

REPORT

of the

DEUTSCHE BUNDESBANK

for the Year 1963

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REPORT OF THE DEUTSCHE BUNDESBANK FOR THE YEAR 1963

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Part A

General Part*)

Economic Trends and Central Bank Policy

I. General Survey

The economy of the Federal Republic of Germany was marked in 1963 by gradual termination of the tendencies to cyclical relaxation and by the emergence of new expansive forces. Up till about the middle of the year markets were still easing, so that the tendency of prices was largely stable, and in some cases downward. Later in the year, however, the continued growth of foreign demand caused the forces of expansion again to predominate. Since then, total demand has grown faster than the available supply. In some markets, especially that for labour — which reflects demand for the relatively scarcest production factor — the tensions have increased appreciably; on commodity markets the price tendency, previously fairly even, is again uniformly upward. Concern for price stability has thus once more become prominent in considerations of economic and credit policy.

During the period of relaxation up till mid-1963 the course of the business cycle had raised no special problems of Central Bank policy. In many cases easing of the pressure from demand permitted further reduction of the order backlogs originating from the past boom period; it also stimulated competition and stabilised prices. On the other hand the slackening of demand did not go so far as to justify fears that economic growth, still less employment, might be impaired. Production, sales and employment continued on the contrary to increase, apart from the interruption due to the continuous frosty weather at the beginning of 1963. It is true that in some categories which react especially fast to cyclical fluctuations of demand, or which suffer from structural difficulties, there was in this period a slight contraction of business; but this represented processes of reorganisation and adjustment which are inevitable in a free market, and did not adversely affect the economy as a whole. As regards credit policy there was therefore no occasion to depart from the temporising attitude which had already characterised it in 1962. The result of this attitude was to expose credit institutions, and the entire economy, to the effects of the current moderate constriction of liquidity due to market causes. From the point of view of credit policy it would have been desirable for these moderately contractive tendencies to continue, since further thinning of the liquidity cushion would have restored some efficiency to the instruments of credit policy.

The reversal which took place in both cyclical and monetary trends about the middle of 1963 was primarily due to the vigorous rise in foreign demand which continued into 1964. It was closely connected with the marked inflationary movements abroad, which movements — starting from only a few countries — had gradually spread to most of the countries in Western Europe. One result of the rise in these countries' prices was that foreign goods became less competitive in the Federal Republic; in contrast to the vigorous rise in exports the growth of imports therefore slowed down. The consequent renewed growth of the surplus on goods and services led, in the autumn of 1963, to re-emergence of surpluses on current transactions with foreign countries; this restarted one

*) The German original went to press on 6 April 1964.

source of the foreign exchange inflow which had not been in evidence for nearly two years. Even before this reversal, moreover, the influx of capital into the Federal Republic (which has persisted since the spring of 1962) had already increased. The change in the course of liquidity — from shortage in the first half of 1963 to growing abundance in the second — resulted mainly from the fact that from the middle of the year onwards the addition to liquidity due to the foreign exchange accruals was reinforced by a parallel effect of the central public authorities' cash and borrowing transactions, whereas previously these had counteracted the additions to liquidity resulting from foreign trade and payments.

So far, indeed, the recent addition to liquidity in the banking system has not yet led to any perceptible increase in lending by domestic banks. On the contrary, the growth in lending by all credit institutions and the Bundesbank in the second half of 1963 exceeded the simultaneous monetary capital formation at the banks by somewhat less than in the corresponding period of the previous year. The formation of monetary capital was primarily due to the strong propensity of private households to save, and to the resulting vigorous growth of savings capital. The increase of the banking system's liquidity of course renders it easier to incur new credit commitments, such as are required for large-scale capital projects. Since the second half of 1963 signs of an increase in the planning of capital projects by enterprises and public authorities have been apparent; no doubt the improved possibilities of financing capital expenditure are a factor in that connection. Another factor was the considerable capital imports, which largely account for the fact that the public authorities were able to incur more debt without any difficulty, sometimes indeed at slightly falling rates of interest. But a net capital import with a surplus on current account is equivalent to a correspondingly faster increase of foreign exchange surpluses and hence also of liquidity in the banking system and in trade and industry — a process which in the existing circumstances may induce undesired expansive tendencies.

On grounds of monetary and credit policy, therefore, the question how to reduce the net importation of capital, whether by retarding imports or stimulating exports thereof, presents an urgent problem. Quite apart from special measures of credit and economic policy, some of which have already been taken or planned (these, like possible measures to check export surpluses, will be described later), everything ought to be done which might turn away foreign capital. Accordingly it seems desirable on grounds both of the cyclical trend and of foreign exchange policy that the public authorities should keep their deficits as small as they can, and should moreover endeavour to finance them out of domestic capital formation. Narrow limits are set to credit policy so long as, with surpluses in the balance of payments on current account, the afflux of foreign capital continues, and so long as, owing to the liberalisation of international capital transactions being fully maintained, every impediment to borrowing at home must be expected to lead to greater borrowing abroad, which would outweigh the effect of credit policy measures within the country.

1. Economic Activity

Change of the economic trend in 1963

Although the above-mentioned change in the economic trend during 1963 occurred at different times in the individual sectors of the economy, it was mainly concentrated on the middle of the year. The change was especially marked in the orders reaching industry. Partly owing to bad weather these had run at their lowest level in the first months of 1963. Since then they have continuously risen; they were above their level of a year previously by 7 per cent in the third quarter of 1963, by 10 per cent in the fourth quarter of that year and by 21 per cent on the average of January and February 1964; the figure last mentioned appears somewhat exaggerated, however, owing to the fact that it relates to an extremely low level in the corresponding months of 1963. The first impellent to this upswing came from foreign demand; the rise in this had already begun in the winter of 1962/63, and greatly quickened from the spring of 1963 onwards. On the other hand domestic demand, which had declined slightly during 1962 in the sphere of investment by

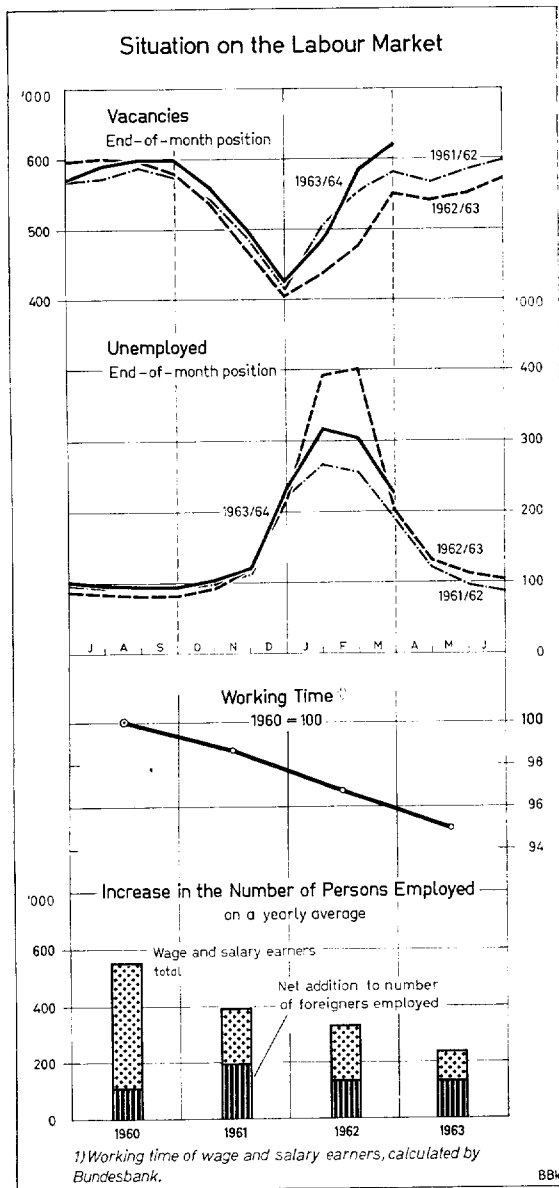
enterprises, showed little increase in the first half of 1963; after the middle of that year it too grew faster, although its growth-rate still lagged considerably behind that of foreign demand. The change of the cyclical tendency in the course of 1963 was further accentuated by the fact that, owing to the exceptionally hard and protracted cold spell, economic activity had been much impaired in the first months of that year. In the following months many attempts were made to make good the ensuing shortfalls of output and sales, with the result that the forces of cyclical expansion were for a time correspondingly strengthened.

These partly opposite processes are not reflected in the figures for the year. On the whole it is evident that in 1963 appreciable progress was made towards internal equilibrium, while the balance of payments too was largely squared during the first nine months of the year. Towards the end of the year, however, new tendencies and forces emerged, the effect of which might be again substantially to impede overall equilibrium.

Continuing Expansion in Supply

Despite the above-mentioned great impairment of production in the first months, a quite substantial advance in total output was achieved for the whole of 1963. The gross national product at constant prices rose by 3.2 per cent.

Vigorous rise of production



substantial advance in total output was achieved for the whole of 1963. The gross national product at constant prices rose by 3.2 per cent. This rise was not quite so great as in 1962 (4.2 per cent), but that was almost solely due to the special conditions in the first three or four months of 1963; in the later course of that year, and also in the first months of 1964, total production rose at roughly the same rate as in 1962. In contrast to earlier years, moreover, production in non-industrial categories (including building) increased by almost as much as in industry. The reason was not only the particularly keen demand for all kinds of services as well as for building (much the same had applied in previous years); it was also the fact that the slight easing of the labour market enabled the building and service-rendering trades to obtain a greater share in the total number of persons employed.

