtless contributed in some measure to this result was that the proportion of securities bought last year by private subscribers showed a notable increase.

Prices and interest rates

At the beginning of last year the market was in the state of relaxation which had begun in October 1961 after an interval of several months with no bond issues. All such issues newly marketed in January of last year by occasional issuers (i. e., issuers other than real-estate credit institutions) bore interest at the nominal rate of 6<sup>0</sup>/<sub>100</sub>, and were offered at par, so that with allowance for the half-yearly payment of interest the yield was 6.1<sup>0</sup>/<sub>100</sub>; they were placed without difficulty. Soon afterwards they were already the subject of telephone dealings between banks at rates above the issue prices. In view of the favourable state of the market, and of the fact that the lending business had become increasingly difficult on the basis of 6<sup>0</sup>/<sub>100</sub> mortgage bonds, certain mortgage banks as early as January began to a greater extent to offer bonds bearing 5<sup>1</sup>/<sub>2</sub><sup>0</sup>/<sub>100</sub> interest besides those bearing 6<sup>0</sup>/<sub>100</sub>. The occasional issuers made no attempt to borrow in the market at a lower interest rate until the end of February, when the Federal Postal Administration issued a DM 210 million loan. Contrary to the usual practice, which is to vary the rate of nominal interest on new loans by steps of 1<sup>1</sup>/<sub>2</sub><sup>0</sup>/<sub>100</sub> at a time, the rate of interest on this loan was brought down by only 1<sup>1</sup>/<sub>4</sub><sup>0</sup>/<sub>100</sub> to 5<sup>3</sup>/<sub>4</sub><sup>0</sup>/<sub>100</sub>; the object was so far as possible to avoid endangering the downward tendency of interest rates. The placing of this loan, issued at 99, was a complete success. After the Federal Railways at the beginning of April had likewise readily placed a DM 260 million loan, bearing the same interest rate and issued at 99.5, the other occasional issuers also decided in May to issue their new loans at that nominal interest rate.

The tendency for interest rates to fall was however not maintained for long. In April already investors in the mortgage bond market showed increasing caution, and in the second half of May this attitude also spread to the market for occasional issuers' bonds. A pointer to the cooling of the market temperature was the fact that a Reconstruction Loan Corporation DM 200

million  $5\frac{3}{4}\%$  loan, which had been issued at par and was at the outset heavily over-subscribed, was offered a few days later at discounts of up to one point below the issue price. Subsequent issues were thereupon placed only sluggishly; even the lowering of the issue price to 98 for an industrial company's  $5\frac{3}{4}\%$  loan offered at the middle of June — so that the yield on issue was something over  $6\%$  as against about  $5.8\%$  to  $5.9\%$  on loans previously issued at the same rate of interest — failed to stimulate the sale of such bonds.

Thereafter issuers without exception reverted to the  $6\%$  type of security; and this interest rate was maintained for all subsequent issues, with issue prices varying between 99.5 and 100 according to market conditions. That however did not lastingly stimulate the market. It did prove possible in July to place issues amounting to the exceptionally large total of DM 1.7 billion, including a DM 400 million loan for the Federal Government. But the weakness which shortly afterwards again appeared in the market showed that rather too much had evidently been expected of it in that month. Later it was in particular the “continuous” issuers' market which came under greater pressure, this being partly because certain issuing institutions whose bond sales had not kept pace with their assets-side business tried for a time to force the sale of their bonds. The net selling prices for new mortgage and communal bonds then were further lowered by successive steps, so that by the end of November they were down to between 97 and 96.5 for  $6\%$  issues and to about 90.5 for  $5\frac{1}{2}\%$  series. Since the end of March 1962 selling prices had thus fallen by up to 6 points for bank bonds bearing  $6\%$  interest, and by as much as 7 points for those bearing  $5\frac{1}{2}\%$ .

In connection with its DM 250 million loan offered in the second half of October the Federal Government tried to allow for the unstable state of the bond market by limiting the loan's life to only ten years, and further by renouncing not only preliminary redemption but also the right to call the loan before maturity. How strongly investors reacted to these terms, even though the issue price was 100 instead of only 99.75 as previously usual, is shown by the fact that the loan was already fully placed on the second day of the subscription period. This success produced only slight effect on the market as a whole, however, the more so since shortly afterwards uncertainty was caused again, for the time being, by the Cuban conflict.

A change of tendency began in November, when a growing demand made itself felt, in the first place, for the low-interest industrial bonds which were the subject of stock exchange dealings and for various business enterprises' new issues which had not yet been fully placed; in December this demand spread to the market for mortgage and communal bonds as well. The more cheerful market conditions which thereafter prevailed continued in the new year despite the sharp increase of issuing activity after the turn of the year; in January the gross placings of new fixed-interest securities reached the record total of over DM 2.2 billion. There was a particularly keen demand for bonds of public authorities and of credit institutions with special functions, whereas each of the industrial issues required rather more time before it was fully placed. The terms for the loans issued in the new year were unchanged at  $6\%$  nominal interest and an issue price of 99.75 or 100. At the beginning of December last year the public authorities for the second time offered an uncallable ten-year loan in the shape of a Federal Railways issue for DM 250 million; but after the turn of the year they reverted to sinking fund loans, mostly running for 15 years. For the  $6\%$  DM 500 million loan of the Federal Republic of Germany, issued at the beginning of April, a total life of 20 years was actually selected. By comparison with earlier sinking fund loans, which the borrower could as a rule call for redemption after only five years, the terms were improved for investors inasmuch as the official issuers renounced for ten years the right to call the bonds before maturity, much as they had done in the case of the above-mentioned uncallable loans offered last autumn. Contrary to previous practice, however, the new Federal bonds were issued bearing yearly interest coupons; in comparison with the usual half-yearly payment of interest this represents a slight reduction of the interest rate.

The *share market* in 1962 suffered a price fall of a magnitude previously unknown since the war. Whereas quotations had at first declined relatively slowly in the months from January to April, the pace of the downward movement began rapidly to quicken in May. By the 23rd of that month, that is within three weeks, prices had on the average fallen by 10 per cent of what they had been when it began. The climax was reached at the end of the month when on 29 May, immediately after a severe collapse which had taken place a day before on the New York stock exchange, German shares lost about 7 per cent of their value in the course of a single day. The index calculated by the Federal Statistical Office for quoted shares on the basis 31 December 1953 = 100 had been 647 at the start of the year, and was still nearly 600 at the end of April; but on that day it was down to only 474. While the sharp fall was followed by a recovery, this was only of brief duration; by the end of June prices were again down to the low point reached on 29 May. In the second half of the year the decline continued, interrupted by brief temporary recoveries. Quotations reached their lowest level on 24 October, with the index at 405. They were then roughly back to their mid-1959 level. They were lower than at the start of the year by about 37 per cent, while in comparison with the peak reached at the end of August 1960 the loss actually amounted to more than one-half. After the settlement of the Cuban conflict prices recovered relatively fast up till the end of November 1962, the index rising by about 100 points to 506; immediately after that, however, they again began to fall away. Since the beginning of March 1963 the market has shown a slightly rising tendency; but at 478 on 23 April the index still was about 30 points below the level reached at the end of November last year.

The productiveness of security markets considerably increased in 1962. In terms of nominal value the gross placings of fixed-interest securities and shares in that year totalled DM 13.5 billion. They were thus considerably greater than in 1961, when they had amounted to DM 10.6 billion with the Federal development assistance loan excluded; they exceeded by almost DM 2.5 billion the previous record annual total, namely that of DM 11.1 billion achieved in 1959. If in order to obtain a truer picture of the actual amount taken from the market one bases the calculation on the net placings at issue value<sup>1)</sup>, instead of on the gross placings at par value, one arrives for the year 1962 at total placings of DM 11.7 billion net as compared with DM 9.9 billion in each of the years 1961 and 1959. One reason why the difference from 1961 and 1959 is smaller on this basis is that last year redemptions were an appreciably more important factor than in preceding years. Altogether they amounted to DM 2.3 billion as against DM 1.6 and 1.5 billion respectively in the two years compared. A further significant point was that owing to the poor conditions for share issues the placings of shares declined for the first time since 1958, which of course produces a greater effect when the calculation is based on issue values instead of on par values. Altogether share placings at issue value amounted to only DM 2.2 billion in 1962, as against DM 3.3 billion in the previous year<sup>2)</sup> and DM 2.8 billion in 1960. The increase of total security placings was thus exclusively due to the expansion of sales on the bond market. Here the net proceeds at issue value last year amounted to DM 9.5 billion. They were thus considerably greater than the 1961 total of DM 6.7 billion, and even exceeded the total of DM 8.2 billion placed in 1959. In the new year the absorptive power of security markets as a whole continued to grow. At issue value new fixed-interest securities and shares were placed in the first quarter of 1963 to the extent of DM 4.3 billion net, against DM 3.7 billion and DM 3.2 billion in the corresponding periods of 1962 and 1961 respectively. The greater part, namely DM 3.8 billion, were fixed-interest securities; sales of shares yielded only DM 465 million.

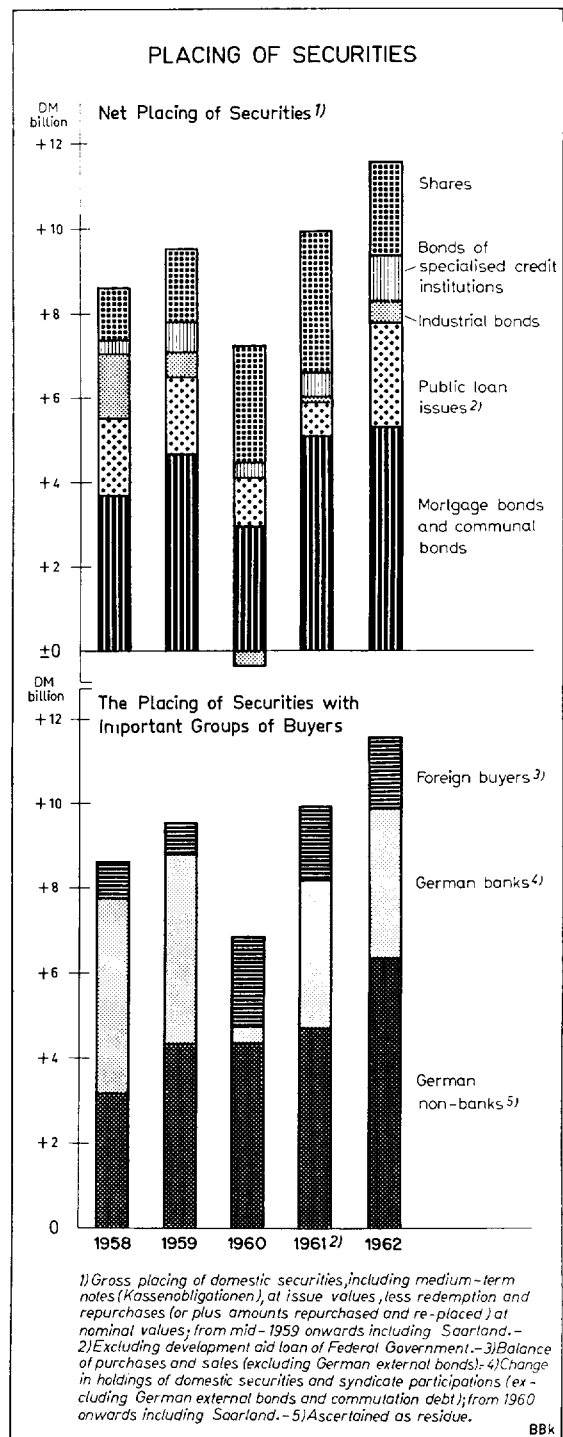
Security placings

<sup>1)</sup> Gross placings at issue value with allowance for repayments and repurchases or re-placings (as to this see also the tables showing security sales in Section VI of the Statistical Annex).

<sup>2)</sup> Excluding DM 1.1 billion Volkswagen shares which were taken by private subscribers in the spring of 1961 when the Volkswagen Works were put partly into private ownership.

In 1962 the strongest demand for funds for financing purposes again came from the *real estate credit institutions*. Altogether in that year these issuers obtained a net amount of over DM 5.3 billion from sales of mortgage and communal bonds. This was somewhat more than in the previous year, when the proceeds of issue had reached about DM 5.1 billion. Since however the sales of securities by other issuers grew by a greater amount last year, the real estate credit institutions' proportion of the total funds obtained through the security markets, after having been almost regularly more than one-half in earlier years, declined slightly to about 45 per cent. The continuance of heavy market borrowing by these institutions primarily reflects the very keen demand for building loans. The mortgage loans newly promised by issuing institutions last year for housing purposes totalled DM 4.3 billion, or as much as in the previous year. On the other hand there was a steep rise in the amounts paid out to borrowers: these reached more than DM 3.6 billion in 1962 against only DM 2.8 billion in the year before. In the first quarter of the new year the real estate credit institutions' issuing activity was roughly at the same level as a year previously. Their net sales of new mortgage and communal bonds during that period amounted to DM 1.7 billion as compared with DM 1.8 billion in the corresponding period of 1962.

To a much greater extent than in earlier years the *public authorities*, including the Federal Railways and Postal Administration, borrowed last year in the security market. The total sum which they obtained for financing purposes through the issue of loans amounted in 1962 to almost DM 2.5 billion net. This was roughly three times as much as in the previous year (with the development assistance loan disregarded); it was also considerably more than in the years 1958 and 1959, when the net proceeds of loan issues had amounted to between DM 1.8 and 1.9 billion. Among the official issuers the lead was again taken in 1962 by the Federal Railways with loan issues totalling about DM 1.2 billion. Second place was taken by the Federal Government, which because of the greater strain on its finances again obtained loans in the market to a considerable extent (DM 665 million net) for the first time in a relatively long period; in the previous year it had issued no loans other than the development assistance loan, which was launched on special terms. On the other hand the





Länder, just as in 1961, on balance did not resort to the security market. In the new year the issues by public authorities have so far amounted to approximately DM 1.6 billion net, of which amount two large issues by the Federal Government alone accounted for nearly DM 1 billion.

*Industry* was, on the whole, not so successful in procuring funds through the security markets last year as in the year before. In fact at a total of about DM 2.8 billion the net proceeds obtained from sale of shares and industrial bonds fell short of the 1961 amount by more than half a billion DM. This was solely due to the sharp decrease of share placings following the persistent fall in share prices. As already mentioned, at only DM 2.2 billion such placings in 1962 were less than those in 1961 by DM 1.1 billion, that is by one-third. As against this there was a substantial increase last year in the placing of new industrial bonds. The capital obtained in the bond market by industry totalled almost DM 600 million, against only just on DM 100 million in the previous year, while in 1960 the new issues had actually been exceeded by simultaneous redemptions to the extent of almost DM 400 million. So far in the new year as well financing through the security markets has not attained any major significance. Net placings of industrial bonds in the first quarter of 1963 totalled DM 155 million as against about DM 250 million in the corresponding period of the year before. Share issues during the same period reached DM 465 million at sale value as compared with something over DM 550 million in the first quarter of 1962. As against the decrease of borrowing in security markets there was however an increase in longer-term bank borrowing by business enterprises, as already described in the section dealing with credit institutions' lending business. In addition the taking of loans against borrowers' notes would seem to have become significant again. Accurate data regarding the extent of such transactions are not available, however.

Last year, like previous years other than 1959, issues by *foreign issuers* were not an important factor in the German security market. On the bond market only a single foreign loan, amounting to DM 100 million, was placed in 1962; it was followed in March of this year by a second loan of equal amount for the same issuer.

As regards the suppliers of capital it is worth remarking that the acquiring of securities last year shifted even more than previously to the *resident non-banking public* (apart from business enterprises and private households this includes private and public institutional investors). Such investors' purchases of domestic securities amounted in 1962 to about DM 6.3 billion net; they thus accounted for roughly 55 per cent of the total net placing of domestic securities at issue prices. In the previous year they had amounted to only just on DM 4.8 billion, or something less than 50 per cent of the net total securities placed in the same period. The greater part of the securities taken, namely DM 5.1 billion, were domestic bonds, while at only just on DM 1.2 billion the amount of shares acquired was less significant. In the new year the acquiring of securities by the group of purchasers mentioned has again been at a high level. At roughly DM 2.1 billion in the first quarter of 1963 it was appreciably greater than the amount of just over DM 1.3 billion so acquired in the corresponding period of last year; it also exceeded, by roughly one-fourth, the total of almost DM 1.7 billion acquired in the first quarter of 1961.

At a total of over DM 3.5 billion the *banks'* purchases of domestic securities (other than external bonds and commutation debt) in 1962 were of the same order of magnitude as in the previous year. In terms of absolute amount they were thus again quite large, although their proportion to the total net placings declined further last year. It amounted to about 30 per cent, against roughly 35 per cent in 1961 and almost 50 per cent in 1959. Within the year under report the amount of securities bought by the banks, for the most part bonds bearing fixed interest and among these mostly bank bonds, showed a declining tendency. Further details on this point will be found in the explanations dealing with the banks' investments in securities on pages 44/45.

At not quite DM 1.7 billion the net purchases by *foreign investors* on the German security market in 1962, excluding those of German external bonds, were also roughly at the previous

Distribution

year's level. Last year — unlike 1961, when at a total of over DM 1.3 billion the dividend-bearing securities had been in the majority — the net purchases of bonds (just under DM 800 million) and of dividend-bearing securities (about DM 900 million) were almost equal, although subject to widely differing movements in the course of the year. Whereas purchases of German fixed-interest securities notably increased in the second half of 1962, the interest shown by foreigners in German securities carrying dividends definitely declined in the second and third quarters. In the last quarter of 1962 foreigners' purchases again rose to something over DM 300 million, but to the extent of over one-half this was due to capital increases by subsidiaries of foreign companies. The chief reason for the decrease of foreigners' demand for German equities was no doubt that in Germany last year the share markets were much more affected by price falls than in most other countries. In the first quarter of 1963 foreign investors' purchases of securities in the German market showed a relatively large increase. The net total reached DM 720 million, being thus greater than in the corresponding period of the previous year by nearly DM 170 million. The emphasis continued to be on fixed-interest securities, which accounted for DM 521 million or roughly three-quarters of total purchases; on the other hand at not quite DM 200 million the commitment taken by foreigners in dividend-bearing securities remained, in accordance with the tendency described above, within narrow limits.

#### IV. The Public Authorities' Cash Transactions as Affecting Monetary Trends \*)

##### 1. Cash Deficits in the Public Finances

In 1962 a notable change took place in the cash results of the public finances. Whereas in the two preceding years the ordinary receipts had increasingly exceeded the expenditure, last year the expenditure rose a good deal faster than the ordinary receipts. In the first half of 1962 revenue surpluses had still arisen for seasonal reasons; but they were considerably surpassed by the excess expenditure in the second half-year. For the monetary trend this was important inasmuch as the public authorities in 1962 had to resort on a greater scale to borrowing, and the rise of their total cash holdings became appreciably slower than it had been in the two years before; in the case of some important authorities it was even replaced by a fall.

The change took place above all in the central budgets, namely those of the Federal Government, the Länder, Equalisation of Burdens Fund and E.R.P. Special Fund. In 1962 these budgets together showed deficits exceeding DM 1.6 billion, in contrast with surpluses of almost DM 1.8 billion in the previous year. Especially in the case of the Federal Government and the Länder the results greatly deteriorated. The Federal Government showed a substantial deficit, of about DM 1,540 million, whereas in 1961 it had achieved a surplus of roughly DM 320 million. As against this, the Länder in 1962 still recorded cash surpluses; but at DM 190 million (against DM 1,730 million in 1961 and DM 1,540 million in 1960) these were only small. In the other budgets the change was less marked; among local authorities the deficits — according to the partial data available — were roughly of the previous year's order, while the surpluses of the social insurance (including unemployment) institutions declined. The chief reason was that because of the temporary suspending of contributions and the lowering of the contribution rate the Unemployment Insurance Fund's receipts in 1962, unlike the previous years, were no longer greater than its expenditure. At the same time the insurance institutions lent at long term, to

\*) The following data are more narrowly delimited than are the statements relating to the public sector which are contained in the preceding Section III, "Trends in Money and Credit". While the latter mostly refer to all public authorities — including, in addition to the public budgets, the Special Funds Federal Railways and Federal Postal Administration, the public enterprises without independent legal personality, and other German and foreign public authorities — this Section only reports on the public authorities in the narrower sense, i. e., the Federal Government, Länder, Equalisation of Burdens Fund, E.R.P. Special Fund, local authorities and social insurance institutions. Consequently the figures on public authorities' bank balances and on the credit institutions' loans to public authorities, in particular, differ quite considerably in the two Sections.

Table 1: The Public Authorities' Finances on a Cash Basis  
in millions of DM

	1959	1960	1961			1962 <sup>pe</sup> )		
			Total	1st half	2nd half	Total	1st half	2nd half
Cash Surplus (+) or Deficit (-)								
(1) Central authorities <sup>1)</sup>	- 5,352	- 46	+ 1,794	+ 3,158	- 1,364	- 1,631	+ 2,235	- 3,866
Federal Government <sup>2)</sup>	- 4,848	- 1,358	+ 324	+ 1,845	- 1,521	- 1,543	+ 437	- 1,980
Equalisation of Burdens Fund <sup>2)</sup>	- 560	- 140	- 165	- 44	- 121	- 352	- 93	- 259
E.R.P. Special Fund	- 56	- 91	- 95	+ 115	- 210	+ 74	+ 234	- 160
Länder	+ 112	+ 1,543	+ 1,730	+ 1,242	+ 488	+ 190	+ 1,657	- 1,467
(2) Other authorities	+ 638	+ 1,105	+ 450	+ 785	- 335	- 20	- 310	+ 290
Local authorities	- 410	- 270	- 750	- 100	- 650	- 800	- 140	- 660
Social insurance funds	+ 1,048	+ 1,375	+ 1,200	+ 885	+ 315	+ 780	- 170	+ 950
(3) Total of 1 plus 2	- 4,714	+ 1,059	+ 2,244	+ 3,943	- 1,699	- 1,651	+ 1,925	- 3,576
Financing								
Increase (+), decrease (-) in								
I. Cash reserves								
(1) Central authorities	- 2,796	+ 1,091	+ 1,160	+ 2,990	- 1,830	- 242	+ 1,884	- 2,126
Federal Government	- 3,246	- 205	+ 78	+ 1,658	- 1,580	- 75	+ 28	- 103
Equalisation of Burdens Fund	+ 63	+ 17	+ 17	+ 121	- 104	- 84	+ 202	- 286
E.R.P. Special Fund	- 56	- 91	- 95	+ 115	- 210	+ 74	+ 234	- 160
Länder	+ 443	+ 1,370	+ 1,160	+ 1,096	+ 64	- 157	+ 1,420	- 1,577
(2) Other authorities	+ 1,888	+ 2,495	+ 2,050	+ 1,325	+ 725	+ 2,070	+ 630	+ 1,440
Local authorities	+ 840	+ 1,120	+ 850	+ 440	+ 410	+ 1,290	+ 800	+ 490
Social insurance funds	+ 1,048	+ 1,375	+ 1,200	+ 885	+ 315	+ 780	- 170	+ 950
(3) Total I (1 plus 2)	- 908	+ 3,586	+ 3,210	+ 4,315	- 1,105	+ 1,828	+ 2,514	- 686
II. Credit market indebtedness								
(1) Central authorities	+ 2,472	+ 1,045	- 728	- 210	- 518	+ 1,285	- 401	+ 1,686
Federal Government	+ 1,512	+ 1,041	- 348	- 214	- 134	+ 1,389	- 414	+ 1,803
Equalisation of Burdens Fund	+ 629	+ 177	+ 190	+ 150	+ 40	+ 243	+ 250	- 7
Länder	+ 331	- 173	- 570	- 146	- 424	- 347	- 237	- 110
(2) Local authorities	+ 1,250	+ 1,390	+ 1,600	+ 540	+ 1,060	+ 2,090	+ 940	+ 1,150
(3) Total II (1 plus 2)	+ 3,722	+ 2,435	+ 872	+ 330	+ 542	+ 3,375	+ 539	+ 2,836
III. Amounts credited to Federal Government in respect of coinage	84	92	94	42	52	104	50	54
Overall total (I less II less III)	- 4,714	+ 1,059	+ 2,244	+ 3,943	- 1,699	- 1,651	+ 1,925	- 3,576

<sup>1)</sup> The cash surpluses or deficits of the Federal Government and the Equalisation of Burdens Fund were ascertained as balance of in-payments on, and out-payments from, the accounts kept by the said authorities with the Bundesbank. These surpluses and deficits deviate from the final results of the official financial statistics primarily because the underlying payments are not recorded at the time they are entered in the budgetary accounts but at the time of the actual receipt or out-payment, and because the incurring of debt was eliminated from the income, and the expenditure on debt redemption (including repurchase of bonds) from the outgo. The cash results of the E.R.P. Special Fund, the Länder, local authorities and social insurance funds were estimated, according to the same method, by using statistics on budgetary receipts and expenditure, indebtedness and investments of these authorities. — <sup>2)</sup> The cash surpluses or deficits of the Federal Government and the Equalisation of Burdens Fund do not in exact detail correspond to the changes in cash reserves and indebtedness, because there are certain items in course of settlement between these two authorities. — pe) Partly estimated.

finance capital projects, a greater part of their accounting surpluses than in 1961; hence the cash surpluses remaining after deduction of these investments were down by over DM 0.4 billion. For the public authorities as a whole the deficit last year was over DM 1.6 billion; in comparison with the surplus of over DM 2.2 billion achieved in the previous year the cash result declined by some DM 3.9 billion.

The worsening of the cash position in 1962 was due to the fact that expenditure expanded faster while revenues grew more slowly. One reason was that extensive investment programmes, initiated in earlier years, produced their full effect only in 1962. A pointer to this is the fact that the capital expenditure of local authorities rose to more than 20 per cent, and the Federal Government's expenditure on non-defence building to about 35 per cent, above the 1961 level. The territorial authorities' total expenditure on tangible assets was above the previous year's level

Faster rise of expenditure . . .

by roughly DM 2.2 billion, or about 19 per cent. And the expenditure incurred by public authorities (including social insurance institutions) to promote private investment in housing, agriculture and the like also grew considerably last year, rising by about 16 per cent. With these amounts included the total sum spent by public authorities directly and indirectly for capital purposes reached about DM 26 billion, this being roughly DM 3.9 billion more than in 1961, when the year-to-year increase (by approximately DM 2.5 billion) had already been very considerable. At the same time — with, however, differing individual trends — the rise in current expenditure quickened. This was notably so in the case of defence expenditure; at a total of about DM 16.8 billion the expenditure on German armed forces exceeded the previous year's level by some DM 4.4 billion, or 35 per cent (against 13 per cent in 1961). The additional expenditure was largely due to growing advance payments on armaments ordered abroad, although the increase of "internal" defence costs was likewise very substantial at about DM 3.3 billion, or 32 per cent. The fact that the increases of expenditure became somewhat slower in other spheres, especially on personnel, failed to stop the rapid expansion of total current spending. The public authorities' total expenditure (current plus capital) grew last year by over DM 16 billion, or more than 13 per cent.

... with receipts growing more slowly

The rise in receipts, as already mentioned, did not keep pace with that in expenditure. It is true that as regards tax revenues of territorial authorities and the Equalisation of Burdens Fund the annual growth-rate once again exceeded that of the national product, even though it notably declined from almost 15 per cent in 1961 to about 10 per cent in 1962; at roughly DM 7.85 billion in absolute amount the additional revenues were smaller by DM 2.2 billion than in 1961. With the inclusion of additional receipts from social insurance contributions — these were up by almost DM 3 billion at over DM 32.5 billion — and from the remaining ordinary revenues the public authorities' budgetary receipts, regarded as a whole, were greater than in the previous year by over DM 12 billion. Thus the increase in receipts fell considerably short of the rises in expenditure, the result being that cash surpluses disappeared and the authorities had to resort to additional funds.

Prospects for the current year

In the current year — according to the budget estimates — the gap which appeared in 1962 between receipts and expenditure may open further, with a consequent increase of cash deficits. Thus on the one hand a further slowing in the growth of revenues is to be expected. The additional tax revenues to be anticipated by comparison with the previous year are estimated at DM 5.5 billion, or 6.4 per cent, against the additional DM 7.85 billion or 10 per cent actually received last year as compared with 1961. On the other hand the expenditure increases for which the budgets provide are put much higher than the prospective additional receipts. It is true that in the first quarter the public finances still showed surpluses, amounting to about DM 1.7 billion for the central authorities alone. For the whole year's movement, however, this means little. The Federal Government, whose budget had not yet been passed, showed great restraint in its expenditure, while the Equalisation of Burdens Fund for the moment adjusted its spending to the downward trend of its receipts. The Länder, too, whose budgets have not yet all been voted, seem in the first quarter — even more than in previous years — to have kept their spending relatively low.

## 2. Indebtedness and Cash Assets

Great increase of debt

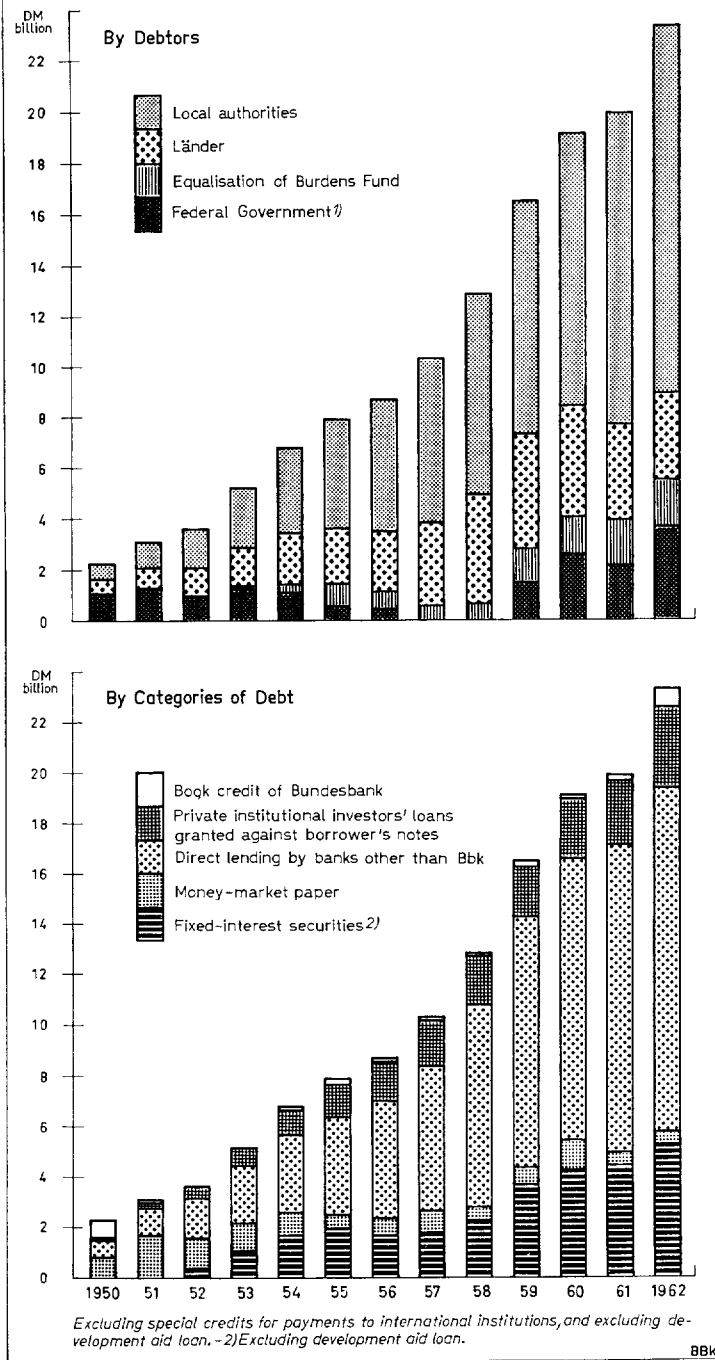
The public authorities' *indebtedness* rose last year by almost DM 3.4 billion to a total of DM 23.3 billion<sup>1)</sup>, whereas the increase in 1961 had amounted to only just on DM 0.9 billion<sup>2)</sup>; the rise in 1962 was particularly marked also by comparison with all earlier years, other than 1959. This was mainly because the Federal Government borrowed nearly DM 1.4 billion, after

<sup>1)</sup> Only domestic indebtedness incurred since the currency reform; in the case of the Federal Government excluding the special credits granted by the Bundesbank to permit fulfilment of the obligations to international institutions, and excluding the development aid loan issued in 1961.

<sup>2)</sup> With the inclusion of the Federal Railways and Federal Postal Administration the 1962 rise in public debt works out at about DM 6.3 billion as against roughly DM 2.9 billion in 1961.

## MARKET INDEBTEDNESS OF PUBLIC AUTHORITIES

*End-of-year figures*



having reduced its debt in the previous year by some DM 350 million. While the indebtedness of the Länder on balance further declined, it no longer did so as fast as in 1961 because the possibilities of redemption were limited in view of the existing maturity structure. Finally, the indebtedness of the Equalisation of Burdens Fund rose by more than in 1961. For the central authorities as a whole the growth amounted to about DM 1.3 billion. While this was not so much as the increase by nearly DM 2.5 billion in 1959, it was considerably more than in all other previous years. The change is especially apparent by comparison with 1961, when the central authorities had spent on debt redemption over DM 0.7 billion more than they had obtained, gross, by borrowing in the markets.

By way of contrast to the wide fluctuations in the central authorities' debt the movement of local authorities' indebtedness in the past years has in general been continuous, although its growth quickened from year to year. At over DM 2 billion the rise in 1962 was once again greater than in the previous year, when it had amounted to DM 1.6 billion. At the end of 1962 the local authorities' post-currency-reform debt totalled over DM 14 billion, thereby substantially exceed-

ing the combined market indebtedness of the Federal Government, the Länder and the Equalisation of Burdens Fund at approximately DM 3.6, 3.4 and 1.9 billion respectively. Here, however, it must be borne in mind that the extent of the local authorities' recourse to market borrowing has always been greater than the part of their capital expenditure not covered by ordinary receipts; the result was that the local authorities as a whole were at the same time able sub-

stantially to enlarge their money holdings. This trend, evident for years, is mainly due to the large number of local authorities in the Federal Republic; there are some 25,000 individual authorities, with widely differing financial situations. There is the further point that precisely among such authorities money is often borrowed immediately after the decision to embark on new capital projects, but spent only later when those projects are carried out. Although the local authorities' actual capital expenditure last year rose exceptionally fast, it seems that the "carry-over" of uncompleted capital projects — and hence also of unspent borrowed funds — continued to increase.

Greater variation in  
types of debt

Since individual public authorities incur debt in various forms (the central authorities largely through the issue of debt instruments as well as, at times, through recourse to credits in account at the Bundesbank; the local authorities largely through direct borrowing at banks), there was greater variation as between types of debt in 1962, when, unlike the previous year, the central authorities on balance again borrowed. Thus in that year the public authorities obtained a net total of about DM 800 million in the security market, as against only about DM 100 million in 1961. The amount of bonds circulating rose by DM 888 million, while that of medium-term notes declined by DM 87 million. The increase in comparison with the previous year was primarily due to the fact that from mid-1962 onwards the Federal Government's issues were quite extensive. That this was no passing phase is shown by the fact that in the first quarter of 1963 bonds and medium-term notes of the Federal Government and the Equalisation of Burdens Fund were issued to the extent of about a further DM 725 million. In the money-market indebtedness too (non-interest-bearing Treasury bonds of the Federal Government and Tax Credit Certificates of the Länder) there was a change of tendency, at all events in the later course of 1962. Whereas such indebtedness had fallen by over DM 600 million in 1961, and by about a further DM 240 million in the first half of 1962, it rose again towards the end of last year (for the first time since the end of 1960) through an issue of Federal non-interest-bearing Treasury bonds. At about DM 1.5 billion last year the credit institutions' loans to public authorities, mostly at long term, were again greater than in the previous year; nevertheless they accounted for only just on half the total addition to debt, whereas in 1961 — with money-market indebtedness decreasing simultaneously — they had actually risen by more than public debt as a whole. A further point worth remarking is that for the first time since 1950 the credits taken in account at the Bundesbank attained substantial size.

Although the differentiation in the form of borrowing was greater than in previous years, the composition of the total debt did not appreciably change. Direct lending by banks still accounted at the end of 1962 for the greater part of the total debt, although at about 59 per cent the proportion was somewhat smaller than that of 61 per cent at the end of 1961. At not quite 23 per cent the proportion of fixed-interest securities was about as great as at the close of the preceding three years; thus it remained very small by comparison with foreign countries. The same applies to the "floating" debt (borrowings in account and money-market paper), even though the proportion of such debt rose slightly last year from 3.5 to 5.5 per cent.

Slower rise of cash  
reserves

The public authorities' *cash reserves*, which mainly comprise balances at banks, continued to rise last year, although at about DM 1.8 billion the increase fell appreciably short of that in the two preceding years (about DM 3.2 billion in 1961 and DM 3.6 billion in 1960). Here again the central authorities' finances were the deciding factor. Such authorities' cash holdings in fact fell by DM 240 million, whereas in 1961 they had risen by DM 1,160 million. The Federal Government and its Special Funds, which at the end of 1960 already had only relatively small liquid assets, had little part in this; but the Länder for the first time reduced (although only slightly) their reserves — which had considerably risen in the preceding four years — because their debt repayments exceeded their surpluses. Even so the Länder at the end of 1962 still had cash reserves estimated at DM 4.25 billion. On the other hand, as already shown, the

local authorities taken together greatly enlarged their money holdings. According to available data it may be assumed that, with cash deficits of about DM 0.8 billion and borrowings of about DM 2.1 billion, they increased their reserves by some DM 1.3 billion. There was also a relatively large increase in the social insurance institutions' liquid funds employed at banks, although that increase remained appreciably smaller than in previous years, one reason being the above-mentioned decrease of accounting surpluses, another the rise of long-term lending in the form not only of mortgage and other loans but also of investments in securities.

The public authorities' increased borrowing was accompanied by shifts in debt ownership distribution just as the slower rise in their money holdings was accompanied by changes in the employment of these. This point will be discussed in the following paragraphs, especially so far as it was reflected in the position of the Bundesbank and the credit institutions.

The public authorities' *net cash position in relation to the Bundesbank* (that is the difference between movements in their credit balances and their indebtedness) deteriorated last year by almost DM 1.2 billion, after having improved in the previous year by about DM 0.7 billion and in 1960 by as much as about DM 2.2 billion. With the inclusion of the amounts which were credited to the Federal Government in respect of coinage and which, while the Federal Government counts them as ordinary receipts, nevertheless originate from money creation just as much as borrowings in account, the public authorities last year obtained from the Bundesbank funds amounting to roughly DM 1,280 million. The monies deposited by them at the Bundesbank, or employed in mobilisation paper, declined by altogether about DM 600 million. The social insurance institutions' investments in mobilisation paper were greatly reduced while the central authorities' credit balances hardly decreased. At the same time the public authorities' indebtedness at the Bundesbank rose, through recourse to book credits, from DM 163 million at the end of December 1961 to DM 739 million at the end of December 1962, that is by DM 576 million. At the close of the year the amount of such borrowings is of course often particularly large because of closing payments, but in the course of the year the amount of credits taken in account had also been materially greater than in the previous year. At all events on 73 days in 1962 (that is, on the average, on almost every third banking day) the Federal Government took such credits, whereas in 1961 it had done so on only 9 days. The Federal Government's other liabilities to the Bundesbank have not been taken into account in this connection, because they do not relate to the financing of actual cash transactions. It may however be mentioned that, after their very rapid rise in 1961, they declined last year. This applies in particular to the special credits granted in order to permit fulfilment of the Federal Government's obligations to international institutions; whereas such borrowings had risen by more than DM 1.3 billion net in 1961, especially in connection with the granting of credit by the International Monetary Fund to the United Kingdom, they were reduced last year by DM 480 million. The Federal Government's liability of DM 1,265 million to the Bundesbank which had arisen in 1961 on revaluation of the D-mark was likewise reduced in 1962 (by about DM 75 million), while the claim which the Bank had acquired on the redemption of Federal external debt effected in 1961 remained unchanged.

Once again in 1962, just as in almost all earlier years other than 1959, the public authorities as a whole employed more funds at credit institutions — in the form of balances and unearmarked loans — than they obtained by borrowing from banks. At about DM 600 million the increase of *net credit balances* was however appreciably smaller in 1962 than in 1961, when it had amounted to about DM 1.7 billion. At the same time the money holdings<sup>1)</sup> kept by public authorities at the banks in the form of credit balances and unearmarked loans rose by almost as much in 1962 as in the previous year. The central authorities, which on the whole maintain only small deposits at the banks, drew on these to the extent of about DM 200 mil-

<sup>1)</sup> Not taken into account are the large earmarked loans which are obtained by credit institutions from public authorities, and which are transmitted by the banks to borrowers — on the instructions of the official providers of the funds — for specified capital purposes. These loans represent a part of the public authorities' capital expenditure mentioned above (see page 64), not free monies.