This is remarkable inasmuch as in 1963 the number of employed persons did not rise by so much as in 1962; the increase amounted to only 1.2 per cent as against 1.7 per cent in the latter year. The net addition resulted mainly from the continuing influx of foreign workers, while the number of resident workers increased only slightly, and only in so far as self-employed persons and assisting family members took up paid employment. While the number of persons employed in building and in mainly service-rendering lines of business nevertheless increased relatively fast, this was because not only agriculture (as it had already done for years) but also — remarkably enough —

Partial easing of the labour market

industry reduced the number of persons employed by them. The slight decrease of the demand for labour in industry doubtless resulted from greater rationalisation during recent years. In addition, by contrast to earlier times, the “hoarding” of workers not absolutely required would appear to have somewhat decreased. In the statistics concerning the labour market these factors tending to produce relaxation are, however, only slightly reflected. Although throughout 1963 the number of unemployed persons registered at labour exchanges was somewhat greater than in the previous year, this does not represent any real labour reserve because, apart from frictional unemployment, many of these people are of only limited employability. The number of vacancies, which up till the middle of the year was smaller than a year before, was well above the level of a year earlier in the second half-year and in the first months of 1964; during the summer and autumn of 1963 it was from five to six times as great as the number of registered unemployed.

Reduction of working hours and advance in productivity

The temporary improvement of the labour market was remarkable, not least, because in 1963 the average number of hours worked in the whole economy again declined by about 1.4 per cent. The loss caused by the reduction of working time in the total of man-hours worked not only equalled, but actually exceeded the gain due to the increase in the number of gainfully active persons. The rise in total production was thus solely due to the advance in productivity. In relation to the number of man-hours worked the 1963 growth of productivity was quite substantial; in the whole economy it amounted to 4.2 per cent as against 5.1 per cent in 1962. Reckoned per gainfully active person, however, it was only 2.8 per cent as compared with 3.5 per cent. Without the production shortfalls in the first months of 1963 the course of productivity would probably have been not less favourable than in the previous year. At all events it looks as though the growth of productivity in the second half of 1963 had slightly exceeded the average rise for the year 1962. One reason doubtless was the increase of the extent, temporarily somewhat reduced, to which industrial capacities were employed. In the autumn of 1963 that extent was almost the same as a year before. It was thus not quite so great as in definitely booming years. This, however, did not mean any release of production capacities; in many cases it meant merely a return to a position more favourable from the point of view of costs.

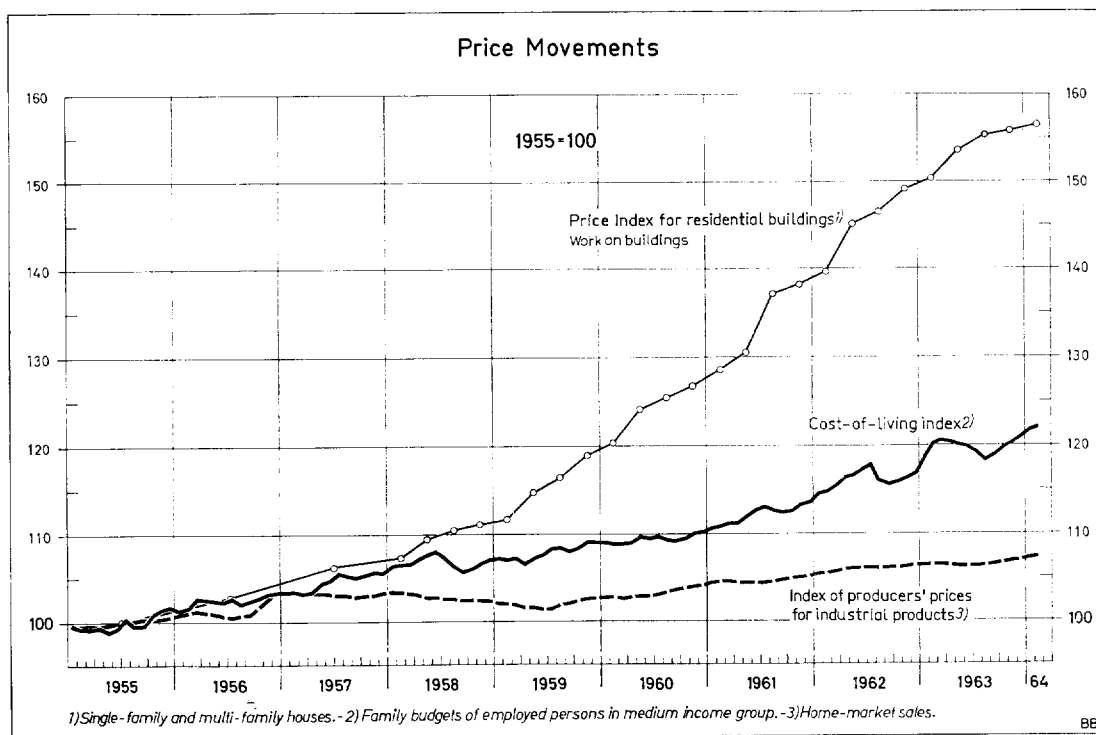
Slightly Reduced Market Tensions

Reduction of order backlogs

Apart from the labour market and the extent to which capacities were employed there were in the course of 1963 certain other pointers indicating a further, if slight, decrease of market tensions. Especially noteworthy was the marked reduction of order backlogs; this continued even when demand, especially foreign demand, again began considerably to increase. The total orders reaching industry in 1963 were only as great as the current sales; since at the same time old orders were cancelled (although only to a small extent), this meant that order backlogs at the end of 1963 were if anything somewhat smaller than at the start of that year. Since the ability to deliver improved, this in general caused shortening of average delivery periods. That process was of course widely differentiated as between industries; in all cases where the stock of orders had materially declined, this undoubtedly contributed towards stimulating competition within the country. In building, however, the carry-over did not decrease to any appreciable extent even in 1963 because in that trade the shortfalls of output during the winter had been especially great. Since the turn of the year 1963/64 the orders reaching industry have again exceeded current sales, indeed more so than seasonally.

Slowing of the price rise

The course of prices, too, was affected by the relaxing of cyclical tensions in the first half of 1963. Altogether the rise of prices became much slower during 1963. The “price index for items used within the country” — it is derived from calculation of the national product, and represents an average of prices for all goods and services intended for consumption and investment inside Germany — rose in 1963 by 2.8 per cent as compared with 3.9 per cent in 1962. The slowing of the rise was most marked in producers’ prices for industrial products; on the average of the year these increased by only 0.6 per cent in 1963 as against 1.1 per cent in the year before. Although prices



for building work still rose considerably in 1963, their rise — again on the yearly average — was less by almost one-third than in 1962. The differences were not so great in the case of consumer prices, which according to the cost-of-living index rose by 3.1 per cent on the average for 1963 as against 3.5 per cent on that for 1962. It is true that here too a stronger reaction to the relaxing of cyclical tensions was evident in some groups of goods, especially those industrially produced, but owing to an increase in the other cost-of-living categories (an increase partly caused by special factors and governmental measures) this did not produce its full effect. In 1963, like many earlier years, the greater part of the rise reflected governmentally influenced prices such as rents, public transport charges and prices for food. The movements — especially among rents for pre-currency-reform dwellings and various public charges — represent further adjustments to the level of costs, which even now have still not been fully covered; these upward adjustments made good omissions dating from the past, some of them from the far distant past. Only some of the increases in prices for agricultural products were due to market causes, as will be shown in a subsequent section; many of them represented the effect of agricultural policy measures designed to increase farm incomes. The prices subject to governmental influence — they apply to just under one-half of all private households' purchases — rose by an average of 4 per cent in 1963 as compared with 1962. Considerable price reductions would therefore have been required in other items for private consumption in order to make good these price rises even merely in part; but on the whole the products subject to free-market price formation also became somewhat dearer in 1963, although they did so much less than rents, transport charges and farm products.

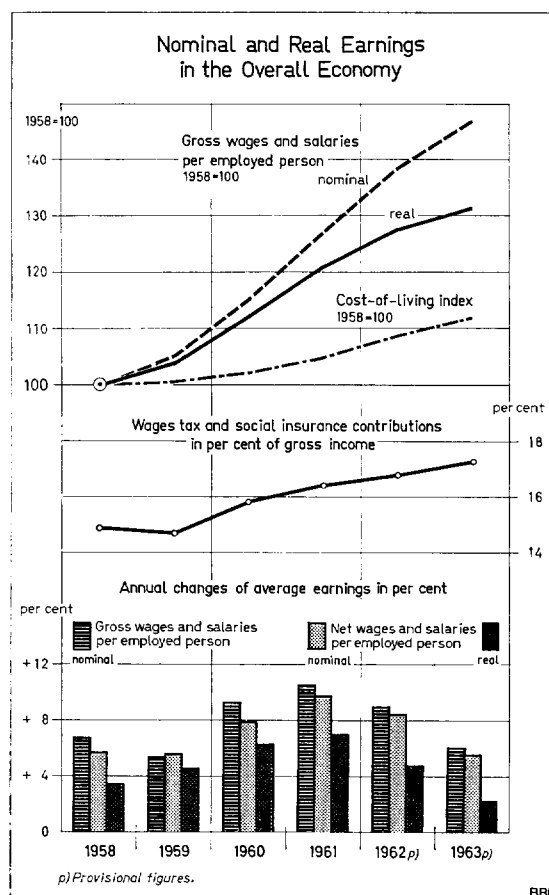
Like prices, production costs also continued to rise in 1963, but they did so less rapidly than in the previous year. In the whole economy the average earnings per employed person increased by about 6 per cent in 1963; on the other hand the real gross national product per gainfully active person, as a measure of overall productivity, rose by only just on 3 per cent. Wage and salary costs per unit of national product accordingly rose by roughly 3 per cent, whereas the corresponding rise in 1962 had been about 5 per cent. In 1963, unlike earlier years, the course of prices for imported raw materials and semi-finished goods no longer counteracted the rise of domestic cost factors;

Continuing but slower rise of wage costs

on the contrary, the prices for such imports also tended upwards. In these circumstances stable prices would have been possible only if, under pressure of the market situation, the increase in costs had been absorbed in profit margins. During the first half of 1963 this was the case, in some measure, but the growth of demand in the further course of the year made it easier again to pass costs on in prices.