The public authorities' position in relation to the Bundesbank

Public cash transactions as reflected at credit institutions

Table 2: Change in the Public Authorities' Net Cash Position

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

	1959	1960	1961			1962 <sup>(PC)</sup>		
			Total	1st half	2nd half	Total	1st half	2nd half
<b>I. Bundesbank</b>								
(1) Deposits	- 2,797	+ 1,239	+ 994	+ 2,797	- 1,803	- 38	+ 1,924	- 1,962
Federal Government	- 3,246	- 205	- 8	+ 1,596	- 1,604	+ 10	+ 113	- 103
Equalisation of Burdens Fund	+ 63	+ 17	- 3	+ 101	- 104	- 67	+ 199	- 266
E.R.P. Special Fund	- 161	- 80	- 33	+ 130	- 163	+ 76	+ 195	- 119
Länder	+ 535	+ 1,495	+ 1,060	+ 986	+ 74	- 71	+ 1,420	- 1,491
Other authorities <sup>1)</sup>	+ 12	+ 12	- 22	- 16	- 6	+ 14	- 3	+ 17
(2) Mobilisation paper (Social insurance funds)	-	+ 845	- 264	+ 28	- 292	- 561	- 465	- 96
Total of 1 plus 2	- 2,797	+ 2,084	+ 730	+ 2,825	- 2,095	- 599	+ 1,459	- 2,058
Note:								
Proceeds from the sale of Volkswagen shares	( - )	( - )	(+ 313)	(+ 976)	(- 663)	(- 310)	(- 268)	(- 42)
(3) Indebtedness	+ 158	- 72	- 10	- 173	+ 163	+ 576	- 163	+ 739
Federal Government	+ 245	- 72	- 13	- 173	+ 160	+ 579	- 160	+ 739
Equalisation of Burdens Fund	- 18	-	-	-	-	-	-	-
Länder	- 69	-	+ 3	-	+ 3	- 3	- 3	-
Note:								
Special credits for payments to international institutions	(+ 549)	(+ 176)	(+ 1,322)	(+ 544)	(+ 778)	(- 480)	(- 161)	(- 319)
Indebtedness in respect of alteration of the exchange parity	( - )	( - )	(+ 1,265)	(+ 1,265)	( - )	(- 75)	(- 75)	( - )
Indebtedness in respect of acqui- sition of claims resulting from post-war economic aid	( - )	( - )	(+ 2,513)	(+ 2,598)	(- 85)	( - )	( - )	( - )
(4) Balance (1 plus 2 less 3)	- 2,955	+ 2,156	+ 740	+ 2,998	- 2,258	- 1,175	+ 1,622	- 2,797
<b>II. Credit Institutions</b>								
(1) Deposits <sup>(pe)</sup>	+ 1,575	+ 1,253	+ 2,172	+ 1,153	+ 1,019	+ 1,889	+ 812	+ 1,077
(a) Central authorities	- 92	- 125	+ 205	+ 192	+ 13	- 188	- 82	- 106
(b) Other authorities <sup>1)</sup>	+ 1,667	+ 1,378	+ 1,967	+ 961	+ 1,006	+ 2,077	+ 894	+ 1,183
(2) Un earmarked loans <sup>2)</sup>	+ 233	+ 236	+ 441	+ 323	+ 118	+ 558	+ 263	+ 295
(3) Indebtedness	+ 2,906	+ 659	+ 920	+ 282	+ 638	+ 1,835	+ 454	+ 1,381
(a) Central authorities	+ 1,745	- 315	- 409	- 72	- 337	+ 381	- 133	+ 514
(b) Local authorities	+ 1,161	+ 974	+ 1,329	+ 354	+ 975	+ 1,454	+ 587	+ 867
(4) Balance (1 plus 2 less 3)	- 1,098	+ 830	+ 1,693	+ 1,194	+ 499	+ 612	+ 621	- 9
<b>III. Foreign Countries</b>								
Indebtedness	+ 90	+ 570	- 60	+ 60	- 120	+ 170	+ 25	+ 145
<b>IV. Domestic Non-banks</b>								
(1) Employment of cash resources <sup>3)</sup>	+ 81	+ 13	- 134	+ 14	- 148	- 20	- 20	-
(2) Indebtedness	+ 568	+ 1,278	+ 21	+ 161	- 140	+ 794	+ 223	+ 571
(3) Balance (1 less 2)	- 487	- 1,265	- 155	- 147	- 8	- 814	- 243	- 571

<sup>(pe)</sup> Partly estimated. — <sup>1)</sup> Local authorities and social insurance funds (including unemployment insurance). — <sup>2)</sup> In particular the amounts deposited by Länder and local authorities have been estimated. They were ascertained as difference between the overall change in cash reserves (cf. preceding table) and item I of this table; in the case of the social insurance funds the statistics collected by the Federal Ministry for Labour and Social Order on operating funds and investments of the Pension Insurance Institutions and the Unemployment Insurance Fund were taken as basis. — <sup>3)</sup> E.R.P. Special Fund and social insurance funds.

lion, while the local authorities and social insurance institutions together increased their credit balances and un earmarked loans by somewhat more than in 1961. The reason why the rise in net assets was smaller was that the banks lent much more to public authorities than in the previous year. Altogether they lent them about DM 1.8 billion, or twice as much as in 1961. The greater part, namely DM 1.5 billion, was direct lending; such credits, as already mentioned, were chiefly taken by local authorities. The banks' holding of money-market paper, excluding



mobilisation paper, increased by DM 263 million; this largely represented the Treasury bonds issued by the Federal Government in the last quarter of 1962, whereas the paper repaid in the first half of that year had been mostly outside the banks. Thus the banks' holdings of money-market paper rose last year, although at the end of December 1962 — after varying movements during the year — the circulation of such paper was little greater than a year before. In the case of the medium-term notes which are issued by public authorities, and placed almost exclusively at banks, the holdings decreased by DM 107 million, this being somewhat more than the decrease by DM 87 million in the circulation. The banks took a relatively small part in the placing of public authorities' new loans; at all events, while the total in circulation increased by nearly DM 900 million, the banks' holdings of the relevant securities grew by only about DM 180 million. Altogether, by providing the above-mentioned amount of over DM 1.8 billion, credit institutions last year financed more than half the total increase of indebtedness. But as already mentioned the banks' lending fell short of the increase in the monies placed by public authorities at credit institutions, so that on the whole the banks received more in their transactions with public authorities than they lost. As between individual authorities, it is true, the relations with credit institutions varied widely. While the Federal Government, the Equalisation of Burdens Fund and also many local authorities on balance borrowed at the banks, these latter received substantial sums in the course of credit and deposit business with other local authorities, but more particularly with social insurance institutions. The position of course differed greatly as between individual groups of banks, and still more as between individual banks.

Some of the bonds issued last year by public authorities, chiefly the Federal Government, were placed with *non-residents*. Foreigners' net purchases in 1962 totalled an estimated DM 170 million, that is more than one-fifth of the increase in the total circulation of fixed-interest securities. This was appreciably less, it is true, than in 1960, when foreigners had on balance acquired about DM 570 million of public authorities' bonds and money-market paper (excluding bonds and paper issued by the Federal Railways and Postal Administration); but in comparison with 1961, when sales had slightly predominated, it does represent a change of tendency.

A further notable fact in connection with last year's movement in public debt was that *domestic lenders outside the banking system* — chiefly institutional investors and individuals — again took a greater part in lending to public authorities after having made practically no contribution to such lending in the previous year. To that extent the placing of the public debt improved, even though at about DM 800 million, or roughly a quarter of the total addition to debt, the amount of credit granted by such lenders — through loans against borrower's notes and through purchase of bonds — remained relatively small. Thus the high proportion reached in 1960, when roughly half of the additional credit obtained by public authorities had been made available by lenders outside the banking system, was not nearly reattained; in comparison with important foreign countries, too, the distribution among creditors of the public debt is not well balanced in the Federal Republic. Of public authorities' total indebtedness outstanding at the end of 1962, and amounting to DM 23.3 billion, nearly DM 17 billion or 72 per cent represented lending by the banking system, including the Bundesbank; as against this, after deduction of bonds placed abroad, only about DM 5.6 billion or 24 per cent had come from domestic non-banks.

Foreign purchases of public debt

Lending by resident non-banks

## V. Economic Activity

As regards outward appearance of the economic process during 1962 and the first months of the current year, the features of a boom continued to predominate. The available production factors were employed to a high degree. The demand for labour was not nearly satisfied, although at the end of 1962 and the beginning of 1963 the strain on the labour market became, if anything, somewhat less. While domestic production again expanded, it did so less than in the preceding years; it was still not great enough to cover the whole domestic demand. Pressure to import therefore continued to be considerable, as reflected in the fact that imports rose a good deal more than exports, reducing the export surplus. Nevertheless on many home markets balance between supply and demand was not achieved; if anything, differentiation has further increased. In the spheres where demand is primarily determined by market factors, especially industry, substantial approximation to a new equilibrium in the market was established; despite considerable increases in costs the prices here rose only relatively little. In other sectors, above all in the building market, demand on the contrary again definitely predominated in 1962, the result being that no appreciable relaxation made itself felt in the labour market either.

### 1. Labour Market and Employment

Continuing  
labour shortage

The basic feature of the labour market in 1962 and the first months of 1963, just as in the two preceding years, was a large unmet demand for workers. The statistics reflect this chiefly in the fact that, on the average for the year 1962, the number of vacancies registered at labour exchanges was greater by 13,000 (at about 550,000), while at about 140,000 the number of unemployed was smaller by some 20,000, than in 1961; thus in 1962 the number of jobs vacant was almost four times as great as that of persons out of work. From the autumn of 1962 onwards however the available data do indicate a slight decrease of tensions in the labour market. Since then the number of vacancies has been somewhat below what it was a year earlier. Since December 1962 the number of unemployed has also been greater than it was in the corresponding month a year before, although this is doubtless due to limitation of work by the weather rather than to cyclical influences. At the end of March 1963, the latest date for which figures were to hand as this Report went to press, unemployment at the rate of 204,000 was greater than a year previously by only 14,000, and as the winter cuts in output are progressively removed, the low level of a year earlier should be regained. Some relaxing of labour market tension is however indicated by the fact that producers have of late described the hindrance to production through labour shortage as being no longer so serious as before.

A long-term problem

While there has so far been no general relaxation in the labour market, despite a flagging of activity in important categories, this is due to the persistent demand for workers in the expansive industries and also to long-term changes in the main components of labour supply. Since 1961 the flow of recruits to the labour market has constantly declined. In 1962 the number of gainfully active persons increased by only 310,000, against 405,000 in 1961 and 465,000 in 1960. Nearly all sources of addition to their number proved to be somewhat less fruitful than in the previous year. Thus, only a small number of workers were obtained during 1962 from the unemployed reserve; at about 65,000 the net immigration of gainfully active persons, due above all to the inflow from the Soviet-occupied zone and West Berlin, was only half as great as a year before; and the increase in the number of foreign workers was smaller than a year previously, although it continued to account for more than half the total addition. Only the rise in the labour force due to the natural population increment and to the movement of the gainful activity ratio (that is the proportion of the labour force to all persons

*Movement in the Labour Force*  
in thousands of persons

Items	1957	1958	1959	1960	1961	1962 <sup>p)</sup>	1963 <sup>c)</sup>	1965 <sup>f)</sup>	1970 <sup>f)</sup>
	Number on a yearly average								
Labour force, total	25,025	25,270	25,345	25,570	25,895	26,185	26,240	26,060	26,470
of whom:									
Unemployed	665	685	480	240	160	140	140	260	260
Gainfully active	24,360	24,585	24,865	25,330	25,735	26,045	26,100	25,800	26,200
of whom:									
Self-employed <sup>1)</sup>	6,015	6,015	5,935	5,800	5,785	5,730	5,700	.	.
Wage and salary earners	18,345	18,570	18,930	19,530	19,950	20,315	20,400	.	.
	Change								
	against preceding year								on the average of the years 1964/65 1966/70
Labour force, total	430	245	75	225	325	290	55	- 90	- 80
Classified by sources:									
Natural movement of population and change in "gainful activity ratio"	} 415	225	35	- 20	- 15	65	- 30	.	.
Increase due to migration <sup>2)</sup>				135	145	65	15	.	.
Foreign workers	15	20	40	110	195	160	70	.	.
Classified by groups:									
Unemployed	-100	20	-205	-240	- 80	- 20	± 0	60	± 0
Gainfully active	530	225	280	465	405	310	55	-150	80
of whom:									
Self-employed <sup>1)</sup>	- 10	± 0	- 80	-135	- 15	- 55	- 30	.	.
Wage and salary earners	540	225	360	600	420	365	85	.	.
Note:									
Juveniles leaving school <sup>3)</sup>	710	705	615	579	664	630	.	.	.

<sup>1)</sup> Including assisting family members. — <sup>2)</sup> Excluding foreign wage and salary earners. Principally immigrants from Soviet-occupied zone and Berlin. — <sup>3)</sup> Addition in the course of the year. — p) Provisional. — c) Estimated by the inter-departmental committee "Gesamtwirtschaftliche Vorausschätzungen". — f) Forecast according to the E.E.C. Commission's report "Die Aussichten der wirtschaftlichen Entwicklung in der EWG von 1960 bis 1970".

of employable age) was somewhat better than in 1961, although this was probably only a short-term improvement. At all events the available forecasts suggest that already in 1963, but even more in the succeeding years up till 1965, the additions from domestic sources to the total labour force will be somewhat smaller than losses. The supply of labour will accordingly grow at all only if the contraction of the potential labour force within the country can be outweighed through immigration from areas outside the Federal Republic, which in present circumstances means in the main from foreign countries. Successful as the recruiting of foreign workers has been in recent years (their number rose from 160,000 at the middle of 1959 to 660,000 at the end of 1962, thereby reaching a proportion of over 3 per cent to the total of workers and employees), there is no doubt that even this source has become less fruitful because of the growing demand for workers in their home countries, especially in Italy.

Last year moreover the shortage of labour was increased through the fact that working hours were further cut down. The number of hours worked by employed persons would seem on the average to have dropped by 2 per cent; with the inclusion of the self-employed, whose working hours — especially in agriculture — appear to have decreased either not at all or only slightly, the hours worked per gainfully active person are down by about 1.5 per cent. The resulting shortfall in man-hours worked corresponded to the annual output of nearly 400,000 workers; it was accordingly not fully offset through the simultaneous rise by 310,000 in the

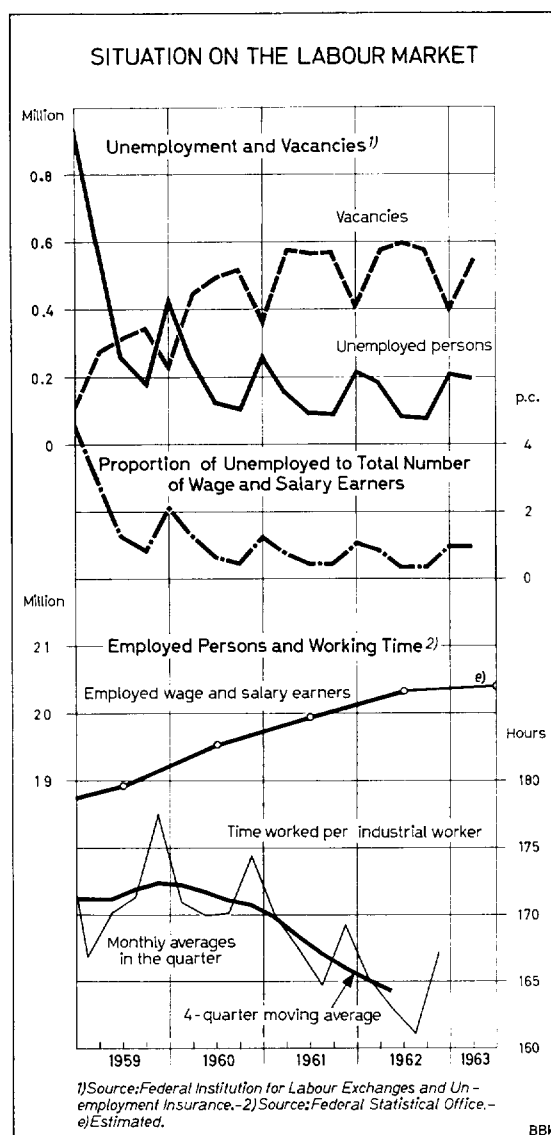
Cuts in working hours  
increase the labour  
shortage

number gainfully active, so that the total number of man-hours worked was somewhat less than in the previous year. Hence the shortening of working hours amounted to an actual reduction in the supply of labour, and thereby contributed crucially towards maintaining the strains on the labour market. In 1962 it chiefly affected industry, where the contractually agreed "normal" working hours have in the meantime dropped to between 42 and 44, while the average number of hours worked per week (excluding those which were not worked owing to holidays, illness and the like, but for which payment was nevertheless made) had fallen by November 1962 to 41.1 as against 41.9 in November 1961. In the remaining branches of activity the reduction of working hours has as yet not gone so far; but precisely for that reason it may be assumed that an attempt will soon be made to approximate to the standard prevailing in industry. As regards industry itself, however, relatively long-term agreements between employers and employed on working time already indicate the further steps towards yet another cut in hours. In ironworking and metal-using, in building, in printing and some other industries a gradual reduction of normal hours to 40 by 1965 has already been contractually agreed. In view of the prospective decrease during the same period in the potential domestic labour force the Federal Government has frequently tried — the latest attempt being made in the Economic Report for 1963 — to slow down and temporarily interrupt this process.

Great levelling as between branches of activity

One chance to reduce the labour shortage lies in the increased outflow of workers from branches of activity having labour surpluses, although these may perhaps be only potential, to others where there is considerable lack of workers. Whereas in 1961 the flow of workers to and from individual branches of activity had still been fairly small, since in many cases there was a tendency to "hoard" labour against subsequent needs, the mobility of workers did appreciably increase in 1962. Thus the numbers employed in the less expansive industries such as mining, ironworking and textiles fell in the course of

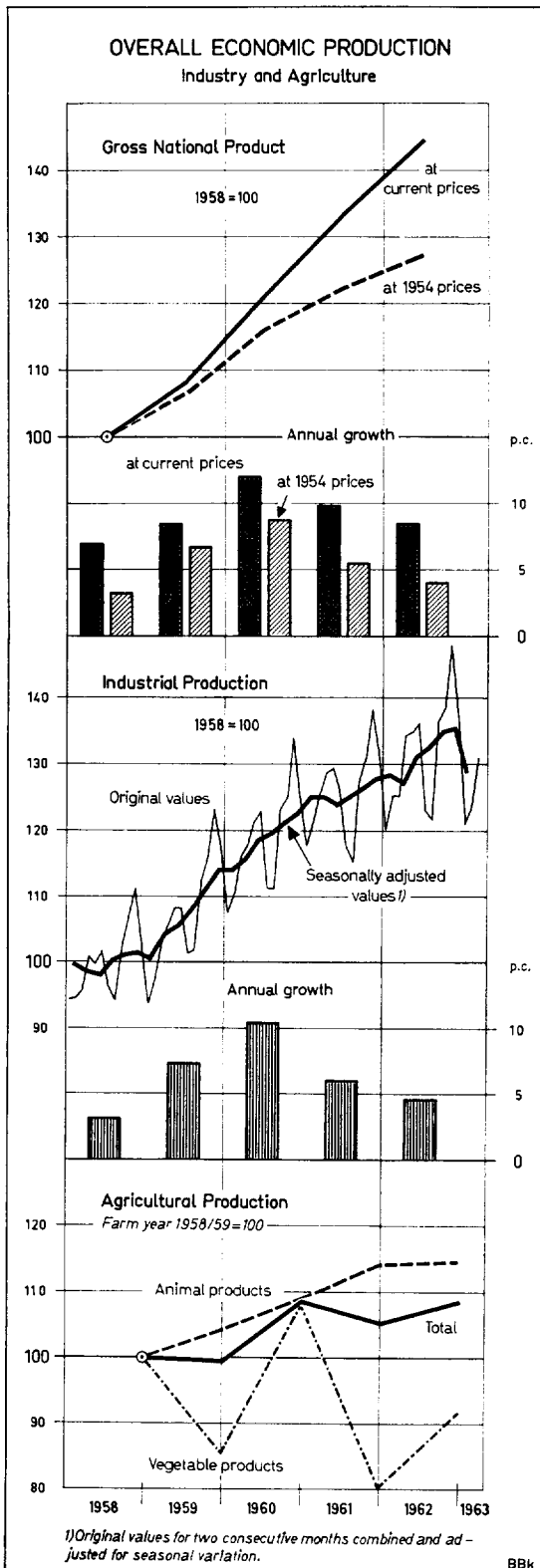
1962, while the relatively expansive sectors such as the automobile industry and building managed greatly to increase the numbers employed with them. Outside industry too the re-arrangement, which has long been taking place, continued. In particular the outflow from agriculture continued; with about 3.5 million persons gainfully active (including the self-employed as well as assisting family members) it represents, even on a longer view, a sector with a potential labour surplus, utilisation of which depends not least on how far agricultural policy seeks to promote a movement away from the farms.



## 2. Overall Production

The cyclical trend of domestic production remained upward in 1962, and also in the current year, once the winter hold-up was over; but nevertheless the trend did flatten by comparison

Slower growth of production



with the years 1959 to 1961. The gross national product at constant prices rose by 4.1 per cent in 1962 as against 5.5 per cent in the previous year and 8.8 per cent in 1960. The slowing in the rise of production covered nearly all sectors of the economy. Industrial production increased in 1962 by only 4.7 per cent as compared with 6.1 per cent in 1961. In the other non-agricultural activities the growth of production or of the value increment declined somewhat less. According to the calculation of the national product, agricultural production showed no growth at all in the 1962 calendar year. This however resulted solely from the poor crop in the 1961/62 farm year, half of which is for statistical purposes assigned to the calendar year 1962. The 1962 harvest was on the other hand somewhat better. It would appear to have exceeded the previous year's by at least 3 per cent, although this still left it well short of the 1960 record result. With the inclusion of products of animal husbandry the total output of food would seem likely to be almost as great in the 1962/63 farm year as in 1960/61.

The slowing in the rise of production was primarily due to the cut in the total number of man-hours worked. In the economy as a whole during 1962 the output per hour worked (gross national product per gainfully active person's hour's work), however, increased by 4.5 per cent, which was little less than the increase by 5.0 per cent in 1961. In industry, where the rise in output was achieved while there was a simultaneous above-average decrease in total hours worked, the output per hour worked actually rose somewhat faster in 1962 than in 1961. In particular the cessation of labour "hoarding" as from 1962 would seem to have been a main factor in this connection. That is shown, inter alia, by the fact that there were some highly notable rises in productivity in industries which — like mining and textiles — under

Rise in productivity hardly any slower

the pressure of harder terms of competition besides certain marketing difficulties deliberately accepted a decrease of their labour force, or in some cases even encouraged it through dismissals.

### 3. Foreign Trade

Import ratio greatly increased

The expansion of supply within the country was very strongly reinforced in 1962 through imports. Imports of goods into the Federal Republic and West Berlin rose by 11.6 per cent in 1962 to DM 49.5 billion. (These import figures and those subsequently mentioned relate to c.i.f. values, so that they include the freight and insurance costs arising up to the time of crossing the frontier, whereas the figures mentioned in the section on the balance of payments are in general f.o.b. and thus do not contain such subsidiary costs.) As the result of a further drop in average import values the volume of imports grew by nearly 14 per cent, that is three times as much as total domestic production. The proportion of imports to the gross national product of the Federal Republic including West Berlin in 1962 was 14.1 per cent at current prices, while at the previous year's prices it was 15.0 per cent against 13.7 per cent in 1961.

Imports rise in consequence of autonomous measures . . .

For a number of reasons, however, the 1962 import figures make the pull of imports appear rather stronger than it was. Quite apart from the fact that, if only on statistical grounds (connected with changes in Customs procedure), total import figures are exaggerated by DM 465 million, or about 1 per cent, some effect was produced by certain factors which were "autonomous" in the sense that they did not depend on the market process. The first point to mention is the great rise in imports of defence goods. This amounted to 60 per cent, whereas commercial imports increased by only 9.8 per cent. Another autonomous factor was the changes which took place in Customs policy during 1962. Special importance attached to the two reductions of duty on imports from E.E.C. countries, the effect of which was to lower the duties on industrial products by 10 per cent on 1 January and 10 per cent on 1 July 1962 — that is by altogether 20 per cent — of the original rates, and to lower those on agricultural products at various dates in the course of the year by a total of 15 or 10 per cent (the latter rate of reduction applying to unliberalised products). Thus since July 1962 the duties on goods coming from E.E.C. countries have been in the case of industrial products 50 per cent lower, and in that of agricultural products (so far as the duties have not in the meantime been replaced by levies on certain products) mostly 35 per cent lower, than the rates in force on 1 January 1957. It is true that contrary measures were also operating in 1962, in particular the first adjustment of the national Customs tariff at the start of the year to the common external tariff on agricultural imports from non-E.E.C. countries, and the coming into force on 31 July 1962 of the E.E.C. market arrangement for grain, pork, eggs and poultry meat. This latter was linked with the raising of import prices through imposition of a levy, which caused domestic prices in most cases to be higher than before. During the last months before introduction of the E.E.C. market arrangement, however, importers were covering their needs to a large extent by bringing in cheaper goods, so that up till then there was a steep rise in agricultural imports, while these were particularly low after the coming into force of the new arrangement as a reaction to this latter.

. . . and to relieve domestic market tensions

While the rise of agricultural imports by an average of 17 per cent in 1962 was mainly confined to the first half of that year, this was chiefly because from the summer onwards the new and relatively abundant German harvest came on to the market, whereas in the first half of the year the home market supply had been particularly short because of the previous poor harvest. Imports of industrial products also were affected to a greater extent by market determinants than by the trade policy changes mentioned above. This is shown in the fact that imports of raw materials and semi-finished goods together increased only relatively little in 1962; at 6 per cent their growth in terms of volume was hardly greater than that of industrial

production, which as a rule determines the need for raw materials. On the other hand the imports of industrially produced finished goods rose considerably faster in 1962, rising in terms of volume by 22 per cent and in value by 20 per cent. This rise was undoubtedly favoured to some extent by quite keen domestic demand, which in many cases could not be fully satisfied by domestic production even in the industrial sector. But the advance of imports took place in part at the expense of German producers; purely as regards their available means of production they would in many cases have been able to expand their supply of goods, but they were not sufficiently competitive in terms of price. This is indicated, not least, by the fact that domestic producers' prices rose between the end of 1961 and the end of 1962 by 3.6 per cent in the case of capital goods, and by 2.2 per cent in that of consumer goods, while import prices for these types of goods rose by only 0.8 and 0.1 per cent respectively.

In the case of exports, unlike imports, the increase became considerably slower in 1962; towards the end of that year, according to seasonally adjusted figures, it actually ceased. At DM 53.0 billion the 1962 exports exceeded the previous year's value by 3.9 per cent, whereas the increase had amounted to 6.3 per cent in 1961 and to 16.4 per cent in 1960. Thus the Federal Republic's exports did participate in the approximately equal expansion of world trade (reckoned in terms of U.S. dollars their proportion to world exports, at 10.7 per cent, showed no change on the year); up till then, however, the Federal Republic had as a rule had much larger rises to show in its exports than the rest of the world. Purely in terms of figures this suggests that German exporters' competitive position did not further improve, but did not deteriorate either. In terms of trend the stationary share in world trade cannot be so favourably assessed, however, since the Federal Republic together with the other E.E.C. countries is in the course of an integration process, deliberately induced and assisted by large tariff reductions, which in itself ought to cause a rise in exports exceeding that for the average of the remaining countries, the more so since imports are for the same reasons also increasing to a greater than average extent. In point of fact all the E.E.C. countries' proportion of "world exports" has steadily risen ever since the Common Market began, even in 1962. In the case of the Federal Republic, as already mentioned, this does not apply to 1962. It is true that in that year exports to the E.E.C. countries rose by about 10 per cent, but those to non-E.E.C. countries failed to rise.

Slowing of the rise in exports

A further fact which tends to show the Federal Republic's export position in an unduly favourable light is that export sales last year found support in the large stocks of unexecuted foreign orders. True, in 1962 the orders currently reaching industry from abroad were only 1 per cent smaller than the deliveries to foreign countries; since however month by month a certain proportion of old orders were cancelled, this meant a notable reduction of the order backlog in the course of the period. As early as the second half of 1962 the seasonally adjusted values of exports were no longer rising, and in the first quarter of 1963 exports were little if at all above the level of a year before. This latest trend, however, was no doubt due to the bad winter weather much more than to the size of order backlogs. These seem on the contrary to have rather increased since January 1963, the orders arriving from abroad having shown some non-seasonal rise since the beginning of the year. It remains to be seen whether the latest change of tendency will last for long. No doubt the easing of domestic demand in the most important exporting industries means that exporters' ability to deliver has increased again, at least as regards delivery periods. On the other hand there would seem as yet to have been no improvement in the competitive position on the side of costs. This does not of course rule out the possibility that enterprises may be trying harder to export, even at the cost of narrower profit margins, especially in those industries where the home market has of late proved less receptive.

Delayed effect of the order backlog

#### 4. Orders

Reduction of order  
backlogs

On the overall average the orders reaching industry during 1962 were below the current sales, not only in export but also in home-market business, so that the initially still quite large order backlogs were reduced from that side too. Only rather rough data concerning the extent to which total order backlogs were reduced are available. It is for instance known from the trend check carried out by the Ifo Institute for Economic Research that at the end of 1962 the order backlogs in industry were equal, in the view of producers, to 3.2 months' output as against 3.5 at the end of 1961 and 3.9 at the end of 1960. Particularly in the capital goods industries the backlogs have been greatly reduced, from a "reach" of 5.1 months' output at the end of 1961 and 5.4 at the end of 1960, to 4.0 at the end of 1962. But whereas in 1961 the reduction of the backlog could be largely regarded as a return towards normal, which did not affect production, in 1962 it already caused output to be cut down in certain industries. In mechanical engineering in particular the slight drop in output evident since mid-1962 would seem to have resulted from the rapidly progressing decline of order backlogs. On the other hand in the consumer goods industries, which in 1962 had shown an all-round brisker inflow of orders, there has so far been no general reduction of those in hand.

Declining domestic  
demand for  
capital goods

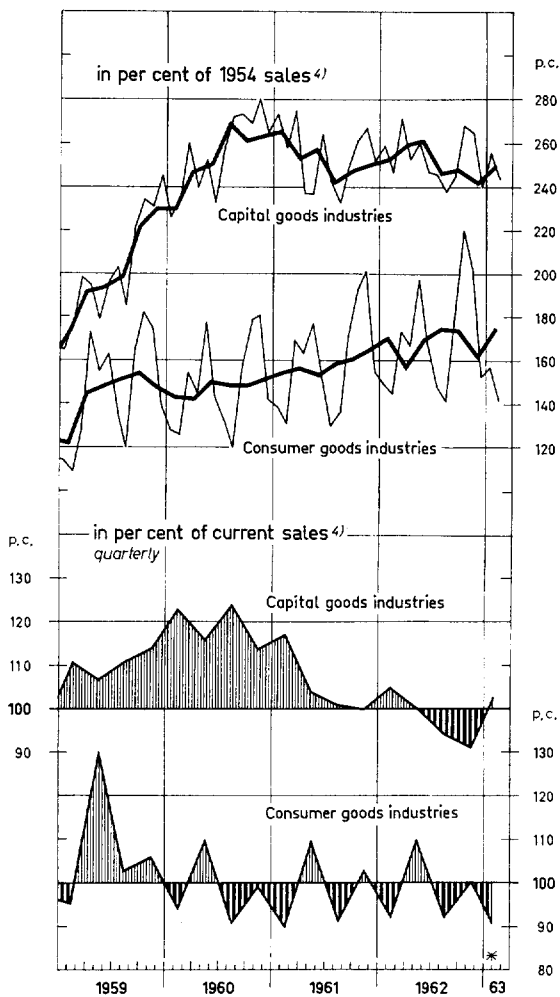
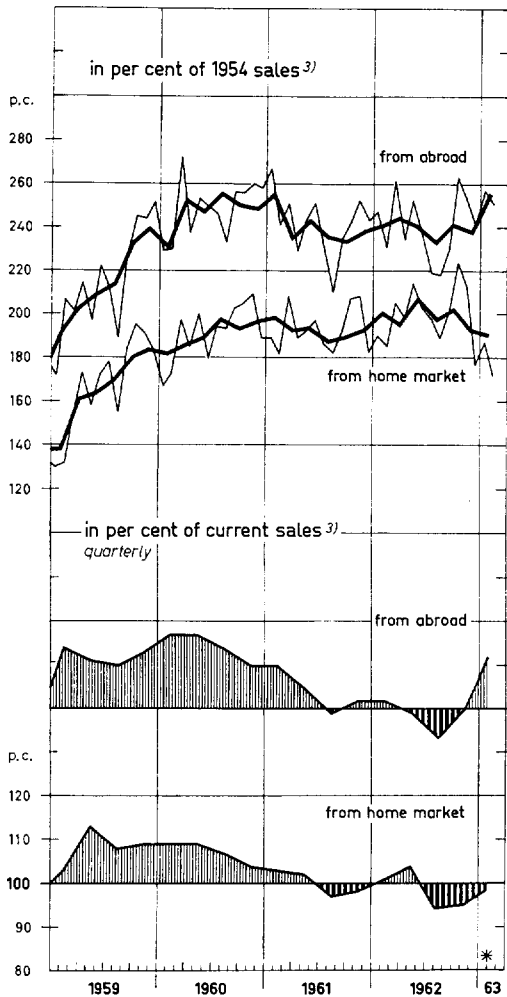
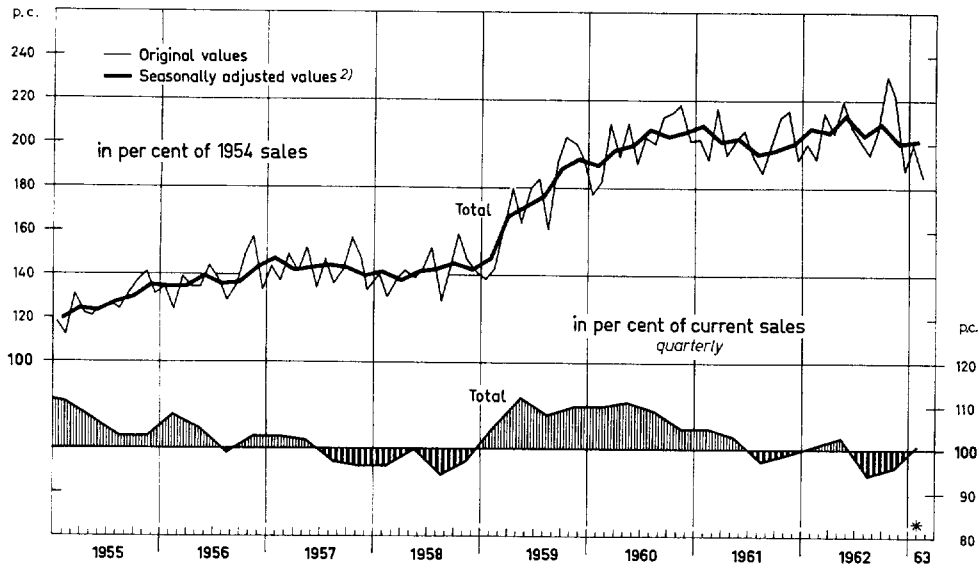
A fact of the greatest significance for the reduction of the backlogs was that, with deliveries continuing to rise, home-market orders for capital goods declined. It is true that on the average of the year 1962 the orders reaching the capital goods industries from the home market were no smaller than a year before; if however one tries to eliminate the orders comprised therein for durable consumer goods, especially for automobiles, one finds a decrease by comparison with the previous year. According to the data so far available this tendency also continued in the first months of 1963. The caution shown by enterprises in giving new orders for capital goods was influenced by a number of facts. One was no doubt that by their orders previously given, but not yet carried out, enterprises had covered their needs far into the future, and that many of them now wish first to await delivery of the goods previously ordered before they place new orders, particularly since delivery periods have in the meantime become shorter and further orders can be executed relatively fast. The cut in the placing of orders has so far not led to any decrease in deliveries of capital goods; on the contrary, despite the drop in orders, enterprises' expenditure on such goods rose by about 8 per cent in 1962. In the first months of this year, however, the home-market sales of capital goods showed no cyclical rise; it remains to be seen whether this is due only to passing influences, mainly connected with the hard winter, or whether that position will last. Many signs indicate that a number of enterprises intend to cut down not only their orders but also their capital expenditure. This for instance emerges from questionnaires about the investments planned by industry for 1963, while in addition the change in the factors which in the longer run determine the propensity to invest also points in that direction. One significant point is that in many cases the extent to which capacities are employed has somewhat decreased, so that the immediate compulsion to extend plants no longer operates. But the most important reason is no doubt that last year already the propensity to invest was impaired by the trend in profits, and by the expectations regarding the further course of profits and sales. As will be shown later, the profit margin for enterprises narrowed further in 1962, while in terms of absolute amount the undrawn profits available to finance capital expenditure greatly declined. This situation did not fundamentally change during the first months of 1963 either, although the pressure exerted by costs would appear no longer to have increased so much as a year before, since wage rises have in the meantime become somewhat smaller.

No major impulses from  
the stock cycle

Enterprises' inventory planning exerted no strong positive or negative influence on the state of orders in industry during 1962. This especially favoured the basic industries, which in part had been subject during 1961 to the retarding influence of a reduction in manufacturers'



### ORDERS REACHING INDUSTRY<sup>1)</sup>



1) New orders received, excluding cancellations of old orders. - 2) Original values for two consecutive months combined and adjusted for seasonal variation. - 3) All industries. - 4) Home-market and export orders. - \*) Average of January/February.

inventories. The inflow of orders to the basic industries, which inflow had increased by 5 per cent in 1962 as compared with the previous year, chiefly reflected the greater demand for raw materials due to the current production of manufacturers. Even in the steel industry, where in 1961 a decline due to the stock cycle had been a strongly marked feature, while that industry is moreover increasingly exposed to the competition of imports, there was a slight increase during 1962 in the inflow of home-market orders. By now the order backlogs with producers and the stocks held by manufacturers have fallen to quite a low level, which in view of the widespread stagnation in steel consumption does not of course mean that a further upswing due to the stock cycle will occur in the near future.

Steady expansion of demand for consumer goods

The demand for industrially produced consumer goods continued its rise in 1962. The orders reaching producers of "traditional" consumer goods were greater by 7 per cent in that year than in 1961. In the course of 1962, it is true, the rise in orders became somewhat slower, so that they fell short of the simultaneous sales; nevertheless the inflow of orders to enterprises in these industries was in the main assessed as quite satisfactory. Not until the last few months did it decline in the consumer goods industries as well, but in this category the upward trend will probably be resumed after the overcoming of the shortfalls in sales due to the long winter — that is, unless traders draw more heavily on their stocks, which have greatly increased, especially of late. At all events there has been no basic change during recent months in the mainstay of activity in consumer goods last year, namely in the rise of mass incomes. Slight changes would however seem to be on the way in that context too. This particularly applies to the movement of wages, which appears to be growing somewhat calmer. In addition the possibility cannot be ruled out that there may be a renewed increase in private households' saving ratio, which had remained nearly constant in 1962. That assumption is supported by the favourable trend of statistically recorded savings capital formation during recent months. But on the side of consumption as well there is increasing evidence of a declining propensity to buy, especially so far as consumer durables are concerned. Demand in that line has lost much of its urgency, thus permitting private households to apply a greater part of their income to other needs, or else to save it — the latter having evidently gained in importance of late.

## 5. Building

Further increase of the building backlog

In the building trade, unlike manufacturing industry, the order backlog grew further in 1962. The reason was the further rise in the demand for building, this having already greatly exceeded the building trade's capacity in previous years. By comparison the progress achieved at the same time in building output produced little effect. Regarded in itself, the rise of output in 1962, which amounted in building proper to about 8 per cent and with the finishing trades included can be estimated at about 6 per cent, was very substantial — especially when it is borne in mind that work was greatly impeded by the weather both at the beginning and at the end of the 1962 building season. How little the rise in building output sufficed to meet current demand can however be demonstrated, with particular clarity in the case of house-building, in the light of the available data. The dwellings completed in 1962 numbered 553,000. This was more than in 1961 by 10,000, or just under 2 per cent. In the same year the building authorities approved the construction of 627,000 new dwelling units, that is 74,000 more than were completed. Consequently the backlog in house-building, that is the number of dwellings begun but not yet completed plus those approved but not yet begun, rose (with allowance for lapsed building permits) from about 720,000 at the end of 1961 to about 785,000 at the end of 1962; at this level it corresponded to 17 months' housing output. At the same time the backlog with other than residential building increased; at the end of 1962 it amounted to 205 million cubic metres, against 186 million at the end of 1961. In civil engineering, for which

there are no comparable figures, the backlog would not seem to be so important — although the reports concerning orders in hand, and the many work-sites on the roads, do indicate that here also the meeting of demand is not immediately possible. At the beginning of 1963 the situation generally deteriorated further by reason of the fact that the frosty weather more or less stopped building until some time in March, so that even if conditions are favourable in the further course of the year it may be difficult — if not indeed impossible — appreciably to exceed the previous year's output.

In the course of 1962 a number of legislative and administrative measures were initiated with a view to checking the excess demand in the building market and the consequent persistently marked rise of building costs as well as of the prices and incomes connected with building. The Federal Government's first such measure was adopted in April 1962, when the Federal budget law for that year blocked to the extent of 20 per cent the expenditure appropriations for the Government's own building projects and for assisting building by other parties, so far as they were not based on any legal or contractual obligation, as of course the bulk of such appropriations are, especially those for publicly assisted housing. Because of these limitations the total expenditure blocked was only about DM 1,100 million. But even this blocking was ineffective in so far as the Federal authorities were able to base their building expenditure largely on unused appropriations from previous years, and thereby to raise their actual expenditure well above the amounts originally budgeted. Under the present draft Federal budget for 1963 the blocking is retained, although in a somewhat relaxed form. At the same time the appropriations for expenditure on building have been substantially reduced, so that there is in fact some chance that the Federal expenditure on this during the present year — at least apart from defence building — will be below last year's level.

A further measure adopted by the Federal Government and the Bundestag was the promulgation of the Law to Limit Building Activity, which came into force on 8 June 1962 for a period extending to 30 June 1963. Under this Law it is forbidden during that period to start certain types of building, especially building for offices and shops as well as for purposes of culture and sport (other than schools). As regards the effectiveness of this Law one can so far say in its favour that the estimated expenditure on newly approved office buildings for private and public account was smaller than a year previously by 37 per cent in the second half of 1962 and by 63 per cent in January and February 1963. While this decline may have been also partly due to other causes, such in particular as the decreasing propensity of trade and industry to invest, its mere coincidence with the temporary "building stop" does suggest that there may be a causal connection between them. Up till now this movement has however produced only slight effect on total building permits, since residential building (apart from especially costly projects) does not come under the Law to Limit Building Activity, and in the case of official buildings

Economic counter-measures: blocking of expenditure . . .

. . . partial "building stop" . . .

*Carry-over of Unfinished Housing Projects*  
in thousands of dwellings

Dwellings in residential and non-residential buildings	1958	1959	1960	1961	1962 p)
	Excluding Saarland		Including Saarland		
(1) Carry-over of dwellings under construction, or of dwellings approved but not yet started, at the beginning of the year <sup>1)</sup>	521.7	572.6	611.0	656.6	721.7
(2) Building permits newly granted in the course of the year	556.4	587.9	612.9	629.0	626.6
(3) Dwellings completed in the course of the year <sup>2)</sup>	488.4	554.9	550.8	543.4	553.6
(4) Excess of approved over completed dwellings (items 2 less 3)	68.0	33.0	62.1	85.6	73.4
(5) Building permits expired in the course of the year <sup>2)</sup>	17.1	14.3	16.5	20.5	11.1
(6) Carry-over at the end of the year (items 1 plus 4 less 5)	572.6	591.3	656.6	721.7	784.0

<sup>1)</sup> Including the dwellings already occupied in buildings not yet finished (end-1961: roughly 12,500 dwellings). — <sup>2)</sup> Excluding dwellings mentioned in footnote <sup>1)</sup>. — <sup>3)</sup> Including errors of ascertainment. — p) Provisional.

— although some of them are subject to the “stop” — there has so far been no apparent decrease in the amount of building planned either. On the contrary, the value of newly approved building projects of public authorities was greater by 29 per cent in the second half of 1962 than in the second half of 1961; not until January and February of this year was the average amount of permits somewhat smaller than a year before. As against this the permits granted for commercial, industrial and farm buildings, in terms of the estimated expenditure, were below the level of a year earlier by 4 per cent in the second half of 1962 and by 27 per cent in January and February 1963. While the effects produced by the partial “building stop” have so far been small, it may be expected that they will be if anything less significant from 1 July 1963 onwards, since a second law to limit building activity, promulgation of which is contemplated for that date, provides for many more exemptions from the prohibitions than does the first one.

... and measures to  
check residential building

As already indicated, the measures mentioned above inevitably failed to produce any drastic effect on total building so long as they were not supplemented by restraint in the demand for housing, which in terms of amount still represents the most important demand component. In this connection two measures have so far been adopted which may slow down the demand for building in 1963. First, the 1962 Budget Law empowered the Federal Minister for Housing to depart from his existing obligation and to assure the 1963 general Federal housing monies to the Länder not in December 1962, but only later, the object being somewhat to delay the outflow of funds. The Government's intention is that the general Federal monies shall not be distributed to the Länder until the autumn of this year. Remarkably enough, in the months from December 1962 to February 1963 the amount of financing permits issued by the competent authorities was smaller by 17 per cent than in the corresponding period a year earlier. Continuance of this trend depends on whether the Länder will, as a result of the delayed allocation of Federal funds, show restraint for a relatively long period in their granting of new financing assurances, or whether they will tide over the delay in the accrual of such funds by greater use of their own resources; while the latter action would conflict with the purpose of the measures adopted by the Federal Government to check building, it cannot be excluded in the light of experience during recent years, when the Länder currently over-compensated the decrease in Federal funds for housing by additional use of resources of their own. The second important measure designed to reduce the demand for house-building is the one which, initially for eighteen months, limited the validity of Article 7b of the Income Tax Law; according to this measure the rates of depreciation so far allowed on dwelling-houses will in future be granted only for owner-occupied homes and similar forms of house property. If this limitation comes into force (and the prospect is that it soon may), quite an important stimulant to the building of dwelling-houses to be let for rent will have been removed. This will not affect such building by housing cooperatives, since these are exempt from tax and Article 7b of the said Law has therefore never applied to them. The suspension of Article 7b does affect a particularly dynamic section of house-building, since private enterprise has become increasingly important in that sphere during recent years.