Price rise induced by costs or demand?

Although the profit situation improved in the second half of 1963, the earnings of enterprise rose on the whole year by much less than sales; on the average for the year the profit margins therefore narrowed, while the proportion representing wages in the sale value of products continued to rise. Nevertheless it would not be correct to regard the 1963 price rises as mainly representative of "cost inflation". Cost rises were on the contrary accompanied by movements on the side of demand. As to costs, both domestic cost increases which were autonomous in the sense that they were not determined by market factors and price rises due to world market causes played some part in 1963. As one example, prices for imports rose for the first time in many years. In addition some of the price increases, as already mentioned, were not due to free play of market factors; instead, as for instance in the case of certain agricultural "market-regulation goods", they resulted from manipulation of the producer or wholesale markets with intent to enforce certain ideas about prices; this entailed an "autonomous" increase in the cost of preliminary products for processing industries and traders. On the other hand the fact that wage increases in 1963 exceeded the advance in productivity, so that wage costs per unit of production rose, was market-induced inasmuch as there was an excess demand on the labour market, the strain being of course increased through further reductions of collectively agreed hours as well as of those actually worked. One reason for the 1963 price rises thus lay in autonomous, i. e. not market-induced, increases of costs; another was the fact that in important sectors total demand was so substantial as to permit part of these cost increases to be passed on in prices.



Demand

Overall demand, as measured by total expenditure on purchases of goods and services, rose in 1963 by over 6 per cent; this was roughly 3 per cent more than the increase of supply in real terms. The chief factor causing the rise was the growth of foreign demand. This affected economic activity more and more expansively, mainly because imports did not grow to the same extent, so that in 1963 — unlike the previous year — total current transactions with foreign countries showed a surplus. Within Germany, if the year is considered as a whole, the strongest expansive forces came from the public authorities, whose expenditure — just as in the previous year — rose by far more than the national product, and materially exceeded their current receipts. On the other hand the growth of entrepreneurs' demand as measured by their capital expenditure was smaller, although this does not adequately characterise its significance among the forces affecting economic activity.

Enterprises' planned capital expenditure as well as their orders for stock in fact progressively increased in the course of the year, not least owing to the vigorous growth of foreign demand, so that in the second half of 1963 impellents also came from that quarter. Private households on the other hand definitely contributed towards the easing of demand, since they saved instead of spending a large part of the quite considerable addition to their incomes.

Foreign Demand as Chief Impellent

By the end of 1962 the decline of foreign demand, which had determined the course of export business in 1961 and 1962 as a result not only of the D-mark revaluation and the rise in costs and prices at home but also of partial recessions abroad, had already been replaced by renewed growth. In the second to fourth quarters of 1963 the export orders reaching industry were above the level of a year earlier by between 18 and 23 per cent; in the first months of 1964 this rise continued undiminished. The deliveries to foreign countries reacted relatively fast to this upward movement, although the time required for industrial production, and the switching of production programmes necessary in some cases, caused a certain time-lag. Exports amounted in 1963 to DM 58.3 billion, exceeding the previous year's value by 10 per cent. At the same time their rise quickened in the course of 1963. In the first months of 1964 that rise continued at a faster rate.

The great increase of foreign demand was due to a number of factors, although their importance varied in the course of the year. At the outset one reason was no doubt that after a longish period of decline in incoming orders some industries were trying to expand their foreign sales with the object of thereby attaining better employment of their plants. At the same time the shortening of delivery periods, and price concessions on export sales, increased their ability to compete. No less important was the general growth of demand on world markets. In part this resulted directly from the increase of economic activity in wide areas of the Western world. In E.E.C. countries the

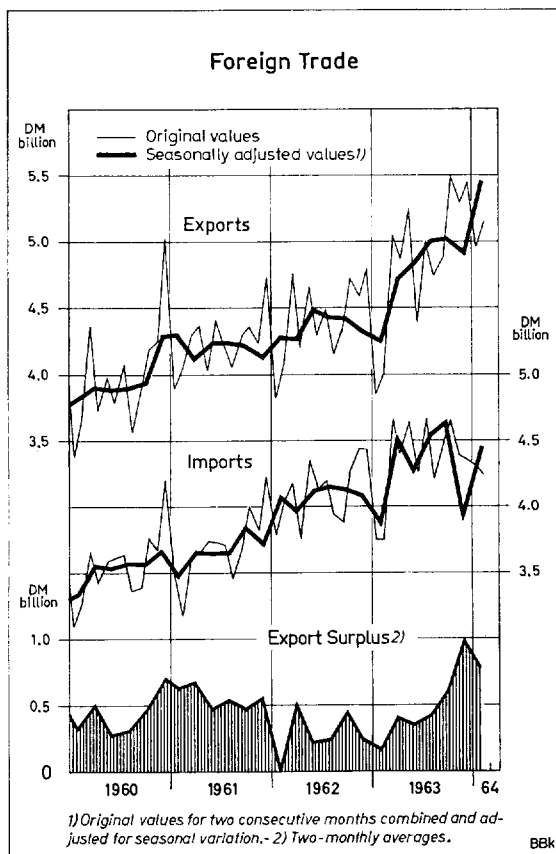
Great increase of foreign orders and of exports . . .

. . . mainly due to inflationary tendencies in Western Europe

integration process, with old tariff reductions continuing and new ones being effected, acted as a stimulant. In the further course of 1963 the inflationary tendencies in some West European countries came to predominate among the causes of the rise in foreign demand. The Federal Republic's exporting industries, whose prices remained largely stable in 1963 (average export values, which are more or less representative for this purpose, actually fell by 1 per cent), gained an advantage in price as compared with those countries where costs and prices were continuously rising; this made imports into those countries from the Federal Republic increasingly profitable, quite apart from the fact that many German exporters probably could offer shorter delivery periods than their foreign competitors.

On the other hand the Federal Republic's improved international competitive position slightly reduced the propensity to import goods. Although total imports continued to rise in 1963, by 5.6 per cent in value and 6.6 per cent in volume, their rise was reduced by roughly half as compared with 1962. It is true that imports had been favoured in 1962 by

Decreased propensity to import and increased export surplus



certain special factors, particularly in the case of agricultural products; but the main reason for the 1963 slowing in the rise of imports was the much smaller increase by comparison with 1962 in the commercial imports of industrially produced finished goods, which are most likely to compete with similar domestic products. Reckoned in absolute values the rise of imports amounted to DM 2.8 billion; it was thus only about half as great as that of DM 5.3 billion in exports. The surplus on trade in goods therefore rose from DM 3.5 billion in 1962 to DM 6.0 billion in 1963. On services the tendency to growing deficits did not continue; for reasons no doubt connected with the rising prices abroad the deficit in some important sections, especially on travel, actually declined. Since moreover the deficit on transfer payments was somewhat smaller in 1963 than in 1962, the total current items in the balance of payments showed a surplus of about DM 1 billion as against a deficit of DM 2.2 billion in the previous year. For the economy as a whole this means that in 1963 the balance on current account exerted an expansive effect on overall demand, this comparing with a contractive effect in the previous year.

Expansive Effect of Public Finances

Disproportionate
rise of expenditure

These expansive forces were reinforced by the rapid growth of public expenditure. Total expenditure by public authorities (comprising territorial authorities, special funds and social insurance institutions), and the purchases of goods and services financed by it, increased during 1963 by much more than private purchases. Such expenditure totalled about DM 151 billion; it was up by 9 per cent in comparison with the previous year as against, it is true, over 12 per cent in 1962 and 11 per cent in 1961. Thus the rise in 1963 again materially exceeded that of the gross national product, amounting at current prices to over 6 per cent and at constant prices to only a little over 3 per cent. Among the chief expenditure categories, current government spending on civil and military requirements, as well as for capital purposes, showed a particularly large increase. The expenditure on the government's own capital projects however — mostly building — largely served to pay for orders which had already been given in past years of cash abundance, the execution of those orders having been delayed by the overstraining of the building trade. To that extent the size of the expenditure partly reflects what the public authorities did in past years, rather than their further acts in 1963. In the giving of new orders to builders the government (but hardly the local) authorities evidently imposed a certain restraint on themselves in the course of 1963. One indication of this was that the total budget appropriations for capital expenditure and for loans to promote other parties' capital projects were not raised by so much as in earlier years; in some cases indeed they were actually smaller than in the budgets for 1962, quite apart from the fact that some of these appropriations in the Federal budget were blocked on cyclical grounds, or were released only towards the end of the financial year. The effectiveness of these limitations is shown by the amount of planned official building, which had previously risen very fast, increasing on the 1963 average — as measured by the building permits granted — by 9 per cent in value (owing to the rise in building costs) but by only 3 per cent in volume. The downward tendency of plans for house-building, the significance of which for the building market situation will be discussed in more detail later, was also due to the above-mentioned measures in the Federal budget. A further fact of importance on cyclical grounds was that within the defence budget the Federal Government made increasing use of the opportunities to procure armaments abroad, which tended to prevent even greater surplus formation in the balance of payments.

Slower rise of receipts,
and increase of deficits

In 1963 the public authorities' total current receipts rose by less than their expenditure; they amounted to almost DM 146 billion. Their increase on the year was 6.8 per cent, i. e., only slightly larger than that of the gross national product, having notably exceeded this in the two previous years. One important reason why the growth of receipts became slower is that the direct taxes paid by enterprises rose relatively little. The difference between the growth of receipts and the much quicker rise in expenditure caused the public authorities' cash deficits to increase greatly in 1963. As will be shown in Part A. IV, the cash deficit on all public budgets in 1963 amounted

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

Item	Basis or unit	1957	1958	1959	1960	1961	1962	1963	1963				1964	
									1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	Jan./Feb.p)	
Production¹⁾														
Index of ind. production (per working day) ¹⁶⁾ ¹⁷⁾														
Total	1950 = 100	203	209	225	249	264	276	286	263	296	275	311	285	
Basic and producer goods industries	1950 = 100	198	203	228	260	275	292	308	274	324	311	325	311	
Capital goods industries	1950 = 100	253	271	293	337	365	376	382	364	399	355	411	393	
Consumer goods industries	1950 = 100	186	184	195	211	220	232	237	226	242	222	260	238	
Output of selected products														
Power production ¹⁸⁾	mn kw-hrs	7,576	7,851	8,464	9,573	10,219	11,135	12,106	12,921	10,990	11,267	13,247	.	
Rolled steel, per production day ¹⁷⁾	'000 tons	54.9	51.2	63.7	73.9	72.4	72.6	73.1	70.1	73.3	73.4	75.9	80.2	
Passenger cars ¹⁹⁾	'000's	87	109	125	151	159	181	201	194	212	187	212	232	
Motor trucks ¹⁹⁾	'000's	14	16	18	20	20	20	21	22	20	20	22	23	
Television sets ¹⁹⁾	'000's	65	124	150	180	144	141	160	159	144	142	197	173	
Farm products ²⁰⁾														
Food production (annual figures) ⁴⁾	1935/36-1938/39 = 100	130	138	137	149	145	151	156e)	.	.	.	.	.
of which:														
Vegetable products	1935/36-1938/39 = 100	127	152	129	162	120	137	156e)	.	.	.	.	.
Animal products	= 100	131	134	139	145	152	155	156e)	.	.	.	.	.
Labour Market and Employment														
Registered unemployed ²⁰⁾	'000's	668	689	480	237	161	142	174	204 ³⁾	103 ³⁾	96 ³⁾	236 ³⁾	212 ³⁾	
Employed ²⁰⁾	'000's	18,942	19,175	19,748	20,184	20,661	21,097	21,458	21,217 ³⁾	21,562 ³⁾	21,701 ³⁾	21,534 ³⁾	.	
among whom, in industry ¹⁷⁾	'000's	7,221	7,273	7,301	7,776	8,002	8,037	7,471	7,963 ³⁾	7,969 ³⁾	7,970 ³⁾	7,912 ³⁾	.	
Unemployment ratio ²⁰⁾	per cent	1.9 ¹⁶⁾	1.7 ¹⁶⁾	0.9 ¹⁶⁾	0.5 ¹⁶⁾	0.5 ¹⁶⁾	0.4 ¹⁶⁾	0.4 ¹⁶⁾	1.0 ³⁾	0.5 ³⁾	0.4 ³⁾	1.1 ³⁾	.	
Total man-days lost ²⁰⁾	millions	.	.	11.6	12.0	30.7	59.6	36.7	50.9	44.1 ¹¹⁾	44.7 ¹¹⁾	45.1 ¹¹⁾	28.0 ³⁾	
Weekly hours paid in industry ¹⁷⁾	hours	46.5	45.7	45.6	45.6	45.5	44.9	44.7	44.1 ¹¹⁾	44.4 ¹¹⁾	44.7 ¹¹⁾	45.1 ¹¹⁾	.	
Weekly hours worked in industry ¹⁷⁾	hours	43.0	41.5	41.3	42.0	40.8	40.8	40.2	42.2 ¹¹⁾	39.2 ¹¹⁾	38.0 ¹¹⁾	41.3 ¹¹⁾	.	
Orders booked, and Sales¹⁾¹⁸⁾														
Orders booked in industry (Values, per calendar month) in per cent of 1954 sales														
Total	1954 = 100	143	142	175	201	201	207	216	198	216	216	235	231	
Basic industries	1954 = 100	142	137	168	185	179	188	193	171	197	201	205	208	
Capital goods industries	1954 = 100	154	163	203	255	254	253	269	255	260	272	290	300	
Consumer goods industries	1954 = 100	129	119	147	148	160	170	176	159	182	160	202	169	
in per cent of current sales														
Total	per cent	99	97	109	108	101	98	100	100	102	98	100	106	
Retail sales at current prices ¹³⁾ ¹⁷⁾														
Total	1954 = 100	133	139	146	159	174	188	195	169	188	182	239	173	
Building Industry¹⁷⁾														
Output of building and civil engineering ¹⁾ ¹⁵⁾	1950 = 100	177	183	123	222	240	259	268	120	346	319	291	190	
Estimated expenditure on approved buildings, total ⁶⁾	DM million	1,367.0	1,600.5	1,844.7	2,227.5	2,579.4	2,828.3	2,772.4	2,152.5	2,797.9	3,164.1	2,975.0	2,440.0	
Carry-over of unfinished building projects at end of year ⁶⁾														
Residential building	'000 dwellings	495.5	547.9	565.3	627.9	696.0	760.0	.	.	.	.	.	.
Non-residential building	mn cu.m.	100.9	113.2	142.0	157.9	186.4	206.1	.	.	.	.	.	.
Price index for residential buildings ⁵⁾	1958 = 100	97.0	100.0	105.3	113.2	121.8	132.4	140.3	136.9 ¹¹⁾	140.4 ¹¹⁾	141.6 ¹¹⁾	142.2 ¹¹⁾	142.8 ¹¹⁾	
Prices and Wages¹⁷⁾														
Prices of basic materials (of domestic and foreign origin) ⁶⁾														
Total	1958 = 100	101.3	100.0	100.5	100.5	100.2	100.1	101.1	100.3	100.6	100.5	102.9	104.1	
of which:														
Farm, forest and plantation products	1958 = 100	101.5	100.0	102.4	100.5	100.0	100.4	103.4	101.1	102.5	102.4	107.4	110.0	
Industrial products	1958 = 100	101.2	100.0	99.3	100.5	100.3	100.0	99.6	99.8	99.3	99.3	99.9	100.2	
Purchase prices for foreign goods ¹¹⁾														
Total	1958 = 100	105.5	100.0	97.5	98.2	94.5	93.6	95.8	96.1	95.4	95.1	96.4	97.1	
Selling prices for export goods ¹⁴⁾														
Total	1958 = 100	102.4	100.0	99.2	100.5	100.3	100.5	100.6	100.5	100.4	100.6	101.1	102.4	
Producers' prices of domestic industrial goods ¹³⁾														
Total	1958 = 100	100.4	100.0	99.2	100.4	101.9	103.0	103.6	103.6	103.4	103.5	104.0	104.4	
among which:														
Capital goods industries	1958 = 100	99.1	100.0	99.2	100.7	103.6	106.8	107.3	107.2	107.2	107.3	107.4	107.6	
Consumer goods industries	1958 = 100	101.8	100.0	97.8	101.3	103.8	105.0	107.0	106.3	106.7	107.2	107.8	108.6	
Cost-of-living index ¹²⁾														
Total	1958 = 100	97.9	100.0	101.0	102.4	105.0	108.7	112.1	112.2	112.5	111.3	112.6	114.1	
of which:														
excluding food	1958 = 100	97.9	100.0	100.5	102.5	105.9	109.0	112.5	111.5	112.1	112.7	113.6	114.5	
Food	1958 = 100	98.0	100.0	101.7	102.4	103.6	108.3	111.6	113.3	113.0	109.0	111.1	113.7	
Industrial workers' wages ⁶⁾														
Hourly earnings	DM	2.17	2.32	2.44	2.69	2.96	3.30	3.55	3.40 ¹¹⁾	3.54 ¹¹⁾	3.60 ¹¹⁾	3.64 ¹¹⁾	.	
Weekly earnings	DM	100.74	105.82	111.51	122.42	134.82	148.49	158.84	149.82 ¹¹⁾	153.24 ¹¹⁾	160.79 ¹¹⁾	164.37 ¹¹⁾	.	
Foreign Trade¹⁶⁾¹⁷⁾														
Imports	DM million	2,657	2,670	2,985	3,560	3,697	4,125	4,356	4,053	4,444	4,459	4,470	4,273	
Exports	DM million	2,997	3,083	3,432	3,995	4,248	4,415	4,859	4,303	4,838	4,880	5,416	5,056	
Balance	DM million	+ 340	+ 413	+ 447	+ 435	+ 551	+ 290	+ 503	+ 250	+ 394	+ 421	+ 946	+ 783	

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

to DM 5.0 billion as against DM 1.6 billion in the previous year. Thus it rose by about DM 3.4 billion. Accordingly the net borrowing requirement increased; and since it was financed only in part out of current saving, it entailed an expansive influence on overall demand.