## 6. Incomes

Growing proportion of  
wage and salary incomes

Incomes, if their total amount is considered, have so far been influenced by the slowing of overall economic activity only in relatively small degree. The national income rose by 8.1 per cent in 1962, against 9.7 per cent in 1961 and 12.5 per cent in 1960. But the change in the cyclical situation was clearly reflected in that of income distribution. Thus total wage and salary incomes rose in 1962 by 10.6 per cent, which was once again greater than the rise in the national income; their proportion to this latter went up to 63.8 per cent, against 62.3, 60.9 and 61.4 per cent in 1961, 1960 and 1958, the latter being the year in the previous cycle when the

The National Product\*)

Items	1950	1955	1956	1957	1958	1959	1960	1961 P)	1962 P)	Change against previous year		
										1960	1961 P)	1962 P)
Billions of DM												
I. Origin of the National Product												
(a) At Current Prices										per cent		
Contributions to gross domestic product												
Agriculture, forestry and fisheries	10.1	14.5	15.0	15.6	16.5	16.9	17.6	17.7	18.3	+ 3.6	+ 0.7	+ 3.6
Producing industries <sup>1)</sup>	48.0	95.3	104.9	113.3	120.2	131.5	152.6	169.7	184.7	+ 13.7	+ 11.2	+ 8.9
Trade and transport <sup>2)</sup>	20.1	35.7	39.4	43.6	46.6	50.9	56.9	61.1	65.8	+ 10.2	+ 7.4	+ 7.8
Services <sup>3)</sup>	19.0	33.6	37.8	41.7	45.5	49.2	55.8	62.9	69.0	+ 11.7	+ 12.8	+ 9.6
Gross domestic product	97.2	179.1	197.1	214.2	228.8	248.4	282.8	311.4	337.9	+ 11.9	+ 10.1	+ 8.5
Net income payments to factors of production due from the rest of the world	+ 0.0	- 0.8	- 0.7	- 0.6	- 0.3	- 0.5	- 0.4	- 1.0	- 1.1	.	.	.
Gross national product at market prices	97.2	178.3	196.4	213.6	228.5	247.9	282.4	310.4	336.8	+ 12.0	+ 9.9	+ 8.5
(b) At 1954 Prices												
Gross national product at market prices id., per gainfully active person, in DM	113.1 (5,655)	174.4 (7,639)	186.4 (7,954)	196.5 (8,198)	202.9 (8,391)	216.5 (8,849)	239.4 (9,451)	252.5 (9,812)	262.9 (10,094)	+ 8.8 + 6.5	+ 5.5 + 3.8	+ 4.1 + 2.9
II. Distribution of National Income and National Product at current prices												
(a) Before income re-distribution												
Compensation of employees <sup>4)</sup>	44.1	81.9	91.8	100.5	109.0	116.7	133.6	150.1	165.9	+ 12.3	+ 12.3	+ 10.6
Income of physical persons from entrepreneurial activity and property <sup>5)</sup>	25.3	43.7	47.5	50.8	53.4	58.7	66.9	71.1	74.7	+ 12.4	+ 6.3	+ 5.1
Undistributed income of enterprises with legal personality of their own	4.3	9.1	9.8	11.0	11.4	12.8	14.8	15.0	14.8	+ 13.8	+ 1.4	- 1.3
Government income from entrepreneurial activity and property	0.9	2.8	2.9	3.6	3.7	3.6	4.1	4.6	4.8	+ 13.1	+ 13.0	+ 4.1
Net national product at factor costs (national income)	74.5	137.5	152.1	165.8	177.5	191.8	219.4	240.8	260.2	+ 12.5	+ 9.7	+ 8.1
plus indirect taxes	13.1	26.3	28.7	30.9	32.5	36.1	40.3	44.5	46.4	+ 10.0	+ 10.3	+ 8.6
less subsidies	0.5	0.2	0.9	1.4	1.4	1.2	1.4	1.7	1.7	+ 17.9	+ 26.1	+ 8.6
Net national product at market prices plus depreciation	87.1	163.5	179.9	195.3	208.6	226.7	258.3	283.5	306.6	+ 12.0	+ 9.7	+ 8.1
	10.1	14.8	16.6	18.3	19.9	21.2	24.1	26.9	30.3	+ 11.8	+ 11.8	+ 12.3
Gross national product at market prices	97.2	178.3	196.4	213.6	228.5	247.9	282.4	310.4	336.8	+ 12.0	+ 9.9	+ 8.5
(b) After income re-distribution												
Net compensation of employees	34.7	63.4	70.7	77.0	82.2	88.3	99.7	111.3	122.4	+ 10.8	+ 11.6	+ 10.0
Public income transfers to private households <sup>6)</sup>	11.7	20.2	22.7	27.8	31.2	32.2	34.2	37.4	40.6	+ 3.9	+ 9.3	+ 8.4
Mass income	46.4	83.6	93.4	104.8	113.4	120.5	134.0	148.7	163.0	+ 9.0	+ 11.0	+ 9.6
Net income of enterprises	22.7	40.3	43.5	46.0	49.1	53.2	60.6	61.4	62.2	+ 12.1	+ 1.4	+ 1.3
Net income of Government	18.0	39.6	42.9	44.5	46.1	53.0	63.8	73.3	81.4	+ 19.0	+ 14.9	+ 11.0
Net national product at market prices	87.1	163.5	179.9	195.3	208.6	226.7	258.3	283.5	306.6	+ 12.0	+ 9.7	+ 8.1
III. Appropriation of the National Product at current prices												
Private consumption	62.5	103.4	115.1	125.6	134.9	144.2	160.5	176.3	192.2	+ 9.2	+ 9.8	+ 9.0
Government consumption	14.0	23.8	25.4	27.3	30.6	33.6	38.4	43.7	49.9	+ 12.4	+ 13.7	+ 14.2
Gross investment in fixed assets	18.3	41.0	45.0	46.7	50.3	57.1	67.7	77.6	85.5	+ 16.3	+ 14.6	+ 10.2
of which:												
Building	8.9	19.1	21.3	22.5	24.5	29.0	34.0	38.9	43.8	+ 14.8	+ 14.5	+ 12.6
Equipment	9.4	21.9	23.7	24.2	25.8	28.1	33.7	38.7	41.7	+ 17.8	+ 14.7	+ 7.8
Inventory changes	3.7	6.0	4.3	5.3	3.8	4.6	8.0	6.0	5.3	+ 71.7	- 25.0	- 11.7
Net exports of goods and services	- 1.2	+ 4.2	+ 6.6	+ 8.7	+ 8.8	+ 8.5	+ 7.8	+ 6.8	+ 3.9	- 2.7	- 12.3	- 42.6
Gross national product at market prices	97.2	178.3	196.4	213.6	228.5	247.9	282.4	310.4	336.8	+ 12.0	+ 9.9	+ 8.5
Source: Federal Statistical Office, and calculations of the Bundesbank. — *) From 1960 including Saarland. Details may not add to totals because of rounding. — 1) Mining and power, manufacturing, building. — 2) Including communications. — 3) Banks and insurance companies, lease of dwellings, Government, other services. — 4) Gross wages and salaries including employers' contributions to social insurance funds. — 5) Including non-profit institutions. — 6) Including officials' retirement pensions. — 7) Provisional.												

proportion of wage and salary incomes was highest. The movement was opposite in the income from entrepreneurial activity and wealth (of individuals, corporations and the Government); the proportion of such income to the total national income dropped from 39.1 per cent in 1960 to 37.7 and 36.2 per cent in 1961 and 1962. If the national income is equated with the total net receipts of enterprises (less depreciation and indirect taxes), which of course represents only a rough approximation, these falling proportions indicate how the profit margins of enterprises have contracted. Nevertheless total incomes from entrepreneurial activity and wealth did show a rising tendency even in 1962. According to the calculations so far put forward by the Federal Statistical Office, however, that applies only to the part which goes to individuals, and which comprises not only the income of all self-employed persons (including those in liberal professions and farmers) but also the investment income (interest, dividends and net rents) of wage and salary earners, and to that extent provides only a rough indicator for the movement of profits in the narrower sense. On the other hand the undistributed profits of corporations (before deduction of direct taxes) and the Government's income from entrepreneurial activity and property were in total amount only as great in 1962 as in 1961.

Shift in the pattern of incomes in favour of the Government

As a rule however, the disposable income of individuals has risen by less than income earned in the production process, because a relatively steeply rising proportion of the original income has had to be spent on direct taxes and social charges. Thus the proportion of employed persons' Wage Tax payments and social insurance contributions to total gross wages and salaries rose in 1962 to 17.3 per cent, against 16.7 per cent in the previous year and 16.0 per cent in 1960. Even more marked was the rise of the relative tax burden in the case of income from entrepreneurial activity and wealth, on which in 1962, according to provisional calculation, 30.5 per cent had to be paid as direct taxes against 28.6 per cent in the previous year and 25.9 per cent in 1960. The more than proportionate rise of direct taxes was primarily due to the progressive scale of the Income Tax on individuals, the effect of this in the case of enterprises being further intensified by the fact that, owing to the time-lag between the originating and payment of the tax liability, considerable final payments had to be made in 1962 in respect of previous years. Mainly because of this the public authorities showed a rise in their total receipts from taxes and social insurance contributions — by 10.2 per cent in comparison with 1961 — which was much greater than would have corresponded to the rise in the national income. Since the reverse transfer of such receipts to individuals in the form of pensions, benefits and other income transfers rose only to about the same extent as the national income, the Government's net income remaining after such redistribution rose in 1962 — as can be seen from the preceding table — by the relatively large margin of 11.0 per cent. Mass income also rose by more (in fact by 9.6 per cent) than total incomes, whereas the net income of enterprises was above the previous year's level by only 1 per cent.

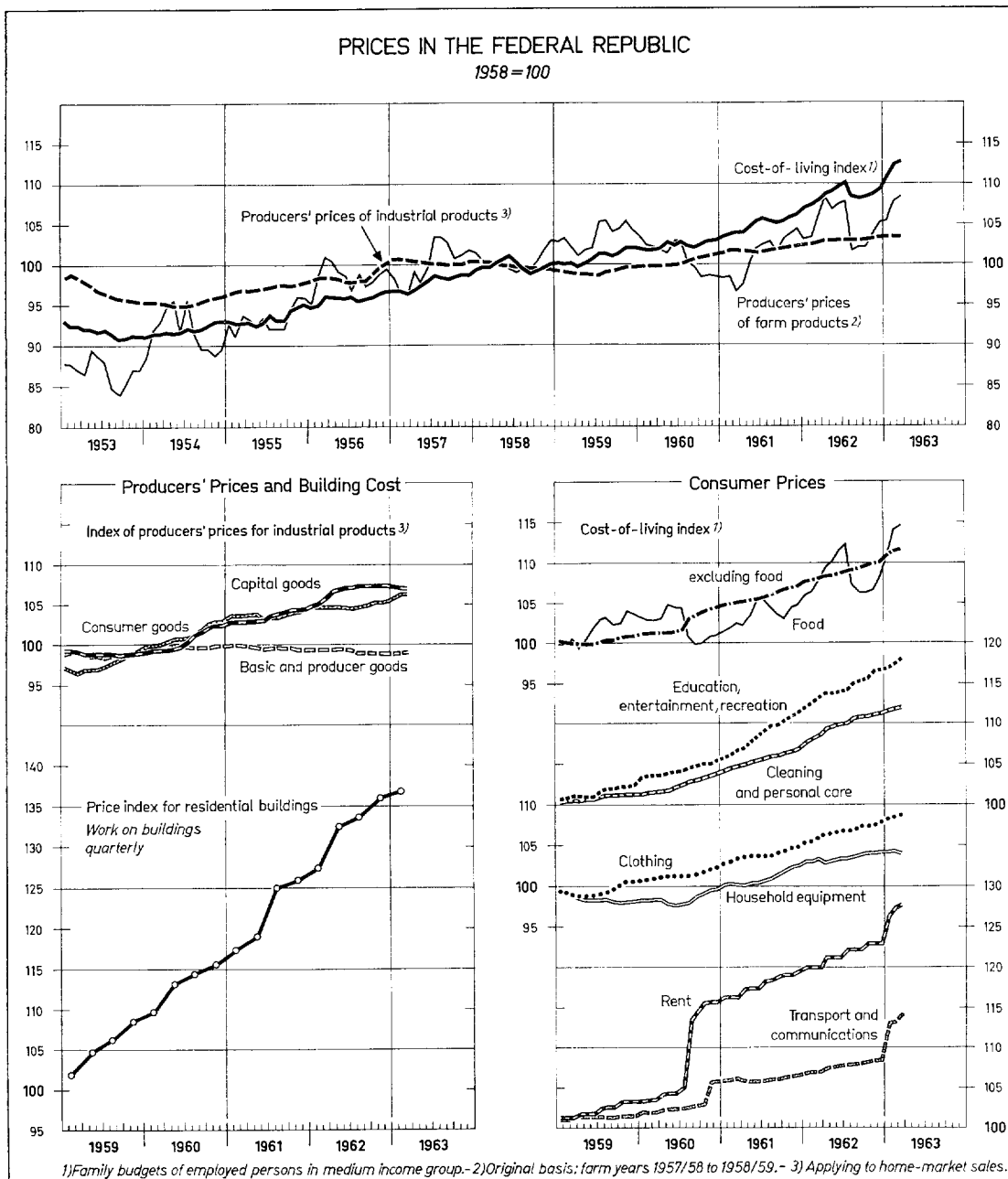
Decrease of undrawn profits

Much the greater part of enterprises' net incomes served to meet the private needs of entrepreneurs (including farmers, members of liberal professions and other self-employed persons), their expenditure on such needs having continued to rise during 1962 in accordance with the general tendency of private consumption. On the other hand the undistributed profits remaining to enterprises declined considerably. According to provisional calculation they amounted in 1962 to DM 13.0 billion against DM 15.6 billion in the previous year. Thus in terms of absolute amount the undistributed profits dropped below the lowest level reached in the previous cycle, namely DM 13.8 billion in 1957. Since enterprises' capital expenditure also grew considerably in 1962, the share taken by undistributed profits in the financing of that expenditure greatly declined; as measured by enterprises' total net capital expenditure it amounted to 26 per cent in 1962 against 33 and 43 per cent in 1961 and 1960.

## 7. Prices and Wages

In much the same way as the movement in incomes, the course of prices reflected only in small measure the signs of cyclical relaxation which appeared in various quarters during 1962 and in the first months of 1963. Apart from the price index for selected basic materials, which largely depends on world market prices, all the important price indices rose in 1962. The rise was least in producers' prices for industrial products. On the average for 1962 the index of home-market and export prices in industry was higher than a year before by 1.1 per cent (as against a rise by 1.2 per cent in 1961); in March 1963 it was above the level of a year previously by 0.6 per cent. As a rule on the 1962 average the rest of the price indices not only rose faster than producers' prices for industrial products, but also exceeded their own 1961 rate of increase.

Further rise of the price level



This applies in particular to the cost-of-living index, in which cyclical changes are normally reflected only after relatively long delay, and which moreover is greatly affected by non-cyclical factors. On the basis of yearly average values the cost-of-living index rose by 3.5 per cent in 1962, against 2.5 and 1.5 per cent in 1961 and 1960. The quickening of the price rise at consumer level was chiefly due to the scarcity of certain agricultural products; with food prices excluded, consumer prices rose in 1962 by 2.9 per cent, that is by somewhat less than in 1961.

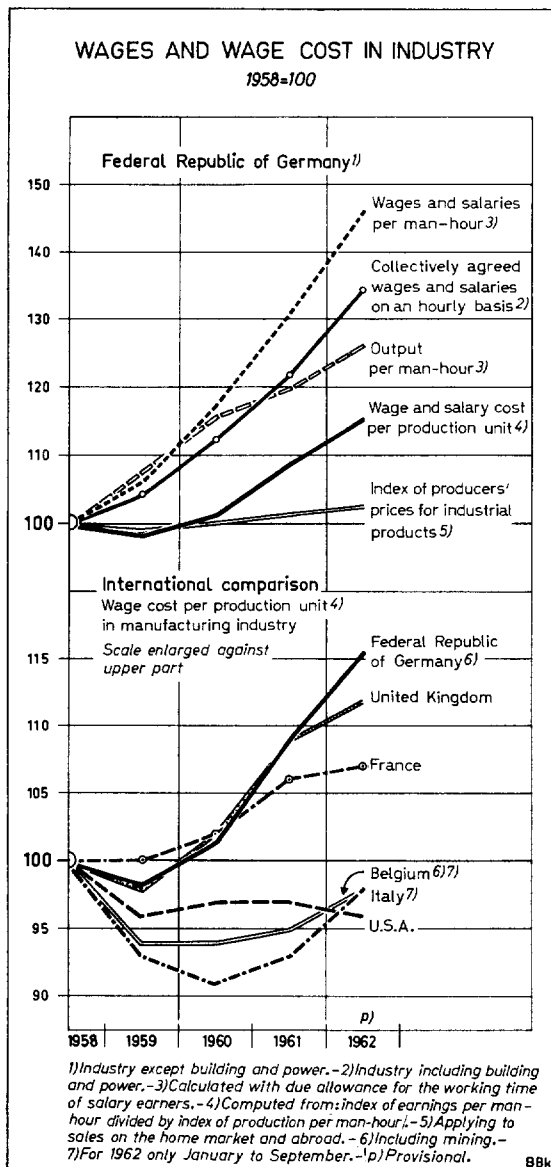
A poor harvest causes  
agricultural prices  
to rise

The chief reasons for the rise — at times very steep — in prices for agricultural products lay in the relatively poor harvest in the 1961/62 farm year, together with the long persistence of frosty weather in the winter of 1962/63, which in many cases hindered the transport and removal from storage of foodstuffs of vegetable origin produced in last year's good harvest. There is evidence for the first of these causes in the price indices, inasmuch as the total rise by 4.7 per cent in producers' prices of agricultural products during the 1961/62 farm year was exclusively due to the prices for vegetable products (these having risen by 19.5 per cent), while the prices for products of animal origin remained practically unchanged. In the period between mid-1962 and the spring of 1963, however, the prices for products of animal origin did move to some extent, those for eggs in particular having greatly risen, so that despite lower fatstock prices the price index for animal products was higher by 3.7 per cent in March 1963 than a year before. The prices for vegetable products also rose for a time owing to the weather-induced shortage of green vegetables; but in March they were already below their level of a year earlier by 1.1 per cent. The introduction of the E.E.C. agricultural market arrangement has so far led to price rises on only a small scale, having done so especially in the case of fodder grains. After certain initial difficulties had been overcome the prices for the meat and dairy produce covered by the market arrangement have mostly fallen. Only prices for eggs have risen, as already mentioned; but this was chiefly due to a supply shortage of international extent. Besides this, however, on the introduction of the E.E.C. market arrangement the egg subsidies previously paid by the Federal Government ceased, and domestic producers had to be compensated for this through raising of the import prices for eggs.

Industrial prices under  
pressure of competition

Narrow limits were set, chiefly through keen international competition, to the rise in producers' prices for industrial products. There is clear evidence of this influence in prices for industrial exports, which in March were at practically the same level as a year before and were above their 1958 level by only 0.5 per cent. The index of domestic producers' prices, the goods underlying which are of course not quite the same as those underlying the index of export prices, rose on the other hand by 0.8 per cent between March 1962 and March 1963, and was above its 1958 level by 3.6 per cent. In the course of 1962 price falls in the basic industries, mainly due to declining world market prices, had against them price rises in others; the nearer the products were to ultimate use as consumer or capital goods, the more marked these rises were. At the final stage of the manufacturing process capital goods were dearer by 1.6 per cent in March 1963 than a year previously, and consumer goods by 1.5 per cent, while domestic producers' prices for pre-products were up by only 0.4 per cent. The difference shows that in respect of final products it is evidently much more difficult to absorb, through rationalisation or through narrowing of profit margins, the cost increases, which in their case result not only from higher wages but also from the rises — as a rule, it is true, not very great — in the prices for pre-products. Since the increase of imports was especially great in the case of finished products, these price rises would seem, in general, not to be due to absence of foreign competition. In the industrial sector it is only in the building market that the absence of international competition has played an important part. On the average of the year 1962 the price index for residential buildings rose by 8.7 per cent, this being the greatest yearly increase since 1951. And in civil engineering, where elasticity of supply is generally estimated to be a good deal greater than in building proper, the price level as measured by the price index for roadmaking rose in 1962 by the relatively wide margin of 7.1 per cent.





As already indicated, the rise in the cost of living for private households was largely determined in the course of 1962, and especially in the first months of 1963, by the increase in prices for foodstuffs; in March 1963 the consumer prices for these were 6 per cent higher than a year before, thus exceeding the average for the year 1958 by 15 per cent. This rise can however be explained only in part by the movement in prices at the producer stage; it is in fact also due to widening of the processors' and distributors' margins. The reason for the rise in distribution costs, evident in the case not only of foodstuffs but also of other goods, is chiefly that the growing personnel expenses in that sphere can be offset much less than in industry through advances in productivity. Under the influence of growing labour costs there was an even greater rise of prices for service-rendering in the narrower sense, for instance the hotel and restaurant trade. In addition there were in the first months of 1963 price rises by administrative order, particularly for the services of the Federal Railways and Postal Administration, as well as increases in rents for part of the dwellings in pre-currency-reform buildings. In March 1963 the index for rent was higher by about 6 per cent, and that for transport-charges by 7 per cent, than a year earlier.

Rise of consumer prices accelerated by special factors

The feature of wages both in 1962 and in the first months of this year continued to be relatively rapid, although gradually somewhat slowing, expansion. The average income of

Upward trend in wages slowing . . .

employed persons rose in 1962 by 8.7 per cent as against 10.2 per cent in 1961. The slowing would appear to have occurred especially in occupations outside industry, since in industry itself, at all events on the average for the year, no noteworthy slowing of the rise was apparent. It does however look as though in that sphere too the extent of wage increases became smaller in the course of 1962. The annual growth-rate for hourly earnings of industrial workers was 10.0 per cent in the fourth quarter of 1962, against 10.8 per cent in the third and 12.3 per cent in the first quarter. Actual earnings thus conformed to the tendency in the level of collectively agreed wages, although they continued to increase, if anything, somewhat more rapidly than the latter. Reckoned on an hourly basis the level of collectively agreed wages and salaries in industry during the fourth quarter of 1962 was higher by 8.1 per cent than in the corresponding period a year before, whereas the annual growth-rate had been 11.3 per cent in the first quarter. For the economy as a whole a similar tendency is evident, with consistently lower rates of increase, namely 9.7 per cent in the first quarter and 7.3 per cent in the fourth. In the first quarter of 1963 the movement of collectively agreed wages continued to become calmer, partly because in that period only relatively few collective agreements came up for denunciation,

while no new major agreements came into force. A certain change in the market position of employers and employed appeared at least inasmuch as in many cases the conclusion of new agreements to replace others denounced long before was delayed, while the agreed wage increases were notably smaller than those usual in the previous year. At the time when this Report went to press, however, it was not yet possible to foresee the result of the collective wage negotiations which began in the spring of 1963 for some major industries.

... but rise of wage costs per production unit hardly any smaller

Parallel with the slowing of the rise in wages the growth of productivity slackened in the economy as a whole. If for the purpose of comparing the rise in average earnings (which amounted to 8.7 per cent in 1962) one takes the real growth of the gross national product per gainfully active person, this having amounted to 2.9 per cent in 1962, one finds that the increase of wage costs not cancelled out by growth of productivity was 5.7 per cent as compared with 6.2 per cent in 1961. In industry the wage costs per unit of production rose in 1962 by 6.1 per cent (against, it is true, 7.5 per cent in the previous year); thus they again exceeded the growth-rate ascertained for the whole economy. The quarterly figures available for industry indicate, however, that the rise became appreciably slower towards the end of 1962.

German costs rise most on an international comparison

On a comparison with other important industrial countries, as can be seen from the graph on page 85, the Federal Republic ranks first in regard to rates of increase in wage costs per unit of production in 1961 and 1962. Since 1958 the rise of industrial wage costs per unit of production has amounted to 16 per cent in the Federal Republic, against 12 per cent in the United Kingdom and 7 per cent in France; in Italy, Belgium and the United States the cost of wages per unit of production was actually lower in 1962 than in 1958. On an international comparison it must further be borne in mind that in the meantime the DM revaluation has additionally impaired the competitive position. It is obvious that through this process German costs have reached a level which, at least in the case of exports, leaves little room for passing on further cost increases in prices. Within the country the possibilities of doing this, except in the case of goods where competition from imports is keen, have so far not been so narrowly limited; the result is that in these categories, especially for instance in building and the entire "tertiary sector", the rise of wage costs has increasingly become the factor determining the movement of prices.

## VI. The Balance of Payments

### 1. Principal Trends

Deficit in the "basic balance"

As measured by the change in the Bundesbank's gold and foreign exchange holding the Federal Republic's balance of payments showed in 1962 a deficit of about DM 550 million, against DM 1.9 billion in the previous year, whereas in 1960 it had shown a surplus of DM 8.0 billion. The change from the previous year was again influenced in 1962 — although much less than in preceding years — by special capital transactions and by fluctuations in net short-term capital movements. Altogether these factors yielded a surplus in 1962, after having produced a substantial deficit in 1961. Apart from this, the balance of payments last year greatly deteriorated. The so-called "basic balance", in which the balances of current items and of the long-term capital movements not due to special factors are combined, showed in 1962 a deficit of about DM 1.3 billion as compared with surpluses of DM 2.8 billion in the previous year and DM 4.4 billion in 1960. The reason lay in the balance of current items. In 1962 this was in deficit for the first time in more than a decade. The deficit amounted to DM 1.4 billion; as against this there had been in the two preceding years surpluses of DM 3.0 and 4.5 billion respectively. The surplus on goods dropped by DM 2.9 billion, and was no longer nearly sufficient to cover the enlarged deficits on services and on transfer payments. The long-term

capital movements (except special transactions) in 1962 — unlike 1961 — showed a slight surplus, so that the basic balance did not deteriorate quite so much as the net current items.

The non-special capital transactions at short term, as contrasted with those at long term, were slightly in deficit last year. The overall result on capital account was essentially due, however, to the special factors already mentioned; these included in particular the anticipated repayment of foreign debts, which in 1961 had caused outflows amounting to DM 3.1 billion, as well as the transactions with the International Monetary Fund. These latter led in 1962 to a net return flow of capital, whereas in the previous year there had on balance been an outflow of funds. The changes among special factors account for the fact that the deficit on all statistically recorded transactions in goods, services, transfer payments and capital was not so great as in 1961 despite the great deterioration of the basic balance. It was roughly DM 870 million as against DM 2.2 billion in the previous year. The reason why it was greater in both years than the foreign exchange deficit was that the residual item in the balance of payments, that takes account of inflows or outflows which cannot be assigned to individual items in the balance of total transactions, was in surplus to the extent of DM 316 million in 1962 and DM 234 million in 1961.

During the first months of 1963 the balance of payments was largely in equilibrium. The small surplus — due to capital movements — on the basic balance, namely DM 279 million in the first quarter of 1963, was offset by deficits on short-term capital movements including the residual item.

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

Items	1958	1959	1960	1961	1962	1962		1963
						1st half	2nd half	1st qtr. P)
<b>A. Basic balance</b>								
I. Balance of current items								
(1) Trade in goods (f.o.b. values)	+ 7,505	+ 7,752	+ 8,580	+ 9,798	+ 6,914	+ 3,139	+ 3,775	} + 568
(2) Services	+ 329	- 766	- 1,157	- 3,317	- 4,554	- 1,584	- 2,970	
(3) Transfer payments	- 1,854	- 2,502	- 2,878	- 3,483	- 3,763	- 1,954	- 1,809	
Net balance of current items	+ 5,980	+ 4,084	+ 4,545	+ 2,998	- 1,403	- 399	- 1,004	- 345
II. Long-term capital movements (except special transactions)	- 1,568	- 2,623	- 157	- 228	+ 111	- 68	+ 179	+ 624
German investments abroad (capital export: -)	(- 1,690)	(- 2,976)	(- 2,260)	(- 2,046)	(- 2,363)	(- 1,357)	(- 1,006)	(- 369)
Foreign investments in the Federal Republic (capital import: +)	(+ 122)	(+ 353)	(+ 2,103)	(+ 1,818)	(+ 2,474)	(+ 1,289)	(+ 1,185)	(+ 993)
Net basic balance (I + II)	+ 4,412	+ 1,461	+ 4,388	+ 2,770	- 1,292	- 467	- 825	+ 279
<b>B. Short-term capital movements (except special transactions)</b>	- 553	- 2,193	+ 2,124	+ 395	- 56	- 2,492	+ 2,436	- 593
among which: Net change in foreign exchange position of banks other than Bundesbank	(- 734)	(- 1,035)	(+ 2,254)	(- 264)	(- 147)	(- 2,235)	(+ 2,088)	(- 1,541)
<b>C. Special capital transactions</b>	- 271	- 1,432	- 269	- 5,327	+ 480	+ 161	+ 319	- 8
among which: Transactions with the International Monetary Fund	(- 271)	(- 529)	(- 169)	(- 1,322)	(+ 480)	(+ 161)	(+ 319)	(- 8)
Prepayment of debts resulting from post-war economic aid	(- )	(- 903)	(- )	(- 3,125)	(- )	(- )	(- )	(- )
Net balance of total transactions (A + B + C)	+ 3,588	- 2,164	+ 6,243	- 2,162	- 868	- 2,798	+ 1,930	- 322
<b>D. Unidentified difference between movement of gold and exchange and balance of total transactions</b>	- 400	- 40	+ 1,764	+ 234	+ 316	+ 1,510	- 1,194	+ 226
<b>E. Net movement of gold and exchange (change in monetary reserves of Deutsche Bundesbank)</b>	+ 3,188	- 2,204	+ 8,007	- 1,928	- 552	- 1,288	+ 736	- 96

\*) See also detailed balance-of-payments statement on page 161. — p) Provisional.

## 2. Balance of Current Items

Smaller surplus  
on goods

While turnovers on *goods and service transactions* with foreign countries rose from DM 124 billion in 1961 to DM 135 billion in 1962, that is by about 9 per cent, the surplus on them declined in 1962 to not quite DM 2.4 billion, as against DM 6.5 billion in 1961 and an average of about DM 7.5 billion in the years 1957 to 1960. In the months which have elapsed since the end of 1962 the surplus on goods and services further declined. At DM 568 million in the first quarter of 1963 it was DM 203 million below its level of a year earlier, although at that time the import figures had been exaggerated by a statistical factor (in connection with a change in Customs regulations, goods previously not included were recorded as special trade imports). The reason for the 1962 movement lay in the trade in goods. The export surplus — defined in the manner usual in the balance-of-payments statistics — dropped in 1962 to DM 6.9 billion, against DM 9.8 billion in the previous year and DM 8.6 billion in 1960. According to the official foreign trade statistics it amounted to DM 3.5 billion in 1962 as compared with DM 6.6 billion in the year before. The chief reason for the difference is that the import figures in the foreign trade statistics are based on the value when the *importing* country's frontier is crossed, that is the c.i.f. value, and hence include the costs of freight and insurance, whereas in conformity with international statistical practice the data shown in the balance of payments are based on the value which the goods have at the frontier of the *exporting* country, that is the f.o.b. value. In the annual balance-of-payments statements the costs of freight and insurance — ascertained through detailed estimates — are eliminated from the import figures of the foreign trade statistics, and are added to the expenditure on services. The regrouping causes corresponding deterioration in the net position on these latter. This does not however affect the overall result of goods and service transactions.

The decline in the *foreign trade* surplus during 1962 was mainly due to the fact that imports increased a good deal faster than exports. Imports, which according to the official foreign trade statistics had in 1961 been above the previous year's level by only 3.8 per cent, rose last year by 11.6 per cent. Since import prices continued to fall in 1962 the volume of imports, which a year earlier had increased by 7.5 per cent, grew by as much as nearly 14 per cent. The quickening in the rise of imports was partly due to special factors, such as the above-mentioned inclusion of previously excluded goods as the result of a change in Customs procedure, the coming into force of the first E.E.C. agricultural market arrangements, and the increase in armament imports; but imports also rose considerably more in 1962 than in 1961 if these special influences are disregarded. The reasons have already been described in the previous section (see page 74 seq.), to which readers may refer. This also applies to exports, the growth-rate of which at 3.9 per cent was appreciably lower than in the previous year, when it had reached 6.3 per cent.

Increased deficit  
on services

With DM 13.0 billion of receipts and DM 17.5 billion of outgoings (including freight and insurance of imports) the *balance of services* in 1962 showed a deficit of over DM 4.5 billion, against DM 3.3 billion in 1961 and DM 1.2 billion in 1960. Here it must be borne in mind that the services account also includes the receipts for services rendered and deliveries made to foreign military agencies. These increased by half a billion DM in 1962 to DM 4.3 billion. So as to offset the resulting charges on NATO powers the Federal Republic has for years been placing large orders for the supply of armaments from those countries. Despite the fact that the delivery periods are in some cases very long the actual imports of armament supplies have increased from year to year; last year they did so by 60 per cent. On a longer view at least there is thus a close connection between the increase in the receipts from foreign troops and the decrease in the export surplus.

On the remaining, mostly "commercial", service transactions the deficit grew by DM 1.7 billion, reaching DM 8.9 billion. Travel alone, with DM 2.2 billion of receipts and DM 4.6 bil-

lion of expenditure, showed a deficit which at DM 2.4 billion was greater by DM 1 billion than that for the previous year. The expenditure on personal services and pensions rose by DM 340 million to DM 1.7 billion — mainly because the number of foreigners working in the Federal Republic further increased in 1962, so that the remittances of such workers considerably exceeded their 1961 level. On transport, which as measured by turnovers is a particularly important element in total commercial services, the deficit rose by about DM 160 million to a total of DM 700 million; because of the vigorous expansion of imports the amounts paid by way of freight thereon also increased. Finally, the deficit on investment income rose by about DM 100 million, to DM 1.4 billion, as a result of increased income paid out on foreigners' investments in the Federal Republic. On other services (mostly commissions, licences, patents and assembly work), which in 1962 accounted for some 20 per cent of total service turnovers, the outgoings exceeded the receipts by nearly DM 2.9 billion as compared with DM 2.7 billion in the previous year.

On unilateral transfers too the deficit increased further in 1962. At DM 3.8 billion it was greater by about DM 300 million than in 1961. The chief reason for the rise was that at DM 308 million the amount placed by the Federal Republic at the disposal of the European Economic Community's Development Fund was almost twice as great as in the year before. Thus in the past years this Fund has received altogether DM 801 million from Germany<sup>1)</sup>. On the other hand the German expenditure on indemnification, at DM 2,460 million, was somewhat smaller than in the previous year because the payments under the "overall agreements" concluded with a number of European countries, as well as with the Refugee Commissioner of the United Nations, were down by about DM 70 million at DM 230 million. The indemnification of individuals, which at nearly DM 2 billion accounted for some 80 per cent of all indemnification payments, remained practically unchanged after having continuously risen in previous years. At DM 250 million the performances under the indemnification agreement with Israel corresponded to the contractually agreed amount. Accordingly they had reached by the end of 1962 a total of DM 2,650 million, or more than three-quarters of the total payments (DM 3,450 million) laid down in that treaty.

Larger deficit on transfer payments

### 3. Capital Transactions with Foreign Countries

*Capital* transactions showed in 1962 a surplus (that is, a net capital import) of DM 535 million, after having been in deficit to the extent of DM 5.2 billion in the previous year. The change was mainly due, as already mentioned, to movements in the so-called special transactions. Whereas in 1961, in order to offset the foreign exchange accruals which up till then had been very large, there were prepayments of debts in respect of the post-war economic aid provided by the United States, United Kingdom and France, as well as lending to the International Bank for Reconstruction and Development, to a total extent of DM 4.0 billion, while moreover the International Monetary Fund called DM 1.3 billion (net) as a result of some member countries' DM drawings, the special transactions in 1962 produced a net capital inflow of DM 480 million. This was exclusively due to transactions with the International Monetary Fund. Through individual member countries' credit repayments to the Fund, these being passed on to the Federal Republic so far as they were made in DM, the Bundesbank received DM 942 million, of which amount the United Kingdom's repayments alone accounted for DM 720 million. Against this, funds had to be provided to the extent of DM 462 million in respect of DM drawings.

Effect of the special transactions

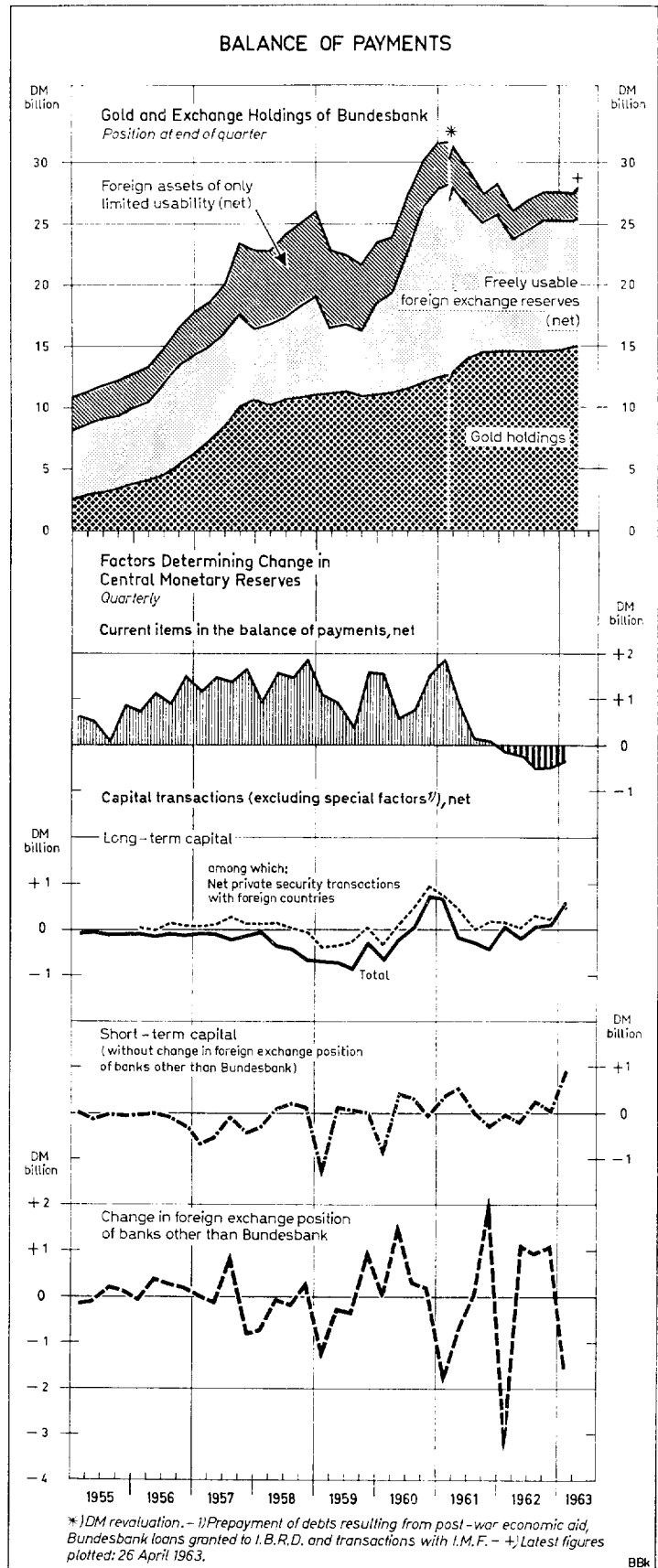
<sup>1)</sup> Of this amount, however, only DM 166 million had been used by the end of March 1963. The amount of DM 635 million, not yet called, appears among capital transactions as short-term foreign credit to the Federal Republic.

Current capital transactions

In 1962, like the two preceding years, the balance of current capital transactions — that is with special transactions eliminated — showed a surplus. In fact a deficit of DM 56 million on capital movements at short term had against it a surplus of DM 111 million on those at long term. Altogether there was a surplus amounting to DM 55 million, against about DM 170 million in the previous year and no less than DM 2 billion in 1960, when the capital inflow had been particularly large owing to speculatively influenced security transactions, heavy borrowing abroad by the economy and extensive repatriation of foreign assets by the banks. Although the net current capital movement thus returned towards normal by comparison with the extreme surpluses in 1960, it still contrasts strongly with the large net capital exports in 1958 and 1959.

Surplus on private long-term capital transactions

On private long-term capital transactions with foreign countries the surplus rose in 1962 and in the first months of this year, because foreigners' investments in the Federal Republic grew by more than the Federal Republic's investments abroad. In 1962 that surplus amounted to DM 1.1 billion, against DM 890 million in 1961 and DM 980 million in 1960. The capital movement increased greatly in both directions, or, in other words, the German economy's capital links with foreign countries became still closer. With new investments amounting to DM 5.3 billion



and liquidations to DM 2.7 billion the net private long-term investments of foreigners rose by DM 2.6 billion, against DM 1.9 billion in the previous year and DM 2.4 billion in 1960. As against this, foreigners' investments had grown by only DM 600 million net on the annual average of the years 1955 to 1959, when however there had for a time still been certain foreign exchange restrictions. Out of foreigners' investments in 1962 DM 1.6 billion net, or not quite two-thirds of the total, represented acquisition of German securities, DM 890 million bearing dividends and DM 730 million bearing fixed interest. By comparison with the previous year, when foreigners had, on balance, also taken DM 1.6 billion of securities, the purchases of shares declined by DM 450 million while those of fixed-interest securities correspondingly rose. This tendency continued in the first months of 1963. In the period from January to March of this year the foreign buying of fixed-interest securities amounted to DM 500 million, against DM 150 million in the first quarter of 1962, while foreign purchases of shares dropped to DM 200 million as compared with DM 380 million in the corresponding period a year before. The continuing weakness of share markets on the one hand, and the internationally attractive level of interest rates on German fixed-interest securities on the other, may have been the reasons for this. The taking of long-term foreign credits and loans by German enterprises, after falling in 1961 to less than half what it had been in the previous year, again rose vigorously in 1962. It amounted to about DM 560 million net, against DM 140 million in 1961. There was also an increase in the procurement of funds through sale to foreign countries of shares in businesses not embodied in security form. As a result of such transactions, largely representing sale of shares in GmbH's and partnerships to foreign investors, more than DM 500 million net accrued in 1962 as against DM 400 million in the previous year and roughly DM 270 million in 1960.