Gradual Strengthening of the Propensity to Invest

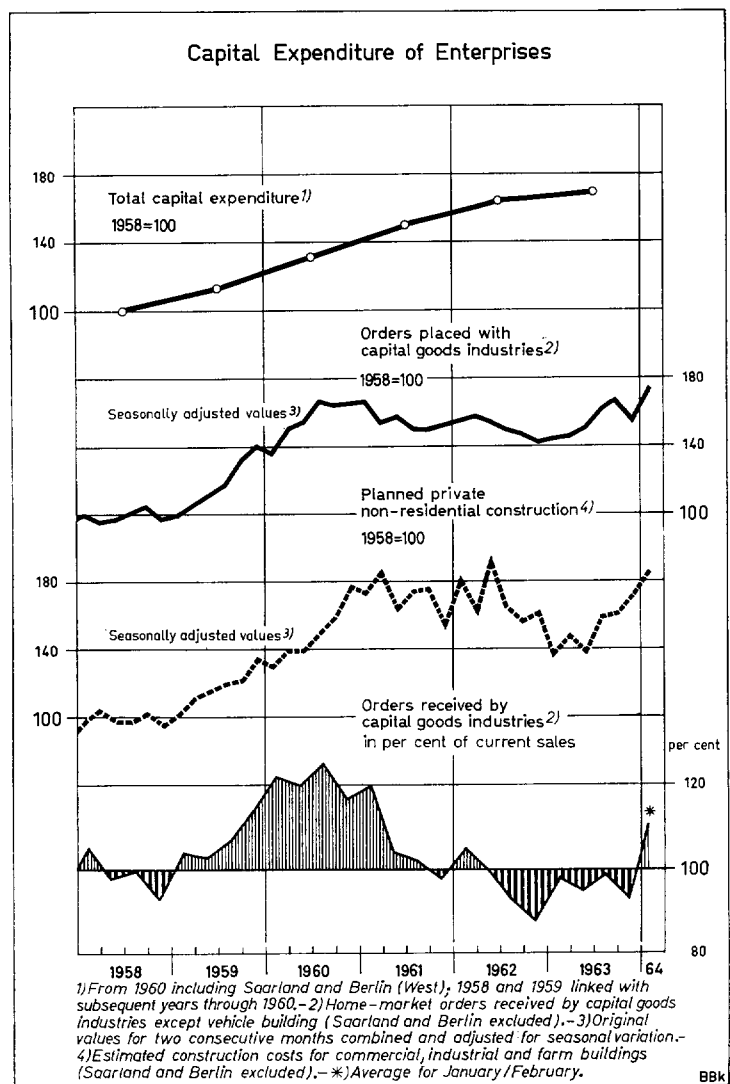
Relatively small increase of capital expenditure . . .

. . . but a change from mid-1963 onwards

If the year 1963 is considered as a whole, the influence which enterprises exerted on economic activity through their investments in fixed assets and inventories was not especially great. The private sector's total capital expenditure was only 3 per cent higher in 1963 than in 1962; thus it increased by much less than in the previous year (7 per cent), and also fell notably short of the nominal increase in the gross national product. The slowing of growth was mainly concentrated on the first half-year, when the weather (as previously mentioned) had for a time hindered continuance of building; equipment investments also showed little growth owing to the previous year's decrease in the placing of orders. In the second half-year a change in investment activity gradually set in. Orders for capital goods again increased relatively fast. In inventory investments, at least in raw materials, a change also appeared; this was after many enterprises had tried to reduce their stocks in the first half of the year. The increasing upsurge of prices on world markets in the course of the year evidently made greater stocking of raw materials appear desirable, quite apart from the fact that in the case of some of them (like steel) the reduction of stocks could not be pushed further without jeopardising the continuance of supplies for manufacturing industries.

Chief reasons for the increased propensity to invest

The first impulse to a change in enterprises' propensity to invest, a change most clearly evident in orders reaching domestic producers of capital goods (other than vehicles) — such orders were above the level of a year earlier by 10 per cent in the third quarter of 1963, and by 12 per cent in the fourth, after showing little advance up till the middle of that year — came from the increase of foreign demand, which improved the opportunities for sale in the actual exporting industries as well as in those which hoped that the indirect result would be an increase of their business. To that extent the strengthening of the domestic propensity to invest ultimately resulted from the cyclical upsurge and the inflationary tendencies in the Western world. Besides that influence, however, some autonomous factors also gained



in importance. Thus it was certainly significant that the continuing increase of wage costs caused enterprises to make use of the opportunities for rationalisation and automation. There is much evidence that this process was hastened by reason of the fact that the most up-to-date foreign production methods were increasingly employed by German producers under licensing and patent agreements as well as through participations. A further factor was no doubt the renewed improvement of earnings from the autumn of 1963 onwards; this made it financially easier to incur new risks, such as are always entailed by fresh capital projects.

As regards the housing market, the demand for house-building was somewhat smaller in 1963 than in the previous year. In part this was no doubt due to certain economic policy measures which, like the suspension of the tax privilege allowed by Article 7b of the Income Tax Law on rented dwellings, and the deferring until the year's end of the allocation of Federal funds to the Länder for house-building purposes, were designed to limit demand. The further course of demand for residential buildings depends very largely on whether the tax concession under Article 7b of the Income Tax Law will remain valid throughout 1964 in some restricted version. It will also depend on whether the public funds for house-building are further reduced, which would be fully justifiable in view of the increase in the supply of private capital market resources. The public authorities' demand for building work would also seem to have been affected of late by the growing accrual of funds available for financing at longer term. It is largely due to this fact that the amount of permits granted for official buildings, after having shown little change in the first half of 1963, has for some time grown again. In the fourth quarter of 1963 the amount of such permits was greater by 16 per cent in value than in the corresponding period a year before. Since then this cyclical increase has if anything become faster.

The importance of building investments

Private Households Not Greatly Stimulating Economic Activity

No major expansive forces came from private households in 1963. It is true that the demand emanating from them also continued to grow; but at 5.4 per cent the increase of private consumer expenditure was much less than in the previous year (9 per cent); it also fell short of the rise in the gross national product at current prices. If allowance is further made for price rises in the consumer sphere (the price index for private consumption rose by about 3 per cent), it becomes clear that the real increase of consumption remained within narrow limits. In certain categories, especially consumer durables, demand rose only slightly as compared with a year before; in some it actually declined.

Greatly reduced rise in consumption

In part the above-described trend of consumption was due to slowing of the rise in incomes of private households. Their total disposable income grew by 6.7 per cent in 1963 against 9.1 per cent in 1962. If private consumer expenditure had again shown a parallel movement in 1963, as it did in the two previous years, it would nevertheless have increased considerably more than the total national product. But the fact that the rise of consumption in reality lagged appreciably behind was due to the further gratifying increase in saving by private households. These saved almost DM 23 billion in 1963, or more by one-fifth than in 1962. The ratio of their saving to their disposable income was thus 9.6 per cent as compared with 8.5 per cent a year before. This reflects a noteworthy will to save in very broad circles of the population — a fact betokening the confidence felt by savers in the value of money, to safeguard which they themselves materially contributed precisely by that attitude.

Result of the movement in incomes and saving

2. The Credit Situation

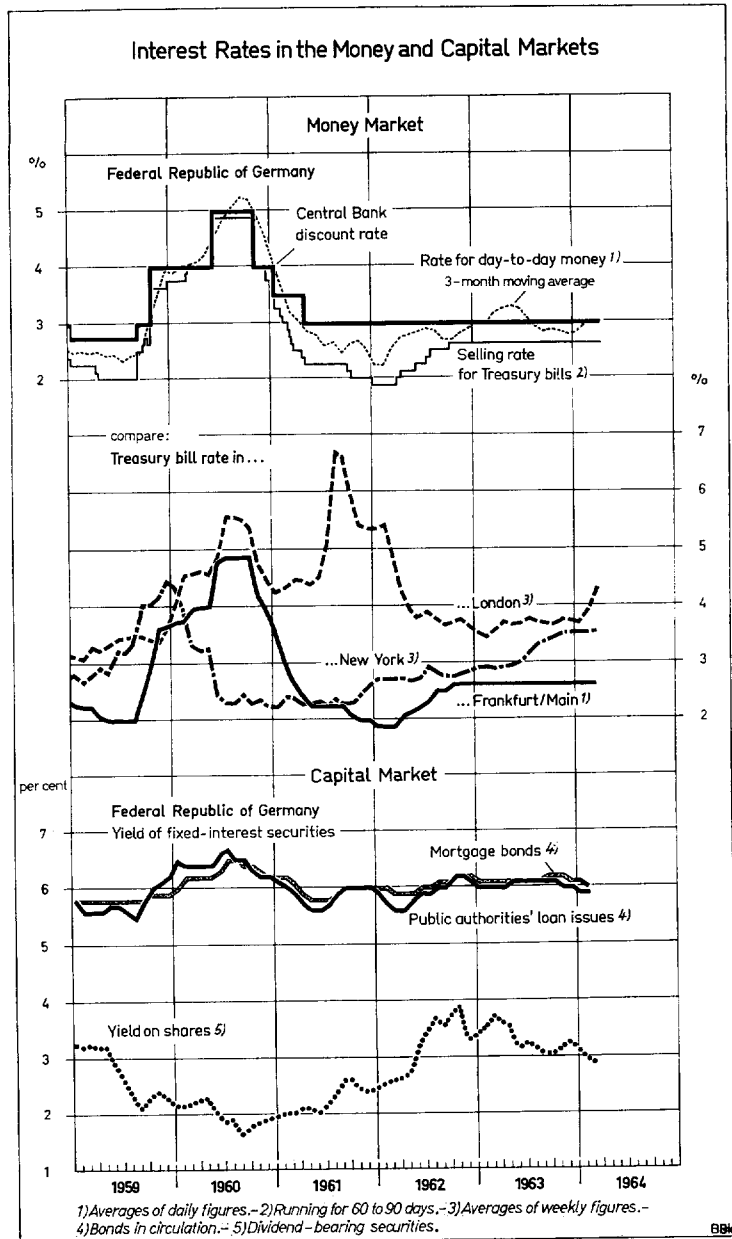
Monetary Trends

In the main the monetary process took place during 1963 without corrective action through measures of monetary policy. The market factors which largely determine the movements in the credit markets altered, in many respects, in a way similar to that of the cyclical tendencies described

in the previous section. Thus monetary conditions, especially as regards liquidity, showed a definite change about the middle of the year; this change, like the reversal in the course of demand on the commodity markets, was primarily determined by impulses which resulted from the relations with foreign countries.

Change in the trend of liquidity

The feature of bank liquidity and the money market up till the middle of 1963 was slight tightness, just as it had been throughout 1962. One sign of this was that during those months, apart from temporary fluctuations, money-market rates were higher than a year before; the rates for day-to-day money were mostly above the Central Bank discount rate, whereas in 1962 they had been almost constantly below it, although by a diminishing margin. As is shown in Part A. III, dealing with Trends in Money and Credit, the market tightness was chiefly due to the great loss of liquidity entailed by the surpluses on the central public authorities' domestic cash transactions, this not having been made good in the first half of 1963 by the funds accruing from net foreign exchange purchases. During that period the credit institutions' liquidity reserves therefore continued to fall. One reason for the change in liquidity about the middle of 1963 was that the central public authorities' cash transactions showed growing deficits, which were financed partly out of credit balances at the Bundes-



bank and — in the Federal Government's case — through the Bundesbank's temporary cash advances. At the same time the afflux of funds due to the Bundesbank's net buying of foreign exchange increased, so that the total additions to the credit institutions' liquidity materially exceeded the simultaneous decreases, due in particular to growth of the note and coin circulation. In the first two months of 1964 this process continued. The increase of liquidity was also reflected in money-market rates; those for day-to-day money were lower than the official discount rate from the middle of 1963 until February 1964, apart from brief periods of strain. In March 1964 bank liquidity tightened considerably again, mainly because of passing seasonal factors (such as the

major tax payment date, and the rise in the demand for note and coin in connection with the end of the month and with the Easter holidays).

The changes which took place in the banks' liquidity during 1963 did not produce any immediate expansive effects on bank lending. True, the banking system's lending in 1963 again exceeded that in the previous year; at the same time, however, it had against it a likewise considerable increase of monetary capital formation at banks. The money-creating effect produced by the granting of credit — together with the expansive effect due to the inflows of foreign exchange— remained within narrow limits.

The total increase of credit granted by the Bundesbank and the other banks to domestic non-bank customers amounted to not quite DM 26 billion in 1963 as compared with just under DM 23 billion in the previous year. Of the growth in credit expansion by about DM 3 billion, more than two-fifths represented credits granted by the Bundesbank to public authorities, such credits having increased in 1963 by about DM 1.3 billion whereas in the previous year they had remained practically constant. Lending by credit institutions was even more affected by the rise in the public authorities' demand for credit. Altogether the credit extended by such institutions to domestic non-bank customers (including the acquisition of securities issued by non-banks) rose in 1963 by DM 24.4 billion as against DM 22.7 billion in 1962. The increase in lending was solely due to greater growth of the credits extended to domestic public authorities; on the other hand the borrowing by domestic enterprises and individuals was roughly as great in 1963 as in 1962. At the same time the lending to finance house construction (short, medium and long-term loans combined) showed a considerable increase; it reached DM 8.3 billion as compared with DM 7.7 billion in 1962. The borrowing from banks by industrial enterprises in the narrower sense was on the other hand somewhat smaller than in that year. This was chiefly because the capital expenditure of enterprises grew only slightly in 1963, whereas their own financial resources increased and in addition they received more funds from abroad, partly in the form of long-term loans and partly by taking equity capital.

Monetary capital formation at banks increased by over DM 3.5 billion in 1963 to about DM 23 billion. This increase in the accrual at banks of funds available at longer term mainly resulted from the previously mentioned growth of private households' saving, which went especially on savings accounts. Such saving would however seem to have been reflected in the increased sale of bank bonds outside the banks as well, although domestic purchasers other than private households, and possibly foreigners too, were also concerned in that process. Despite its relatively great increase the monetary capital formation in 1963 again fell short, as usual, of the lending by all banks including the Bundesbank; but it did so by only about DM 2.4 billion as against roughly DM 3.2 billion in the previous year. The slight decrease in the money-creating effect of domestic credit-granting helped to keep within relatively narrow limits the expansion which occurred as a result of the increase (by comparison with the year before) in the inflow of foreign exchange into the Federal Republic. The volume of money — that is the notes and coin in public circulation, plus residents' sight deposits, but excluding public authorities' Bundesbank balances — increased in 1963 by DM 4.4 billion, that is by somewhat less than the 1962 increase of DM 4.6 billion. Money holdings within the country grew by about 7 per cent.

The relative smallness of the banks' net credit expansion in 1963 was partly due to the fact that it became easier to procure funds outside the banks. This applied, as already mentioned, to the obtaining of long-term loans and of share capital from foreign countries. In addition the amount of longer-term funds for financing purposes which accrued at insurance companies and building and loan associations rose, thereby enabling them to lend more. But special importance attached to the growing fruitfulness of security markets, from which — apart from the "continuous issuers" — the public authorities especially benefited as borrowers. Total net sales of fixed-interest securities issued within the country amounted in 1963 to about DM 12 billion; they were thus greater than in 1962 by some DM 2.5 billion. Next to bank bonds (which will not be discussed here, since

Increased credit expansion, mainly in favour of official borrowers

Vigorous increase of monetary capital formation reduces the money-creating effect

Increased financing through the security market

the lending which they render possible is included in the loans granted by banks) the bonds of public authorities showed the greatest increase in the amount issued; net sales of such bonds amounted to about DM 3.6 billion in 1963 against DM 2.5 billion in the year before. Enterprises, on the other hand, obtained less funds from the security markets. At only DM 0.3 billion the net placings of industrial bonds were even smaller than the previous year's figure (DM 0.6 billion). Moreover, at only DM 1.3 billion (issue value), the new issues of shares were smaller by about 40 per cent than in 1962 owing to the influence of preceding price falls and of various dividend reductions.

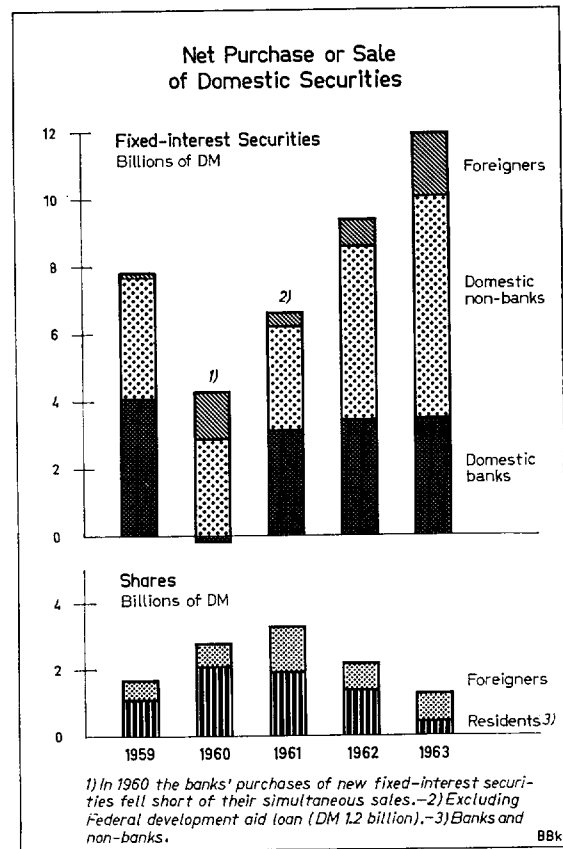
The extent of capital imports

The relatively great expansion of public authorities' bond issues reflects — just as does the greater share obtained by public authorities in the growth of bank lending — the great increase of the need for financing felt by the public authorities in the narrower sense as well as by the Federal Railways and Postal Administration. The considerable expansion of borrowing by public authorities through the security market indicates at the same time

that procurement of funds in this way became appreciably easier in 1963. This easing was due only in part to the increase of domestic monetary capital formation; in part it was due to the growth, previously mentioned, of capital imports into the Federal Republic. The net amount of public authorities' bonds acquired by foreigners in 1963 was about DM 1.3 billion; this was roughly 40 per cent of the total net sales of such bonds in that year. The relatively large purchases of government bonds by foreigners form only a part, although a particularly important one, of the total problem of capital imports into the Federal Republic. The total net acquisition of German securities by foreigners in 1963 amounted to DM 2.9 billion, as against net acquisition of foreign securities by residents to the extent of DM 0.5 billion. At DM 2.4 billion the balance of security transactions with foreign countries was as great as that of total capital transactions, because at DM 0.8 billion net the rest of the private capital inflows fell only a little short of the DM 1.0 billion net exported on public account, while short-term capital transactions showed a relatively small surplus. In 1962, on the other hand, the net import of capital had totalled only DM 1.0 billion. In 1963 the surplus on capital account contributed much more towards increasing the central monetary reserves than did that on current account, which — as already mentioned — was only about DM 1 billion.

The most important motives

The initiative in importing capital probably came only in small part directly from within the country, for example where industry obtained direct loans or took foreign equity capital. One pointer to this is the fact that the short-term "financial borrowings" by enterprises, so far as they are statistically recorded, showed practically no net growth in 1963. Much greater importance attached to the increased inclination of foreigners to invest in the Federal Republic, which was reflected especially in their acquisition of securities. The motives were multifarious. Differences in rates of interest and in the taxation of capital gains were a factor, just as were speculative considerations and flights of capital, although the importance of these motives would seem to have varied



as between the countries in which the purchasers are located. Among foreigners' security purchases the bonds of German public authorities seem to have occupied a certain preferential position, one important factor doubtless being that foreigners — from their observation of German bond markets — regarded public authorities' bonds as especially marketable. On the other hand the attraction of bank bonds for foreigners was much smaller. Another important motive lay in fiscal advantages which foreigners obtain from an investment in Germany in particular if in their own country they pay no tax — as they would have to do in the case of domestic investment income — on the income from these investments, which, except dividends on shares, is virtually exempt from tax in the Federal Republic under the ruling still in force when this Report goes to press. Besides this there were many forms of currency speculation, as well as the flights of capital already mentioned, these being due partly to internal politics and partly to inflation in the countries from which the capital comes. In the existing circumstances the persistent import of capital into the Federal Republic contributed not only towards aggravating the imbalances in international payments but also towards an expansion, undesirable on cyclical grounds, of domestic liquidity. It was therefore natural that an attempt was made to modify — at least by ensuring that income from the holding of such securities no longer offers special fiscal advantage — the preferential position which foreign investors assigned to German fixed-interest securities from motives that differed in some cases quite widely from each other.