On the other hand private capital exports also grew considerably in 1962. Against DM 2.9 billion of new investments there were DM 1.4 billion of liquidations, so that on balance the long-term private investments abroad increased by DM 1.5 billion against DM 1.0 billion in the preceding year and DM 1.4 billion in 1960. The increase of private capital exports was primarily due to greater purchases of securities. On acquiring foreign shares and fixed-interest securities a net sum of DM 860 million was spent in 1962 as compared with DM 200 million in the year before, DM 715 million in 1960 and DM 1.5 billion in 1959, when this form of capital export had attained its greatest size to date. A part of the security purchases recorded in 1962 was however solely a result of converting credits and loans, previously granted, into securities. To that extent there was no outflow of funds to foreign countries, but only a switch between individual capital export items. But even apart from this the purchases of foreign securities were greater than in the previous year, this being due not least to the successful placing on the German capital market of a DM 100 million loan for the Japanese city of Osaka, and to the taking of Ford Motor Company shares by a German banking syndicate. The export of capital through granting of credits and loans, through acquiring of real properties abroad and through taking of shares in businesses amounted in 1962 to about DM 600 million; the fact that it was smaller than in the previous year by just on DM 250 million was exclusively due to the switches mentioned above.

The net capital afflux in the private sector was for the most part cancelled out through long-term *capital exports by public authorities*. These amounted in 1962 to about DM 980 million net as against something over DM 1.1 billion in 1961. The reason for the decrease is that, at DM 700 million, the Federal Government's loans to developing countries were smaller by about DM 200 million than in the year before. Its bilateral credits (nearly all handled by the Reconstruction Loan Corporation) represent, however, only a part of the total development assistance provided by the Federal Republic. This also includes contributions to the international organisations concerned with financing development projects, as well as payments for technical aid and certain private long-term capital contributions. Altogether the amounts

Official capital exports

provided for developing countries in 1962 by the Federal Republic, directly or through international organisations, reached DM 2.5 billion. The decrease by comparison with the previous year, when such expenditure had amounted to DM 3.3 billion, was due — apart from fluctuations in bilateral credits — to the ceasing of exceptional capital payments by the Bundesbank to the I.B.R.D. On a longer view, however, rising out-payments for development assistance are to be expected, since at the end of 1962 the liabilities incurred by the German Government alone, which have to be met in subsequent years, amounted to about DM 7 billion, most of them representing bilateral capital assistance.

Among the other official capital contributions in 1962 the granting of a DM 150 million credit to Portugal, the provision of DM 41 million for the International Development Association (I.D.A.) and the purchase of DM 40 million of United Nations bonds may be mentioned.

Statistically recorded *short-term capital movements* (except special transactions) showed in 1962 a small deficit (of DM 56 million) after having yielded surpluses of almost DM 400 million in the previous year and of as much as DM 2.1 billion in 1960. In the course of 1962, it is true, there were some very wide fluctuations, chiefly in the foreign exchange position of banks other than the Bundesbank. Whereas this position had improved by about DM 4.2 billion in January and February 1962, partly as a reaction to the December 1961 movement, the subsequent months showed almost equal deterioration (by DM 4.1 billion). Apart from the usual end-of-year repatriation of foreign assets the reversal was greatly influenced by the strain on bank liquidity which began in the spring of 1962, as well as by the Bundesbank's measures, described in the General Survey (page 14 seq.), namely the raising of its selling rates for money-market paper and the alteration of its policy concerning money exports. For 1962 as a whole there remained in this category a net short-term capital export of only just on DM 150 million as against about DM 260 million in the previous year.

The great differences between the movements which took place in the banks' net foreign exchange position in January/February on the one hand, and March to December 1962 on the other, were primarily due to movements on the assets side. After rising by DM 3.4 billion in the first two months the banks' short-term foreign assets declined in the further course of the year by DM 3.2 billion. On 31 December 1962 they amounted to DM 4.1 billion. Of this amount DM 1.8 billion were balances at foreign banks (mainly at sight), DM 350 million were employed in foreign money-market paper and DM 1.6 billion represented credit granted to foreigners; in addition the Reconstruction Loan Corporation on that date still held American Treasury Bills worth DM 370 million, in which it had invested, pending their ultimate use, part of the proceeds of the development assistance loan issued in the spring of 1961.

While the short-term foreign liabilities did not fluctuate so greatly as the assets, their movement too was reversed in the spring of 1962. Whereas at the beginning of the year foreign liabilities had decreased by almost DM 900 million, in the subsequent months they rose again, not least as the result of greater borrowing abroad. At the end of 1962 foreigners' deposits amounted to DM 3.9 billion, and the loans obtained abroad to DM 2.3 billion; thus the credit institutions' short-term liabilities totalled DM 6.2 billion. If these are offset against the assets, amounting to DM 4.1 billion, the banks at the end of 1962 had DM 2.1 billion of net liabilities as compared with DM 2.3 billion on 31 December 1961. In the first months of 1963 the balance as between foreign assets and liabilities somewhat improved. The consequent short-term net capital exports were however considerably smaller than in the spring of 1962.

Among the *other short-term capital items* the first to mention is the increase in the amount of credit taken by German firms abroad directly, that is without the intervention of German banks. According to our information, which however is incomplete, the amount so taken was about DM 320 million (against DM 940 million a year before), the result being a rise in the total of such liabilities to something over DM 2.2 billion. Since at the same time the firms

Foreign exchange position  
of banks other  
than Bundesbank

Other short-term  
capital transactions



reduced by DM 150 million their foreign assets, comprising balances at foreign banks and loans, there was in this category of short-term capital transactions a net capital import of DM 470 million. In much the same way as in the case of long-term capital movements the private capital inflow was partly offset through payments made by public authorities. These amounted to something more than DM 300 million; to that extent the payments made to foreign countries by the Federal Government last year on armaments exceeded the actual imports of such goods.

The *transactions not statistically specified* in goods, services, transfer payments and capital caused in 1962 a net foreign exchange inflow of about DM 320 million; this inflow was somewhat greater than in the previous year, when it had amounted to DM 230 million. But it fell considerably short of the 1960 surplus (of DM 1.8 billion), which had been much influenced by speculative accruals, especially by shifts in the terms of payment. Evidently, therefore, such movements have not been a factor of great importance in the past year.

Residual item in the  
balance of payments

# The New Banking Law and the Deutsche Bundesbank's Cooperation in Bank Supervision

## 1. The New Banking Law

Objects and organs  
of supervision

On 1 January 1962 the Banking Law (Kreditwesengesetz — KWG) of 10 July 1961 (Federal Law Gazette I, page 881) came into force. It confers on the Federal Banking Supervisory Office in Berlin the function of supervising credit institutions and of taking action against abuses in the credit system which are apt to endanger the safety of the assets entrusted to credit institutions, to hinder the proper conduct of banking transactions or to entail substantial disadvantages for the economy as a whole. The Law directs the Bundesbank to cooperate not only in the current supervision of individual credit institutions but also in the issuing of orders. In that connection reference is made to the article on "The New Banking Law", published in the Monthly Report of the Deutsche Bundesbank for August 1961. Since 1 January 1962 the Bundesbank has been cooperating in the supervision of banks in accordance with the provisions of the new Banking Law.

No new functions  
for the Bundesbank

Cooperation in the supervision of banks is by no means a new function for the Central Bank. In essence this function was also conferred on the Reichsbankdirektorium under the old Banking Law as amended by the Order of 18 September 1944, and after the Second World War it was first exercised partly by the Land Central Banks and partly by the Bank deutscher Länder, and later by the Deutsche Bundesbank.

Monetary policy and  
bank supervision

In its Judgment of 24 July 1962, finding on the constitutionality of the Banking Law, the Federal Constitutional Court expressly stated that the functions which this Law confers on the Bundesbank lie within the latter's duties as currency and note-issuing bank, and accordingly fall under the *lex specialis* of Article 88 of the Basic Law. It said that the Bundesbank's duty to regulate the note and coin circulation and the supply of credit to the economy with the aim of safeguarding the currency, and to ensure the due execution by banks of payments, presupposed a functioning banking system — the more so since the monetary powers available to the Bundesbank under the Bundesbank Law for the purpose of performing that duty related primarily to credit institutions.

Close cooperation  
between Bundesbank  
and Federal Supervisory  
Office

A sound and functioning banking system is both in the interests of the Central Bank and within the responsibility of the Bank Supervisory Authority; their spheres of activity adjoin and complement each other.

For that reason the Banking Law in its Article 7 requires the Federal Supervisory Office and the Bundesbank to cooperate closely, and to exchange observations and findings which may be of importance for the performance of their respective functions. It further entitles the Chairman of the Federal Supervisory Office to attend the meetings of the Central Bank Council whenever it discusses subjects within his sphere of competence; he has no right to vote, but he may bring motions. This cooperation and mutual information have proved useful with a view to ensuring effective supervision of credit institutions.

## 2. The Instruments of Practical Supervision

Cooperation between the Supervisory Authority and the Bundesbank manifests itself, in detail, particularly in the provisions about reports of large credits and credits of DM 1 million or more, about the submitting of the credit institutions' monthly returns and annual statements of account, and about the relevant right to obtain information. These sources of knowledge are supplemented by the valuable data which become available to the 11 main offices and 247 branch establishments of the Bundesbank. The latter's insight into the condition of the

banks — necessary and important for the sake of monetary policy — is materially widened and deepened through the reports under the Banking Law, so that it can refrain from procuring data of a similar generally informative value, through special enquiries, by virtue of its own powers under Article 18 of the Bundesbank Law. Bank secrecy is, of course, strictly observed in all cases.

*(a) Reports of Credits Granted, Monthly Returns, Annual Statements of Account*

According to Article 13, paragraph 1 KWG the credit institutions' reports about the granting of large credits are to be submitted forthwith to the Deutsche Bundesbank, in fact to the Land Central Banks. Large credits are deemed as a rule to comprise those which exceed 15 per cent of a credit institution's liable funds. The Land Central Banks need transmit to the Federal Supervisory Office with their comments only such reports as are important for attaining the object of the supervision, since the Office has dispensed with the transmission of certain reports. The reports about large credits afford the supervising authorities an insight into the distribution and soundness of the banks' loans, as well as into their handling of credit business.

Reporting of large credits

The knowledge gained from the reports of large credits is supplemented by the reports concerning credits of DM 1 million or more. According to Article 14, paragraph 1 KWG the credit institutions have to report through the Land Central Banks to the recording centre for such credits at the Bundesbank (Directorate) all those borrowers whose indebtedness has amounted to DM 1 million or more. The main duty of the recording centre is to ascertain the indebtedness of borrowers who have obtained credits of or exceeding DM 1 million from two or more institutions, and to inform the lending institutions regarding the amount of their borrowers' total credit indebtedness and the number of the lenders. Since the new Banking Law has come into force the number of reports rendered about credits of or exceeding DM 1 million, and the total amount of such credits recorded, have greatly increased by reason of the fact that, in order to ensure complete recording of credit relationships, Article 2, paragraph 2 KWG requires not only credit institutions but also the social insurance institutions, the Federal Office for Labour Exchanges and Unemployment Insurance and the private and public-law insurance companies to report the credits of or exceeding DM 1 million granted by them.

Reporting of credits amounting to or exceeding DM 1 million

The possibility of obtaining an insight into the circumstances of the credit institutions is supplemented through the fact that under Article 24 KWG credit institutions are required immediately to report to the Federal Banking Supervisory Office and to the Bundesbank all important events. These include, for example, the appointment of managers and the termination of their employment, the acquisition of permanent participations in any other credit institution, the changes in capital, and the establishment and closing of branch offices.

Reports of important changes

The most important source of information for the overall assessment of a bank at short intervals are the credit institutions' returns submitted to the Bundesbank for the monthly balance-sheet statistics, in which returns the ratios that result from application of the Federal Supervisory Office's "Principles" concerning sufficient capital resources and adequate solvency also have to be given. These statistics, which are required under Article 18 of the Bundesbank Law and have to be produced according to special directives from the Bundesbank, constitute an important instrument of bank supervision with a view to investigating the individual circumstances of the credit institutions. According to Article 25 KWG the monthly balance-sheet statistics are therefore also deemed to be monthly returns for banking supervision purposes, and are to be transmitted by the Land Central Banks with their comments to the Federal Supervisory Office. Since however that Office has waived the transmission of certain monthly returns, just as it has in the case of the reports of large credits, the Bundesbank in the course of practical supervision has a function of sifting and preliminary examination in this connection as well.

Monthly returns

Under Article 25 KWG all the credit institutions existing in the Federal Republic — as matters stood on 31 December 1962 they numbered 12,960 — would prima facie be required to submit monthly returns. At present, however, only the 3,766 major credit institutions submit monthly balance-sheet returns to the Bundesbank. Pursuant to this regulation, and with a view to efficient supervision, the Federal Supervisory Office in Article 2 of its “Order concerning Exemption from the Duty to Report Credits under Article 14, paragraph 1, and to Submit Monthly Returns under Article 25, paragraph 1 of the Banking Law (First Exempting Order)”, issued on 19 January 1963 (Federal Law Gazette I, page 61) after the Bundesbank had been heard, exempted from the duty to submit monthly returns the agricultural credit cooperatives with a balance-sheet total of under DM 2 million as on 31 December 1961, the investment companies, the central security depositories and those credit institutions which merely undertake guarantees in various forms for account of others. This concession benefits 9,184 credit institutions, including 9,109 smaller agricultural credit cooperatives, but does not mean that these banks are left unsupervised. Their supervision is primarily based on the annual statements of account and on the reports in accordance with Article 13 KWG.

Annual statements  
of account

According to Article 26 KWG credit institutions have to submit forthwith to the Federal Supervisory Office and the Bundesbank their approved annual balance sheet together with profit and loss account (annual statement of accounts), an annex thereto with more detailed explanations, as well as their annual report and the report by the auditor. The Land Central Banks carefully evaluate these annual statements, comment thereon to the Federal Supervisory Office from the angles of liquidity (liquid assets, origin of the borrowed funds and composition of the deposits), soundness (capital resources, credit risks, and distribution of credits) and earning power, and if necessary propose the appropriate measures to the Supervisory Authority.

The Bundesbank's right  
to information

So that the Bundesbank may fully perform its functions particularly in respect of the reporting system under the Banking Law it has been empowered in Article 44, paragraph 3 KWG, besides the Federal Supervisory Office, to require from credit institutions and from the members of their organs information about business matters. On request by the Federal Supervisory Office the Bundesbank obtains information from the auditors as well (Article 29, paragraph 2 KWG).

Procedure in connection  
with reports under  
the KWG

The procedure in connection with reports under Articles 13, 14, 16 and 24, and with the submission of balance sheets under Article 26 KWG, has been regulated in detail in the Federal Supervisory Office's Notice No. 2/62 of 5 December 1962 (Federal Advertiser No. 243 of 28 December 1962), which was issued after thorough discussions with the Bundesbank and with the latter's assent. The Bundesbank's widely ramified network of branch establishments was brought into the work of evaluating the reports, whereby the local proximity which is of practical importance for the supervision of credit institutions is established.

#### (b) Principles regarding Capital Resources and Liquidity

No rigid rules, but . . .

In general precepts the Banking Law states that with a view to fulfilling their obligations to their creditors, and particularly in order to safeguard the assets entrusted to them, credit institutions shall have adequate liable funds (Article 10), and that they are to invest their funds in such a way as to ensure adequate solvency at all times (Article 11). In agreement with the Bundesbank the Federal Supervisory Office has taken the opportunity to give these requirements concrete form by laying down “Principles” according to which it judges, as a rule, whether a credit institution's equipment with liable funds is adequate and whether the liquidity is sufficient. The text of the Federal Supervisory Office's relevant Notice is as follows:

. . . a basis for judging  
normal cases

**Principles Concerning the Capital Resources and Liquidity of Credit Institutions**  
*of 8 March 1962*

The Federal Banking Supervisory Office hereby announces in pursuance of Article 10, paragraph 1, sentence 3, and Article 11, sentence 3, of the Banking Law — KWG — of 10 July 1961 (Fed. Law Gazette I, page 881) the Principles, established in agreement with the Deutsche Bundesbank and after the associations representing the credit institutions have been heard, according to which it will judge, as a rule, whether the capital resources of a credit institution are adequate and whether the liquidity of a credit institution is sufficient (Article 10, paragraph 1, and Article 11, Banking Law).

If a credit institution exceeds not merely slightly the upper limits laid down in the Principles, or if it exceeds them repeatedly, there is as a rule ground for presuming that the said credit institution has not the necessary capital resources (Principles I and I a) or that its liquidity is inadequate (Principles II and III). In connection with the assessment of the adequacy of a credit institution's capital resources and liquidity it shall be permissible to take into account special circumstances which justify smaller — or, according to the facts of the case, greater — requirements.

The Principles shall not apply to private mortgage banks which make no use of the right to conduct extended business in pursuance of Article 45, paragraph 1, of the Mortgage Bank Law, to ship mortgage banks, to public mortgage banks, to instalment credit institutions, to central security depositories, to investment companies or to credit institutions within the meaning of Article 1, paragraph 1, items 7 and 8, of the Banking Law.

The Principles shall be applied with effect from 1 April 1962.

**Principle I**

A credit institution's lending to business enterprises and individuals and to credit institutions, and its participations, less the global value adjustment, shall not exceed 18 times the liable funds.

Lending is to be regarded as comprising short, medium and long-term lending. In this connection those long-term loans shall be disregarded which serve as cover for bonds, or are granted against charges on real property in the course of real-property credit business within the meaning of Article 20, paragraph 2, item 1 and item 4, of the Banking Law, or are granted against corresponding charges on ships.

**Principle I a**

A credit institution's circulating own acceptances, promissory notes and bills drawn on debtors shall not exceed 1.5 times the liable funds.

**Principle II**

A credit institution's investments in long-term lending, in syndicate holdings, in participations, in securities not quoted on the stock exchange, and in land and buildings shall not exceed the long-term financial funds.

The following are to be regarded as long-term financial funds:

- the capital resources,
- the credit institution's own bonds in circulation,
- the bonds sold in advance,
- the loans taken at long term,
- 60 % of the savings deposits,
- 10 % of the sight and time deposits of non-banks.

In the case of central giro institutions and central institutions of credit cooperatives the following shall in addition be included:

- 20 % of the member credit institutions' time deposits subject to a period of notice, or running for an agreed period, of from six months to under four years,
- 50 % of the member credit institutions' time deposits subject to a period of notice, or running for an agreed period, of at least four years.

### Principle III

A credit institution's debtors, its bills drawn on debtors, its dividend-bearing stock-exchange securities and its "Other assets" shall not exceed the total of the following financial funds:

- 60% of the sight and time deposits of non-banks,
- 35% of the sight and time deposits of credit institutions,
- 20% of the savings deposits,
- 35% of the monies taken for, or at notice of, periods of from one month to under four years, excluding customers' availments of credits opened at credit institutions abroad,
- 80% of customers' availments of credits opened at credit institutions abroad,
- 80% of the circulating own acceptances, promissory notes and own drawings credited to the borrowers, plus the surplus or less the deficit on financing as in Principle II.

In the case of credit institutions conducting business in goods, the stocks of goods comprised in the item "Other assets" shall be disregarded.

The Guiding Ratios for Credits formerly applied by the Bank deutscher Länder and the Deutsche Bundesbank operated primarily as the Central Bank's terms of business. Now that the Guiding Ratios of the Bundesbank have been developed into the Federal Banking Supervisory Office's "Principles" for the adequacy of capital resources and liquidity, crucial importance attaches to the regulative function of these rules. In the practical conduct of its credit business the Bundesbank uses the "Principles" in much the same way as it formerly used the Guiding Ratios for Credits (cf. page 100 seq.).

### 3. Regulation of the Banks' Terms of Business

Article 23 KWG empowered the Federal Minister of Economics (in consultation with the Bundesbank, and after hearing the views of the associations representing the credit institutions) to issue, by way of order, regulations regarding the terms on which credits may be granted and deposits taken. According to the same provision the Minister may delegate his power to the Federal Supervisory Office on condition that the latter's orders shall be issued in agreement with the Bundesbank. This power was so delegated by Article 1 of the Federal Minister of Economics' Order Transferring the Power of Issuing Orders to the Federal Banking Supervisory Office, dated 19 January 1962 (Federal Law Gazette I, page 17), in such manner that in future arrangements regarding the banks' terms of business are to be made by the Federal Supervisory Office in agreement with the Deutsche Bundesbank.

Interest rates not  
to be freed

The future shaping of the banks' terms of business, and the relevant problems, have been repeatedly discussed with the Federal Banking Supervisory Office during recent months. One principal object of this exchange of views was the question whether in virtue of Article 23 KWG the Federal Supervisory Office should (in agreement with the Bundesbank) issue an order regarding the terms on which the banks may grant credits and take deposits, or whether no use should be made of this provision. On grounds of credit and regulative policy the Bundesbank takes the view that in present circumstances the possibilities afforded in Article 23 KWG for official fixing of the interest rates applied in banking business should continue to be used, and that roughly in line with the practice hitherto followed maximum rates should be fixed for loans and deposits. In doing so the Bundesbank finds itself in agreement with the other banks, which under the angle of competition continue to attach importance to the official fixing of their terms for business. The Bundesbank is at present advising against any freeing of bank interest rates mainly on the ground that this might alter the existing state of competition in the banking system to the detriment of individual groups of credit institutions, encourage the tendencies to concentration, and consequently induce in the banking system structural changes which would be detrimental in respect of economic and social policy. The Bank deems

it indispensable, however, that observance of the rates to be fixed shall be supervised in an appropriate manner yet to be specified.

The maximum limits for the credit institutions' interest rates in respect of lendings and deposits in transactions with non-bank customers, which limits are still those fixed by the Bank Supervisory Authorities of the Länder with the assent of the Bundesbank, have not been changed in 1962. The debtor and creditor rates in force, with the exception of the terms applying to instalment lendings and small personal loans, are regularly published in the Monthly Reports of the Deutsche Bundesbank. The keener competition among credit institutions has increased the banks' inclination to grant credits on special terms. On more than 50 per cent of all credits granted by commercial banks special terms have been allowed.

The maximum limits now in force for debtor and creditor interest rates

One banking association proposed in the autumn of 1962 that the maximum rates on savings deposits subject to agreed period of notice should be raised; it was supported by other banking associations. The Bundesbank expressed its objections. At present there are placed on savings accounts large amounts which do not merit still greater privileges in the way of interest. In addition, the raising of interest rates on savings deposits would encourage further shifting of funds from time deposits to savings deposits because of the unsatisfactory delimitation made in the Banking Law between the two types of deposit. The banks would probably try to escape the resulting downward pressure on their earnings by raising their terms for loans. In addition the raising of the interest rate on savings deposits subject to one year's notice would reduce the difference, desirable on grounds of capital-market policy, from the yield on fixed-interest securities. Against this the advocates of raising interest rates on savings deposits with agreed period of notice argued that such deposits ought to be ranked as belonging to the capital market, and that the interest allowed on them should be governed rather by the rate of interest on fixed-interest securities than by the official discount rate. A counter-argument is that savings deposits, both in law and in practice, can be converted relatively quickly into money; in the same way as the rest of the deposits they are moreover used by all groups of banks, in greater or lesser degree, to finance their short and long-term lending business. Comparison with the bond interest rate is inappropriate also because savers through accounts, unlike buyers of securities, bear no risk on the price. The yields on bonds are subject to wider fluctuations than those on savings deposits under the present rules for creditor interest rates. The saver through accounts cannot expect a high rate of interest on his deposits, and at the same time expect them to be easily mobilisable without risk. The Bundesbank has therefore opposed the endeavours to increase the rates of interest on savings deposits subject to agreed period of notice.

No raising of interest rates on savings deposits

# The Deutsche Bundesbank's Credit and Foreign Exchange Policy Regulations at Present in Force

## I. Credit Policy Regulations

### 1. Credit Instruments Eligible at the Bundesbank

#### *Discount Business*

General 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).

For judging a signature the Central Bank Council has laid down the following rules: 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 judgment of his financial affairs, is not to be regarded as "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).

The period to the maturity of bills must not exceed the time which is necessary for carrying out the underlying transaction in goods (decision of 10 May 1949). In the case of grain and fodder bills the period to maturity may amount to three months, however, so as to facilitate the storage of grain and feedingstuffs at the marketing and processing stages, and thereby to reduce the demands for financial accommodation made on central official agencies (decision of 31 July 1952).

In other respects, as regards the granting of discounts, the "Deutsche Bundesbank's General Business Conditions" (V. Purchase of domestic bills, XI. B. Purchase of foreign bills and foreign cheques) apply.

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

Instalment sale bills which serve to finance the purchase of agricultural machines that have a long life and assist production may however be purchased. In this exceptional case all bills which are due within 90 days may be discounted if it is a case of an instalment sale 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 these conditions are not fulfilled, then only the last bill due within 90 days (or, in the case of instalment sale transactions which are based on monthly instalments, the last three bills relating to the whole transaction) will be discountable.

In addition instalment sale bills with a remaining life not exceeding 14 days may be presented for purchase.

Building bills and building-material bills Bills which serve for the interim financing of building projects (building bills) will not be purchased (decision of 12 October 1955). On the other hand bills which are drawn on the basis of the producer's building material deliveries to the trade, those of the trade to the builder or building craftsman, and those of the builder to the owner of the house (for repair or maintenance work) (building-material bills), but not their prolongations, are purchasable.



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).

Bank acceptances

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 that 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).

Prime bankers' acceptances are bank acceptances of a special kind, viz., DM acceptances of the accepting banks admitted to the prime acceptance market, which serve for the financing of import, export and merchanting transactions, or of international commission processing. They bear a reference to the transaction financed, which is marked on the upper margin of their face, and have only 90 days or less still to run. The amount involved must be at least DM 50,000 and should not exceed DM 500,000; it should be divisible by 5,000. Prime bankers' acceptances are included in the Deutsche Bundesbank's regulation of the money market (decisions of 18 December 1958 and 30 August 1962; cf. page 103, "Money Market Regulation and Money Market Policy").

Prime bankers' acceptances

The guiding principles for the purchase of 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).

Bills drawn on debtors

By virtue of special decisions of the Central Bank Council promissory notes of the Import and Storage Agencies (Storage Agency bills) are purchased, up to certain maximum amounts newly fixed from time to time, and are used in the regulation of the money market (decision of 21 March 1963; cf. page 103, "Money Market Regulation and Money Market Policy").

Promissory notes of the Import and Storage Agencies

Also rediscountable are the promissory notes of German exporters, bearing the endorsement of the exporter's bank and of the Ausfuhrkredit-AG (Export Credit Company), and necessary prolongations of the said instruments, which have been issued mainly for the purpose of financing medium and long-term transactions for deliveries to developing countries within the limit of a rediscount line accorded to the Ausfuhrkredit-AG (decisions of 5/6 March 1952 and 5 May 1960). The rediscount line, known as Limit B of the Ausfuhrkredit-AG and amounting to DM 500 million since the spring of 1957 (decision of 20 February 1957), was reduced by DM 200 million to the level of DM 300 million in March 1960 subject to the proviso that as from 1 June 1960 the part-lines becoming free through due repayments of credit were cancelled in each case to the extent of one-half (decision of 5 May 1960). The reduction of Limit B to DM 300 million was completed by the end of 1962.

Bills for financing export orders

The rediscount line may be used only for credits running for not less than one 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, 25 July 1956 and 6 February 1957). The rediscount line

must not be used to provide funds for capital investment or working resources for general export purposes of the exporting firms.

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 from any person bills and cheques which are expressed in foreign currency. At present the Bank is making use of this power only in so far as it is prepared to purchase bills and cheques expressed in foreign currency not only from credit institutions but also from public departments (decisions of 16 October 1957 and 4 September 1958).

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

#### *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 debt register claims 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 Federal Advertiser 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 will be decided according to the general credit situation and the individual circumstances of the would-be borrower. In principle an advance against securities shall be granted only where the object is to cover for a short period a temporary need for liquidity, and where 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 in principle also ineligible as security for advances (decision of 10 May 1949). There is an exception in the promissory notes of German exporters, financed through the Ausfuhrkredit-AG's Limit A, which instruments may be taken as security for advances but may not be purchased (decisions of 5/6 December 1951 and 8 March 1962).

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 of the Law concerning the Deutsche Bundesbank 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 Claims<sup>1)</sup>, 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).

<sup>1)</sup> 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, page 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, page 1074), and of Article 26 of the Law to Amend Provisions of Conversion Law (Second Supplementary Conversion Law) of 23 March 1957 (Federal Law Gazette I, page 285) is incompatible with Article 120 of the Basic Law and is therefore null and void.

## 2. Rediscount Quotas for Credit Institutions

The extent of 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 rediscount quotas. The Central Bank Council has laid down standard quotas, differentiated according to categories of institutions, which are calculated on the basis of the credit institution's liable funds (decisions of 17 April 1952 and 7 March 1963).

The rediscount quotas are fixed by the Boards of Management of the Land Central Banks for the credit institutions located in their area. The rediscount quota of any large bank with a branch system, or of any other supra-regionally operating credit institution, is fixed by the Board of Management of 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 in the whole area of the Federal Republic (Article 7 paragraph 1 item 2 of the Law concerning the Deutsche Bundesbank), are laid down by the Directorate of the Deutsche Bundesbank (decision of 27/28 March 1958):

Ausfuhrkredit-Aktiengesellschaft, Frankfurt am Main,  
Deutsche Bau- und Bodenbank AG, Frankfurt am Main,  
Deutsche Genossenschaftskasse, Frankfurt am Main,  
Deutsche Girozentrale — Deutsche Kommunalbank, Düsseldorf,  
Deutsche Verkehrs-Kredit-Bank AG, Frankfurt am Main,  
Industriekreditbank AG, 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.

The rediscount quota of a credit institution is individually determined in accordance with the standard quota, due regard being given to whether the credit institution observes the principles of the Federal Banking Supervisory Office in respect of the credit institutions' capital resources and liquidity (see pages 97/98). The method of fixing the quotas contains sufficiently elastic elements.

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

Outside the fixed rediscount quota those promissory notes of German exporters may be purchased which have been issued within the rediscount line (Limit B) opened by the Bundesbank for the Ausfuhrkredit-AG for the purpose of financing medium and long-term export transactions (decision of 17 April 1952), 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. 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 June 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 (decisions of 11 January 1956 and 10 April 1958).

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.

#### **4. Provisions as to Minimum Reserves**

During the period under report the Deutsche Bundesbank's Order on Minimum Reserves (MRO) was amended as follows:

When the Banking Law of 10 July 1961 came into force on 1 January 1962, the definition of credit institutions as given in that Law was taken into the MRO (Article 1 paragraph 1). The effect is that — unlike the former regulation — the term credit institutions within the meaning of the MRO now also includes enterprises whose business is "the incurring of the obligation to acquire claims in respect of loans prior to their maturity" (Article 1 paragraph 1 item 7 of the Banking Law). Through appropriate amendment of Article 2 paragraph 1 and Article 3 paragraph 2 the MRO has been adapted to the provision in Article 63 paragraph 3 of the Banking Law, according to which Article 16 paragraph 1 of the Bundesbank Law is amended to the effect that in the case of a credit institution as defined in Article 53 of the Banking Law (branches of foreign banks) a net liability on intercompany account in relation to the foreign parent institution or/and to foreign branches of the same institution is also deemed to be a liability in respect of sight deposits. The amendments which in this connection were made in Article 1 paragraph 2 a and Article 3 paragraph 4 of the MRO result from the new numbering of the Banking Law paragraphs and items quoted in those provisions (decision of 21 December 1961; Notice No. 5026/61).

By decision of 25 January 1962 the Central Bank Council terminated the regulation of the minimum reserve obligation, in force since 1 July 1960, in respect of liabilities arising from customers' availments of credits opened at institutions abroad. Between the dates mentioned such liabilities had been subject to the reserve obligation in so far as they exceeded their level of 31 May 1960; since February 1962 they have again been exempt in full from the minimum reserve obligation (revision of Article 2 paragraph 3 f).

In accordance with the Central Bank Council's decision of 22 February 1962, German branch establishments of foreign banks have on grounds of equality of treatment with German credit institutions been allowed (with effect from 1 March 1962), for the purpose of calculating the minimum reserve, to deduct from a net liability on intercompany account those liabilities in relation to their own enterprise which are based on transactions that otherwise (in a legally independent credit institution) are not subject to the minimum reserve obligation (paragraph 5 being added to Article 2).

In connection with a number of formal alterations, which in the main merely served to clarify definitions, the Central Bank Council revised the MRO with effect from 1 October 1962 (Notice No. 5013/62 of 3 September 1962). Except for a technicality in German terminology by which the text is made to conform to the Foreign Trade and Payments Law, the only feature of material importance is the insertion of item (e) in Article 2 paragraph 3, which exempts private bankers' liabilities to personally liable partners provided that such liabilities represent balances on accounts exclusively credited with dividends.

By decision of 21 March 1963 the Central Bank Council has exempted from the reserve obligation funds borrowed by credit institutions conducting business outside the sphere of banking and intended to finance such business (addition of item (k) to Article 2 paragraph 3).

The version of the Deutsche Bundesbank's Order on Minimum Reserves (MRO) as at present in force is reproduced below.

## **The Deutsche Bundesbank's Order on Minimum Reserves (MRO)**

*of 3 September 1962  
as amended on 22 March 1963*

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 (MRO):

### **I. General Provisions**

#### **Article 1**

- (1) Credit institutions within the meaning of this Order comprise all enterprises (also branches of foreign banks) conducting bank business within the meaning of Article 1 paragraph 1 of the Banking Law of 10 July 1961 (Federal Law Gazette I p. 881) — KWG — in the scope there indicated.
- (2) Not subject to the reserve obligation are
  - (a) the enterprises mentioned in Article 2 paragraph 1 items 4 to 9 of the Banking Law, except those quoted in Article 2 paragraph 1 item 8 of the Banking Law which mainly conduct banking business;
  - (b) the investment companies (Law dated 16 April 1957);
  - (c) the security-clearing institutions (Kassenvereine);
  - (d) credit institutions which are in liquidation, other credit institutions whose activity is confined to winding up, and dormant credit institutions.

#### **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. In the case of a credit institution as defined in Article 53 of the Banking Law, a net liability on intercompany account is likewise deemed to be a liability in respect of deposits within the meaning of sentence 1.
- (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 — i. e., running for less than six months — 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) of a credit institution in the legal form of a general partnership (OHG), limited partnership (KG), or company limited by shares (KGaA), to personally liable partners, provided the liabilities represent balances on accounts which are exclusively credited with dividends;
  - (f) in respect of customers' drawings on credits opened with third parties;
  - (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 to deposit accounts;
  - (j) in respect of savings deposits to the extent of the covering claims held under the Thirteenth Law to Amend the Equalisation of Burdens Law;
  - (k) in respect of funds borrowed by a credit institution which apart from bank business also conducts business in goods or services and keeps separate accounts for its bank and its non-bank business, if such funds are intended exclusively for financing its own business in goods and services, provided this is shown by the books.
- (4) Also exempt from the reserve obligation are liabilities to non-residents (Article 4 of the Law on Foreign Trade and Payments) — in so far as they are not already exempt under the above provisions — in the amount of the credit balances maintained with banks abroad and not taken into account according to paragraph 3 (d) and of the foreign money-market investments (bank acceptances, bank-endorsed commercial bills, Treasury bills and non-interest-bearing Treasury bonds).
- (5) Branches of foreign banks (Article 53 of the Banking Law) may, for the purpose of calculating the minimum reserve, deduct from a net liability on intercompany account those liabilities in relation to their own enterprise which in the case of a juridically independent credit institution would constitute liabilities according to paragraph 3 items d, f, or g.

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, and, in the case of a credit institution as defined in Article 53 of the Banking Law, a net liability on intercompany account.

- (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 deposits within the meaning of Articles 21 and 22 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 Reserves

#### 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 16th of the previous month to the 15th 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:
  - 23rd day of the previous month;
  - last day of the previous month;
  - 7th day of the current month;
  - 15th day of the current month.

This method may be excluded in individual cases where there is reason to assume that the credit institution has influenced the level of the reserve-carrying liabilities at the four fixed dates so as to depress it below the amount which would result from calculation according to Article 8 paragraph 1.

- (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 (or the appropriate central institution in the case of agricultural credit cooperatives).
- (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 fifth 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), 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 the liabilities left out of account in accordance with Article 2 paragraphs 2 to 5 divided between liabilities in accordance with paragraph 2 and paragraphs 3 to 5 of that Article.
- (2) (a) In the case of credit institutions with several branches, each office or branch shall in principle submit a reserve statement (Form 1500 — cf. paragraph 1). A combined reserve statement (Form 1500) indicating the number of the offices or branches covered may however be submitted for two or more offices or branches at similar places in the area of one Land Central Bank, if the records of the institution at any time permit the liabilities to be broken down according to the individual offices or branches. At the request of the Land Central Bank such breakdown has to be made for the time fixed by it.
- (b) If a credit institution renders more than one reserve statement (Form 1500), the main office has moreover to submit a collective statement (Form 1500a) in which the monthly averages shown in the reserve statements (Form 1500) of the liabilities subject to the reserve requirement and of the Bundesbank giro balances of each office or branch, or of the offices or branches combined in one reserve statement (Form 1500) are to be shown. In this case the monthly averages of the reserve-carrying liabilities of offices or branches not having a Bundesbank giro account of their own may be shown in summary, with an indication of the number of such offices or branches, even if no use has been made of the possibility of submitting a combined statement — cf. (a).
- (c) The collective statement (Form 1500a) shall likewise be submitted together with the reserve statements (Form 1500) not later than the fifth business day in each month, in respect of the past month, to the Bundesbank's account-keeping office appropriate to the main office of the credit institution; the appropriate Land Central Bank may permit 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 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 comes into force on 1 October 1962. At the same time the Deutsche Bundesbank's Order on Minimum Reserves (MRO) of 16 April 1959, as amended on 9 July 1959, 17 March, 2 June, 18 August 1960, 20 April, 13 July, 12 October, 21 December 1961, 25 January and 22 February 1962, ceases to have effect.

Deutsche Bundesbank  
Blessing Dr. Wolf

## 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 from:	Discount rate <sup>1)2)</sup>	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	7	
Nov. 1			1
1951 Jan. 1			3
1952 May 29	5	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	6 1/2	
Sep. 6	5	6	
1957 Jan. 11	4 1/2	5 1/2	
Sep. 19	4	5	
1958 Jan. 17	3 1/2	4 1/2	
June 27	3	4	
1959 Jan. 10	2 3/4	3 3/4	
Sep. 4	3	4	
Oct. 23	4	5	
1960 June 3	5	6	
Nov. 11	4	5	
1961 Jan. 20	3 1/2	4 1/2	
May 5	3	4	

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

<sup>1)</sup> This is also the rate for cash advances. — <sup>2)</sup> Until May 1956 lower rates as well applied to foreign bills and export drafts; fixed special rates were charged for certain credits granted to the Reconstruction Loan Corporation and terminated at the end of 1958 (for details see footnotes to the table published in the Report for the Year 1961, page 91).

*(b) Reserve Ratios and Reserve Classes*  
*(1) Reserve Ratios<sup>1)</sup>*

per cent of reserve-carrying liabilities

Applicable from:	Sight liabilities											Time liabilities						Savings deposits		Reserve ratios for addition to liabilities		
	Bank places ×)					Non-bank places						Reserve class						Bank places	Non-bank places	Sight liabilities	Time liabilities	Savings deposits
	1	2	3	4	5	6	1	2	3	4	5	6	1	2	3	4	5					
Reserve-carrying Liabilities to Residents																						
all such liabilities																						
1948 1 July				10					10					5					5			
1 Dec.				15					10					5					5			
1949 1 June				12					9					5					5			
1 Sep.				10					8					4					4			
1950 1 Oct.				15					12					8					4			
1952 1 May	15	14	13	12	11	10	12	11	10	10	9	8	8	8	7.5	7	6.5	6	5.5			
1 Sep.	12	12	11	11	10	9	10	10	9	9	9	8	8	7	7	6	5	5				
1953 1 Feb.	11	11	10	10	9	9	9	9	8	8	8	8	8	7	7	6	6	5	5			
1955 1 Sep.	12	12	11	11	10	10	10	10	9	9	9	9	8	8	7	7	6	6			no special ratios	
1957 1 May	13	13	12	12	11	11	11	11	10	10	9	9	9	9	8	8	7	7				
1959 1 Aug.	13	12	11	10	-	-	10	9	8	7	-	-	9	8	7	6	-	-	6	5		
1 Nov.	14.3	13.2	12.1	11.0	-	-	11.0	9.9	8.8	7.7	-	-	9.9	8.8	7.7	6.6	-	-	6.6	5.5		
1960 1 Jan.	15.6	14.4	13.2	12.0	-	-	12.0	10.8	9.6	8.4	-	-	10.8	9.6	8.4	7.2	-	-	7.2	6.0		
1 March	18.2	16.8	15.4	14.0	-	-	14.0	12.6	11.2	9.8	-	-	12.6	11.2	9.8	8.4	-	-	8.4	7.0		
1 June	20.15	18.60	17.05	15.50	-	-	15.50	13.95	12.40	10.85	-	-	13.95	12.40	10.85	9.30	-	-	9.00	7.50	Addition to the average level of the months March to May 1960	
1 July	20.15	18.60	17.05	15.50	-	-	15.50	13.95	12.40	10.85	-	-	13.95	12.40	10.85	9.30	-	-	9.00	7.50	30   20   10	
1 Dec.	20.15	18.60	17.05	15.50	-	-	15.50	13.95	12.40	10.85	-	-	13.95	12.40	10.85	9.30	-	-	9.00	7.50		
1961 1 Feb.	19.50	18.00	16.50	15.00	-	-	15.00	13.50	12.00	10.50	-	-	13.50	12.00	10.50	9.00	-	-	8.70	7.25		
1 March	18.20	16.80	15.40	14.00	-	-	14.00	12.60	11.20	9.80	-	-	12.60	11.20	9.80	8.40	-	-	8.10	6.75		
1 April	17.55	16.20	14.85	13.50	-	-	13.50	12.15	10.80	9.45	-	-	12.15	10.80	9.45	8.10	-	-	7.80	6.50		
1 June	16.25	15.00	13.75	12.50	-	-	12.50	11.25	10.00	8.75	-	-	11.25	10.00	8.75	7.50	-	-	7.20	6.00		
1 July	15.60	14.40	13.20	12.00	-	-	12.00	10.80	9.60	8.40	-	-	10.80	9.60	8.40	7.20	-	-	6.90	5.75		
1 Aug.	14.95	13.80	12.65	11.50	-	-	11.50	10.35	9.20	8.05	-	-	10.35	9.20	8.05	6.90	-	-	6.60	5.50		
1 Sep.	14.30	13.20	12.10	11.00	-	-	11.00	9.90	8.80	7.70	-	-	9.90	8.80	7.70	6.60	-	-	6.30	5.25		
1 Oct.	13.65	12.60	11.55	10.50	-	-	10.50	9.45	8.40	7.35	-	-	9.45	8.40	7.35	6.30	-	-	6.00	5.00		
1 Dec.	13	12	11	10	-	-	10	9	8	7	-	-	9	8	7	6	-	-	6	5		
Reserve-carrying Liabilities to Non-residents <sup>2)</sup>																						
all such liabilities																						
(Until April 1957 ratios were the same as for liabilities to residents)																						
1957 1 May	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	
1 Sep.	30	30	30	30	30	30	30	30	30	30	30	30	30	30	20	20	20	20	20	20	10	
1959 1 April	13	13	12	12	11	11	11	11	10	10	9	9	9	9	8	8	7	7			no special ratios	
1 Aug.	13	12	11	10	-	-	10	9	8	7	-	-	9	8	7	6	-	-	6	5		
1 Nov.	14.3	13.2	12.1	11.0	-	-	11.0	9.9	8.8	7.7	-	-	9.9	8.8	7.7	6.6	-	-	6.6	5.5		
such liabilities up to the level as of 30 November 1959																						
1960 1 Jan.	15.6	14.4	13.2	12.0	-	-	12.0	10.8	9.6	8.4	-	-	10.8	9.6	8.4	7.2	-	-	7.2	6.0	30   20   10	
1 March	18.2	16.8	15.4	14.0	-	-	14.0	12.6	11.2	9.8	-	-	12.6	11.2	9.8	8.4	-	-	8.4	7.0	30   20   10	
1 June	20.15	18.60	17.05	15.50	-	-	15.50	13.95	12.40	10.85	-	-	13.95	12.40	10.85	9.30	-	-	9.0	7.5	30   20   10	
all such liabilities																						
1961 1 May	30	30	30	30	-	-	30	30	30	30	-	-	20	20	20	20	-	-	10	10		
1962 1 Feb.	13	12	11	10	-	-	10	9	8	7	-	-	9	8	7	6	-	-	6	5		

<sup>1)</sup> Prior to May 1954, partly different regulations applied to the Berlin credit institutions. The Saarland credit institutions have been subject to the minimum reserve requirement since August 1959. — <sup>2)</sup> Non-residents in the meaning of Article 4 of the Foreign Trade and Payments Law. — <sup>3)</sup> From July 1960 to end-January 1962 these ratios also applied to the addition, as compared with the level on 31 May 1960, to credits availed of by customers with third parties abroad. Up to this level the liabilities in question remained exempt from the reserve requirement also during the period mentioned. — ×) "Bank places" are places at which there is an office or branch of the Deutsche Bundesbank.