Credit Policy and the Motives

Credit policy was marked in 1963 and in the first two months of 1964 by a wait-and-see attitude towards the market determinants. During that period the Bundesbank did not adopt any important credit policy measures. Its discount and advance rates have remained unaltered, at 3% and 4% respectively, since 5 May 1961. The position is similar as regards the minimum reserve ratios, which have not been changed since February 1962. Apart from slight movements by $\frac{1}{8}\%$ on paper running for 18 or 24 months the Deutsche Bundesbank's selling rates for money-market paper were also kept constant during 1963 and the first months of 1964. Nor did the Bundesbank enter into any new swap commitments during 1963 and the first two months of 1964. In this respect — just as in respect of minimum reserves, which will be dealt with further below — there has recently been a change. In March 1964 the Bundesbank did resume the encouragement of money exports through swap transactions; the new swap facilities were confined to investments in U.S. Treasury bills.

No credit policy measures in 1963

The general absence of change in the use of credit policy instruments during 1963 reflects the Bundesbank's intention to leave credit trends to the free play of market tendencies. It did not try to counteract either the strain on liquidity during the first half of 1963 or the growth of liquidity which began in the second half of that year. The temporising attitude in the first half of 1963 was appropriate, not least, because the decrease which market factors produced in the banks' free liquidity reserves was entirely desirable from the angle of credit policy. It is true that the growth of liquid resources recorded during 1961 and at the beginning of 1962 has been reversed only in part, but that reversal did restore some freedom of action for credit policy. The increased recourse to rediscount quotas about the middle of 1963 indicated that the banks were again resorting more to the Bundesbank as the ultimate source of liquidity. The deliberate permitting of a gradual but perceptible reduction in liquidity was moreover justified during that period also inasmuch as it was fully in accordance with the general aims of economic policy. It accorded with the trend of foreign payments, which in the first half of 1963 was still marked by a deficit on current items although not on capital account. But it was also reconcilable with the course of the business cycle, since, although market tensions had slackened, the predominance of demand had not yet been removed in all markets. In addition the reduction of liquidity did not go so far as to attract foreign money; at all events rates on the home money market were lower, apart from brief periods of tightness, than in most of the international financial centres.

Market tendencies in the first half-year conformed to the aims of credit policy

New conflict between the internal and external aims of credit policy

On the reversal in the trend of liquidity about mid-1963, a conflict between that trend and the aims of credit policy gradually started. At first the problem was not urgent, however, because the reversal was not very marked. The course of economic activity did not at first indicate any major imbalance in the home market either. It is true that the impellents emanating from foreign demand were strong, but their effects within the country (especially on investment by enterprises) were confined within limits much narrower than for instance in 1959, when the previous cyclical upswing had begun. In particular there was little increase in the demand for building during 1963, if that year is considered as a whole, whereas in 1959 a building boom on the largest scale had started. In addition the propensity of private households to save rose considerably, and the saving ratio appreciably exceeded that in 1959. The domestic trends therefore made it possible for a time to refrain from credit policy measures. This does not of course mean that the recent widening of the liquidity margin can be regarded as desirable; its temporary acceptance was solely due to balance-of-payments considerations. As will have been seen from the foregoing analysis, the afflux of liquidity largely resulted from the surpluses on payment transactions with foreign countries, which surpluses in the second half of 1963 — unlike the first half of that year — derived not only from the surplus on capital account but once again from that on current account as well. Given the complete freedom of capital transactions with foreign countries, measures to constrict bank liquidity would probably have been counterbalanced by increased borrowing abroad; hence they would scarcely have made much difference to the growth of domestic liquidity, but would have further increased the afflux of foreign exchange. Credit policy was thus exposed afresh to a conflict between its internal and external aims.

3. Monetary and Economic Problems

Renewed threat to internal equilibrium

The first months of 1964 brought a strengthening of the tendencies which, in the second half of 1963, had already initiated a notable change of the cyclical and monetary situation. The surpluses on the balance of payments increased faster than before. Merely in the period from 1 February to 9 March 1964, the day before U.S. dollar swap transactions were resumed, the Bundesbank's central foreign exchange reserves rose by DM 1,060 million. As to general cyclical trends, moreover, the signs of an increase in the upswing multiplied. Not only did the indications of a renewed growth in equipment investments become more marked; in addition the plans for non-residential building (on commercial, industrial and public account) clearly indicated a fresh rise. Thus the fear that the demand impulses emanating from abroad might endanger the not very stable equilibrium on domestic markets has grown to such an extent that economic countermeasures have been prepared, some of them having by now been initiated.

Credit Policy

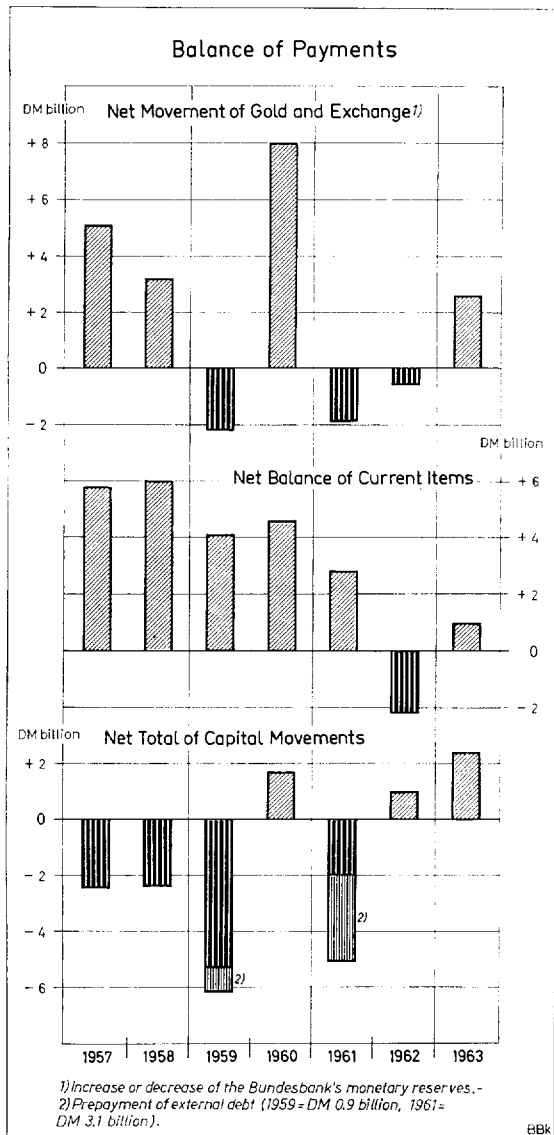
No adjustment to other countries' inflation

The basic attitude which the Bundesbank adopts in present circumstances towards the various possible economic policies can be described as being that, within the limits of the means at its disposal, it intends neither to adjust nor to tolerate adjustment of the domestic price and cost level to the inflation in other countries. Federal Government measures on parallel lines are indispensable in that connection. In view of the increasing surpluses on current items many observers (some of them foreign) argue that these surpluses can in the longer run be avoided only if the increase of domestic liquidity, entailed by the surpluses on the balance of payments, is allowed to produce its effect, since this would exert pressure to reduce rates of interest both on the money and on the capital market. In addition, they say, it would lead to an increase of domestic demand, to price rises, and hence finally to reduction of the surpluses on current transactions with foreign countries. They further argue that downward pressure on interest rates is the best way to decrease capital imports and increase capital exports. Advocates of this attitude on credit policy, which is based on the rules of the gold standard and hence purely on external considerations, hope

that, once equilibrium in the balance of payments has been reattained, the upsurge of prices within the country will also cease or will at least confine itself within the limits internationally prevailing.

For the Federal Republic it is not practicable to align credit policy solely to considerations of foreign trade and payments. This would conflict not only with the objects of monetary and credit policy laid down in the Law concerning the Deutsche Bundesbank; in addition it would conflict with the Federal Republic's international and supranational obligations. Under Article 104 of the Treaty of Rome, for instance, each member state is required to "pursue the economic policy necessary to ensure the equilibrium of its overall balance of payments, and to maintain confidence in its currency, while ensuring a high level of employment and the stability of the level of prices". Quite apart from these obligations another reason why planned or deliberately tolerated adjustment of the domestic price level to the increased prices in neighbouring countries could afford no satisfactory solution in present circumstances is that the Federal Republic of Germany's competitive advantage in international trade is not universal, but for the most part exists only in relation to those countries where prices have risen especially fast during the last two years, as for example in Italy, France, and of late also in the Netherlands and the United Kingdom. On the other hand in relation to other countries, especially the United States, Germany's competitive position has not

No primacy for equilibrium in the balance of payments



improved during recent years but has in some cases even deteriorated. An adjustment to prices in the main inflationary countries would result in greater price disparity as between the Federal Republic and other countries important in world trade. Neither a planned nor a tolerated adjustment of prices to the inflationary tendencies in adjoining countries is therefore capable of restoring the balance of the international trade streams; on the contrary, the countries which became unbalanced must endeavour to find their own way back to stability. If the countries with relatively stable prices conformed to the inflationary tendencies, the countries suffering from inflation would be relieved of the need to initiate the measures required for regaining internal stability. If the creditor countries' credit policy were guided solely by external considerations, then the dangers of inflation in the world economy would be not removed but increased.

Reduction of the Federal Republic's surplus on current transactions with foreign countries thus essentially depends on whether the most important European countries trading with it can re-establish internal equilibrium. Apart from certain possibilities of commercial policy, to be discussed later, the Federal Republic itself cannot make any great direct contribution towards reducing its trade surplus, since any increase of domestic demand in excess of the existing growth — which would be the most important precondition for such reduc-

Decline in the surplus on current account

tion — would jeopardise internal stability. In point of fact, as explained in the following chapter dealing with international monetary trends and policy, it will be one of the most important objects of the international coordination of monetary and cyclical policy to work towards curbing excess demand in the principal inflationary countries and the ensuing pressure to import from countries where prices are relatively stable.