*(2) Reserve Classes<sup>1)</sup>*

Reserve class	May 1952 to July 1959	Reserve class	Since August 1959
	Credit institutions with reserve-carrying sight and time liabilities		Credit institutions with reserve-carrying liabilities (including savings deposits)
1	of DM 100 million and over	1	of DM 300 million and over
2	of DM 50 million to under DM 100 million	2	of DM 30 million to under DM 300 million
3	of DM 10 million to under DM 50 million	3	of DM 3 million to under DM 30 million
4	of DM 5 million to under DM 10 million	4	under DM 3 million
5	of DM 1 million to under DM 5 million		
6	under DM 1 million		

<sup>1)</sup> The reserve class into which any credit institution is to be placed is determined by the amount of its reserve-carrying liabilities in the preceding month.

## II. Foreign Exchange Policy Arrangements

Since the Foreign Trade and Payments Law and the Foreign Trade and Payments Order came into force (on 1 September 1961) no foreign exchange regulations have been made, regarding capital and payment transactions with foreign countries, except the measures already described in the Report of the Deutsche Bundesbank for the Year 1961 (namely orders permitting payment of interest on letter-of-credit cover balances, and permitting payment of interest — subject to certain maximum limits — on time deposits). Accordingly the “Comparative Survey of the Progressive Liberalisation of Trade in Goods and the Main Items of Services and Capital Transactions with Foreign Countries”, which is printed on the next pages, contains no changes as compared with last year.

Foreign trade  
and payments

In connection with interzonal transactions the Deutsche Bundesbank's regulations have been subjected only to certain insignificant amendments. The total swing allowed on interzonal goods and service transactions was again DM 200 million; regarding the state of the clearing accounts on 31 December 1962, and the annual turnovers in clearing transactions with the Deutsche Notenbank, Berlin, reference is made to page 120 (Annual Statement — Assets — Other claims).

Interzonal transactions

*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 May 1963
<b>A. Trade in Goods</b>				
Liberalisation of the import of goods				
I. from O.E.E.C. countries (in p.c. of 1949 imports)	47 per cent <sup>1)</sup>	92.4 per cent <sup>1)</sup>	94.0 per cent <sup>1)</sup>	*)
II. from dollar countries (in p.c. of 1953 imports)	—	92.9 per cent <sup>1)</sup>	95.0 per cent <sup>1)</sup>	
<b>B. Services</b>				
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

<sup>1)</sup> Excluding governmental imports. — <sup>2)</sup> The ratio of liberalisation is no longer calculated.

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 May 1963
<b>C. Capital Transactions</b>				
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 amounts or investments (including transfer of capital assets to emigrants)				
(1) Proceeds of sale, redemption, 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 (except for "en pension" security transactions)
(b) German money-market paper	not permitted	not permitted	not permitted	not permitted at present
(c) DM loans running for not less than 5 years	not permitted	free out of Liberalised Capital Accounts, maximum interest rate 4 <sup>1</sup> / <sub>2</sub> %; 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
<b>D. Special Official Deliveries and Payments</b>				
(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
<b>E. Keeping of Accounts</b>				
I. For foreigners, at financial institutions in the Federal Republic				
	Blocked DM Accounts only (interest-bearing)	Accounts of limited and of free convertibility (non-interest-bearing)	Accounts of limited and of free convertibility (non-interest-bearing)	All accounts freely convertible (interest only on savings accounts of physical persons, on cover for letters of credit, and at specified maximum rates on time deposits)
II. For residents, at foreign financial institutions				
(1) Financial institutions	Opening and operation restricted	Opening free; operation restricted	Opening free; operation restricted	Opening and operation free
(2) Business enterprises	not permitted	Opening and operation restricted	Opening free; operation restricted	Opening and operation free
(3) Private persons	not permitted	Opening and operation restricted	Opening free; operation restricted	Opening and operation free
III. Foreign currency accounts for residents, at financial institutions in the Federal Republic	not permitted	Opening free; operation restricted	Opening free; operation restricted	Opening and operation free

## Part B

# Explanation of the Deutsche Bundesbank's Annual Statement for 1962

## Legal Bases, Classification and Valuation

Legal bases,  
accounting system  
and Annual Statement

The provisions regarding the Deutsche Bundesbank's accounting system and Annual Statement (Article 26 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.

Issue of Bundesbank  
Enjoyment Right  
Certificates

After the Order to Supplement and Amend the Capital Yield Tax Implementing Order, of 21 December 1962 (Federal Law Gazette I, page 773), had made clear that Bundesbank Enjoyment Rights do not count as taxable investment income, the Liquidator of the Deutsche Reichsbank through a Notice of 9 March 1963 (Federal Advertiser No. 48) invited holders to present the Deutsche Reichsbank Share Certificates which had remained in force, and which carried a certificate of negotiability, in order to receive Bundesbank Enjoyment Right Certificates. At the same time, out of the DM 100 million nominal of Bundesbank Enjoyment Right Certificates held at his disposal by the Deutsche Bundesbank, he handed in at the bank serving as central depository the Bundesbank Enjoyment Right Certificates relating to the whole amount of the collective document of title for Reichsbank Share Certificates. To the holders of credit balances on collective deposit account the security clearing banks (central depositories) accorded additional credit entries concerning Bundesbank Enjoyment Right Certificates.

In Federal Advertiser No. 48 of 9 March and No. 49 of 12 March 1963 the Deutsche Bundesbank announced the payment of dividends on the Bundesbank Enjoyment Right Certificates at 6<sup>0</sup>/<sub>10</sub> for each of the years 1958, 1959, 1960, and 1961.

Provision has been made for the first drawing of Bundesbank Enjoyment Right Certificates to take place in the near future.

Form of the  
Annual Statement

In the same way as in previous years the classification of the Annual Balance Sheet, and the designation of the Balance Sheet items, have been largely adapted to the arrangement in the Deutsche Bundesbank's return. The sub-item "other public authorities" under Asset Item 9 "Cash advances" has been dropped, the credit lines opened for the Reconstruction Loan Corporation before the coming into force of the Bundesbank Law having expired in the course of the year under report.

The classification of the Profit and Loss Account has remained unchanged by comparison with the previous year.

Valuation

In the same way as in previous years the provisions of Company Law (Aktiengesetz) have been taken into account *mutatis mutandis* in the valuation (Article 26, Bundesbank Law).

## 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

1962, the Deutsche Bundesbank's claim to allocation of equalisation claims has risen by DM 737,970.93 to DM 8,102,606,329.74; the claim on the Federal Government arising from the non-interest-bearing debt certificate issued in connection with the currency conversion in Berlin rose by DM 156.17 during the year under report to DM 547,167,706.72.

## Annual Statement

In the same way as in previous years the Annual Statement for 1962, 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 Deutsche Bundesbank's activity during 1962.

### Balance Sheet

#### Comparison of Balance Sheet Results Millions of DM

Assets	31 December			Liabilities	31 December		
	1960	1961	1962		1960	1961	1962
Gold	12,285.9	14,426.6	14,490.1	Capital	290.0	290.0	290.0
Balances at foreign banks and money-market investments abroad	15,905.2	11,386.8	10,929.1	Reserves	562.3	588.0	638.0
Foreign notes and coin, foreign bills and cheques	157.2	291.7	329.1	Reserves for specific purposes	1,077.0	949.7	1,075.6
German divisional coin	90.6	57.2	44.8	Bank notes in circulation	20,470.3	22,991.7	24,146.6
Postal cheque account balances	193.0	281.1	545.8	Deposits of			
Domestic bills of exchange	1,283.3	1,146.1	1,967.4	credit institutions	13,036.4	11,615.0	12,232.3
Treasury bills and non-interest-bearing Treasury bonds of Federal Government and Federal Special Funds	136.3	—	—	Federal Government	38.5	79.1	40.6
Advances against securities	419.0	219.7	157.7	Federal Special Funds	776.2	991.8	634.7
Cash advances	79.1	167.5	739.1	Länder	2,564.9	3,625.1	3,553.7
Other claims	92.3	98.6	91.3	other public depositors	59.9	37.0	55.2
Securities	323.6	1,483.7	1,368.9	other German depositors	219.7	252.4	278.8
Equalisation claims on public authorities and debt certificate in respect of Berlin	3,561.1	3,431.8	4,957.8	Liabilities in respect of foreign business	446.7	367.7	374.4
Credits to Federal Government for participation in international institutions	1,387.2	2,635.7	2,155.7	Items in course of settlement	169.8	—	302.8
Claims on Federal Government in respect of acquired claims resulting from post-war economic aid	—	2,512.8	2,512.8	Other liabilities	108.2	111.5	133.8
alteration of exchange parity	—	1,265.0	1,190.2	Net profit	93.7	180.8	226.4
Loans to international institutions and consolidation loans	3,657.3	2,442.4	2,289.4				
Items in course of settlement	—	6.2	—				
Other assets	342.5	226.9	213.7				
<b>Total</b>	<b>39,913.6</b>	<b>42,079.8</b>	<b>43,982.9</b>	<b>Total</b>	<b>39,913.6</b>	<b>42,079.8</b>	<b>43,982.9</b>

The Balance Sheet total as at 31 December 1962 has risen by DM 1,903.1 million, as compared with the end of 1961, to DM 43,982.9 million.

Balance Sheet total

### Assets

The gold holding, at DM 14,490.1 million on 31 December 1962, is shown higher by DM 63.5 million than on 31 December 1961.

Gold

The balances at foreign banks and the money-market investments abroad amounted on 31 December 1962 to DM 10,929.1 million (against DM 11,386.8 million on 31 December 1961).

Balances at foreign banks and money-market investments abroad

Foreign exchange dealings

The Deutsche Bundesbank's turnover in foreign exchange spot dealings amounted in the year under report to DM 6,551.9 million, against DM 15,055.3 million in 1961; the number of deals declined from 6,566 in the previous year to 6,154. They comprised

	1961		1962	
	Number	DM million	Number	DM million
Purchases	2,542	7,250.4	1,936	2,218.1
Sales	4,024	7,804.9	4,218	4,333.8
	6,566	15,055.3	6,154	6,551.9.

The bulk of the turnover was once again in U.S. dollars.

The Deutsche Bundesbank's commitment in respect of U.S. dollar swap transactions, concluded with German credit institutions to assist the employment of money abroad, amounted at the end of 1962 to U.S. \$ 32.2 million (at the end of 1961 it was U.S. \$ 283.8 million); in the year under report the lowest level was reached at its close, and the highest (namely U.S. \$ 1,036.8 million) on 24 January 1962. On forward repurchase of the U.S. dollars sold spot a discount, at rates varying between  $\frac{1}{4}\%$  and  $1\%$  per annum, was charged throughout the year; from 30 March 1962 onwards this discount was lower by  $\frac{1}{4}\%$  per annum on transactions running for more than two to six months than on transactions running for up to two months.

Foreign payments

The payment orders to and from foreign countries processed by the Deutsche Bundesbank have been as follows:

	1960	1961 Number	1962
Orders for payment to foreign countries			
in foreign currency	156,858	186,367	233,870
in DM	113,223	130,678	220,718
	270,081	317,045	454,588
Orders for payment from foreign countries			
in foreign currency	21,349	20,701	17,772
in DM	215,126	212,321	228,947
	236,475	233,022	246,719
Total processed orders for payment to and from foreign countries	506,556	550,067	701,307.
Of the orders for payment in foreign currency the amount executed to the debit of German credit institutions'			
U.S. \$ accounts kept at the Bank was	5,011	3,905	3,042
and to the credit of such accounts	4,486	3,760	1,772
	9,497	7,665	4,814.
The number of transfers between such accounts was	45,197	48,685	53,808.

Trade and other economic agreements

During the year under report the Bank participated in the conclusion of trade and other economic agreements with 17 countries, including five investment promotion agreements.

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

At DM 3.7 million the holding of foreign notes and coin at the end of 1962 was smaller by DM 1.0 million than on 31 December 1961. During the year under report the Deutsche Bundesbank effected 33,908 purchases of foreign notes and coin (against 38,178 in 1961) and 14,317 sales of foreign notes and coin (against 13,553 in 1961).

Purchase of foreign bills

At the close of 1962 the holding of foreign bills arising from purchase within the country was DM 323.5 million as compared with DM 284.4 million on 31 December 1961.

The following were purchased:

	in	Number	DM million
	1961	58,823	1,574.5
	1962	62,021	1,657.1.



The proportion of DM acceptances to the total value of the foreign bills purchased averaged about 47 per cent in 1962 against 36 per cent in 1961 (when the DM was revalued) and 60 per cent in 1960.

During the year under report 138,567 foreign cheques worth DM 130.8 million were purchased, against 144,788 worth DM 135.8 million in the previous year. Altogether 12,487 cheques on foreign countries were sold, against 12,520 in 1961, their total amount being DM 129.1 million as against DM 41.3 million in 1961.

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

	1961	Number	1962
Foreign notes and coin	8,420		6,526
Bills, cheques, etc., on a commission basis	11,291		10,079
	<u>19,711</u>		<u>16,605</u>

Purchase and sale of foreign cheques

Foreign commission business

The Bank's holding of German divisional coin amounted at the close of 1962 to DM 44.8 million, against DM 57.2 million at the end of 1961. In 1962 the Federal Government was credited with DM 104.8 million for coin taken over from the Mints, and debited with DM 0.6 million for coin called in or no longer fit for circulation. Altogether in the years 1948 to 1962 the Bank took over coin amounting to DM 1,802.6 million, and redeemed, to the debit of the Federal Government, DM 144.6 million of coins which were no longer fit to circulate or had been called in.

German divisional coin

With the inclusion of the deliveries of coin still outstanding at the end of December 1962 on minting orders given up till that time, namely DM 35.1 million of all denominations, the amount of coin per head of population works out at DM 29.65 on the basis of a population of 57.1 million in the Federal Republic including the Land of Berlin on 30 September 1962. The limit of DM 30 per head of population previously laid down by Article 5 (1) of the Law on the Striking of Divisional Coin, dated 8 July 1950, has in the meantime ceased to apply (Article 1 of the Law to Amend the Law on the Striking of Divisional Coin, dated 18 January 1963).

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 1962 to DM 545.8 million (against DM 281.1 million at the end 1961). Each day the credit balance on that account, in amounts rounded off

Postal cheque account balances

*Postal Cheque Transactions with Third Parties*

	1961				1962			
	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	80,629	6,639.1	30,906	692.1	88,529	7,448.5	39,815	782.7
Bavaria	83,873	7,675.0	28,496	603.5	87,551	8,680.6	26,599	728.3
Berlin	15,275	1,382.3	12,020	451.3	14,553	1,489.1	13,615	501.7
Bremen	29,420	904.6	2,173	22.1	29,694	927.3	2,247	27.8
Hamburg	48,030	4,116.2	8,274	56.0	50,727	4,486.3	7,621	69.9
Hesse	62,402	4,087.8	25,232	881.5	61,372	4,730.8	25,061	1,020.6
Lower Saxony	93,626	4,295.4	19,734	446.4	93,755	4,673.7	16,545	381.3
North Rhine-Westphalia	193,792	8,963.1	41,389	1,116.6	191,877	9,811.1	40,914	1,246.2
Rhineland-Palatinate	55,314	1,634.1	12,799	220.1	54,306	1,787.0	11,874	222.2
Saarland	4,523	796.2	963	41.0	4,209	880.8	1,010	31.5
Schleswig-Holstein	12,446	259.5	6,939	119.9	11,708	244.5	6,287	114.8
<b>Total</b>	<b>679,330</b>	<b>40,753.3</b>	<b>188,925</b>	<b>4,650.5</b>	<b>688,281</b>	<b>45,159.7</b>	<b>191,588</b>	<b>5,127.0</b>
Bundesbank								
— Directorate —	8,949	1,379.0	50,883	61.9	9,379	1,237.1	50,241	65.3
<b>Grand total</b>	<b>688,279</b>	<b>42,132.3</b>	<b>239,808</b>	<b>4,712.4</b>	<b>697,660</b>	<b>46,396.8</b>	<b>241,829</b>	<b>5,192.3</b>

to multiples of DM 100,000, is offset against the giro balance of the Central Cash Office of the Postal Administration.

Domestic bills of exchange	The domestic bill holding comprised:		31 Dec. 1961	31 Dec. 1962
			Millions of DM	
	Domestic bills			
	purchased by way of discount		1,111.1	1,944.0
	Import and Storage Agency bills taken in the course of open-market operations		17.2	21.3
	Prime bankers' acceptances thus taken		17.8	2.1
		1,146.1	1,967.4.	

The average bill holding, as calculated from the figures on the return dates in the year under report, was DM 1,129.3 million against DM 1,064.1 million in 1961.

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

	Purchase				Held on	
	1961		1962		31 Dec. 1961	31 Dec. 1962
	'000	DM mn	'000	DM mn	DM million	
Land Central Bank						
Baden-Württemberg	208	1,605.6	192	1,777.0	71.5	178.8
Bavaria	79	720.7	59	666.1	81.0	108.5
Berlin	13	304.5	5	99.6	13.3	12.0
Bremen	33	376.0	35	479.0	22.1	59.7
Hamburg	99	1,570.8	88	1,566.3	99.3	190.1
Hesse	207	3,014.7	210	3,279.8	146.9	309.8
Lower Saxony	134	942.3	105	927.2	90.9	152.2
North Rhine-Westphalia	491	6,794.1	444	7,183.8	497.9	781.2
Rhineland-Palatinate	71	437.4	55	419.4	34.6	61.5
Saarland	3	109.4	5	212.5	32.2	27.3
Schleswig-Holstein	40	252.1	39	250.9	13.0	52.7
Bills in course of remittance	—	—	—	—	8.4	10.2
Total	1,378	16,127.6	1,237	16,861.6	1,111.1	1,944.0

At DM 13,631 the average amount of the bills purchased in 1962 was above the previous year's average of DM 11,712.

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

		1961		1962
		Number	DM million	Number
		7,334	10.4	5,022
				9.5
	in per cent of the total purchased	0.5	0.06	0.4
				0.06.

Commission business

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

		Number	DM million
	1961	295,632	2,749.8
	1962	268,160	2,155.0.

Discount rate

The Bundesbank's discount rate for domestic and foreign bills and for foreign cheques has remained unchanged at 3% since 5 May 1961.

Storage Agency bills

Open-market purchases and sales of Storage Agency bills were substantially smaller than in the previous year. Bills having a face value of DM 749.0 million were purchased (in 1961 DM 1,743.9 million), and DM 600.0 million of these (in 1961 DM 820.4 million) were resold. Bills amounting to DM 145.0 million out of the Bank's holding were repaid in 1962 (in 1961 DM 1,010.7 million).

Prime bankers'  
acceptances

In the same way as in previous years the Bank afforded support to the liquidity of the prime bankers' acceptance market, and extended this support in the autumn of 1962 to bills which serve for short-term financing of exports and of international commission processing. Altogether in 1962 the Bank purchased prime bankers' acceptances amounting to DM 205.8 million (in 1961

DM 365.6 million) from the Privatdiskont-Aktiengesellschaft, Frankfurt am Main, which acts as broker, and resold items totalling DM 217.2 million (in 1961 DM 366.7 million) with a view to their being placed in the market. Bills which because of their short remaining life were no longer good delivery were repaid to a total extent of DM 4.4 million (in 1961 DM 13.5 million).

In the same way as previously the Bank's open-market business included — besides the Storage Agency bills, the prime bankers' acceptances and, in accordance with Article 42 of the Bundesbank Law, the mobilisation paper discussed below — the Treasury bills of the German Federal Railways and the non-interest-bearing Treasury bonds of the Federal Government, the German Federal Railways and the German Federal Postal Administration, placed in each case for account of the issuers. It further comprised the Reconstruction Loan Corporation's promissory notes, issued for the first time in the summer of 1959 on the economic reincorporation of the Saarland.

Treasury bills and non-interest-bearing Treasury bonds of the Federal Government and Federal Special Funds

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

Category of paper	In circulation on 31 Dec. 1961	Issued in 1962		In circulation on 31 Dec. 1962
			Redeemed	
Non-interest-bearing Treasury bonds of the Federal Republic of Germany "B"	407.6	479.1	407.6	479.1
Treasury bills of the German Federal Railways	182.4	479.2	474.7	186.9
Non-interest-bearing Treasury bonds of the German Federal Railways	590.0	397.7	416.7	571.0
Non-interest-bearing Treasury bonds of the German Federal Postal Administration	264.3	217.0	249.3	232.0
Promissory notes of the Reconstruction Loan Corporation	125.0	103.0	150.0	78.0

Of the items shown in the table none were in the hands of the Bundesbank on 31 December 1962.

The average extent of recourse to the Bank through taking advances against securities, as calculated from the amounts on return dates during the year under report, was DM 49.4 million against DM 57.1 million in 1961. On 31 December 1962 such advances were outstanding to the extent of DM 157.7 million as compared with DM 219.7 million at the end of 1961.

Advances against securities

*Lending on Securities in the Land Central Bank Areas*

Land Central Bank	Advances granted against securities				Outstanding on	
	1961		1962		31 Dec. 1961	31 Dec. 1962
	Number	DM mn	Number	DM mn	DM mn	
Baden-Württemberg	1,259	249.9	1,178	326.2	3.8	19.7
Bavaria	1,064	215.7	1,004	175.9	40.2	23.4
Berlin	50	106.0	17	8.2	1.9	0.0
Bremen	50	25.7	43	3.3	4.0	1.5
Hamburg	523	370.9	533	186.8	37.8	7.6
Hesse	1,135	496.1	1,137	1,059.7	19.0	13.0
Lower Saxony	2,122	414.0	1,976	352.0	23.9	31.7
North Rhine-Westphalia	726	1,384.8	805	900.1	72.5	41.8
Rhineland-Palatinate	787	235.0	749	254.2	15.5	16.6
Saarland	46	16.9	29	14.5	0.1	1.6
Schleswig-Holstein	324	93.1	291	70.4	1.0	0.8
Total	8,086	3,608.1	7,762	3,351.3	219.7	157.7

The rate of interest for advances against securities has remained unchanged at 4% since 5 May 1961.

Advance rate

**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 for Berlin, Bremen and Hamburg, where the limit is DM 40 per inhabitant.	

Of these amounts the following had been taken and were outstanding on 31 December 1962:

	Millions of DM
(a) Fed. Govt. and Fed. Special Funds	
by the Federal Government as a book credit	739.1
by the Federal Railways through Treasury bills in circulation with an assurance of purchase by the Bank	186.9

(b) Länder No cash advance was granted to any of the Länder except the Saarland in the year under report.

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

Other claims The "Other claims" of DM 91.3 million shown in Asset Item 10 (in 1961 DM 98.6 million) continue to include, as their largest component, the claims which arise from interzonal payments and which are cleared through the accounts kept at the Deutsche Notenbank, Berlin, and at the Bundesbank.

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

	1961	1962
	Millions of DM	
West/East deliveries and services	911.3	885.6
East/West deliveries and services	922.4	890.0
	<u>1,833.7</u>	<u>1,775.6</u>

Securities The holding of securities is shown at DM 1,368.9 million (in 1961 DM 1,483.7 million); in the same way as previously it includes bonds and other debt instruments of the International Bank for Reconstruction and Development as well as bonds of the Federal Government, mortgage bonds, communal bonds and Reichsbank shares.

Security issues During the year under report the Bank again currently operated, for account of the debtors, to prevent major fluctuations in the price of bonds of the Federal Government, the Federal Special Funds, some Länder, the Reconstruction Loan Corporation and the Equalisation of Burdens Bank.

In 1962 the Federal Loan Syndicate, which is under the Bank's leadership, offered for public subscription two loans of the Federal Republic of Germany, four of the German Federal Rail-

*Loans Issued through the Federal Loan Syndicate in 1962*

Issuer	Amount DM mn	Interest rate %	Issue price per cent	Date of issue 1962	Introduced on stock exchanges (official dealings) 1962
German Federal Railways	210	6	100	29 Jan.	7 March
German Federal Postal Administration <sup>1)</sup>	200	5 3/4	99	26 Feb.	17 April
German Federal Railways	260	5 3/4	99 1/2	4 April	16 May
Federal Republic of Germany	400	6	100	5 July	7 Aug.
German Federal Postal Administration <sup>1)</sup>	200	6	100	30 July	5 Sep.
German Federal Railways 2nd Issue	250	6	100	27 Aug.	26 Sep.
Federal Republic of Germany 2nd Issue	250	6	100	22 Oct.	7 Nov.
German Federal Railways 3rd Issue	250	6	100	3 Dec.	12 Dec.

<sup>1)</sup> In addition DM 10 million was placed by the issuer directly.

ways and two of the German Federal Postal Administration. The total amount of these newly issued loans was DM 2,020 million.

In addition the Bank in 1962 placed on the market DM 100 million of 6% Treasury bonds issued by the Federal Republic of Germany and running for seven to ten years, as well as a total of DM 350 million of Treasury bonds (medium-term notes — Kassenobligationen) issued by the Federal Republic of Germany, the German Federal Railways and the German Federal Postal Administration, with periods to maturity of three and four years and interest rates of 4% and 4½% respectively. The medium-term notes (Kassenobligationen) were introduced onto the market for regulated unofficial dealings.

The conversion or cash redemption of the Reichsmark and foreign currency 3% bonds, debt certificates and fractional certificates of the Konversionskasse für deutsche Auslandsschulden (Conversion Office for German External Debts) was continued. In its capacity as paying agent or agency for the bonds of the Federal Republic of Germany issued in connection with the conversion of external bonds the Bank paid 376,100 interest coupons and matured bonds, in the course of the year under report, against 392,972 in 1961; in 1962 the countervalue of 1,477,502 interest coupons and matured bonds, against 1,547,839 in 1961, was collected from foreign agents.

The Bank as conversion and paying agent for external loans

Equalisation claims arising from	31 Dec. 1961	31 Dec. 1962	Equalisation Claims
	Millions of DM		on public authorities
own Conversion Account Bank deutscher Länder	5,503.8	5,504.1	
Land Central Banks	<u>2,598.0</u>	<u>2,598.5</u>	
	8,101.8	8,102.6	
handed back in exchange for money-market paper	<u>5,291.8</u>	<u>3,768.7</u>	
	2,810.0	4,333.9	
Conversion of Berlin pre-capitulation balances	24.6	27.4	
Conversion of RM balances at credit institutions in the Soviet Sector of Berlin	<u>1.3</u>	<u>1.3</u>	
	2,835.9	4,362.6	
Equalisation claims purchased	<u>48.7</u>	<u>48.1</u>	
	2,884.6	4,410.7	

The increase in the equalisation claims 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 1962, which account is attached to this Report as Appendix 1. The equalisation claims belonging to the Bank on 31 December 1961 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.

The amount of equalisation claims purchased by the Land Central Bank in Berlin was reduced, through redemption, from DM 48.7 million at the end of 1961 to DM 48.1 million.

The dealings in Federal Government Treasury bills and non-interest-bearing Treasury bonds (mobilisation paper), which in accordance with Article 42 of the Bundesbank Law are handed to the Bank in exchange for the equalisation claims that it holds on the Federal Government in respect of its own Conversion Account, and which it sells to the market in the course of open-market operations, showed their highest turnover to date in the year under report; as measured by sales they rose from DM 8.6 billion in 1961 to DM 11.6 billion in 1962. With considerable variations during the year the circulation of mobilisation paper amounted on 31 December 1962 to DM 3,768.7 million, being thus less by about DM 1,523 million than at the end of 1961. The

Purchase of Equalisation Claims for own account  
Mobilising of Equalisation Claims for the purpose of open-market policy

approximately DM 1 billion of Federal Government non-interest-bearing Treasury bonds series "L", which had been issued in 1960 subject to a (subsequently cancelled) prohibition on sale, were repaid in the summer and autumn of 1962.

The selling rates for mobilisation paper, as well as for other money-market paper, were raised several times in the course of the year under report (by altogether  $\frac{3}{4}\%$  for all categories).

*Mobilisation Paper Sold and Redeemed*

Millions of DM

	1960 in circula- tion on 31 Dec.	1961			1962		
		Sold	Redeemed	In circula- tion on 31 Dec.	Sold	Redeemed	In circula- tion on 31 Dec.
Treasury bills of the Federal Government (running for a maximum of ninety days)	967.9	5,873.9	5,633.8	1,208.0	8,025.5	7,914.0	1,319.5
Non-interest-bearing Treasury bonds of the Federal Government, including series "L" (running for 6 to 24 months)	4,235.1	2,767.8	2,919.1	4,083.8	3,608.6	5,243.2	2,449.2
Total	5,203.0	8,641.7	8,552.9	5,291.8	11,634.1	13,157.2	3,768.7

Debt Certificate  
in respect of Berlin

The Bank's claim on the Federal Government in respect of the currency conversion in Berlin rose by DM 156.17 in 1962; it amounted on 31 December 1962 to DM 547.2 million.

Credits to Fed. Govt.  
for participation in  
international institutions

Under Article 20, paragraph 1, item 2 of the Bundesbank Law the Bank 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:

	Millions of DM
International Monetary Fund	3,307.5
European Fund	210.0
International Bank for Reconstruction and Development	35.0

The credits granted to the Federal Government in respect of its participation in the International Monetary Fund and the European Fund were reduced, through those institutions' repayments, by DM 479.4 million to DM 2,101.3 million and by DM 0.7 million to DM 25.4 million respectively. The credit granted to the Federal Government for the purpose of meeting payment liabilities to the I.B.R.D. remained unchanged in the year under report. Under an agreement with the Federal Government the Federal Republic of Germany's financial participations in the International Monetary Fund, the European Fund and the International Bank for Reconstruction and Development have for practical purposes been transferred wholly or proportionately to the Bank.

Claims on Fed. Govt.  
in respect of  
(a) acquisition of claims  
arising from post-war  
economic aid  
(b) alteration of  
exchange parity

The claims acquired by the Bank on the Federal Government in respect of post-war economic aid did not alter in the year under report; no repayments had to be effected for 1962.

The claim which arose as against the Federal Government on revaluation of the DM (on 6 March 1961) was redeemed, as agreed, to the extent of the DM 74.8 million share of profit (remaining balance) which was due to the Federal Government for the year 1961 under Article 27 of the Bundesbank Law.

Loans to international  
institutions and  
consolidation loans

At DM 2,289.4 million the loans to international institutions and consolidation loans are shown lower by DM 153.0 million than a year before. In detail the claims consist of:

	31 Dec. 1961	31 Dec. 1962
	Millions of DM	
Loans to I.B.R.D.	1,342.5	1,342.5
Consolidation loans		
arising from liquidation of E.P.U.	1,038.3	897.1
to foreign Central Banks	61.6	49.8
	<u>2,442.4</u>	<u>2,289.4</u>

The claims arising from liquidation of E.P.U. amounted at the end of 1962 to DM 897.1 million, against DM 1,038.3 million at the end of 1961 and DM 4,185.8 million after the E.P.U. settlement in January 1959; thus nearly four-fifths of these credits have been repaid. Liquidation of E.P.U.

Of the consolidation and interim loans which were granted to foreign Central Banks by the Bundesbank on the change-over of payments from a bilateral to a multilateral basis, and which originally totalled DM 627.6 million, the amount still outstanding at the end of December 1962 was DM 49.8 million (against DM 61.6 million at the end of 1961). Loans to foreign Central Banks

Against the additions of DM 20.4 million to land and buildings there are disposals of DM 0.1 million. With DM 10.3 million having been written off, the land and buildings are shown in the Balance Sheet at DM 75 million. Land and buildings

The additions of DM 3.1 million to equipment were fully written off in the same way as in previous years. Equipment

Of the DM 66.8 million (against DM 59.9 million at the end of 1961) shown in Asset Item 18 entitled "Other assets", DM 58.1 million (at the end of 1961 DM 53.4 million) represent interest which falls due in 1963, but is assignable to the Profit and Loss Account for the year under report, on monies employed abroad and on securities. Other assets

In the same way as in previous years the transitory items on the assets side mainly comprise the proportion of interest relating to subsequent years on money-market paper issued in exchange for equalisation claims. Transitory items

### *Liabilities*

The capital of the Bank has remained unchanged at DM 290 million (Article 2 of the Bundesbank Law); it belongs to the Federal Government. Capital

In pursuance of the Central Bank Council's decision of 5 April 1962 DM 36.2 million has been added to the legal reserve and DM 13.8 million to the other reserves out of the net profit for 1961; the reserves have accordingly risen from DM 588.0 million at the end of 1961 to DM 638.0 million. Reserves

#### *Position and Movement of Reserves for Specific Purposes (Millions of DM)*

Reserves for specific purposes	Position on 31 Dec. 1961	Withdrawal	Addition in 1962	Position on 31 Dec. 1962
For pension liabilities	549.0	24.6	50.6	575.0
For note printing	25.0	—	—	25.0
For conversion costs	0.7	0.1	—	0.6
Other	375.0	—	100.0	475.0
<b>Total</b>	<b>949.7</b>	<b>24.7</b>	<b>150.6</b>	<b>1,075.6</b>

**Reserves for  
specific purposes**

The reserve for pension liabilities to members of the Bank's organs and to the Bank's officials, as well as for covering the claims of former Reichsbank staff, still falls short of the actuarially calculated requirement. A sum of DM 0.4 million was allocated to this reserve outside the Profit and Loss Account.

The reserve for note printing is unchanged by comparison with last year.

The providing of interest on and redemption of special equalisation claims pursuant to Article 3, paragraph 1 of Regulation 45 under the Conversion Law, and to Article 12 of the Law for Increasing Payments in respect of Private Pension Insurance (Insurance Companies and Pension Funds) and in respect of Compulsory Capital-sum Insurance, dated 24 December 1956 (Federal Law Gazette I, page 1074), required expenditure of DM 0.1 million in the year under report.

Through the amounts paid by the Bank the special equalisation claims pursuant to Regulation 45 under the Conversion Law have been repaid except for a small amount still subject to revision. The Bank's future payments under this Regulation and under the Second Pension Increase Law are likely to stay within the limits of the remaining reserve of DM 0.6 million.

The other reserves for specific purposes were increased by DM 100 million in the year under report, to DM 475 million, with a view to covering hazards inherent in the foreign and domestic business.

**Bank note circulation**

The circulation of bank notes rose from DM 22,991.7 million at the end of 1961 to DM 24,146.6 million on 31 December 1962.

*Circulation of Notes and Coin (Millions of DM)*

End of year	Bank notes in circulation	Federal coin	Circulation of notes and coin total
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
1960	20,470.3	1,369.3	21,839.6
1961	22,991.7	1,496.6	24,488.3
1962	24,146.6	1,613.2	25,759.8

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

Following the Bundesbank DM 20 note, which had been put into circulation in the previous year, the DM 100 note was issued in February 1962 and the DM 50 note in June 1962 as further denominations of the Bundesbank note series. The DM 50 notes, first issue, of the Bank deutscher Länder were called in as on 15 May 1962, the final date set for their exchange being 15 August 1962.

In connection with the issue of Bundesbank notes the Bank in the year under report put into circulation, or made available for that purpose, new notes of various denominations totalling DM 25,771.4 million.

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

Millions	1957	1958	1959	1960	1961	1962
Number	160.3	92.8	153.0	323.3	280.4	204.5
DM	4,047.8	3,426.9	4,916.3	12,140.5	9,680.0	9,286.4.

The number of counterfeit notes detained in the course of payments declined in 1962, while that of counterfeit coins so detained rose slightly.

*Counterfeits Discovered*

Year	Notes		Coins	
	Number	Thousands of DM	Number	Thousands of DM
1957	830	28.0	10,030	22.2
1958	819	36.5	8,540	24.3
1959	763	29.5	6,673	21.0
1960	499	19.4	5,695	18.2
1961	590	26.4	4,147	13.9
1962	354	19.3	4,536	13.6

**Deposits**

	31 Dec. 1961	31 Dec. 1962
	Millions of DM	
(a) Credit institutions (including Postal Cheque and Postal Savings Bank Offices)	11,615.0	12,232.3
(b) Public depositors		
(ba) Federal Government	79.1	40.6
(bb) Federal Special Funds	991.8	634.7
(bc) Länder	3,625.1	3,553.7
(bd) Other public depositors	37.0	55.2
(c) Other German depositors	252.4	278.8
	<u>16,600.4</u>	<u>16,795.3.</u>



The credit institutions' deposits mainly represent the minimum reserves which have to be maintained at the Bundesbank. In December 1962 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 the average of the four weekly bank-return dates, amounted to DM 9,801.6 million as against DM 8,969.7 million in December 1961, and the actually maintained reserve to DM 10,140.1 million as against DM 9,336.3 million in December 1961.

Of the turnovers on giro accounts the following were settled without use of cash:

Giro transactions

	Percentage of	
	number	amounts
in 1961	99.19	95.50
in 1962	99.27	95.53.

*Annual Turnover on Giro Accounts at the Deutsche Bundesbank*

	1961			1962		
	Number <sup>1)</sup>	Amount	Average amount	Number <sup>1)</sup>	Amount	Average amount
	'000	DM million	DM '000	'000	DM million	DM '000
(a) Credits						
of which:						
Cash in-payments	1,115	76,578	68.7	1,085	83,694	77.1
Settlements with account-holders	5,918	519,870	87.8	6,433	555,971	86.4
Local transfers	11,105	483,348	43.5	11,298	518,595	45.9
Transfers from other places	30,233	494,169	16.3	34,944	546,903	15.7
Cheque collections (cheques lodged)	93,586	157,880	1.7	103,310	179,887	1.7
Total	141,957	1,731,845	—	157,070	1,885,050	—
(b) Debits						
of which:						
Cash out-payments	1,179	79,254	67.2	1,164	85,028	73.0
Settlements with account-holders	4,551	519,524	114.2	4,440	555,312	125.1
Local transfers	11,105	483,348	43.5	11,298	518,595	45.9
Transfers to other places	29,335	492,032	16.8	34,757	545,883	15.7
Cheque collections (cheques paid)	93,353	157,747	1.7	103,212	180,024	1.7
Total	139,523	1,731,905	—	154,871	1,884,842	—
(c) In per cent of total turnover (credits and debits)		<i>per cent</i>			<i>per cent</i>	
Cash payments		4.50			4.47	
Settlements with account-holders		30.01			29.48	
Local transfers		27.91			27.51	
Transfers to and from other places		28.47			28.99	
Cheque collections (cheques lodged and paid)		9.11			9.55	
		100.00			100.00	

<sup>1)</sup> Number of transactions.

Liabilities in respect  
of foreign business

The liabilities in respect of foreign business comprised:

	31 Dec. 1961	31 Dec. 1962	
	Millions of DM		
Deposits of non-residents			
Banks	210.6		286.1
Others	63.0	273.6	67.3
Deposits of resident credit institutions			
on U.S. dollar accounts		9.5	10.1
Provision of cover for			
credits and guarantees by			
Non-residents	62.6		0.4
Residents	17.0	79.6	6.6
Other liabilities		5.0	3.9
		367.7	374.4

Export credit business

The number of orders and authorisations to open documentary credits was reduced, through a change of procedure in the handling of credit business with Greece and Turkey in May 1962, from 21,493 in 1961 to 6,710 in the year under report.

Import credit business

In the year under report the Bank opened 116 credits (likewise 116 in the previous year). The Bank was used in 25 cases, against 67 in the previous year, as reimbursement agent for credits directly opened by German banks.

The credit business done in respect of I.C.A. (International Cooperation Administration) imports in 1962 was only of slight importance.

Items in course of  
settlement

In the same way as previously the Balance Sheet item "Items in course of settlement" chiefly comprises the inter-branch transfers which were taking place at the close of the year and the cheques in course of clearing at that date. On 31 December 1962 there was a net liability of DM 302.8 million as compared with a net asset of DM 6.2 million at the end of 1961.

Other liabilities

The "Other liabilities" are shown on 31 December 1962 at DM 70.0 million as against DM 54.3 million at the end of 1961. The largest item contained therein is the amount of DM 44 million (at the end of 1961 DM 28 million) held available to provide interest and redemption on Bundesbank Enjoyment Right Certificates.

Transitory items

In the same way as previously the transitory items on the liabilities side (DM 63.8 million for 1962, DM 57.3 million for 1961) mainly comprise interest which was received in the year under report, but relates to the next year, on foreign and domestic Treasury bills, bank acceptances and commercial bills.

Contingent liabilities  
and claims

The contingent liabilities and claims are shown on 31 December 1962 at DM 3.0 million, against DM 2.0 million at the end of 1961.

## Profit and Loss Account

### Comparison of Expenditure and Receipts

Millions of DM

Expenditure	1960	1961	1962	Receipts	1960	1961	1962
Interest on money-market paper issued in exchange for equalisation claims	182.1	246.0	156.4	Interest on monies employed abroad	522.5	451.9	360.0
Other interest	1.6	6.7	1.6	equalisation claims	246.6	244.8	245.6
	<u>183.7</u>	<u>252.7</u>	<u>158.0</u>	domestic bills of exchange, advances against securities and cash			
Valuation requirement in respect of the external position	120.4	59.7	—	advances, as well as on other claims	82.9	81.1	96.1
Administrative costs				foreign bills of exchange bought in Germany			
Personnel	128.7	143.5	149.8	securities, Treasury bills and Treasury bonds	16.7	38.6	61.0
Materials	23.3	23.7	25.7	Other interest	1.1	0.6	0.6
Note printing	11.6	33.0	29.5		<u>875.8</u>	<u>824.7</u>	<u>770.8</u>
Depreciation	12.3	10.3	13.4	Fees	2.4	2.5	2.8
Allocation to reserves for specific purposes	289.7	125.3	150.2	Other receipts	8.3	27.8	7.5
Pension payments in respect of Reichsbank	19.6	21.7	24.1				
Other expenditure	3.5	4.3	3.9				
Net profit	93.7	180.8	226.5				
<b>Total</b>	<b>886.5</b>	<b>855.0</b>	<b>781.1</b>	<b>Total</b>	<b>886.5</b>	<b>855.0</b>	<b>781.1</b>

### Receipts

Millions of DM

	1960	1961	1962	
The interest received amounts to	875.8	824.7	770.8	Interest
After deduction of the interest paid out, namely	183.7	252.7	158.0	
and of the valuation requirement in respect of the external position, namely	120.4	59.7	—	
it is shown in the Profit and Loss Account at	571.7	512.3	612.8	

The interest on monies employed abroad has fallen by DM 91.9 million, as compared with last year's figure, to DM 360.0 million in 1962; nothing (as against DM 59.7 million a year before) was required for valuation.

The amount of interest received on equalisation claims was DM 245.6 million (against DM 244.8 million in 1961); the interest paid on money-market paper issued in exchange for equalisation claims was down by DM 89.6 million on the year at DM 156.4 million. The interest receipts from the discounting of domestic bills and the granting of advances against securities and of cash advances, as well as from other claims, amounted to DM 96.1 million in 1962 as compared with DM 81.1 million in the previous year. At DM 61.0 million the interest received on securities, Treasury bills and Treasury bonds was greater by DM 22.4 million than the DM 38.6 million received in the previous year. DM 7.5 million of interest accrued from the discounting of foreign bills, against DM 7.7 million in 1961.

**Fees** DM 2.8 million of fees were received in the year under report, against DM 2.5 million in 1961.

**Other receipts** DM 7.5 million are shown as "Other receipts", against DM 27.8 million in 1961.

### *Expenditure*

**Administrative costs (a) Personnel** The administrative costs in respect of personnel are up in comparison with the previous year owing to the collectively agreed increase in the pay of salaried employees and wage-earners in 1962, together with the non-recurring interim payment to officials; they amounted to DM 149.8 million in 1962 as against DM 143.5 million in 1961. The Bundesbank's staff increased in number by 160 in 1962.

#### *Number of Persons Employed in the Bundesbank*

	End of 1961					End of 1962				
	Directorate	Land Central Banks	Total	of which:		Directorate	Land Central Banks	Total	of which:	
				male	female				male	female
Officials	584	3,872	4,456	4,426	30	584	3,911	4,495	4,456	39
Salaried employees	1,198	4,184	5,382	2,569	2,813	1,216	4,290	5,506	2,563	2,943
Wage-earners	182	817	999	209	790	175	821	996	212	784
<b>Total</b>	<b>1,964</b>	<b>8,873</b>	<b>10,837</b>	<b>7,204</b>	<b>3,633</b>	<b>1,975</b>	<b>9,022</b>	<b>10,997</b>	<b>7,231</b>	<b>3,766</b>

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, including their surviving dependants, amounted to DM 3,981,337.80 for the year under report. Additional payments for earlier years were made to the extent of DM 34,909.92.

**(b) Materials** The administrative costs in respect of materials rose from DM 23.7 million in 1961 to DM 25.7 million.

**Note printing** The expenditure on note printing fell somewhat short of that in the previous year; it amounted to DM 29.5 million in 1962 against DM 33.0 million in 1961.

**Depreciation and allocations to reserves for specific purposes** The depreciation on land and buildings as well as on 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 Reichsbank** The payments for members of the former Deutsche Reichsbank and other persons to whom the Law concerning 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 27.9 million (against DM 25.5 million in 1961); of this amount DM 3.8 million was taken from the reserves for pension liabilities, in the same way as previously, so that DM 24.1 million is shown as pension payments in respect of the Reichsbank by comparison with DM 21.7 million in 1961.

*Net Profit*

	DM	Proposed distribution of the profit
According to the Profit and Loss Account the net profit amounts to (against DM 180,813,671.66 in 1961).	226,467,057.34	
The Directorate proposes to the Central Bank Council		
that there be allocated		
to the legal reserve	DM 45,300,000.—	
that there be provided for dividends on Bundesbank Enjoyment Rights	6,000,000.—	
and that there be allocated		
to the other reserves	17,500,000.—	
and to the Fund for the Purchase of Equalisation Claims	40,000,000.—	108,800,000.—
Out of the balance of profit remaining to the Federal Government (Article 27, item 4 of the Bundesbank Law), namely		117,667,057.34
there has to be provided		
for allocation to the Fund for Redemption of Bundesbank Enjoyment Rights	10,000,000.—	
and under the agreement made with the Federal Government a sum of	107,667,057.34	
has to be applied to redemption of the claim on the Federal Government in respect of alteration of the exchange parity.		117,667,057.34

*Frankfurt am Main, April 1963*

*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

In 1962 the Fund for the Purchase of Equalisation Claims had resources available to the extent of DM 78.6 million for the purpose of taking further equalisation claims. Apart from the allocation of DM 40 million out of the Deutsche Bundesbank's net profit in 1961 the Fund received DM 20.2 million by way of interest and redemption. Liquid assets amounting to DM 18.4 million had been carried over from 1961.

In the year under report the Fund purchased almost solely such equalisation claims as it seemed appropriate to take definitively in order to render possible, through provision of liquid resources, the meeting of liabilities. Altogether DM 48.4 million was applied to purchases. The greater part of these monies went to credit institutions in connection with the redeeming of external debts. Considerable amounts of equalisation claims were also taken from pension funds (both in course of liquidation and others) so as to enable them to maintain their payments as increased through the lengthening of their insured members' expectancy of life.

At the end of the year the sum still available for purchase of equalisation claims was DM 30.3 million as against only DM 18.4 million at the end of the previous year. Out of the sum carried over, which was mostly invested in Treasury bills and non-interest-bearing Treasury bonds of the Federal Government, undertakings to purchase to the extent of about DM 18 million still awaited fulfilment at the end of the year.

A new Law on the Redemption of Equalisation Claims, designed to place the use of the Fund's resources on a fresh legal basis, was not promulgated in 1962 either.

For the present the Bank's purchasing activity will therefore continue to be confined to granting assistance towards the liquidity of credit institutions or insurance companies so as to enable them to meet their liabilities.

	DM
Liquid resources available to the Fund on 31 December 1961 amounted to	18,387,555.25.
During 1962 the Purchase Fund received the following amounts:	
Allocation out of the Bank's 1961 net profit	40,000,000.—
Interest	
on equalisation claims	11,662,496.58
from temporary employment of the Fund's liquid assets	954,597.21
Redemption of equalisation claims	7,635,522.78
Reassignment of an equalisation claim	199.80
	<hr style="width: 10%; margin-left: auto; margin-right: 0;"/>
	78,640,371.62.
There were used for purchase of equalisation claims	48,367,938.83.

On 31 December 1962 the Fund's assets not yet used for purchase of equalisation claims comprised		DM
non-interest-bearing Treasury bonds and Treasury bills of the Federal Republic of Germany	DM	
amounting at nominal value to DM 25,000,000.—	24,922,927.08	
Balances at the Deutsche Bundesbank	4,772,391.34	
Interest and redemption due on 31 December 1962 and received on 2 January 1963	794,409.47	
	30,489,727.89	
less		
interest and redemption to be transferred in respect of purchases effected on 2 January 1963	217,295.10	30,272,432.79.
The holding of equalisation claims on 31 December 1961, namely rose through purchase of equalisation claims		377,382,482.90
having an initial capital amount of DM 52,120,647.71 by		48,367,938.83
to		425,750,421.73
and was reduced, through		
redemption	7,635,522.78	
reassignment	199.80	7,635,722.58.
Holding on 31 December 1962		418,114,699.15.

*Movement in the Holding of Equalisation Claims*

Interest rate	DM initial capital			Holding on 31 Dec. 1962	DM Remaining capital Holding on 31 Dec. 1962
	Holding on 31 Dec. 1961	Addition through purchase and exchange	Decrease through reassignment and exchange		
%	DM				DM
0	73,800,378.38	32,837.84	270.—	73,832,946.22	53,159,721.28
3	163,418,651.70	2,795,174.49	750,000.—	165,463,826.19	152,681,429.53
3½	97,075,656.34	13,766,571.37	—	110,842,227.71	102,184,069.96
4½	83,545,115.55	36,276,064.01	—	119,821,179.56	110,089,478.38
Total	417,839,801.97	52,870,647.71	750,270.—	469,960,179.68	418,114,699.15

The Report on the position of the Fund for the Purchase of Equalisation Claims as at 31 December 1962, intended for publication in the Federal Advertiser, is attached as Appendix 3.

The Auditors appointed by the Central Bank Council for the purpose of auditing the Bank's Annual Statement for 1962 have also audited the Fund for the Purchase of Equalisation Claims. In their final Audit Report they have confirmed that

“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 1962, 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 1963

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 1962, the Combined Conversion Account of the Institutions Amalgamated to Form the Deutsche Bundesbank, as shown by the books on 31 December 1962, and the Report on the Fund for the Purchase of Equalisation Claims as at 31 December 1962, have been audited by the auditing companies Deutsche Revisions- und Treuhand-Aktiengesellschaft Treuarbeit of Frankfurt am Main and Dr. Wollert — Dr. Elmendorff KG of Düsseldorf, whom the Central Bank Council had appointed to be Auditors in accordance with Article 26 of the Bundesbank Law.*

*In their notes of certification the Auditors have unreservedly confirmed that the Annual Statement for 1962, the bookkeeping and the Conversion Account as shown by the books on 31 December 1962 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 1962 on 4 April 1963. 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 1962, and approved the Report on the Fund for the Purchase of Equalisation Claims as at 31 December 1962.*

*The Central Bank Council has assented to the Report for the Year 1962 and to the Directorate's proposal for appropriation of the Profit. After making allocations to the Reserves and to the Fund for the Purchase of Equalisation Claims, and earmarking amounts for the 1962 profits falling on Bundesbank Enjoyment Rights, there is a residual profit of DM 117,667,057.34 due to the Federal Government; of this residual profit, DM 10 million shall be made available for allocation to the Fund for Redemption of Bundesbank Enjoyments Rights, and DM 107,667,057.34 shall be used towards repayment of the claim on the Federal Government in respect of the alteration of the exchange parity.*

*Since the publication of the Report for the Year 1961 the following changes have taken place in the organs of the Deutsche Bundesbank:*

*Resigned after expiry of his period of office*

*on 30 June 1962*

*the President of the Land Central Bank in Lower Saxony*

*Herr York H o o s e.*

*Retired from service*

*as at the close of 31 December 1962*

*the Vice-President of the Land Central Bank in Lower Saxony*

*Herr Richard K r a u s e.*

*Reappointed*

*with effect from 1 July 1962*

*Herr Friedrich Wilhelm von S c h e l l i n g*

*President of the Land Central Bank in the Free and Hanseatic City of Hamburg,*



*with effect from 1 August 1962*

*Herr Anton Wilz*

*Vice-President of the Land Central Bank in the Rhineland-Palatinate.*

*Newly appointed*

*with effect from 1 July 1962*

*Dr. Heinrich Irmeler*

*to be President of the Land Central Bank in Lower Saxony*

*at the same time giving up his office of*

*Vice-President of the Land Central Bank in North Rhine-Westphalia,*

*Herr Wilhelm Rahmsdorf*

*to be Vice-President of the Land Central Bank in North Rhine-Westphalia,*

*with effect from 1 January 1963*

*Herr Hans Karnstädt*

*to be Vice-President of the Land Central Bank in Lower Saxony*

*at the same time giving up his office of*

*Member of the Board of Management of the Land Central Bank in  
North Rhine-Westphalia,*

*Herr Curt Heinritzi*

*to be Member of the Board of Management of the Land Central Bank in  
North Rhine-Westphalia.*

*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 1962.*

*Frankfurt am Main, April 1963*

*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

Assets	as shown by the books on 1 Jan. 1962 DM	Changes in 1962 DM	as shown by the books on 31 Dec. 1962 DM
1. Cash <sup>1)</sup> . . . . .	1,133,326.07	—	1,133,326.07
2. Bills of exchange . . . . .	211,524.63	—	211,524.63
3. Advances against securities . . . . .	103,240.—	—	103,240.—
4. Cash advances . . . . .	100.—	—	100.—
5. Other short-term credit extended to public authorities . . . . .	1,345,149.61	—	1,345,149.61
6. Land and buildings . . . . .	26,462,658.—	—	26,462,658.—
7. Equipment . . . . .	2,166,811.21	—	2,166,811.21
8. Other assets . . . . .	11,903,425.78	—	11,903,425.78
9. Transitory items . . . . .	938,761.74	—	938,761.74
10. Equalisation claims on public authorities . . . . .	8,101,868,358.81	+ 737,970.93	8,102,606,329.74
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 . . . . .	547,167,550.55	+ 156.17	547,167,706.72
	<u>8,734,635,620.11</u>	<u>+ 738,127.10</u>	<u>8,735,373,747.21</u>
13. Contingent claims . . . . .	126,558.92	—	126,558.92

<sup>1)</sup> Relating to converted Small Money Tokens.

# Amalgamated to Form the Deutsche Bundesbank

on 31 December 1962

Liabilities

	as shown by the books on 1 Jan. 1962 DM	Changes in 1962 DM	as shown by the books on 31 Dec. 1962 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 . . . . .	1,853,121,572.32	—	1,853,121,572.32
(b) second instalment of per-capita quotas, delayed cases, etc. . . . .	264,984,108.18	— 26,535.13	264,957,573.05
4. Deposits . . . . .	5,628,998,938.05	+ 764,506.06	5,629,763,444.11
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 par. 52a, b, d and e, Berlin Central Bank Ordinance, and par. 9, Implementing Reg. 2, Conversion Ordinance . . . . .	588,502,264.26	+ 156.17	588,502,420.43
	<u>8,734,635,620.11</u>	<u>+ 738,127.10</u>	<u>8,735,373,747.21</u>
8. Contingent liabilities . . . . .	126,558.92	—	126,558.92

Frankfurt am Main, 21 January 1963

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 books and records of the Deutsche Bundesbank as well as of the explanations given and vouchers produced, shows the bookkeeping and the Conversion Accounts for the Bank deutscher Länder and the Land Central Banks, amended to conform with the revisions as of 31 December 1962 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, 15 March 1963

Deutsche Revisions- und Treuhand-Aktiengesellschaft  
Treuarbeit  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Dr. Wollert - Dr. Elmendorff K.G.  
Wirtschaftsprüfungsgesellschaft

Dr. Merckens Prof. Dr. Birck  
(Certified Auditor) (Certified Auditor)

Dr. Wollert Dr. Bargmann  
(Certified Auditor) (Certified Auditor)

Assets	Balance Sheet of the Deutsche Bundesbank		
	DM	DM	DM
1. Gold . . . . .			14,490,078,751.05
2. Balances at foreign banks and money-market investments abroad . . . . .			10,929,120,806.93
3. Foreign notes and coin, foreign bills and cheques . . . . .			329,090,338.49
4. German divisional coin . . . . .			44,775,910.39
5. Postal cheque account balances . . . . .			545,789,996.90
6. Domestic bills of exchange . . . . .			1,967,382,602.49
7. Treasury bills and non-interest-bearing Treasury bonds of Federal Government and Federal Special Funds . . . . .			—
8. Advances against securities . . . . .			157,712,800.—
9. Cash advances to			
(a) Federal Government and Federal Special Funds . . . . .		739,100,000.—	
(b) Länder . . . . .		—	739,100,000.—
10. Other claims . . . . .			91,319,243.65
11. Securities . . . . .			1,368,969,550.89
12. Equalisation claims on public authorities and debt certificate in respect of Berlin			
(a) Equalisation claims . . . . .	8,179,431,616.23		
less			
Equalisation claims returned in exchange for money-market paper . . . . .	3,768,745,000.—	4,410,686,616.23	
(b) Debt certificate . . . . .		547,167,706.72	4,957,854,322.95
13. Credits to Federal Government for participation in international institutions . . . . .			2,155,692,000.—
14. Claims on Federal Government in respect of			
(a) acquisition of claim resulting from post-war economic aid . . . . .		2,512,791,516.24	
(b) alteration of exchange parity . . . . .		1,190,186,328.34	3,702,977,844.58
15. Loans to international institutions and consolidation loans . . . . .			2,289,387,014.28
among which: (a) to I.B.R.D. DM 1,342,480,000.—			
(b) arising from liqui- dation of E.P.U. DM 897,078,514.28			
16. Land and buildings . . . . .			75,000,000.—
17. Equipment . . . . .			1.—
18. Other assets . . . . .			66,838,319.06
19. Transitory items . . . . .			71,812,830.11
<i>Right of recourse in respect of contingent liabilities . . . . .</i>		2,950,552.62	
			<u>43,982,902,332.77</u>

as on 31 December 1962

Liabilities

	DM	DM	DM
1. Capital . . . . .			290,000,000.—
2. Reserves			
(a) legal reserve . . . . .		449,700,000.—	
(b) other reserves . . . . .		188,300,000.—	638,000,000.—
3. Reserves for specific purposes			
(a) for pension liabilities . . . . .		575,000,000.—	
(b) for note printing . . . . .		25,000,000.—	
(c) for conversion costs . . . . .		607,448.82	
(d) for other purposes . . . . .		475,000,000.—	1,075,607,448.82
4. Bank notes in circulation . . . . .			24,146,592,365.—
5. Deposits of			
(a) credit institutions (including Postal Cheque and Postal Savings Bank offices) . . . . .		12,232,304,125.46	
(b) public depositors			
(ba) Federal Government . . . . .	40,606,399.07		
(bb) Federal Special Funds . . . . .	634,720,992.66		
(bc) Länder . . . . .	3,553,694,369.06		
(bd) other public depositors . . . . .	55,228,651.04	4,284,250,411.83	
(c) other German depositors . . . . .		278,731,893.59	16,795,286,430.88
6. Liabilities in respect of foreign business			
(a) Deposits of foreign depositors . . . . .		353,423,058.—	
(b) others . . . . .		20,960,139.38	374,383,197.38
among which: provision of cover for letters of credit and guarantees by foreigners DM 347,416.62 residents DM 6,635,089.72			
7. Items in course of settlement . . . . .			302,767,929.06
8. Other liabilities . . . . .			69,984,253.33
9. Transitory items . . . . .			63,813,650.96
10. Net profit . . . . .			226,467,057.34
Contingent liabilities . . . . .		2,950,552.62	
			<u>43,982,902,332.77</u>

**Profit and Loss Account of the Deutsche Bundesbank  
for the Year 1962**

<b>Expenditure</b>	DM	DM
1. Administrative costs		
(a) Personnel . . . . .	149,834,326.69	
(b) Materials . . . . .	25,660,063.81	175,494,390.50
2. Note printing . . . . .		29,525,302.19
3. Depreciation		
(a) on land and buildings . . . . .	10,293,881.05	
(b) on equipment . . . . .	3,128,082.61	13,421,963.66
4. Allocations to reserves for specific purposes		
(a) for pension liabilities . . . . .	50,248,886.62	
(b) others . . . . .	100,000,000.—	150,248,886.62
5. Pension payments in respect of Reichsbank . . . . .		24,073,891.79
6. Other expenditure . . . . .		3,897,663.55
7. Net profit . . . . .		226,467,057.34
		<u>623,129,155.65</u>
<b>Receipts</b>		
1. Interest . . . . .		612,845,992.79
2. Fees . . . . .		2,811,940.15
3. Other receipts . . . . .		7,471,222.71
		<u>623,129,155.65</u>

Frankfurt am Main, 21 January 1963

*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 records, books and other data of the Deutsche Bundesbank as well as of the explanations given and vouchers produced by the Directorate, shows the bookkeeping and the Annual Statement to be in accordance with the provisions of the law.*

Frankfurt am Main, 15 March 1963

*Deutsche Revisions- und Treuhand-Aktiengesellschaft  
Treuarbeit*

*Dr. Wollert - Dr. Elmendorff K.G.  
Wirtschaftsprüfungsgesellschaft*

*Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft*

*Dr. Merckens                      Prof. Dr. Birck  
(Certified Auditor)              (Certified Auditor)*

*Dr. Wollert                      Dr. Bargmann  
(Certified Auditor)              (Certified Auditor)*



## Fund for the Purchase of Equalisation Claims

Position on 31 December 1962

	Equalisation claims (remaining capital)	Cash resources	Total assets of the Fund
	DM	DM	DM
Position on 31 December 1961 . . . . .	377,382,482.90	18,387,555.25	395,770,038.15
Allocation from the Deutsche Bundesbank's 1961 net profit . . . . .		40,000,000.—	40,000,000.—
Equalisation claims purchased . . . . .	48,367,938.83	less 48,367,938.83	
Redeemed . . . . .	less 7,635,522.78	7,635,522.78	
Retroceded . . . . .	less 199.80	199.80	
Interest			
on equalisation claims . . . . .		11,662,496.58	11,662,496.58
from temporary employment of the Fund's cash resources . . . . .		954,597.21	954,597.21
<b>Position on 31 December 1962 . . . . .</b>	<b><u>418,114,699.15</u></b>	<b><u>30,272,432.79</u></b>	<b><u>448,387,131.94</u></b>

Frankfurt am Main, 21 January 1963

Deutsche Bundesbank

The Directorate

Karl Blessing Dr. Troeger

Dr. Benning Dr. Emminger Hartlieb Könniker Tüngeler

Dr. Wolf Dr. Zachau

Returns of the  
in millions

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 advances			
							Total	(a) Federal Government and Federal Special Funds	(b) Länder		Total	to:		
												(a) Federal Government and Federal Special Funds	(b) Länder	(c) other public authorities
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1962														
Jan. 7	14,426.6	9,844.8	287.0	84.5	218.9	1,063.8	—	—	—	12.7	416.4	408.8	3.2	4.4
15	14,426.6	8,912.0	270.0	110.8	154.5	820.2	—	—	—	16.6	8.1	—	4.4	3.7
23	14,427.8	8,442.3	263.8	135.5	166.4	625.7	—	—	—	32.0	0.4	—	—	0.4
31	14,427.8	8,484.3	268.5	105.5	177.8	676.2	—	—	—	16.5	3.0	—	—	3.0
Feb. 7	14,428.0	8,806.8	254.1	117.0	160.0	790.3	—	—	—	14.7	1.9	—	—	1.9
15	14,428.0	8,569.7	253.6	132.8	157.8	595.2	—	—	—	16.8	2.4	—	—	2.4
23	14,428.7	8,715.1	246.6	128.4	65.0	479.6	—	—	—	21.4	2.6	—	—	2.6
28	14,428.7	8,647.1	252.1	109.6	182.8	387.5	—	—	—	77.1	2.4	—	—	2.4
Mar. 7	14,428.7	9,031.7	245.0	111.9	166.3	1,033.7	—	—	—	17.3	2.6	—	—	2.6
15	14,428.7	9,322.9	242.1	103.4	193.4	801.3	—	—	—	26.6	0.0	—	—	0.0
23	14,437.2	9,493.7	245.1	114.3	97.9	1,522.0	35.0	35.0	—	144.7	3.8	—	—	3.8
31	14,437.2	9,564.0	266.2	92.6	137.0	1,628.4	—	—	—	29.3	0.0	—	—	0.0
Apr. 7	14,437.2	9,584.1	278.6	98.8	131.4	1,609.6	—	—	—	25.3	0.0	—	—	0.0
15	14,437.2	9,322.7	261.7	103.0	123.4	1,333.1	—	—	—	28.0	0.0	—	—	0.0
23	14,437.9	9,256.0	267.9	96.4	143.2	1,002.8	—	—	—	61.1	0.0	—	—	0.0
30	14,437.9	9,340.4	268.5	76.1	298.8	1,148.6	5.0	5.0	—	60.7	3.0	—	—	3.0
May 7	14,437.9	9,681.7	256.2	79.5	255.2	1,185.4	—	—	—	21.9	121.4	117.6	—	3.8
15	14,437.9	9,677.7	242.3	91.8	183.4	825.1	2.0	2.0	—	26.0	0.0	—	—	0.0
23	14,438.6	9,526.8	251.4	106.7	148.4	754.8	3.0	3.0	—	29.1	0.0	—	—	0.0
31	14,438.6	9,533.8	264.7	80.4	205.1	652.9	4.0	4.0	—	22.3	500.0	496.6	—	3.4
June 7	14,438.6	9,535.9	272.3	85.3	160.5	1,119.0	4.0	4.0	—	21.8	589.6	589.5	—	0.1
15	14,438.6	9,637.1	271.5	93.0	210.9	948.8	—	—	—	25.7	0.1	—	—	0.1
23	14,439.3	10,130.9	287.0	99.3	150.3	1,357.4	0.2	0.2	—	266.2	3.4	—	—	3.4
30	14,439.3	10,135.4	295.4	78.1	165.1	1,503.3	3.6	3.6	—	63.9	0.0	—	—	0.0
July 7	14,439.3	10,168.2	296.1	84.3	146.8	1,525.3	6.0	6.0	—	28.5	0.0	—	—	0.0
15	14,439.3	9,995.2	287.1	87.6	132.0	1,340.3	—	—	—	26.0	1.2	—	1.2	0.0
23	14,440.4	10,047.5	309.4	97.8	106.3	1,315.3	20.0	20.0	—	42.7	0.0	—	—	0.0
31	14,440.7	10,042.1	309.3	68.3	181.2	1,362.5	—	—	—	23.0	97.2	97.2	—	0.0
Aug. 7	14,440.7	10,135.5	295.1	76.4	152.1	1,343.1	—	—	—	18.4	539.5	539.5	—	0.0
15	14,440.7	10,215.2	278.7	89.2	137.0	1,030.3	—	—	—	18.0	111.6	106.2	5.4	0.0
23	14,441.4	10,311.2	287.2	101.1	157.5	1,079.4	—	—	—	27.6	0.0	—	—	0.0
31	14,441.4	10,235.4	288.2	76.1	164.7	967.0	—	—	—	19.4	357.7	357.7	—	0.0
Sep. 7	14,445.2	10,311.1	270.7	80.9	129.7	1,154.1	—	—	—	22.3	270.0	270.0	—	—
15	14,445.2	10,701.6	277.5	84.8	175.8	1,558.8	—	—	—	30.0	—	—	—	—
23	14,445.9	10,978.2	277.7	90.7	125.9	1,702.6	—	—	—	55.3	—	—	—	—
30	14,445.9	11,091.6	283.0	65.0	154.8	1,662.7	37.0	37.0	—	45.4	—	—	—	—
Oct. 7	14,445.9	11,176.5	267.9	67.9	145.0	1,599.4	—	—	—	26.9	—	—	—	—
15	14,445.9	11,246.3	241.3	74.0	138.1	1,177.4	—	—	—	23.6	9.6	—	9.6	—
23	14,446.6	11,317.3	225.4	83.8	183.7	826.7	—	—	—	52.3	8.0	—	8.0	—
31	14,447.2	11,408.0	224.6	59.4	204.1	632.1	—	—	—	22.8	3.3	—	3.3	—
Nov. 7	14,447.2	11,251.7	221.2	66.1	195.7	973.2	—	—	—	32.8	106.3	100.1	6.2	—
15	14,447.2	11,238.9	223.5	70.1	184.4	843.5	—	—	—	25.3	9.2	—	9.2	—
23	14,448.5	11,143.0	252.9	69.5	154.5	816.0	—	—	—	89.7	9.8	—	9.8	—
30	14,448.5	11,085.7	265.0	46.9	184.0	904.6	—	—	—	36.0	117.6	117.6	—	—
Dec. 7	14,488.1	11,221.8	259.6	41.9	132.4	1,357.2	—	—	—	23.1	15.1	—	15.1	—
15	14,488.1	11,324.8	277.9	41.5	184.7	1,502.6	—	—	—	50.3	—	—	—	—
23	14,488.8	10,609.6	317.4	37.5	119.8	1,699.3	25.0	25.0	—	398.6	—	—	—	—
31	14,490.1	10,929.1	329.1	44.8	545.8	1,967.4	—	—	—	157.7	739.1	739.1	—	—

<sup>1)</sup> Including equalisation claims resulting from conversion of Berlin pre-capitulation accounts (Supplementary Conversion Law) and from conversion of pre-currency-

Deutsche Bundesbank  
of DM

Assets													Date of return	
Securities	Equalisation claims and non-interest-bearing debt certificate					Credits to Federal Govt. for participation in international institutions	Claims on Federal Government in respect of		Loans to international institutions and consolidation loans			Other assets		Total
	Holding	(a) Equalisation claims from conversion of own balance sheet <sup>1)</sup>	(b) Equalisation claims purchased	less equalisation claims returned in exchange for money-market paper	(c) Debt certificate		(a) acquisition of claims resulting from post-war economic aid	(b) alteration of exchange parity	among which:		Total			
									(a) to I. B. R. D.	(b) from liquidation of E. P. U.				
15	16	17	18	19	20	21	22	23	24	25	26	27	28	
1,484.9	3,409.6	8,127.7	48.7	5,314.0	547.2	2,635.7	2,512.8	1,265.0	2,442.4	1,342.5	1,038.3	292.4	40,397.5	1962 Jan. 7
1,485.2	2,965.7	8,127.7	48.7	5,757.9	547.2	2,635.7	2,512.8	1,265.0	2,442.4	1,342.5	1,038.3	292.1	38,317.7	15
1,484.8	3,053.9	8,127.7	48.7	5,669.7	547.2	2,679.7	2,512.8	1,265.0	2,441.7	1,342.5	1,037.6	178.8	37,710.6	23
1,484.9	3,174.3	8,127.7	48.7	5,549.3	547.2	2,679.7	2,512.8	1,265.0	2,441.7	1,342.5	1,037.6	633.7	38,351.7	31
1,484.9	3,324.9	8,127.7	48.7	5,398.7	547.2	2,679.7	2,512.8	1,265.0	2,441.7	1,342.5	1,037.6	192.7	38,474.5	Feb. 7
1,485.0	2,983.9	8,127.7	48.7	5,739.7	547.2	2,679.7	2,512.8	1,265.0	2,441.7	1,342.5	1,037.6	217.4	37,741.8	15
1,485.0	2,977.6	8,127.7	48.7	5,746.0	547.2	2,679.7	2,512.8	1,265.0	2,441.0	1,342.5	1,036.9	650.3	38,098.8	23
1,485.1	3,399.0	8,127.7	48.7	5,324.6	547.2	2,459.7	2,512.8	1,265.0	2,441.0	1,342.5	1,036.9	745.1	38,395.0	28
1,485.1	3,720.0	8,127.7	48.7	5,003.6	547.2	2,459.7	2,512.8	1,265.0	2,441.0	1,342.5	1,036.9	216.3	39,137.1	Mar. 7
1,485.1	3,884.3	8,127.7	48.7	4,839.3	547.2	2,474.7	2,512.8	1,265.0	2,441.0	1,342.5	1,036.9	205.6	39,386.9	15
1,485.2	4,362.7	8,127.7	48.7	4,360.9	547.2	2,334.7	2,512.8	1,265.0	2,440.3	1,342.5	1,036.2	636.9	41,131.3	23
1,485.1	4,429.9	8,127.7	48.7	4,293.7	547.2	2,334.7	2,512.8	1,265.0	2,427.3	1,342.5	1,025.6	368.4	40,977.9	31
1,481.1	4,476.9	8,127.8	48.7	4,246.8	547.2	2,334.7	2,512.8	1,265.0	2,427.3	1,342.5	1,025.6	228.7	40,891.5	Apr. 7
1,473.9	4,022.2	8,127.8	48.7	4,701.5	547.2	2,334.7	2,512.8	1,265.0	2,427.3	1,342.5	1,025.6	231.2	39,876.2	15
1,456.5	4,007.5	8,127.8	48.7	4,716.2	547.2	2,334.7	2,512.8	1,265.0	2,426.6	1,342.5	1,024.9	738.5	40,006.9	23
1,449.7	4,241.7	8,127.8	48.7	4,482.0	547.2	2,194.7	2,512.8	1,265.0	2,426.6	1,342.5	1,024.9	323.2	40,052.7	30
1,449.6	4,188.1	8,127.8	48.7	4,535.6	547.2	2,194.7	2,512.8	1,190.2	2,426.6	1,342.5	1,024.9	170.9	40,172.1	May 7
1,428.1	4,080.9	8,127.8	48.7	4,642.8	547.2	2,194.7	2,512.8	1,190.2	2,426.6	1,342.5	1,024.9	202.3	39,521.8	15
1,428.9	4,013.2	8,127.8	48.7	4,710.5	547.2	2,214.7	2,512.8	1,190.2	2,425.9	1,342.5	1,024.2	294.1	39,338.6	23
1,428.9	4,005.1	8,127.8	48.7	4,718.6	547.2	2,114.7	2,512.8	1,190.2	2,425.9	1,342.5	1,024.2	707.9	40,087.3	31
1,428.4	4,050.7	8,127.8	48.7	4,673.0	547.2	2,114.7	2,512.8	1,190.2	2,425.9	1,342.5	1,024.2	200.0	40,149.7	June 7
1,428.4	4,161.2	8,127.8	48.7	4,562.5	547.2	2,114.7	2,512.8	1,190.2	2,425.9	1,342.5	1,024.2	199.0	39,657.9	15
1,427.9	4,359.3	8,127.8	48.7	4,364.4	547.2	2,114.7	2,512.8	1,190.2	2,425.2	1,342.5	1,023.6	595.0	41,359.1	23
1,427.9	4,418.7	8,127.8	48.4	4,304.7	547.2	2,474.7	2,512.8	1,190.2	2,412.2	1,342.5	1,013.0	410.0	41,530.6	30
1,427.6	4,396.2	8,130.1	48.4	4,329.5	547.2	2,474.7	2,512.8	1,190.2	2,412.2	1,342.5	1,013.0	260.6	41,368.8	July 7
1,427.6	4,507.3	8,130.1	48.4	4,218.4	547.2	2,474.7	2,512.8	1,190.2	2,412.2	1,342.5	1,013.0	245.5	41,079.0	15
1,427.6	4,438.8	8,130.1	48.4	4,286.9	547.2	2,474.7	2,512.8	1,190.2	2,411.5	1,342.5	1,012.3	227.8	41,062.8	23
1,427.6	4,600.4	8,130.1	48.4	4,125.3	547.2	2,214.7	2,512.8	1,190.2	2,411.5	1,342.5	1,012.3	702.7	41,584.2	31
1,427.5	4,433.3	8,130.1	48.4	4,292.4	547.2	2,214.7	2,512.8	1,190.2	2,323.3	1,342.5	924.1	236.5	41,339.1	Aug. 7
1,427.5	3,625.9	8,130.1	48.4	5,099.8	547.2	2,214.7	2,512.8	1,190.2	2,323.3	1,342.5	924.1	354.3	39,969.4	15
1,425.5	3,900.7	8,130.1	48.4	4,825.0	547.2	2,214.7	2,512.8	1,190.2	2,322.6	1,342.5	923.4	654.6	40,626.5	23
1,425.5	3,790.0	8,130.1	48.4	4,935.7	547.2	2,214.7	2,512.8	1,190.2	2,322.6	1,342.5	923.4	338.7	40,344.4	31
1,425.3	3,970.1	8,130.1	48.4	4,755.6	547.2	2,228.1	2,512.8	1,190.2	2,322.6	1,342.5	923.4	268.7	40,601.8	Sep. 7
1,425.1	4,079.2	8,130.1	48.4	4,646.5	547.2	2,228.1	2,512.8	1,190.2	2,322.6	1,342.5	923.4	299.6	41,331.3	15
1,425.1	4,497.8	8,130.1	48.4	4,227.9	547.2	2,228.1	2,512.8	1,190.2	2,321.9	1,342.5	922.7	453.9	42,306.1	23
1,425.2	4,709.6	8,130.1	48.4	4,016.1	547.2	2,228.1	2,512.8	1,190.2	2,307.9	1,342.5	912.1	848.9	43,008.1	30
1,413.2	4,671.2	8,130.1	48.4	4,054.5	547.2	2,146.3	2,512.8	1,190.2	2,307.9	1,342.5	912.1	341.2	42,312.3	Oct. 7
1,413.2	3,936.4	8,130.1	48.4	4,789.3	547.2	2,146.3	2,512.8	1,190.2	2,307.9	1,342.5	912.1	282.6	41,145.6	15
1,413.1	3,693.3	8,130.1	48.4	5,032.4	547.2	2,146.3	2,512.8	1,190.2	2,307.2	1,342.5	911.4	432.5	40,839.2	23
1,413.1	3,523.9	8,130.1	48.4	5,201.8	547.2	2,146.3	2,512.8	1,190.2	2,307.2	1,342.5	911.4	656.3	40,751.3	31
1,416.5	3,689.2	8,130.1	48.4	5,036.5	547.2	2,146.3	2,512.8	1,190.2	2,307.2	1,342.5	911.4	389.3	40,945.7	Nov. 7
1,416.6	3,479.1	8,130.6	48.4	5,247.1	547.2	2,156.3	2,512.8	1,190.2	2,307.2	1,342.5	911.4	480.5	40,584.8	15
1,416.5	3,595.5	8,130.6	48.4	5,130.7	547.2	2,155.7	2,512.8	1,190.2	2,306.5	1,342.5	910.7	901.2	41,062.3	23
1,416.3	3,634.1	8,130.6	48.4	5,092.1	547.2	2,155.7	2,512.8	1,190.2	2,304.1	1,342.5	908.3	695.5	40,997.0	30
1,416.2	4,194.2	8,130.6	48.4	4,532.0	547.2	2,155.7	2,512.8	1,190.2	2,304.1	1,342.5	908.3	367.6	41,680.0	Dec. 7
1,416.1	4,272.2	8,130.6	48.4	4,454.0	547.2	2,155.7	2,512.8	1,190.2	2,304.1	1,342.5	908.3	417.5	42,138.5	15
1,416.1	5,004.7	8,130.6	48.4	3,721.5	547.2	2,155.7	2,512.8	1,190.2	2,303.4	1,342.5	907.6	1,322.4	43,601.3	23
1,368.9	4,957.8	8,131.4	48.0	3,768.8	547.2	2,155.7	2,512.8	1,190.2	2,289.4	1,342.5	897.1	252.7	43,930.6	31

reform accounts with credit institutions in the Soviet Sector of Berlin (Second Supplementary Conversion Law).

Returns of the Deutsche  
in millions

Date of return	Liabilities								
	Bank notes in circulation	Deposits							
		Total	(a) credit institutions (including Postal Cheque and Postal Savings Bank offices)	of					(c) other German depositors
				(b) public depositors					
				Total	(ba) Federal Government	(bb) Federal Special Funds	(bc) Länder	(bd) other public depositors	
29	30	31	32	33	34	35	36	37	
1962									
Jan. 7	21,634.0	16,107.1	11,145.5	4,699.6	57.9	932.0	3,694.4	15.3	262.0
15	20,753.4	14,842.1	9,175.7	5,422.1	116.0	873.2	4,409.0	23.9	244.3
23	19,302.5	15,963.6	8,721.5	6,991.3	1,335.2	1,058.6	4,577.6	19.9	250.8
31	22,116.1	13,812.4	8,294.1	5,280.3	543.1	1,126.0	3,588.4	22.8	238.0
Feb. 7	20,735.1	15,221.7	10,379.8	4,579.3	184.4	567.9	3,810.1	16.9	262.6
15	20,538.5	14,842.6	8,834.3	5,780.5	616.7	777.2	4,344.1	42.5	227.8
23	20,184.1	15,535.6	8,628.8	6,669.8	724.3	1,796.3	4,125.8	23.4	237.0
28	22,648.2	13,282.0	8,082.2	4,957.5	182.7	1,355.0	3,398.1	21.7	242.3
Mar. 7	21,544.7	15,157.3	10,140.4	4,776.1	290.8	857.7	3,610.6	17.0	240.8
15	21,306.7	15,583.7	8,420.2	6,938.2	1,162.1	782.7	4,962.7	30.7	225.3
23	20,355.9	18,294.0	8,877.3	9,196.2	1,895.6	1,504.4	5,773.4	22.8	220.5
31	23,272.6	15,082.9	8,756.7	6,094.3	574.0	735.1	4,751.0	34.2	231.9
Apr. 7	22,240.6	16,152.0	9,951.7	5,976.7	577.3	669.7	4,711.9	17.8	223.6
15	21,932.9	15,500.1	9,316.5	5,961.9	456.0	677.5	4,809.5	18.9	221.7
23	21,182.2	16,369.9	8,070.6	8,073.9	1,471.8	1,719.0	4,867.2	15.9	225.4
30	23,300.8	14,211.1	8,670.5	5,299.1	356.1	796.7	4,118.2	28.1	241.5
May 7	22,125.3	15,429.2	10,032.6	5,153.8	15.9	748.8	4,348.7	40.4	242.8
15	21,276.0	15,783.0	9,623.4	5,928.2	254.7	805.5	4,808.7	59.3	231.4
23	20,067.3	16,809.8	9,555.3	7,031.3	1,097.8	817.3	5,091.1	25.1	223.2
31	23,438.9	14,288.7	8,883.5	5,166.1	26.8	1,420.8	3,690.8	27.7	239.1
June 7	22,208.3	15,550.7	10,490.5	4,817.0	18.2	991.4	3,786.9	20.5	243.2
15	21,707.5	15,592.6	8,772.6	6,584.2	460.0	1,000.5	5,101.4	22.3	235.8
23	20,861.5	18,130.8	8,908.0	8,983.5	1,479.1	1,593.7	5,884.1	26.6	239.3
30	23,732.1	15,314.6	9,008.9	6,043.9	156.0	803.3	5,044.7	39.9	261.8
July 7	22,710.1	16,146.5	9,789.5	6,123.6	159.9	817.3	5,119.1	27.3	233.4
15	22,440.3	16,173.8	9,402.1	6,538.5	208.9	951.9	5,357.3	20.4	233.2
23	21,145.0	17,310.4	9,193.3	7,871.7	1,294.4	859.7	5,689.1	28.5	245.4
31	23,765.6	15,350.5	9,168.2	5,927.8	27.1	1,374.3	4,502.0	24.4	254.5
Aug. 7	22,266.2	16,539.2	10,762.0	5,528.5	31.6	889.4	4,588.4	19.1	248.7
15	21,819.8	15,645.7	9,564.1	5,831.9	40.7	858.3	4,875.9	57.0	249.7
23	20,803.1	17,279.1	9,890.1	7,160.4	1,540.4	725.0	4,866.8	28.2	228.6
31	23,867.8	13,951.2	9,154.8	4,582.7	15.4	846.9	3,700.5	19.9	213.7
Sep. 7	22,712.1	15,271.8	10,403.6	4,639.1	11.4	759.4	3,852.1	16.2	229.1
15	22,372.5	16,323.5	9,697.7	6,310.3	336.5	870.8	5,086.9	16.1	315.5
23	21,225.9	18,435.8	9,479.7	8,719.0	1,891.9	817.2	5,981.9	28.0	237.1
30	24,177.1	16,065.6	9,049.0	6,745.9	574.4	1,405.4	4,732.9	33.2	270.7
Oct. 7	23,124.9	16,559.1	10,250.1	6,069.0	456.0	911.6	4,681.5	19.9	240.0
15	22,198.9	16,292.6	9,585.5	6,454.4	749.9	734.8	4,946.4	23.3	252.7
23	20,625.3	17,564.0	10,031.6	7,265.5	1,572.6	713.6	4,950.3	29.0	266.9
31	23,900.0	14,034.7	8,674.7	5,089.5	301.9	870.4	3,896.2	21.0	270.5
Nov. 7	22,273.1	16,023.8	11,005.8	4,763.7	17.3	755.2	3,970.2	21.0	254.3
15	22,045.5	15,841.5	10,108.3	5,467.3	237.8	813.9	4,368.9	46.7	265.9
23	21,278.5	17,058.5	9,272.9	7,544.1	1,400.5	1,903.1	4,205.8	34.7	241.5
30	24,927.9	13,403.4	9,066.3	4,060.1	19.3	1,058.1	2,952.9	29.8	277.0
Dec. 7	24,266.3	14,748.2	10,435.8	4,076.8	52.1	944.4	3,055.6	24.7	235.6
15	23,798.7	15,661.4	9,769.8	5,630.2	560.5	683.4	4,359.8	26.5	261.4
23	23,860.8	17,035.9	10,026.2	6,744.1	531.0	1,837.5	4,349.7	25.9	265.6
31	24,146.6	16,795.3	12,232.3	4,284.3	40.6	634.8	3,553.7	55.2	278.7

**Bundesbank (cont'd)**

of DM

Liabilities										Date of return
Liabilities in respect of foreign business					Amounts placed to reserve for specific liabilities	Capital	Reserves	Other liabilities	Total	
Total	(a) Deposits of foreign de- positors	(b) Other		Total						
		among which, provision of cover for letters of credit and guarantees by								
38	39	40	41	42	43	44	45	46	47	
			foreigners	residents						
438.2	347.6	90.6	62.0	16.2	867.0	290.0	588.0	473.2	40,397.5	1962 Jan. 7
501.7	405.5	96.2	63.0	15.7	867.0	290.0	588.0	475.5	38,317.7	5
491.8	393.8	98.0	60.5	22.5	867.0	290.0	588.0	207.7	37,710.6	23
465.8	376.6	89.2	62.3	16.7	867.0	290.0	588.0	212.4	38,351.7	31
467.0	363.4	103.6	63.9	14.2	867.0	290.0	588.0	305.7	38,474.5	Feb. 7
358.8	250.0	108.8	65.6	14.0	867.0	290.0	588.0	256.9	37,741.8	15
379.6	277.9	101.7	62.1	16.4	867.0	290.0	588.0	254.5	38,098.8	23
459.0	365.2	93.8	67.8	14.7	867.0	290.0	588.0	260.8	38,395.0	28
364.4	273.8	90.6	65.0	13.1	867.0	290.0	588.0	325.7	39,137.1	Mar. 7
476.6	382.3	94.3	69.0	12.7	867.0	290.0	588.0	274.9	39,386.9	15
454.8	354.5	100.3	67.7	21.1	867.0	290.0	588.0	281.6	41,131.3	23
585.5	492.1	93.4	65.6	17.2	867.0	290.0	588.0	291.9	40,977.9	31
459.8	361.2	98.6	66.5	14.9	867.0	290.0	588.0	294.1	40,891.5	Apr. 7
435.8	341.2	94.6	67.6	11.4	867.0	290.0	588.0	262.4	39,876.2	15
445.4	353.1	92.3	67.0	9.4	867.0	290.0	588.0	264.4	40,006.9	23
510.2	421.3	88.9	62.4	13.1	867.0	290.0	588.0	285.6	40,052.7	30
448.9	363.5	85.4	61.8	9.0	949.8	290.0	638.0	290.9	40,172.1	May 7
482.6	393.5	89.1	64.0	9.8	949.8	290.0	638.0	102.4	39,521.8	15
494.9	460.9	34.0	0.1	16.0	949.8	290.0	638.0	88.8	39,338.6	23
396.4	374.1	22.3	0.0	9.9	949.8	290.0	638.0	85.5	40,087.3	31
402.3	378.6	23.7	0.0	6.3	949.8	290.0	638.0	110.6	40,149.7	June 7
382.1	362.8	19.3	0.0	6.0	949.8	290.0	638.0	97.9	39,657.9	15
402.1	373.6	28.5	0.0	15.7	949.8	290.0	638.0	86.9	41,359.1	23
374.7	356.1	18.6	0.0	7.4	949.7	290.0	638.0	231.5	41,530.6	30
380.2	348.1	32.1	0.0	7.1	949.7	290.0	638.0	254.3	41,368.8	July 7
328.0	304.5	23.5	0.0	8.9	949.7	290.0	638.0	259.2	41,079.0	15
438.0	410.4	27.6	0.0	15.1	949.7	290.0	638.0	291.7	41,062.8	23
320.3	302.7	17.6	0.0	6.0	949.7	290.0	638.0	270.1	41,584.2	31
281.2	260.9	20.3	0.0	5.2	949.7	290.0	638.0	374.8	41,339.1	Aug. 7
290.9	273.0	17.9	0.0	5.1	949.7	290.0	638.0	335.3	39,969.4	15
330.0	303.9	26.1	0.0	14.5	949.7	290.0	638.0	336.6	40,626.5	23
302.8	280.1	22.7	0.0	9.6	949.7	290.0	638.0	344.9	40,344.4	31
379.9	358.5	21.4	0.0	8.6	949.7	290.0	638.0	360.3	40,601.8	Sep. 7
409.2	384.0	25.2	0.0	7.7	949.7	290.0	638.0	348.4	41,331.3	15
406.9	380.5	26.4	0.3	14.1	949.7	290.0	638.0	359.8	42,306.1	23
506.0	460.1	45.9	0.3	10.4	949.7	290.0	638.0	381.7	43,008.1	30
374.3	351.1	23.2	0.3	8.5	949.7	290.0	638.0	376.3	42,312.3	Oct. 7
357.2	337.0	20.2	0.3	5.6	949.7	290.0	638.0	419.2	41,145.6	15
384.6	359.8	24.8	0.3	13.5	949.7	290.0	638.0	387.6	40,839.2	23
545.6	525.2	20.4	0.3	7.6	949.7	290.0	638.0	393.3	40,751.3	31
380.6	359.2	21.4	0.3	6.9	949.7	290.0	638.0	390.5	40,945.7	Nov. 7
431.1	406.6	24.5	0.3	5.2	949.7	290.0	638.0	389.0	40,584.8	15
455.6	427.8	27.8	0.3	12.6	949.7	290.0	638.0	392.0	41,062.3	23
393.2	366.6	26.6	0.3	9.2	949.7	290.0	638.0	394.8	40,997.0	30
384.9	362.0	22.9	0.3	6.3	949.7	290.0	638.0	402.9	41,680.0	Dec. 7
390.9	359.4	31.5	0.4	5.6	949.7	290.0	638.0	409.8	42,138.5	15
412.0	381.7	30.3	0.3	15.6	949.7	290.0	638.0	414.9	43,601.3	23
374.4	353.4	21.0	0.3	6.6	949.7	290.0	638.0	736.6	43,930.6	31

**Turnover on the Giro Accounts of the Deutsche Bundesbank**

	Debits				Credits			
	1961		1962		1961		1962	
	'000 <sup>1)</sup>	DM million	'000 <sup>1)</sup>	DM million	'000 <sup>1)</sup>	DM million	'000 <sup>1)</sup>	DM million
Land Central Bank								
Baden-Württemberg	19,873	172,259	21,445	191,281	22,635	172,060	24,714	191,333
Bavaria	20,224	174,654	25,366	193,298	20,584	174,490	22,979	193,475
Berlin	2,135	42,423	2,164	45,050	3,026	42,359	3,015	45,158
Bremen	3,380	22,469	3,583	23,895	4,236	22,420	4,700	23,915
Hamburg	6,610	155,547	6,733	166,015	9,510	155,509	10,076	166,020
Hesse	13,536	222,841	15,049	228,547	14,267	222,970	15,709	228,394
Lower Saxony	17,176	102,033	18,449	115,902	14,753	102,173	16,209	115,918
North Rhine-Westphalia	41,770	559,696	46,164	615,300	39,654	559,510	45,292	615,863
Rhineland-Palatinate	8,115	56,102	8,702	64,334	7,858	56,185	8,567	64,290
Saarland	1,204	15,763	1,342	16,361	896	15,681	983	16,346
Schleswig-Holstein	4,952	29,103	5,324	33,808	3,905	29,102	4,218	33,700
<b>Total</b>	<b>138,975</b>	<b>1,552,890</b>	<b>154,321</b>	<b>1,693,791</b>	<b>141,324</b>	<b>1,552,459</b>	<b>156,462</b>	<b>1,694,412</b>
Bundesbank—Directorate—	548	179,015	550	191,051	633	179,386	608	190,638
<b>Grand total</b>	<b>139,523</b>	<b>1,731,905</b>	<b>154,871</b>	<b>1,884,842</b>	<b>141,957</b>	<b>1,731,845</b>	<b>157,070</b>	<b>1,885,050</b>

<sup>1)</sup> Number of transactions.

**Simplified Cheque Collection**

	Cheques lodged				Cheques paid			
	1961		1962		1961		1962	
	'000	DM million	'000	DM million	'000	DM million	'000	DM million
Land Central Bank								
Baden-Württemberg	15,394	23,602	16,529	26,778	13,967	23,211	15,070	25,740
Bavaria	13,729	20,380	14,887	23,142	13,227	20,855	14,790	23,913
Berlin	2,236	3,832	2,208	4,023	1,335	3,100	1,375	3,164
Bremen	3,243	3,029	3,626	3,612	2,219	2,852	2,394	3,250
Hamburg	5,753	10,403	6,318	11,740	3,205	9,865	3,659	10,928
Hesse	9,717	16,482	10,598	18,331	9,454	19,847	10,581	22,793
Lower Saxony	10,064	13,792	10,947	15,665	12,141	14,656	13,304	17,128
North Rhine-Westphalia	25,612	51,272	29,725	59,708	28,543	51,427	31,884	59,186
Rhineland-Palatinate	4,858	6,855	5,260	8,022	5,271	7,158	5,723	8,170
Saarland	622	1,378	659	1,522	881	1,513	980	1,755
Schleswig-Holstein	2,218	3,293	2,397	3,739	3,106	3,234	3,446	3,931
<b>Total</b>	<b>93,446</b>	<b>154,318</b>	<b>103,154</b>	<b>176,312</b>	<b>93,349</b>	<b>157,718</b>	<b>103,206</b>	<b>179,958</b>
Bundesbank—Directorate—	140	3,562	156	3,575	4	29	6	66
<b>Grand total</b>	<b>93,586</b>	<b>157,880</b>	<b>103,310</b>	<b>179,887</b>	<b>93,353</b>	<b>157,747</b>	<b>103,212</b>	<b>180,024</b>

**Telegraphic Giro Transactions**  
 telegraphic giro transfers despatched

	1961		1962	
	'000	DM mn	'000	DM mn
Land Central Bank				
Baden-Württemberg	27	22 891	28	26,696
Bavaria	26	27,758	28	31,007
Berlin	6	12,008	5	13,167
Bremen	3	2,642	3	2,822
Hamburg	11	17,639	11	20,247
Hesse	26	31,337	28	33,695
Lower Saxony	19	15,968	20	17,955
North Rhine-Westphalia	55	93,574	56	102,464
Rhineland-Palatinate	11	8,231	11	9,210
Saarland	1	1,638	1	1,737
Schleswig-Holstein	4	3,526	5	4,621
<b>Total</b>	<b>189</b>	<b>237,212</b>	<b>196</b>	<b>263,621</b>
Bundesbank—Directorate—	7	4,699	8	8,833
<b>Grand total</b>	<b>196</b>	<b>241,911</b>	<b>204</b>	<b>272,454</b>

**Certified Cheques**

Land Central Bank	1961		1962	
	number	DM mn	number	DM mn
Baden-Württemberg	1,958	1,638	1,885	1,731
Bavaria	1,079	622	921	613
Berlin	100	7	105	3
Bremen	400	166	328	159
Hamburg	544	52	279	59
Hesse	1,534	1,409	1,435	1,794
Lower Saxony	420	403	348	452
North Rhine-Westphalia	10,050	14,567	9,933	15,220
Rhineland-Palatinate	694	218	891	313
Saarland	18	12	11	11
Schleswig-Holstein	866	30	532	65
<b>Total</b>	<b>17,663</b>	<b>19,124</b>	<b>16,668</b>	<b>20,420</b>

## Turnover in Clearing Transactions

Land Central Bank	1961						1962					
	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
Baden-Württemberg	18,358	38,920	3,640	6,300	21,998	45,220	19,368	42,259	4,262	7,206	23,630	49,465
Bavaria	19,494	39,204	7,120	6,834	26,614	46,038	20,431	43,697	8,046	7,984	28,477	51,681
Berlin	5,342	10,888	2,923	11,561	8,265	22,449	5,093	10,753	3,021	12,149	8,114	22,902
Bremen	3,910	6,464	3,451	6,922	7,361	13,386	3,990	6,697	3,751	7,098	7,741	13,795
Hamburg <sup>1)</sup>	5,609	16,719	18,946	102,672	24,555	119,391	6,115	19,300	20,535	131,236	26,650	150,536
Hesse	13,472	116,554	3,839	139,094	17,311	255,648	14,305	145,529	4,200	173,731	18,505	319,260
Lower Saxony	11,873	19,352	4,417	7,671	16,290	27,023	12,792	21,537	4,990	9,155	17,782	30,692
North Rhine-Westphalia	41,059	80,442	8,867	26,138	49,926	106,580	44,232	89,220	8,630	28,279	52,862	117,499
Rhineland-Palatinate	6,081	10,245	1,753	2,233	7,834	12,478	6,469	11,229	1,888	2,719	8,357	13,948
Saarland	1,163	3,064	1,091	3,969	2,254	7,033	1,307	3,538	1,215	4,214	2,522	7,752
Schleswig-Holstein	3,870	5,206	3,993	3,248	7,863	8,454	4,097	5,979	4,276	3,553	8,373	9,532
Total	130,231	347,058	60,040	316,642	190,271	663,700	138,199	399,738	64,814	387,324	203,013	787,062

<sup>1)</sup> The Hamburg clearing transactions, to which special arrangements apply, include moreover 972,000 transfers to and from other places amounting to DM 2,754 million (1961, 758,000 amounting to DM 2,617 million).

## Bank Note Circulation

Denominations	1959		1960		1961		1962	
	DM million	per cent	DM million	per cent	DM million	per cent	DM million	per cent
100 II	6,651.72	34.93	7,885.12	38.52	9,416.27	40.96	5,132.62	21.26
100 I BBk							6,101.00	25.27
50 I	1,808.24	9.49	1,269.58	6.20	770.97	3.35	45.11	0.19
50 III	6,669.46	35.02	7,288.63	35.61	8,507.20	37.00	5,482.16	22.70
50 I BBk							3,185.32	13.19
20 I/III	2,622.56	13.77	2,659.23	12.99	1,204.12	5.24	744.56	3.08
20 I BBk							1,965.29	8.14
10 I/II	1,159.07	6.09	1,222.11	5.97	1,279.00	5.56	1,292.95	5.35
5 II	130.36	0.68	141.83	0.69	162.90	0.71	194.80	0.81
Other bank notes	4.28	0.02	3.77	0.02	3.41	0.01	2.78	0.01
Total	19,045.69	100.00	20,470.27	100.00	22,991.69	100.00	24,146.59	100.00

## Coin in Circulation

Coins at DM	1959		1960		1961		1962	
	DM million	per cent	DM million	per cent	DM million	per cent	DM million	per cent
5.—	439.73	34.39	462.66	33.78	492.03	32.88	498.38	30.89
2.—	152.78	11.95	169.57	12.38	197.32	13.18	228.55	14.17
1.—	364.40	28.50	386.76	28.24	419.88	28.06	456.04	28.27
—,50	137.03	10.72	150.34	10.98	167.76	11.21	186.50	11.56
—,10	119.52	9.35	128.67	9.40	141.38	9.45	156.79	9.72
—,05	37.43	2.93	40.22	2.94	43.69	2.92	48.51	3.01
—,02	4.58	0.36	5.99	0.44	7.54	0.50	9.57	0.59
—,01	23.07	1.80	25.17	1.84	26.98	1.80	28.90	1.79
Total	1,278.54	100.00	1,369.38	100.00	1,496.58	100.00	1,613.24	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	397	Euskirchen	Bonn	NW
563	Aalen (Württ)	Ulm	BW				
319	Ahlen (Westf)	Hamm	NW	232	Flensburg	Flensburg	SH
282	Alfeld (Leine)	Hildesheim	N	512	Frankenthal (Pfalz)	Ludwigshafen	R
431	Alsfeld (Oberhess)	Fulda	H	4	Frankfurt (Main)	Frankfurt	H
415	Altena (Westf)	Hagen	NW	57	Freiburg (Breisgau)	Freiburg	BW
655	Amberg (Oberpf)	Regensburg	BY	435	Friedberg (Hess)	Gießen	H
447	Andernach	Koblenz	R	599	Friedrichshafen	Konstanz	BW
646	Ansbach (Mittelfr)	Nürnberg	BY	644	Fürth (Bay)	Nürnberg	BY
416	Arnsberg (Westf)	Lippstadt	NW	433	Fulda	Fulda	H
614	Aschaffenburg	Würzburg	BY				
68	Augsburg	Augsburg	BY	689	Garm.-Partenkirchen	München	BY
				438	Gelnhausen	Fulda	H
536	Baden-Baden	Karlsruhe	BW	341	Gelsenkirchen	Gelsenkirchen	NW
429	Bad Hersfeld	Fulda	H	317	Gelsenkirchen-Buer	Gelsenkirchen	NW
469	Bad Kreuznach	Mainz	R	385	Gevelsberg	Hagen	NW
699	Bad Reichenhall	München	BY	43	Gießen	Gießen	H
62	Bamberg	Nürnberg	BY	316	Gladbeck (Westf)	Gelsenkirchen	NW
63	Bayreuth	Hof	BY	323	Goch	Krefeld	NW
352	Beckum (Bz Münster, Westf)	Hamm	NW	565	Göppingen	Stuttgart	BW
496	Bensheim	Darmstadt	H	288	Göttingen	Göttingen	N
1	Berlin (West)	Berlin	B	296	Goslar	Braunschweig	N
444	Betzdorf (Sieg)	Koblenz	R	353	Gütersloh	Bielefeld	NW
597	Biberach (Riß)	Ulm	BW	441	Gummersbach	Bonn	NW
424	Biedenkopf	Gießen	H				
26	Bielefeld	Bielefeld	NW	41	Hagen	Hagen	NW
481	Bingen (Rhein)	Mainz	R	2	Hamburg	Hamburg	HH
462	Bitburg (Eifel)	Trier	R	22	Hamburg-Altona	Hamburg	HH
313	Bocholt	Münster	NW	226	Hamburg-Harburg	Hamburg	HH
346	Bochum	Bochum	NW	279	Hameln	Hannover	N
442	Bonn	Bonn	NW	35	Hamm (Westf)	Hamm	NW
29	Braunschweig	Braunschweig	N	439	Hanau	Frankfurt	H
21	Bremen	Bremen	HB	27	Hannover	Hannover	N
215	Bremerhaven	Bremen	HB	381	Hattingen (Ruhr)	Bochum	NW
531	Bruchsal	Karlsruhe	BW	236	Heide (Holst)	Husum	SH
537	Bühl (Baden)	Karlsruhe	BW	523	Heidelberg	Mannheim	BW
267	Bünde (Westf)	Minden	NW	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	Detmold	Bielefeld	NW	633	Hof (Saale)	Hof	BY
451	Dillenburg	Gießen	H	284	Holzminden	Göttingen	N
34	Dortmund	Dortmund	NW	231	Husum	Husum	SH
395	Düren	Aachen	NW				
36	Düsseldorf	Düsseldorf	NW	474	Idar-Oberstein	Mainz	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	Oldenburg	N	53	Karlsruhe	Karlsruhe	BW
573	Emmendingen	Freiburg	BW	42	Kassel	Kassel	H
322	Emmerich	Duisburg	NW	686	Kaufbeuren	Augsburg	BY
643	Erlangen	Nürnberg	BY	685	Kempten (Allgäu)	Augsburg	BY
428	Eschwege	Kassel	H	23	Kiel	Kiel	SH
394	Eschweiler	Aachen	NW	619	Kitzingen	Würzburg	BY
33	Essen	Essen	NW	321	Kleve	Krefeld	NW
554	Eßlingen (Neckar)	Stuttgart	BW	44	Koblenz	Koblenz	R



## Appendix 5 (cont'd) to the Report of the Deutsche Bundesbank for the Year 1962

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



# 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 Lending to German Non-Banks, Net Claim on Foreign Countries,  
and Principal Bank Liabilities to German Non-Banks\*)*

in millions of DM

Items	Position at end of year						Increase (+) or decrease (-) during year <sup>1)</sup>				
	1957	1958	1959 ×)	1960	1961	1962	1958	1959	1960	1961	1962
<b>I. Bank Lending to German Non-Banks, total</b>	95,334	107,985	128,670	145,977	169,855	192,371	+ 12,542	+ 18,096	+ 17,307	+ 23,966	+ 22,771
(1) Credit institutions except Deutsche Bundesbank, total	94,695	107,136	127,134	144,376	167,056	189,476	+ 12,332	+ 17,409	+ 17,242	+ 22,694	+ 22,675
Short-term lending, total to business enterprises and individuals	33,952	34,152	37,076	42,523	48,655	52,220	+ 91	+ 2,316	+ 5,447	+ 6,189	+ 3,570
to public authorities	31,644	31,755	35,211	40,623	46,790	50,017	+ 111	+ 2,858	+ 5,418	+ 6,224	+ 3,232
Banks' holdings of German Treasury bills and non-interest-bearing Treasury bonds (excluding "mobilisation paper" <sup>2)</sup> )	625	530	307	405	680	519	- 95	- 223	+ 92	+ 275	- 161
note: banks' holdings of "mobilisation paper" <sup>2)</sup>	1,683	1,867	1,558	1,495	1,185	1,684	+ 75	- 319	- 63	- 310	+ 499
Medium and long-term lending, total	( 4,027)	( 4,300)	( 2,940)	( 4,128)	( 4,234)	( 3,372)	(- 382)	(- 1,385)	(+ 1,188)	(+ 106)	(- 862)
to business enterprises and individuals	57,306	67,850	83,255	94,998	110,671	128,827	+ 10,544	+ 13,479	+ 11,743	+ 15,630	+ 18,406
to public authorities	46,666	54,165	65,947	75,630	88,972	104,592	+ 7,499	+ 10,254	+ 9,741	+ 13,299	+ 15,870
Banks' holdings of German securities and syndicate participations (excluding holdings of bank bonds <sup>3)</sup> )	10,640	13,685	17,308	19,368	21,699	24,235	+ 3,045	+ 3,225	+ 2,002	+ 2,331	+ 2,536
note: banks' holdings of bank bonds <sup>3)</sup>	3,437	5,134	6,803	6,855	7,730	8,429	+ 1,697	+ 1,614	+ 52	+ 875	+ 699
(2) Deutsche Bundesbank, total	( 4,785)	( 7,883)	(11,146)	(11,479)	(14,154)	(16,785)	(+ 3,098)	(+ 3,079)	(+ 333)	(+ 2,675)	(+ 2,881)
Lending to public authorities	639	849	1,536	1,601	2,799	2,895	+ 210	+ 687	+ 65	+ 1,272	+ 96
Holdings of Treasury bills and non-interest-bearing Treasury bonds <sup>4)</sup>	475	748	1,456	1,465	2,799	2,895	+ 273	+ 708	+ 9	+ 1,408	+ 96
Lending to business enterprises and individuals	158	100	80	136	-	-	- 58	- 20	+ 56	- 136	-
	6	1	0	-	-	-	- 5	- 1	- 0	-	-
<b>II. Net Claim on Foreign Countries (Bundesbank and other banks)</b>	20,893	24,936	24,510	30,744	29,845	30,504	+ 4,218	- 261	+ 6,269	+ 427	+ 792
<b>III. Note and Coin Circulation, total</b>	17,273	18,858	20,324	21,840	24,488	25,760	+ 1,585	+ 1,466	+ 1,516	+ 2,648	+ 1,272
among which:											
Banks' cash holdings	812	918	980	1,068	1,350	1,596	+ 106	+ 37	+ 88	+ 282	+ 246
<b>IV. Deposits of German Non-Banks and other Bank Liabilities to German Non-Banks</b>											
(1) Credit institutions except Deutsche Bundesbank											
Sight deposits of business enterprises and individuals	18,316	21,402	24,845	26,361	30,986	33,566	+ 3,086	+ 2,994 <sup>5)</sup>	+ 1,516	+ 4,472	+ 2,580
public authorities	2,690	2,900	3,197	3,664	4,272	5,218	+ 210	+ 249 <sup>5)</sup>	+ 467	+ 608	+ 946
Time deposits <sup>6)</sup> of business enterprises and individuals	9,348	9,791	10,736	11,450	11,861	12,819	+ 443	+ 898	+ 714	- 12	+ 961
public authorities	6,150	6,720	7,687	8,013	9,343	9,904	+ 570	+ 780	+ 326	+ 1,330	+ 561
Savings deposits	29,349	36,065	44,940	52,863	60,073	69,254	+ 6,716	+ 8,105	+ 7,923	+ 7,210	+ 9,181
note: Accrual of funds in savings business <sup>7)</sup>	( . . )	( . . )	( . . )	( . . )	( . . )	( . . )	(+ 6,737)	(+ 8,146)	(+ 7,960)	(+ 7,232)	(+ 9,055)
Bank bonds in circulation <sup>8)</sup>	15,414	19,804	25,849	29,292	35,268	41,860	+ 4,390	+ 5,824	+ 3,443	+ 5,976	+ 6,592
note: Accrual of funds from sale of bank bonds to non-banks <sup>9)</sup>	( . . )	( . . )	( . . )	( . . )	( . . )	( . . )	(+ 1,057)	(+ 2,744)	(+ 3,118)	(+ 3,306)	(+ 3,728)
Monies and loans taken from non-banks among which: at notice of, or fixed for, six months and over	26,645	27,654	29,891	32,632	37,645	41,635	+ 1,784	+ 1,322	+ 2,672	+ 4,833 <sup>5)</sup>	+ 4,055
Capital and reserves <sup>10)</sup>	(26,367)	(27,259)	(29,420)	(32,114)	(37,097)	(40,714)	(+ 1,667)	(+ 1,246)	(+ 2,636)	(+ 4,881)	(+ 3,682)
	6,422	7,546	9,007	10,423	12,143	13,733	+ 1,124	+ 1,373	+ 1,416	+ 1,720	+ 1,597
(2) Deutsche Bundesbank											
Sight deposits of business enterprises and individuals	340	336	222	219	252	279	- 4	+ 13	- 3	+ 33	+ 27
public authorities <sup>11)</sup>	4,590	4,271	1,838	3,440	4,733	4,285	- 616	- 2,686	+ 1,453	+ 1,293	- 448

\*) The figures in this survey relate to the area of the Federal Republic including Berlin (West), since December 1959 also including the Saarland. 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. — ×) Since December 1959 including the Saarland. Cf. footnote \*). — 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 such 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) "Mobilisation paper" 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 to expelled persons or as compensation to holders of old savings are taken into account only in so far as covering claims on the Equalisation of Burdens Fund were redeemed. Savings deposits created under Art. 252 par. 4 of the Equalisation of Burdens Law (meeting of basic compensation claims) have been taken into account only in so far as the Equalisation of Burdens Fund has made available the countervalue. — 7) Set off against the credit institutions' holdings of their own and other banks' bonds; since July 1958 including bonds sold in advance (holdings in July 1958: DM 234 million). — 8) The 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. — 9) Including those of Deutsche Bundesbank. — 10) Including balances of German public authorities temporarily employed in equalisation claims and, until end-1958, deposits of agencies of the former occupying powers as well as, from December 1960 onwards, deposits of the E.R.P. Special Fund. — 11) Revised.

(2) Note and Coin Circulation and Residents' Sight Deposits<sup>1)</sup>

in millions of DM

End of month	Note and coin circulation, and residents' sight deposits <sup>1)</sup> , total including <sup>2)</sup> excluding amounts temporarily employed in equalisation claims <sup>3)</sup>		Note and coin circulation excluding credit institutions' cash holdings <sup>4)</sup> *)	Sight deposits of German business enterprises and individuals			Sight deposits of German public authorities					Deposits of agencies of former occupying powers with Deutsche Bundesbank <sup>5)</sup>
				Total	with credit institutions (except Deutsche Bundesbank)	with Deutsche Bundesbank <sup>6)</sup>	Total		with credit institutions (except Deutsche Bundesbank)	with Deutsche Bundesbank <sup>6)</sup>		
							including	excluding		on giro account	temporarily employed in equalisation claims <sup>7)</sup>	
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		16,461	18,656	18,316	340	7,139		2,690		4,449	141
1958 "	46,849		17,940	21,738	21,402	336	7,124		2,900		4,224	47
1959 "	48,855		19,369	24,545	24,323	222	4,941		3,103		1,838	—
1959 <sup>8)</sup> "	49,446		19,344	25,067	24,845	222	5,035		3,197		1,838	—
1960 "	54,456		20,772	26,580	26,361	219	7,104		3,664		3,440	—
1961 March	55,579		21,581	24,713	24,490	223	9,285		3,098		6,187	—
June	59,257		22,065	26,500	26,255	245	10,692		3,321		7,371	—
September	59,902		22,888	27,497	27,250	247	9,517		3,454		6,063	—
December	63,381		23,138	31,238	30,986	252	9,005		4,272		4,733	—
1962 March	61,295		23,474	28,171	27,939	232	9,650		3,555		6,095	—
June	63,788		23,821	30,028	29,766	262	9,939		3,895		6,044	—
September	65,908		24,330	30,853	30,582	271	10,725		3,979		6,746	—
December <sup>7)</sup>	67,512		24,164	33,845	33,566	279	9,503		5,218		4,285	—
December <sup>7)</sup>	67,534		24,159	33,868	33,589	279	9,507		5,222		4,285	—
1963 March <sup>p)</sup>	65,869		24,812	30,174	29,925	249	10,883		4,004		6,879	—

\*) From July 1959 onwards including DM notes and coins circulating in the Saarland as well as deposits of Saarland non-banks with the Bundesbank. Cf. footnote<sup>1)</sup>. — 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) From December 1960 onwards including deposits of the E.R.P. Special Fund and credit balances resulting from special transactions. — 5) From January 1959 onwards included in foreign liabilities. — 6) From January 1960 onwards including the deposits of non-banks maintained with Saarland credit institutions. 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 \*). — 7) Since December 1962 the obligation to render returns has been newly defined for the agricultural credit cooperatives. The December figures are shown for both the old and the new range of institutions required to report. — p) Provisional.

(3) Savings Deposits

in millions of DM

Period	Savings deposits, total	among which:		Savings banks	Credit co-operatives	Total savings deposits comprise those at				
		Savings deposits				Commercial banks			Postal Savings Bank	Other credit institutions
		carrying tax privileges	carrying premiums			Total	among which:			
				Big banks	State, regional and local banks					
1952 December	7,581	972	—	4,934	1,118	1,115	605	424	380	34
1953 "	11,547	1,532	—	7,461	1,652	1,723	944	658	659	52
1954 "	17,225	2,319	—	10,965	2,418	2,794	1,556	1,052	965	83
1955 "	21,374	2,525	—	13,555	2,944	3,517	1,963	1,327	1,236	122
1956 "	24,276	2,917	—	15,506	3,418	3,782	2,055	1,489	1,457	113
1957 "	29,388	3,785	—	18,665	4,140	4,615	2,505	1,822	1,822	146
1958 "	36,102	4,157	—	22,882	5,081	5,698	3,128	2,215	2,286	155
1959 "	44,268	4,045	58	27,958 <sup>2)</sup>	6,167	7,142 <sup>2)</sup>	4,129	2,576 <sup>2)</sup>	2,783	218
1959 <sup>1)</sup> "	45,039	4,051	565	28,516 <sup>2)</sup>	6,305	7,204 <sup>2)</sup>	4,135	2,616 <sup>2)</sup>	2,793	221
1960 <sup>1)</sup> "	53,114	3,216	1,408	33,724	7,454	8,402	4,827	3,027	3,274	260
1961 March	55,567	2,888	1,646	35,244	7,810	8,762	5,043	3,143	3,476	275
June	56,738	2,798	1,890	35,972	7,987	8,926	5,132	3,208	3,573	280
September	57,904	2,174	2,048	36,737	8,175	9,095	5,245	3,263	3,614	283
December	60,424	159	2,554	38,525	8,551	9,313	5,345	3,365	3,754	281
1962 March	63,599	86	2,867	40,556	8,963	9,744	5,601	3,520	4,022	314
June	65,001	78	3,140	41,392	9,142	10,040	5,789	3,615	4,092	335
September	66,436	67	3,332	42,241	9,380	10,366	5,985	3,728	4,103	346
December <sup>3)</sup>	69,705	57	3,972	44,407	9,843	10,896	6,275	3,927	4,204	355
December <sup>3)</sup>	69,874	56	3,977	44,407	10,012	10,896	6,275	3,927	4,204	355
1963 March <sup>p)</sup>	73,517	50	4,391	...	...	...	...	...	...	...

<sup>1)</sup> From 1960 onwards including the Saarland. The rows of figures were linked together by showing for December 1959, firstly, the figures excluding the Saarland and, secondly, the figures including the Saarland. — <sup>2)</sup> Statistical shift of about DM 100 million due to transfer of the savings business of a state bank to a savings bank. — <sup>3)</sup> In December 1962 the obligation to render returns was newly defined for the agricultural credit cooperatives. As from December 1962 those agricultural credit cooperatives are required to render returns whose balance-sheet total on 31 December 1961 was DM 2 million or more. The December figures are shown for both the old and the new range of institutions required to report. — p) Provisional.



### III. Central Bank Lending to Non-Banks and Central Bank Deposits of Non-Banks

#### (1) Central Bank Lending to Non-Banks\*) in millions of DM

End of month	Total lending to non-banks including Treasury bills and securities		Public authorities										Business enterprises and individuals				
			Total including Treasury bills and securities		Federal Government and Federal Special Funds <sup>1)</sup>					Länder					"Direct lending" <sup>2)</sup>	Credits granted to insurance companies and building and loan associations <sup>3)</sup>	
					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	Other public authorities			
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	60.6
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	61.0	61.0
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	35.7
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	19.0
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	16.7	9.3
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	3.6
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	0.4
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	0.0
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	—	—	—	—	—
1959 "	1,747.8	1,455.5	1,747.8	1,455.5	1,747.8	80.0	244.8	1,210.7	212.3	—	—	—	—	—	—	—	—
1960 "	1,804.4	1,465.2	1,804.4	1,465.2	1,804.4	136.3	78.0	1,387.2	202.9	—	—	—	—	—	—	—	—
1961 "	3,017.3	2,798.8	3,017.3	2,798.8	3,014.3	—	160.1	2,635.7	218.5	3.0	—	3.0	—	—	—	—	—
1962 March	2,552.0	2,334.7	2,552.0	2,334.7	2,552.0	—	—	2,334.7	217.3	—	—	—	—	—	—	—	—
June	2,653.8	2,474.7	2,653.8	2,474.7	2,653.8	3.6	—	2,474.7	175.5	—	—	—	—	—	—	—	—
Sep.	2,438.0	2,228.1	2,438.0	2,228.1	2,438.0	37.0	—	2,228.1	172.9	—	—	—	—	—	—	—	—
Dec.	3,012.2	2,894.8	3,012.2	2,894.8	3,012.2	—	739.1	2,155.7	117.4	—	—	—	—	—	—	—	—
1963 Jan.	2,221.9	2,112.8	2,221.9	2,112.8	2,221.9	—	—	2,112.8	109.1	—	—	—	—	—	—	—	—
Feb.	2,309.7	2,215.7	2,309.7	2,215.7	2,300.9	—	94.1	2,112.8	94.0	8.8	—	8.8	—	—	—	—	—
March	2,253.0	2,164.4	2,253.0	2,164.4	2,253.0	—	—	2,164.4	88.6	—	—	—	—	—	—	—	—

\*) From July 1959 onwards including the Land Central Bank in the Saarland.

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

#### (2) Central Bank Deposits of Non-Banks\*) in millions of DM

End of month	Total		Public authorities <sup>1)</sup>				Agencies of former occupying powers <sup>2)</sup>	Other German depositors <sup>3)</sup>
	including amounts temporarily employed in equalisation claims <sup>4)</sup>	excluding	Federal Government (without Special Funds), Länder and Equalisation of Burdens Authorities	Credit balances from special transactions <sup>5)</sup>	E.R.P. Special Fund <sup>6)</sup>	Other public authorities <sup>7)</sup>		
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	—	965.0	396.7	907.6	829.7
1951 "	3,997.3	2,990.0	1,191.8	—	1,312.8	223.0	997.3	272.4
1952 "	3,957.8	2,194.1	1,906.1	—	825.9	207.2	753.4	265.2
1953 "	4,935.3	1,704.2	3,181.4	—	496.7	373.2	639.3	244.7
1954 "	6,266.5	1,529.9	4,684.7	—	352.8	400.6	523.4	305.0
1955 "	7,003.5	3,420.7	5,949.7	—	272.2	274.3	265.5	241.8
1956 "	7,682.3	4,459.3	6,711.8	—	192.5	339.8	143.8	294.4
1957 "	—	5,097.3	4,017.1	—	167.8	431.4	140.6	340.4
1958 "	—	4,968.2	3,614.0	—	361.2	610.3	46.8	335.9
1959 "	—	2,260.8	1,161.3	—	200.4	677.3	—	221.8
1960 March	—	3,411.0	1,752.9	—	569.0	864.4	—	224.7
June	—	4,006.8	2,692.1	—	375.3	718.6	—	220.8
Sep.	—	4,621.2	3,237.8	—	272.4	899.9	—	211.1
Dec.	—	3,659.2	2,683.2	1.7	119.8	636.3	—	218.2
1961 March	—	6,409.3	5,026.3	8.2	279.5	872.8	—	222.5
June	—	7,616.7	5,366.7	501.4	724.7	778.7	—	245.2
Sep.	—	6,309.4	5,337.1	45.4	381.8	298.6	—	246.5
Dec.	—	4,985.8	3,733.2	48.4	352.3	599.5	—	252.4
1962 Jan.	—	5,518.7	4,143.2	64.6	531.0	541.9	—	238.0
Feb.	—	5,199.9	3,731.2	66.8	231.8	927.8	—	242.3
March	—	6,326.8	5,490.4	2.8	271.1	350.6	—	231.9
April	—	5,541.0	4,527.1	5.6	249.7	517.1	—	241.5
May	—	5,405.4	4,097.9	11.3	229.0	828.1	—	239.1
June	—	6,306.2	5,464.5	12.9	314.5	252.5	—	261.8
July	—	6,182.3	4,551.7	13.1	392.8	970.2	—	254.5
Aug.	—	4,796.7	3,875.2	1.9	368.9	337.0	—	213.7
Sep.	—	7,016.7	5,362.0	1.7	369.5	1,012.8	—	270.7
Oct.	—	5,360.3	4,223.0	8.5	348.1	510.2	—	270.5
Nov.	—	4,337.2	3,238.0	0.1	316.2	505.9	—	277.0
Dec.	—	4,563.2	3,604.6	0.2	166.3	513.4	—	278.7
1963 Jan.	—	5,133.5	3,942.3	7.7	406.1	532.8	—	244.6
Feb.	—	4,701.2	3,398.9	0.3	407.1	644.4	—	250.5
March	—	7,128.1	5,370.1	7.9	351.1	1,150.1	—	248.9

\*) From July 1959 onwards including deposits maintained with the Land Central Bank in the Saarland.

<sup>1)</sup> Including amounts temporarily employed in equalisation claims. — <sup>2)</sup> 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. — <sup>3)</sup> Accounts kept in connection with the development aid loan and the partial denationalisation of the Volkswagen Works; excluding however the amounts employed in foreign money-market paper. — <sup>4)</sup> Until 31 July 1957 "counterpart funds" only. — <sup>5)</sup> From May 1958 onwards including the minimum reserve balances kept by the Federal Postal Administration on behalf of the Postal Cheque and Postal Savings Bank offices. — <sup>6)</sup> From January 1959 onwards included in "foreign business". — <sup>7)</sup> Other foreign depositors, until December 1958 contained in this item, are now included in "foreign business".

## IV. The Credit Institutions' Recourse to Bundesbank, Central Bank Deposits and Important Liquidity Reserves

### (1) Central Bank Lending to Credit Institutions and Central Bank Deposits of Credit Institutions\*)

in millions of DM

End of month	Lending <sup>1)</sup>				De- posits 2)
	Total	Discount credits	Advances on securities	Equalisa- tion 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 "	960.3	769.6	63.9	126.8	8,243.1
1959 "	1,285.7	949.2	234.4	102.1	9,343.8
1960 "	1,804.1	1,296.5	419.0	88.6	13,036.4
1961 March	1,459.2	1,237.6	150.4	71.2	10,176.8
June	1,106.3	1,007.2	47.6	51.5	9,528.2
Sep.	2,092.9	2,010.8	30.8	51.3	9,356.9
Dec.	1,663.8	1,395.4	219.7	48.7	11,614.6
1962 March	1,927.7	1,849.7	29.3	48.7	8,756.1
June	1,855.1	1,742.8	63.9	48.4	9,008.4
Sep.	1,997.0	1,903.2	45.4	48.4	9,048.9
Dec.	2,473.3	2,267.6	157.7	48.0	12,232.1
1963 Jan.	1,443.0	1,373.3	21.7	48.0	9,017.2
Feb.	1,243.9	1,135.3	60.6	48.0	8,703.9
March	3,122.7	2,972.8	101.9	48.0	9,149.3

\*) From July 1959 onwards including Saarland credit institutions.

<sup>1)</sup> 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. — <sup>2)</sup> Including Central Bank deposits of Postal Cheque and Postal Savings Bank offices. — <sup>3)</sup> From May 1958 onwards without the minimum reserve balances kept by the Federal Postal Administration on behalf of Postal Cheque and Postal Savings Bank offices.

### (2) Credit Institutions' Holdings of Domestic Treasury Bills, Non-interest-bearing Treasury Bonds and Short-term Investments Abroad\*)

in millions of DM

End of month	Total	of which:			
		Domestic Treasury bills and non-interest-bearing Treasury bonds		Short-term balances and money-market investments abroad <sup>3)</sup>	
		Total	among which: Mobilisation paper <sup>1)</sup> 2)	Total	among which: Money-market paper <sup>3)</sup>
1958 Dec.	7,207.3	6,167.1	4,300.2	1,040.2	481.2
1959 March	8,416.9	6,395.0	4,823.6	2,021.9	620.3
June	8,933.4	6,282.5	4,787.6	2,650.9	890.0
Sep.*)	9,273.2	6,165.6	4,325.5	3,107.6	950.5
Dec.	7,040.7	4,498.3	2,940.0	2,542.4	1,245.5
1960 March	7,444.0	5,061.1	3,246.1	2,382.9	824.2
June	6,473.4	5,281.6	3,487.8	1,191.8	341.6
Sep.	6,209.2	5,195.0	3,588.4	1,014.2	313.8
Dec.	5,940.7	4,625.6	3,130.8	1,315.1	379.3
1961 March	7,774.9	5,285.8	3,966.9	2,489.1	422.5
June	8,581.5	4,597.1	3,256.5	3,984.4	282.5
Sep.	9,680.1	6,008.1	4,916.9	3,672.0	438.4
Dec.	7,553.6	5,418.9	4,233.8	2,134.7	578.3
1962 March	9,479.8	4,923.1	3,967.8	4,556.7	524.6
June	8,552.5	5,053.3	3,985.1	3,499.2	501.7
Sep.	7,566.7	4,687.1	3,635.2	2,879.6	350.6
Dec.	7,211.6	5,056.1	3,372.2	2,155.5	353.2
1963 March P)	8,660.2	5,548.3	3,924.4	3,111.9	303.1

\*) From 1959 onwards including Saarland credit institutions.

<sup>1)</sup> I. e., Federal Treasury bills and non-interest-bearing Treasury bonds resulting from exchange for a corresponding partial amount of the Bundesbank's equalisation claim. — <sup>2)</sup> The holdings of special mobilisation paper series "L" ("Blessing Milliarde") were included at the time when the prohibition on sale was lifted (August 1961). — <sup>3)</sup> Excluding money-marked investments of Reconstruction Loan Corporation from proceeds of the development aid loan. — p) Provisional.

### (3) Borrowing by Banking Groups from Deutsche Bundesbank<sup>1)</sup>

in millions of DM

Banking groups	1961				1962			
	31 March	30 June	30 Sep.	31 Dec.	31 March	30 June	30 Sep.	31 Dec.
Commercial banks	1,250	1,029	1,893	1,454	1,499	1,477	1,599	2,072
of which:								
Big banks <sup>2)</sup>	( 502)	( 425)	( 978)	( 533)	( 668)	( 488)	( 706)	(1,003)
State, regional and local banks	( 399)	( 311)	( 505)	( 488)	( 392)	( 529)	( 463)	( 550)
Private bankers	( 271)	( 236)	( 304)	( 349)	( 364)	( 371)	( 332)	( 409)
Specialised commercial banks	( 78)	( 57)	( 106)	( 84)	( 75)	( 89)	( 98)	( 110)
Savings banks and central giro institutions	117	44	104	41	107	140	78	38
of which:								
Savings banks	( 21)	( 22)	( 23)	( 15)	( 19)	( 22)	( 22)	( 26)
Central giro institutions	( 96)	( 22)	( 81)	( 26)	( 88)	( 118)	( 56)	( 12)
Credit cooperatives and their central institutions	127	116	51	87	134	129	99	142
of which:								
Industrial	( 61)	( 52)	( 42)	( 32)	( 75)	( 63)	( 64)	( 49)
Agricultural	( 66)	( 64)	( 9)	( 55)	( 59)	( 66)	( 35)	( 93)
All other credit institutions	127	65	178	64	267	139	162	153
among which:								
Credit institutions with special functions	( 121)	( 57)	( 166)	( 55)	( 257)	( 130)	( 150)	( 139)
All banking groups <sup>3)</sup>	1,621	1,254	2,226	1,646	2,007	1,885	1,938	2,405

<sup>1)</sup> Including Saarland. — <sup>2)</sup> Deutsche Bank AG, Dresdner Bank AG, Commerzbank AG, and their Berlin subsidiaries. — <sup>3)</sup> 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 (1) 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) Rates of the Deutsche Bundesbank applying to the Sale of Money Market Paper in the Open Market in % per annum

Applicable from:	Treasury Bills of Federal Government and Federal Railways running for		Non-interest-bearing Treasury Bonds of Federal Government, Federal Railways and Federal Postal Administration running for				Storage Agency Bills running for	
	30 to 59 days	60 to 90 days	6 months	12 months	18 months	24 months	30 to 59 days	60 to 90 days
	1960 Feb. 29	3 3/4	3 7/8	4 1/8	4 3/8	4 1/2	4 5/8	3 7/8
Mar. 3	3 7/8	4	4 1/4	4 1/2	4 3/8	4 3/4	4	4 1/8
June 3	4 3/4	4 7/8	5 1/8	5 1/4	5 3/8	5 1/2	4 7/8	5
Nov. 2	4 5/8	4 3/4	5	5 1/8	5 1/4	5 3/8	4 3/4	4 7/8
Nov. 3	4 3/8	4 1/2	4 3/4	4 3/8	5	5 1/8	4 1/2	4 5/8
Nov. 11	3 7/8	4	4 1/4	4 3/8	4 1/2	4 5/8	4	4 1/8
Dec. 20	3 5/8	3 3/4	4	4 1/8	4 1/4	4 3/8	3 3/4	3 7/8
1961 Jan. 20	3 1/4	3 1/4	3 1/2	3 5/8	3 3/4	3 7/8	3 1/4	3 3/8
Feb. 9	3	3 1/8	3 3/8	3 1/2	3 3/8	3 3/4	3 1/8	3 1/4
Feb. 14	2 7/8	3	3 1/4	3 3/8	3 1/2	3 3/8	3	3 1/8
Mar. 3	2 5/4	2 7/8	3 1/8	3 1/4	3 3/8	3 1/2	2 7/8	3
Mar. 8	2 5/8	2 3/4	3	3 1/8	3 1/4	3 3/8	2 3/4	2 7/8
Mar. 17	2 1/2	2 5/8	2 7/8	3	3 1/8	3 1/4	2 5/8	2 3/4
Mar. 23	2 3/8	2 1/2	2 3/4	2 7/8	3	3 1/8	2 1/2	2 5/8
Apr. 26	2 1/4	2 3/8	2 5/8	2 3/4	2 7/8	3	2 3/8	2 1/2
May 5	2 1/8	2 1/4	2 1/2	2 5/8	2 3/4	2 7/8	2 1/4	2 3/8
Oct. 4	2	2 1/8	2 3/8	2 1/2	2 5/8	2 3/4	2 1/8	2 1/4
Oct. 20	1 7/8	2	2 3/8	2 1/2	2 5/8	2 3/4	2	2 1/8
1962 Jan. 4	1 3/4	1 7/8	2 1/4	2 3/8	2 5/8	2 3/4	1 7/8	2
Mar. 30	1 7/8	2	2 3/8	2 1/2	2 3/4	2 7/8	2	2 1/8
Apr. 13	2	2 1/8	2 1/2	2 3/8	2 7/8	3	2 1/8	2 1/4
June 6	2 1/8	2 1/4	2 5/8	2 3/4	3	3 1/8	2 1/4	2 3/8
July 16	2 1/4	2 3/8	2 3/4	2 7/8	3 1/8	3 1/4	2 3/8	2 1/2
Aug. 1	2 3/8	2 1/2	2 7/8	3	3 1/4	3 3/8	2 1/2	2 5/8
Oct. 3	2 1/2	2 5/8	3	3 1/8	3 3/8	3 1/2	2 5/8	2 3/4

(2) Swap Rates of Deutsche Bundesbank for Forward Transactions<sup>1)</sup>

Applicable from:	Minimum and maximum periods <sup>2)</sup> (months)	Discount (-) premium (+) <sup>3)</sup> in % p. a.
1958 Oct. 6	1 to 3	par
1959 Jan. 23	1 to 3	- 1/8
Feb. 12	1 to 3	- 1/4
March 6	1 to 3	- 3/8
June 1	1 to 3	- 1/2
July 8	1 to 3	- 3/4
July 11	1 to 3	- 7/8
July 17	1 to 3	- 1
Oct. 24	1 to 6	- 1 1/8
Oct. 29	1	- 1 1/4
Nov. 3	2 to 6	- 1 1/2
Nov. 18	1	- 1 1/2
Dec. 1	2 to 6	par
Dec. 1	1 to 6	par
1960 Jan. 11	2 to 6	par
Jan. 14	3 to 6	par
Aug. 24	1/2 to 6	+1
Sep. 26	1/2 to 6	+1 1/8
1961 Jan. 20	1/2 to 6	+1
Feb. 3	1/2 to 6	+ 1/2
Feb. 9	1/2 to 6	+ 1/4
Feb. 13	1/2 to 6	par
Aug. 14	1 to 6	- 1/4
Dec. 15	1 to 6	par
1962 Jan. 2	1 to 6	- 1/4
Jan. 8	1 to 6	- 3/8
Jan. 10	1 to 6	- 1/2
Feb. 14	2 to 6	- 1/2
March 8	1 to 6	- 1/2
March 30	1 to 2	- 1/2
July 16	over 2 to 6	- 1/4
July 16	over 1 to 2	- 3/4
July 16	over 2 to 6	- 1/2
Aug. 1	over 1 to 2	- 1
Aug. 1	over 2 to 6	- 3/4
Sep. 24	over 1 to 2	- 5/8
Sep. 24	over 2 to 6	- 1/2
1963 Jan. 7	over 1 to 2	- 1
1963 Jan. 7	over 2 to 6	- 3/4

<sup>1)</sup> Transactions in U.S. dollars with credit institutions for forward exchange covering of their money investments abroad, between 24 August and 11 November 1960 also for facilitating import and merchanting-trade financing. — <sup>2)</sup> Up to 23 August 1960 the Deutsche Bundesbank concluded forward transactions only for full months, after that date for any period within the limits stated. — <sup>3)</sup> Discount or premium by which the repurchase rate deviates from the selling rate (mean spot rate); par = repurchase rate equal to selling rate.

(3) Money Market Rates<sup>1)</sup> in Frankfurt (Main), by Months in % per annum

Month	Day-to-day money <sup>2)</sup>	One-month loans <sup>3)</sup>	Three-month loans <sup>3)</sup>	Note: Central Bank Discount Rate
1961 April	2 3/8 - 3 1/8	3 - 3 1/4	3 1/4 - 3 3/8	3 1/2
May	2 1/8 - 3 1/8	3 - 3 1/4	3 1/8 - 3 1/4	3 1/2 <sup>3)</sup>
June	1 7/8 - 3 1/4	2 7/8 - 3 1/8	3 - 3 1/4	3
July	2 1/8 - 3 1/8	3	3 1/8 - 3 1/4	3
Aug.	1 3/4 - 3 1/8	2 7/8 - 3	3 - 3 1/8	3
Sep.	2 3/8 - 3 1/8	2 7/8 - 3 1/8	3 - 3 1/8	3
Oct.	1 3/4 - 3 1/8	2 5/8 - 3	3 7/8 - 4 1/4	3
Nov.	2 3/8 - 3 1/4	2 5/8 - 2 7/8	3 1/2 - 3 7/8	3
Dec.	2 5/8 - 3 1/2 <sup>4)</sup>	4 - 4 1/4	3 5/8 - 4	3
1962 Jan.	1 1/4 - 2 3/4	2 1/2 - 2 7/8	2 3/4 - 3 1/8	3
Feb.	1 1/4 - 2 7/8	2 1/2 - 2 3/4	2 3/4 - 3	3
March	2 3/8 - 3 7/8	2 3/4 - 3 1/8	2 7/8 - 3 1/4	3
April	2 1/4 - 3 1/4	2 3/4 - 3	3 - 3 1/8	3
May	1 7/8 - 3 1/4	2 3/4 - 3	3 - 3 1/8	3
June	2 3/4 - 3 7/8	2 7/8 - 3 1/4	3 1/8	3
July	2 5/8 - 3 1/4	3 - 3 1/8	3 1/4 - 3 3/8	3
Aug.	2 - 3	2 3/4 - 3 1/8	3 1/8 - 3 3/8	3
Sep.	2 7/8 - 3 1/4	2 7/8 - 3 1/4	3 1/8 - 3 1/4	3
Oct.	1 3/4 - 3 1/4	2 3/4 - 3	4 1/4 - 4 3/4	3
Nov.	2 - 3 1/8	2 3/4 - 3	4 1/4 - 4 1/2	3
Dec.	3 - 4 <sup>5)</sup>	4 1/2 - 5 1/8	4 1/4 - 4 1/2	3
1963 Jan.	2 - 3	2 7/8 - 3	3 1/8 - 3 1/2	3
Feb.	2 1/2 - 3 3/8	2 7/8 - 3 1/8	3 1/4 - 3 3/8	3

<sup>1)</sup> 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. — <sup>2)</sup> Lowest and highest rate quoted during month. — <sup>3)</sup> From 5 May 1961 = 3 3/8. — <sup>4)</sup> Money at the end of the month 4 1/2 to 4 7/8. — <sup>5)</sup> Money at the end of the month 5 1/2 to 6%.

(4) Rates for Day-to-Day Money<sup>1)</sup> in Frankfurt (Main) by Bank Return Weeks (in % per annum)

Week	Lowest rate	Highest rate
1962 Oct. 1 - 7	2 3/4	3 1/4
8 - 15	2 1/8	2 3/4
16 - 23	2 3/8	2 1/4
24 - 31	1 3/4	2 1/8
Nov. 1 - 7	2 3/4	3
8 - 15	2 1/4	2 3/4
16 - 23	2 1/8	3
24 - 30	2	3 1/8
Dec. 1 - 7	3	3 1/8
8 - 15	3	3 1/8
16 - 23	3 1/8	4
24 - 31	3	4
End of December	5 1/2	6
1962 Jan. 1 - 7	2 3/8	2 7/8
8 - 15	2 1/4	2 5/8
16 - 23	2 3/8	3
24 - 31	2	3
Feb. 1 - 7	3	3 1/4
8 - 15	2 1/2	2 7/8
16 - 23	2 3/4	3 1/8
24 - 28	2 7/8	3 3/8
Mar. 1 - 7		
8 - 15		
16 - 23		
24 - 31		
Apr. 1 - 7		
8 - 15		
16 - 23		

<sup>1)</sup> 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.

(5) Debtor and Creditor Interest Rates since the Currency Reform

(a) Maximum Debtor Interest Rates \*)

in % per annum

Applicable from:	Central Bank discount rate	Central Bank rate for advances on securities	Charges for credits in current account		Charges for acceptance credits	Charges for discount credits <sup>2)</sup> , items amounting to			
			Approved credits <sup>1)</sup>	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	9	10 1/2	8	6 1/2	7	7 1/2	8
1948 Sep. 1			9 1/2	11	8 1/2 - 9 1/2	7	7 1/2	8	8 1/2
1948 Dec. 15			9	10 1/2	8	6 1/2	7 1/2	8	8 1/2
1949 May 27	4 1/2	5 1/2	8 1/2	10	7 1/4 - 8 1/2 <sup>3)</sup>	6	6 1/2	7	7 1/2 <sup>4)</sup>
1949 July 14	4	5	8 1/2	10	7 1/4 - 8 1/2 <sup>3)</sup>	6	6 1/2	7	7 1/2 <sup>4)</sup>
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
1952 Aug. 21	4 1/2	5 1/2	9	10 1/2	8	6 1/2	7	7 1/2	8
1953 Jan. 8	4	5	8 1/2	10	7 1/2	6	6 1/2	7	7 1/2
1953 June 11	3 1/2	4 1/2	8	9 1/2	7	5 1/2	6	6 1/2	7
1954 May 20	3	4	8	9 1/2	6 1/2	5	5 1/2	6	6 1/2
1954 July 1			7 3/4	9 1/4	6	5	5 1/2	6	6 1/2
1955 Aug. 4	3 1/2	4 1/2	8	9 1/2	7	5 1/2	6	6 1/2	7 1/2
1956 Mar. 8	4 1/2	5 1/2	9	10 1/2	8	6 1/2	7	7 1/2	8 1/2
1956 May 19	5 1/2	6 1/2	10	11 1/2	9	7 1/2	8	8 1/2	9 1/2
1956 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	8 1/2
1957 Sep. 19	4	5	8 1/2	10	7 1/2	6	6 1/2	7	7 1/2
1958 Jan. 17	3 1/2	4 1/2	8	9 1/2	7	5 1/2	6	6 1/2	7 1/2
1958 June 27	3	4	7 3/4	9 1/4	6 1/2	5	5 1/2	6	6 1/2
1959 Jan. 10	2 3/4	3 3/4	7 1/2	8 3/4	6 1/4	4 3/4	5 1/4	5 3/4	6 1/4
1959 Sep. 4	3	4	7 1/2	9	6 1/2	5	5 1/2	6	6 1/2
1959 Oct. 23	4	5	8 1/2	10	7 1/2	6	6 1/2	7	7 1/2
1960 June 3	5	6	9 1/2	11	8 1/2	7	7 1/2	8	8 1/2
1960 Nov. 11	4	5	8 1/2	10	7 1/2	6	6 1/2	7	7 1/2
1961 Jan. 20	3 1/2	4 1/2	8	9 1/2	7	5 1/2	6	6 1/2	7 1/2
1961 May 5	3	4	7 1/2	9	6 1/2	5	5 1/2	6	6 1/2

\*) Official rates for credits to non-banks, which may only be exceeded in exceptional cases. The interest rates here quoted have been compiled on the basis of announcements of the Hessian Bank Supervisory Authority and remained in force according to Art. 62 par. 1 of the Banking Law of 10 July 1961; in most of the other Federal Lander 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 from:	Monies payable on demand		Savings deposits		Monies at notice <sup>1)</sup> of				Monies placed for fixed periods <sup>1)</sup> 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 month to less than 3 months	3 months to less than 6 months	6 months to less than 12 months <sup>2)</sup>	12 months and over <sup>2)</sup>	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 <sup>3)</sup>
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
1950 Dec. 1	1	1 1/2	3	3 1/4	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 <sup>4)</sup>
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 3/8	2 3/4
1953 July 1	3/4	1 1/4	3	3 1/2	4 1/4	2 1/2	2 3/4	3 1/8	3 1/2	2 1/4	2 3/4	3	3 3/8	2 3/4
1954 July 1	1/2	1	3	3 1/2	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 3/4	3 3/8	3 3/4	4 1/4	4 5/8	2 3/4
1956 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 <sup>5)</sup>
1956 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	2 3/4
1957 Feb. 1	1	1 1/2	3 1/2	4 1/2	5 1/2	3 3/4	4 1/4	4 3/4	5 1/4	3 3/4	4 1/4	4 3/4	5 1/4	3 1/4 <sup>6)</sup>
1957 Oct. 17	3/4	1 1/4	3 1/2	4 1/2	5 1/4	3 3/4	3 3/4	4 1/4	4 1/4	3 3/4	3 3/4	4 1/4	4 1/4	3 1/2
1958 Feb. 10	1/2	1	3 1/4	4	5	2 3/4	3	3 3/4	4 1/2	2 7/8	3	3 3/4	4 1/2	3 1/2
1958 July 21	1/2	1	3	3 1/2	4 1/4	2 3/8	2 3/4	3	3 3/4	2 3/8	2 3/4	3	3 3/4	3 1/2
1958 Nov. 20	1/2	1	3	3 1/2	4 1/2	2 3/8	2 3/4	3	3 3/4	2 3/8	2 3/4	3	3 3/4	3
1959 Feb. 1	3/8	1 1/4	3	3 1/2	4	2 1/2	2 1/2	2 3/4	3 1/2	2	2 1/2	2 3/4	3 1/4	3
1959 Nov. 20	1/2	1	3	3 1/2	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	4	5 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
1960 July 1	1	1 1/2	4	4 1/2	5 1/2	3	3 1/2	4	4 3/4	3	3 1/2	4	4 3/4	4
1960 Dec. 15	1/2	1	4	4 1/2	5 1/4	2 1/2	3	3 1/2	4 1/4	2 1/2	3	3 1/2	4 1/4	4
1961 Jan. 1	1/2	1	4	4 1/2	5 1/4	2 1/2	3	3 1/2	4 1/4	2 1/2	3	3 1/2	4 1/4	4
1961 Feb. 15	1/2	1	4	4 1/2	5 1/4	2 1/4	2 3/4	3 1/4	4	2 1/4	2 3/4	3 1/4	4	4
1961 Apr. 1	1/2	1	3 1/2	4	4 1/2	2 1/4	2 3/4	3 1/4	4	2 1/4	2 3/4	3 1/4	4	4
1961 June 10	3/4	1 1/4	3 1/2	4	4 1/2	1 3/4	2 1/4	2 3/4	3 1/2	1 3/4	2 1/4	2 3/4	3 1/2	3 1/2
1961 July 1	3/8	1 1/4	3 1/4	3 1/2	4	1 3/4	2 1/4	2 3/4	3 1/2	1 3/4	2 1/4	2 3/4	3 1/2	3 1/2

\*) Official rates for deposits of non-banks, which may only be exceeded in exceptional cases. The rates here quoted have been compiled on the basis of announcements of the Hessian Bank Supervisory Authority and remained in force according to Art. 62 par. 1 of the Banking Law of 10 July 1961; in most of the other Federal Lander 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 September 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) From 1 July 1949 = 2 1/4%. — 4) From 1 Jan. 1951 = 2 3/4%. — 5) From 1 July 1956 = 3 1/4%. — 6) From 1 May 1957 = 3 1/2%. — 7) From 20 November 1958 onwards, 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<sup>1)</sup> of Fixed-interest-bearing Securities and Shares

Nominal value in millions of DM

Period	Fixed-interest-bearing securities									Shares <sup>2)</sup>	Fixed-interest-bearing securities and shares, total		
	Bonds of German issuers								Loans of foreign issuers			Total	among which: Medium-term notes (Kassenobligationen)
	Mortgage bonds (including ship mortgage bonds)	Communal bonds	Bonds of specialised credit institutions	Industrial bonds (including convertible bonds)	Loans of public authorities	Other bonds							
<b>during year</b>													
1953	1,043.4	429.4	224.6	396.2	774.5	33.8	—	2,901.9 <sup>3)</sup>	—	268.7	3,170.6		
1954	2,238.8	1,001.4	64.9	791.5	590.2	4.2	—	4,691.0 <sup>3)</sup>	—	453.0	5,144.0		
1955	1,381.7	1,026.1	257.7	432.0	583.2	0.0	—	3,680.7 <sup>3)</sup>	—	1,554.8	5,235.5		
1956	1,038.2	616.1	14.2	563.7	332.0	0.0	—	2,564.2 <sup>3)</sup>	—	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		
1960	2,343.4	1,119.9	501.1	27.5	1,332.6	3.0	44.8	5,372.3	568.5	1,904.5	7,276.8		
1961	3,641.5	2,505.3	501.2	319.6	2,141.2 <sup>4)</sup>	100.0	12.0	9,620.8 <sup>4)</sup>	388.7	2,192.4	11,813.2		
1962	4,096.2	2,368.2	910.5	1,076.1	2,992.4	401.1	100.0	11,944.5	810.0	1,506.7	13,451.2		
<b>during month</b>													
1962 Jan.	524.8	309.4	82.7	110.0	411.3	34.0	—	1,472.2	164.3	130.2	1,602.4		
Feb.	279.7	304.7	60.1	150.0	530.0	50.0	100.0	1,474.5	295.5	135.2	1,609.7		
March	358.0	248.2	3.6	75.0	7.9	39.0	—	731.7	—	54.3	786.0		
April	256.0	184.0	45.8	—	260.2	24.3	—	770.3	45.5	224.8	995.1		
May	273.1	215.8	175.9	140.0	130.0	42.4	—	977.2	20.0	151.9	1,129.1		
June	267.5	175.2	91.0	79.4	20.0	18.5	—	651.6	20.0	51.8	703.4		
July	401.0	245.9	139.9	260.3	637.7	18.0	—	1,702.8	62.0	166.6	1,869.4		
Aug.	350.6	184.4	21.4	25.2	360.2	35.4	—	977.2	124.2	81.2	1,058.4		
Sep.	319.5	109.9	201.0	56.2	75.7	54.5	—	816.8	25.7	44.2	861.0		
Oct.	357.0	119.7	24.6	40.0	308.8	24.7	—	874.8	14.6	107.5	982.3		
Nov.	272.8	138.1	50.7	140.0	0.6	30.0	—	632.2	31.0	134.8	767.0		
Dec.	436.2	132.9	13.8	—	250.0	30.3	—	863.2	7.2	224.2	1,087.4		
1963 Jan.	472.3	384.7	341.7	117.4	765.5	150.1	—	2,231.7	264.9	104.1	2,335.8		
Feb.	243.6	235.5	18.8	162.6	637.1	84.2	—	1,381.8	184.1	96.1	1,477.9		
March	289.8	342.7	85.3	150.0	69.7	102.7	100.0	1,140.2	83.4	172.8	1,313.0		

<sup>1)</sup> Only initial placing of newly issued securities, no account being taken of amounts redeemed or repurchased. — Except conversion and old savers' securities. — From 1954 onwards including Berlin (West), from 1959 including the Saarland. The amounts issued (since 1948) until then in the aforementioned territories have been included in the annual figures for 1954 and 1959, respectively. — <sup>2)</sup> Share issues under the Law on Capital Increase out of Company Reserves . . . dated 23 December 1959 ("bonus shares") are not included in the figures. — <sup>3)</sup> 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. — <sup>4)</sup> Including DM 1,176.2 million 5% Loan of the Federal Republic of Germany (development aid).

### (2) Redemption and Net Placing of Fixed-interest-bearing Securities<sup>1)</sup>, and Change in the Holdings of Repurchased Issues

Nominal value in millions of DM

Period	Post-Currency-Reform issues									Pre-Currency-Reform issues <sup>2)</sup>	Fixed-interest-bearing securities, total		
	Bonds of German issuers								Loans of foreign issuers			Total	among which: Medium-term notes (Kassenobligationen)
	Mortgage bonds (including ship mortgage bonds)	Communal bonds	Bonds of specialised credit institutions	Industrial bonds (including convertible bonds)	Loans of public authorities	Other bonds							
<b>Redemption</b>													
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		
1960	116.0	176.5	136.0	403.9	150.4	3.6	—	986.4	—	94.4	1,080.8		
1961	339.3	641.3	333.8	219.1	93.2	5.7	—	1,632.4	109.9	74.0	1,706.4		
1962	456.9	597.8	245.0	484.5	526.1	3.6	3.5	2,317.4	387.7	74.0	2,391.4		
<b>Net placing<sup>3)</sup></b>													
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		
1960	2,227.4	943.4	365.1	— 376.4	1,182.2	— 0.6	44.8	4,385.9	568.5	100.5	4,866.4		
1961	3,302.2	1,864.0	567.4	100.5	2,048.0	94.3	12.0	7,988.4	278.8	85.5	8,073.9		
1962	3,639.3	1,770.4	665.5	591.6	2,466.3	397.5	96.5	9,627.1	422.3	39.1	9,666.2		
<b>Change in the holdings of repurchased issues</b>													
increase (+) / decrease (—)													
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		
1960	+ 30.4	+ 34.4	— 0.2	+ 9.3	— 10.5	— 0.1	—	+ 63.3	—	+ 3.4	+ 66.7		
1961	+ 0.8	+ 3.9	+ 2.1	— 2.4	+ 25.9	—	—	+ 30.3	—	+ 17.9	+ 12.4		
1962	+ 17.4	— 12.8	+ 6.9	+ 0.7	+ 28.8	—	—	+ 41.0	—	— 20.5	+ 20.5		

<sup>1)</sup> From 1954 onwards including Berlin (West), from 1959 including the Saarland. The amounts issued (since 1948) until then in the aforementioned territories have been included in the annual figures for 1954 and 1959, respectively. — <sup>2)</sup> Statistically ascertained from January 1957 only. — <sup>3)</sup> 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).



## VII. Foreign Trade and the Balance of Payments

(1) *Balance of Payments of the Federal Republic of Germany 1956 to 1962 \** (in millions of DM)

Items	1956	1957	1958	1959	1960	1961	1962P)
<b>A. Balance of Total Transactions (Goods, Services, Transfer Payments and Capital Movements)</b>							
<b>I. Current items</b>							
(1) Goods and services							
(a) Goods	Exports (f.o.b.) <sup>1)</sup>	30,712	35,831	36,849	41,025	47,849	53,002
	Imports (f.o.b.) <sup>1)</sup>	25,079	28,509	29,380	33,141	39,574	41,207
	Merchandising trade: Sales	1,093	1,771	1,285	1,886	2,536	2,460
	Purchases	995	1,697	1,249	2,018	2,231	2,542
	Net transactions in goods	+ 5,731	+ 7,396	+ 7,505	+ 7,752	+ 8,580	+ 6,914
(b) Services	Receipts from services rendered to foreign military agencies	1,673	2,519	3,598	3,814	3,960	4,303
	Other receipts	5,661	6,723	6,591	6,820	7,957	8,657
	Expenditure	7,466	8,999	9,860	11,400	13,074	17,514
	Net services	- 132	+ 243	+ 329	- 766	- 1,157	- 4,554
	Net transactions in goods and services	+ 5,599	+ 7,639	+ 7,834	+ 6,986	+ 7,423	+ 2,360
(2) Transfer payments (outflow: —, inflow: +) <sup>2)</sup>							
(a) Private	Inflow	94	79	92	93	96	72
	Outflow	372	441	406	408	484	618
	Balance	- 278	- 362	- 314	- 315	- 388	- 552
(b) Official	Inflow	132	78	81	88	177	102
	Outflow:						
	Indemnification	924	1,396	1,405	1,592	2,102	2,514
	Other	119	150	216	1,083	565	774
	Balance	- 911	- 1,468	- 1,540	- 2,587	- 2,490	- 3,005
	Net transfer payments	- 1,189	- 1,830	- 1,854	- 2,902	- 2,878	- 3,483
	<b>Net balance of current items (1 + 2)</b>	<b>+ 4,410</b>	<b>+ 5,809</b>	<b>+ 5,980</b>	<b>+ 4,084</b>	<b>+ 4,545</b>	<b>- 1,403</b>
<b>II. Capital transactions (outflow: —, inflow: +)<sup>2)</sup></b>							
(1) Long-term capital <sup>3)</sup>							
(a) German capital investments abroad							
New investment	Private: Purchase of foreign securities	- 21	- 104	- 383	- 2,032	- 1,724	- 1,205
	Other new investment	- 401	- 663	- 969	- 775	- 890	- 1,129
	Official: Payments to international organisations	- 88	-	- 126	- 2,351	- 221	- 924
	Other new investment	- 175	- 321	- 448	- 524	- 761	- 1,199
Disinvestment	Private: Sale of foreign securities	+ 4	+ 23	+ 104	+ 569	+ 1,009	+ 1,006
	Other disinvestment	+ 93	+ 69	+ 106	+ 216	+ 170	+ 306
	Official	-	-	+ 26	-	+ 57	+ 219
	Net capital investments (increase: —)	- 17	- 81	- 279	- 1,463	- 715	- 199
	Foreign securities	- 308	- 594	- 863	- 559	- 720	- 823
	Other net capital investments	- 263	- 321	- 548	- 2,875	- 925	- 1,904
	Total	- 588	- 996	- 1,690	- 4,897	- 2,360	- 2,926
(b) Foreigners' capital investments in the Federal Republic							
New investment	Private: Purchase of domestic securities	+ 767	+ 1,358	+ 1,803	+ 2,528	+ 4,349	+ 4,408
	Other new investment	+ 632	+ 678	+ 609	+ 973	+ 1,093	+ 1,312
	Official	-	-	-	-	-	-
Disinvestment	Private: Sale of domestic securities	- 478	- 587	- 1,211	- 2,059	- 2,276	- 2,762
	Other disinvestment	- 466	- 539	- 577	- 572	- 749	- 1,049
	Official: Prepayment of debts resulting from post-war economic aid	-	-	-	- 903	-	- 3,125
	Other disinvestment	- 426	- 541	- 502	- 517	- 314	- 91
	Net capital investments (increase: +)	+ 289	+ 771	+ 592	+ 469	+ 2,073	+ 1,646
	Domestic securities	+ 166	+ 139	+ 32	+ 401	+ 344	+ 263
	Other net capital investments	- 426	- 541	- 502	- 1,420	- 314	- 944
	Total	+ 29	+ 369	+ 122	- 550	+ 2,103	+ 1,307
	Net long-term capital transactions (a + b)	- 559	- 627	- 1,568	- 5,447	- 257	- 4,233
(2) Short-term capital							
(a) Private							
Net German capital investments abroad (increase: —)	Banks other than Bundesbank <sup>4)</sup>	- 191	- 606	- 599	- 1,315	+ 1,103	- 1,558
	Non-banks	- 18	- 34	- 48	- 106	- 82	- 307
	Total	- 209	- 640	- 647	- 1,421	+ 1,021	- 1,865
Net foreign capital investments in the Federal Republic (increase: +)	Banks other than Bundesbank <sup>4)</sup>	+ 1,103	+ 581	- 135	+ 280	+ 1,151	+ 1,294
	Non-banks	.	+ 56	+ 45	- 52	+ 737	+ 910
	Total	+ 1,103	+ 637	- 90	+ 228	+ 1,888	+ 2,204
Balance	Official	+ 894	- 3	- 737	- 1,193	+ 2,909	+ 339
(b) Official							
Transactions with International Monetary Fund		-	-	271	+ 1,392	- 169	- 1,322
Other payments		- 287	- 1,810	+ 184	- 1,000	- 785	+ 56
Total		- 287	- 1,810	- 87	- 392	- 954	- 1,266
	Net short-term capital transactions (a + b)	+ 607	- 1,813	- 824	- 601	+ 1,955	- 927
	<b>Net total of capital transactions (1 + 2)</b>	<b>+ 48</b>	<b>- 2,440</b>	<b>- 2,392</b>	<b>- 6,248</b>	<b>+ 1,698</b>	<b>+ 535</b>
<b>Net Balance of Total Transactions (I + II)</b>		<b>+ 4,458</b>	<b>+ 3,369</b>	<b>+ 3,588</b>	<b>- 2,164</b>	<b>+ 6,243</b>	<b>- 886</b>
<b>B. Movement of Gold and Exchange</b>							
(change in monetary reserves of Deutsche Bundesbank <sup>5)</sup> ) <sup>6)</sup>							
I. Change in gold holdings (increase: —)		- 2,413	- 4,399	- 411	+ 8	- 1,402	- 2,781
II. Change in assets and liabilities							
(1) Assets (increase: —)		- 2,651	- 1,248	- 2,436	+ 2,439	- 6,624	+ 4,800
(2) Liabilities (increase: +)		+ 50	+ 525	- 341	- 243	+ 19	+ 91
	<b>Net balance of changes in assets and liabilities</b>	<b>- 2,601</b>	<b>- 723</b>	<b>- 2,777</b>	<b>+ 2,196</b>	<b>- 6,605</b>	<b>+ 4,709</b>
	<b>Net Movement of Gold and Exchange (surplus: —, deficit: +) (I + II)</b>	<b>- 5,014</b>	<b>- 5,122</b>	<b>- 3,188</b>	<b>+ 2,204</b>	<b>- 8,007</b>	<b>+ 1,928</b>
<b>C. Net Errors and Omissions (ascertained as residue)<sup>7)</sup></b>		<b>+ 556</b>	<b>+ 1,753</b>	<b>- 400</b>	<b>- 40</b>	<b>+ 1,764</b>	<b>+ 234</b>

\* Area of the Federal Republic including Berlin (West); from 6 July 1959, the date of the Saarland's economic incorporation, including its transactions with foreign countries. — <sup>1)</sup> Special trade. Including supplementary items (e.g., export and import of electric current), for 1957 and 1958 also including Federal Government imports subsequently reported and not recorded in the official foreign trade statistics; excluding the export of ships' and aircraft's fuel and other supplies, which has been included under receipts from services. — <sup>2)</sup> Transactions are classified as "Private" or "Official" according to the sector to which the German party engaged in the transaction belongs. — <sup>3)</sup> Cf. footnote 5). — <sup>4)</sup> For 1961 including statistical change of assets and liabilities in foreign currency due to the DM revaluation. — <sup>5)</sup> Excluding I.B.R.D. bonds, and excluding those I.B.R.D. notes that are shown in the Bundesbank Return in item "Securities" and in the present tabulation under official long-term capital. — <sup>6)</sup> For 1961 regarding the decrease by DM 1,419 million, due to the DM revaluation, in the Deutsche Bundesbank's monetary reserves. — <sup>7)</sup> This residual item, ascertained as difference between the net movement of gold and exchange and the net balance of total transactions, mainly reflects the changes in the terms of payment, which are not statistically ascertained (movement of gold and exchange more favourable than balance of total transactions: +, movement of gold and exchange less favourable: —). — p) Provisional.

(2) Monetary Reserves of the Deutsche Bundesbank<sup>o)</sup> (in millions of DM)

Position at end of year or month	Total monetary reserves (net)	Gold holdings and freely usable foreign assets			Foreign assets at fixed term or of only limited usability <sup>2)</sup>					Foreign liabilities <sup>2)</sup>	Note: Foreign assets of Deutsche Bundesbank not included in the monetary reserves <sup>5)</sup>
		Total	Gold holdings	Freely usable foreign assets	Total	among which:					
						Bilateral claims from former credits to E.P.U. (until end-1958: credit granted to E.P.U. <sup>3)</sup> )	I.B.R.D. debt certificates <sup>4)</sup>	Earmarked balances with foreign banks and earmarked money-market investments	Consolidation loans to foreign Central Banks		
1952	4,635	2,971	587	2,384	2,026	1,061	—	—	—	362	—
1953	8,158	5,510	1,367	4,143	2,704	1,782	—	—	—	56	—
1954	10,930	8,426	2,628	5,798	2,672	2,054	—	—	146	168	—
1955	12,781	10,134	3,862	6,272	2,785	2,187	—	—	304	138	—
1956	17,795	14,412	6,275	8,137	3,571	2,890	—	240	403	188	73
1957	22,917	17,237	10,674	6,563	6,393	4,242	735	1,032	384	713	73
1958	26,105	19,477	11,085	8,392	7,000	4,597	1,166	972	265	372	73
1959	23,621	19,039	11,077	7,962	4,992	3,159	1,305	353	175	410	191
1960	31,628	28,295	12,479	15,816	3,762	1,993	1,400	265	104	429	272
1961	28,281	26,166	14,654	11,512	2,452	1,039	1,352	—	61	337	1,112
1962	27,729	25,786	14,716	11,070	2,299	897	1,352	—	50	356	1,100
1960 March	23,974	19,644	11,214	8,430	4,674	2,978	1,200	353	143	344	191
June	27,432	23,271	11,643	11,628	4,619	2,834	1,300	353	132	458	191
Sep.	30,065	26,621	12,132	14,489	3,821	2,089	1,350	265	117	377	191
Dec.	31,628	28,295	12,479	15,816	3,762	1,993	1,400	265	104	429	272
1961 5 March <sup>a)</sup>	31,724	28,512	12,723	15,789	3,497	1,744	1,400	265	88	285	372
31 March <sup>b)</sup>	30,305	27,155	12,117	15,038	3,434	1,742	1,352	252	88	284	364
June	31,421	28,329	12,969	15,360	3,417	1,731	1,352	252	82	325	364
Sep.	29,529	27,378	14,053	13,325	3,142	1,718	1,352	—	72	991	414
Dec.	27,534	25,746	14,576	11,170	2,477	1,055	1,352	—	70	689	632
1962 March	28,281	26,166	14,654	11,512	2,452	1,039	1,352	—	61	337	1,112
June	26,226	24,354	14,665	9,689	2,437	1,026	1,352	—	59	565	1,112
Sep.	26,993	24,932	14,667	10,265	2,422	1,013	1,352	—	57	361	1,112
Dec.	27,726	25,891	14,673	11,218	2,318	913	1,352	—	53	483	1,112
1963 Jan.	27,729	25,786	14,716	11,070	2,299	897	1,352	—	50	356	1,100
Feb.	27,084	25,168	14,777	10,391	2,299	897	1,352	—	50	383	1,100
March	27,272	25,257	14,910	10,347	2,298	896	1,352	—	50	283	1,100
March	27,633	25,785	14,995	10,790	2,281	884	1,352	—	44	433	1,100

<sup>o)</sup> The figures are not fully identical with those shown in the Return of the Bundesbank, because gold holdings as well as foreign assets and liabilities are here recorded at parity rate in accordance with the International Monetary Fund's instructions on the compilation of balance-of-payments statements, whereas in the Bundesbank Return they are computed for the end of the year according to the lowest value principle and for the current year at the rate of the day. Moreover, in the case of liabilities there are some differences regarding the delimitation of the items to be taken into account; cf. footnote 1). — <sup>1)</sup> From 1959 onwards including the previously disregarded letter-of-credit cover accounts and the liabilities recorded in the item "Deposits of foreign depositors" in the Bundesbank Return. — <sup>2)</sup> In 1952 and 1953 including certain assets and liabilities such as consolidated clearing debts the changes in which were, in balance-of-payments tables, not entered under exchange movements but under capital transactions. — <sup>3)</sup> Not taking into account the latest E.P.U. settlement in each case. — <sup>4)</sup> Excluding the claims on I.B.R.D. mentioned in footnote 5). — <sup>5)</sup> I.B.R.D. bonds and drawing by I.B.R.D. on the roughly DM 1 billion credit agreed upon in August 1960. — <sup>6)</sup> Row a) valued at parity rate prior to, row b) after, DM revaluation.

(3) Short-term Assets and Liabilities of the Banks<sup>o)</sup> in relation to Foreign Countries<sup>\* 1) 2)</sup> (in millions of DM)

Position at end of year or month	Net assets or liabilities	Assets							Liabilities					
		Total	Balances at foreign banks and money-market paper			Short-term credits	Non-residents' deposits, by depositor groups					Short-term credits		
			Total	Deposits payable on demand	Time deposits		Total	among which: Reconstruction Loan Corporation <sup>3)</sup>	Total	Foreign banks <sup>4)</sup>	Business enterprises and individuals		Public authorities	International organisations <sup>5)</sup>
1955	- 1,397	524	320	312	7	1	—	204	1,921	1,473	730	622	121	448
1956	- 2,309	715	379	362	13	4	—	336	3,024	2,114	1,197	733	184	910
1957	- 2,285	1,320	775	307	20	448	—	545	3,605	2,650	1,580	914	156	955
1958	- 1,551	1,919	1,040	431	128	481	—	879	3,470	2,893	1,625	1,075	193	577
1959	- 272	3,471	2,543	754	543	1,246	—	928	3,743	3,410	1,784	1,095	216	315
1960	- 2,526	2,368	1,315	526	410	379	—	1,053	4,894	3,641	1,697	1,348	308	288
1961	- 2,262	3,926	2,778	651	906	1,221	643	1,148	6,188	3,985	1,903	1,419	311	352
1962	- 2,121	4,095	2,526	1,022	780	724	371	1,569	6,216	3,932	1,612	1,743	270	307
1960 March	- 392	3,457	2,383	746	813	824	—	1,074	3,849	3,380	1,741	1,085	231	323
June	- 2,002	2,279	1,192	590	260	342	—	1,087	4,281	3,479	1,767	1,063	346	303
Sep.	- 2,317	2,085	1,014	489	211	314	—	1,071	4,402	3,324	1,626	1,152	285	261
Dec. <sup>2)</sup>	- 2,526	2,368	1,315	526	410	379	—	1,053	4,894	3,641	1,697	1,348	308	288
1961 March <sup>2)</sup>	- 628	4,431	3,166	574	1,493	1,099	677	1,265	5,059	3,501	1,716	1,197	327	261
June	- 22	5,982	4,785	625	3,077	1,083	801	1,197	6,004	3,836	1,884	1,372	322	258
Sep.	- 73	5,760	4,469	637	2,597	1,255	817	1,271	5,833	3,497	1,600	1,214	351	332
Dec.	- 2,262	3,926	2,778	651	906	1,221	643	1,148	6,188	3,985	1,903	1,419	311	352
1962 March	+ 1,100	6,566	5,184	811	3,221	1,152	627	1,382	5,466	3,580	1,637	1,320	282	341
June	- 33	5,535	4,110	668	2,330	1,112	610	1,425	5,568	3,682	1,605	1,469	271	337
Sep.	- 1,017	4,685	3,278	664	1,825	789	398	1,407	5,702	3,600	1,521	1,496	264	319
Dec.	- 2,121	4,095	2,526	1,022	780	724	371	1,569	6,216	3,932	1,612	1,743	270	307
1963 Jan.	- 670	4,829	3,243	744	1,781	718	355	1,586	5,499	3,691	1,595	1,536	284	276
Feb.	- 95	5,239	3,470	838	1,938	694	338	1,769	5,334	3,571	1,502	1,507	280	282
March	- 580	4,988	3,417	983	1,826	608	306	1,571	5,568	3,670	1,573	1,540	271	286

<sup>o)</sup> Other than Bundesbank. — <sup>\*</sup> Figures for the period after the economic incorporation of the Saarland (6 July 1959) including the assets and liabilities of the Saarland banks in relation to foreign countries. — <sup>1)</sup> The figures here shown, which are taken from the credit institutions' external position, deviate from the corresponding figures of the balance-sheet statistics, since in the monthly interim statements of foreign banks' subsidiaries — different from the external position — the claims on and liabilities to the foreign parent institution and the foreign sister establishments are recorded as a net total only. — <sup>2)</sup> Assets and liabilities in foreign currency are valued according to the parity rate prevailing at the end of the period indicated. — <sup>3)</sup> Only investment of funds deriving from the German industry's development aid loan in U.S. Treasury bills out of the Bundesbank's holdings. — <sup>4)</sup> Excluding International Bank for Reconstruction and Development, European Investment Bank and Bank for International Settlements, their deposits being included in the column "International organisations". — <sup>5)</sup> Cf. footnote 4).