Checking net capital imports

The case is different as regards economic policy measures designed progressively to limit Germany's surplus on capital transactions with foreign countries, since the aims here are not inconsistent. In fact the checking of net capital imports accords both with the internal requirement that further undesired and unnecessary additions to liquidity should be avoided and with the external objective, which is that the surplus on the Federal Republic of Germany's balance of payments should be kept within limits, thereby tending at the same time to limit other countries' deficits.

Promotion of money exports

As regards the possibilities open to the Bundesbank itself in this field, it took a first step early in March 1964 by measures conforming to free market principles to reduce the accrual of foreign exchange at the Bundesbank, and to sterilise more of the liquidity accruing at the other banks, by declaring itself prepared to fix forward exchange rates on quite favourable terms for the banks' exports of money to the United States. The Bundesbank assists the employment of money abroad by German banks through the fact that, when these acquire U.S. Treasury bills with a remaining life of three to six months, it offers to fix the forward exchange rate for corresponding periods at a charge somewhat lower than is required in the free market. The limitation of this facility to U.S. money-market paper is incidentally explained by the fact that the "Euro-money market", which has rapidly grown during recent years, needs no additional stimulation. As a result the employment of money in U.S. Treasury bills has become more lucrative for the banks than before, particularly since it remains possible to offset short-term foreign assets against the reserve-carrying liabilities to non-residents. As the latest events show, the banks have already reacted favourably to the offer of assistance towards the exporting of money, even though in the first weeks after the Bundesbank resumed forward rate-covering the domestic money market was for a time somewhat tight owing to seasonal factors such as the main tax payment date and the Easter rise of the note and coin circulation. On 6 April 1964 the Bundesbank's swap commitment amounted to DM 402 million. The result was that the deficit on the banks' external position in respect of short-term assets and liabilities, which deficit had steadily increased in the course of 1963 and totalled DM 1.3 billion at the end of February 1964, was appreciably reduced in March. By increasing their short-term foreign assets the banks are again taking a somewhat greater share in holding the total foreign exchange reserve, a task which in the Federal Republic more than in other large countries is concentrated on the Central Bank. These measures also affect internal money-market policy inasmuch as domestic money-market paper is likely to be less in demand than hitherto. This is important because the margin available for the issue of further mobilisation paper is limited.

The promotion of money exports would stand little chance of preventing a surplus on short-term capital transactions, however, if the influx of short-term foreign funds continued, still less if it were to increase. In view of this the Central Bank Council decided on 19 March 1964, with effect from 1 April 1964, to raise the minimum reserve ratios for foreign liabilities to the maxima permitted by law, that is

to 30 per cent for sight liabilities,
to 20 per cent for time liabilities, and
to 10 per cent for savings deposits.

The resulting increase in the minimum reserve burden should considerably reduce the inducement for banks to take short-term foreign deposits while at the same time the possibility of offsetting monies employed at short term abroad against reserve-carrying liabilities to foreigners has gained in importance, thereby supplementing the measures designed to promote the export of money.

Raising of the minimum reserve ratios for foreign liabilities

A similar aim is pursued by the rule, likewise laid down by the Central Bank Council on 19 March 1964, which forbids the payment of interest on time deposits of non-residents. Through this measure the general licences previously issued to financial institutions, permitting them to pay interest on time balances, have been revoked. Payment of interest on existing time deposits is allowed only up till the expiry of the period, or up to the first date as on which notice can be given for repayment. In addition to foreigners' sight deposits, on which the payment of interest was already forbidden, the prohibition of interest payments has thus also been applied to their time deposits, which amount to a substantial total. Interest may continue to be paid only on savings balances of non-resident individuals. The rule forbidding payment of interest on time deposits should greatly reduce the attraction of such deposits in the Federal Republic for foreigners. This of course does not necessarily mean that all such funds will be withdrawn from the Federal Republic; it is indeed conceivable that — so far as considerations of income are of subordinate importance for the foreigners concerned — the balances will in future be held as sight deposits, against which the domestic banks must however hold minimum reserves raised to the maximum ratio of 30 per cent. Previous experience does indeed suggest that some of the deposits may be switched to "borrowed funds"; but in that case the initiative would as a rule have to come from the German banks. Any switching from time deposits to fixed-interest securities is likely to be opposed in many cases by considerations of liquidity and price risk; and it may also be assumed that the fiscal measures proposed by the Federal Cabinet and described further below will act as an impediment.

No interest to be paid on non-residents' time deposits

The attempt to forestall a short-term capital inflow requires supplementary measures in the sphere of long-term capital transactions, which show quite a large surplus due in the main to considerable buying of securities by non-residents. A first measure in that sense is the voluntary agreement reached between the Federal Government and the Federal Special Funds on the one hand, and the credit institutions belonging to the Federal Loan Syndicate on the other, under which the syndicate members have undertaken not to execute non-residents' buying orders for any new loan until six days after its issue, and then only after all residents' buying orders have been satisfied. Where other domestic credit institutions have a sub-participation, or where bonds are independently sold to them, the syndicate banks will transmit this obligation to those other banks in binding form. By this syndicate agreement, which was employed for the first time on the issue of the Federal Railways loan in February 1964 and has also been included in the subsequent contracts with the Federal Loan Syndicate, it is of course possible to influence only the sale of new issues, but not purchase through the stock exchange or subsequent sale out of the banks' own holdings.

Influencing foreigners' security purchases

A directly discouraging influence on foreigners' decisions to buy securities could be produced through reduction of the yield. Action designed so to influence the level of security market interest rates by credit policy measures cannot be considered in present circumstances, because any action tending to increase liquidity would run counter to the cyclical policy requirements, which call for checking much more than for stimulating of the demand for credit. The attraction of German fixed-interest securities for some foreign buyers would become smaller, however, if the income on them were subjected to a Capital Yield Tax to be levied at the source. It is with that end in view that the Federal Cabinet on 23 March 1964 announced the intention to present to Parliament in the near future a bill introducing a 25% Capital Yield Tax on the income from fixed-interest securities owned by non-residents. The extension of the Capital Yield Tax (hitherto levied only on the income from shares and other participation-rights in companies) to the income from fixed-interest securities held by non-residents may entail some inconvenience for all foreign holders. In addition the effect will be to reduce the net income on German securities by about one-quarter for those foreign purchasers who do not intend to subject the said income to taxation in their home country, or who, in the absence of appropriate anti-double-taxation conventions, cannot claim from the Federal Republic reimbursement of the withheld taxes. If this measure is put

Taxation of foreigners' investment income at source

into effect it will not only curb the inclination to acquire further German securities; it will also lead to the sale of securities already in foreign hands. The latter would be just as desirable on balance-of-payments grounds as the former, provided that it leads to gradual re-placing within the country while any collapse on the German capital market is avoided. The heavy selling of foreign holdings immediately after announcement of the Federal Cabinet's intention did for a time give rise to fears that such selling might impose too great a strain on the German security market; the latest developments have shown, however, that these fears were exaggerated.

Promotion of
capital exports

Offsetting of the capital inflow from abroad through exports of capital from the Federal Republic was possible in 1963 on only a relatively limited scale. The prospects of increasing commercial exports of capital have since then somewhat improved; the slight reduction of long-term interest rates apparent during the first months of 1964, and the differentiation between interest rates according to periods to maturity, have encouraged the issuing of foreign loans in Germany. It remains to be seen to what extent this tendency will continue if the inflow of capital into the Federal Republic is checked. All possible means to promote the export of capital should be employed in addition. On the one hand there is the possibility of development assistance out of budget funds, and of fiscally encouraged direct investments abroad; on the other, the possibility of furthering foreign security issues through repeal of the Securities Tax, which burdens the issue of foreign securities within the country in a similar way as it does the issue of German industrial bonds, whereas almost all other fixed-interest domestic securities — such in particular as the great mass of mortgage, communal and public authorities' bonds — are exempt from that tax. On 23 March 1964 the Federal Cabinet announced that it will propose to Parliament the repeal of the Securities Tax.

General Economic Policy

Special measures
are preferable

The general aim of cyclical policy in 1963 was essentially to reduce the market tensions in individual spheres rather than exert any general constrictive pressure on demand. Prominent in that connection were the previously mentioned measures designed to limit building, namely partial suspension of the depreciation facility under Article 7b of the Income Tax Law, delay in the allocation of Federal monies to the Länder for housing, and an all-round cut in the budget appropriations for expenditure on building. According to the Federal Cabinet's Economic Report published at the end of 1963 this policy is also to be continued in 1964, since in the light of the data available when that Report went to press no general limitation of demand was thought necessary, although it was still thought desirable to restrain excess demand on the building market. Recently the acceleration of the cyclical upswing, induced in particular by foreign demand, has made it necessary to review the previous attitude. It is now more important than before to bring about a certain relaxation by applying instruments of economic policy at the critical points of the cyclical upsurge.

Commercial policy
instruments

Prominence must therefore be given, in considerations of cyclical policy, to measures deemed likely to keep the trade surpluses within certain limits. Every measure — even though of limited scope in itself — which may serve this object should be adopted. Autonomy in regard to tariffs and trade has been much reduced, it is true, but yet it would for instance be possible to lower those rates of duty on imports from non-E.E.C. countries which are at present above the E.E.C.'s future Common External Tariff. It is also important that in the sphere of farm products, largely regulated through national and supranational market arrangements, use should be made — for the sake of price stability — of every opportunity to raise imports, particularly from the countries which do not belong to the Common Market. This appears the more urgent since price rises have of late been extremely marked for important agricultural products, especially some kinds of fatstock, because the supply in some cases became scarce throughout the E.E.C. area. But the level of prices is frequently lower outside the E.E.C. than in the member countries, so that by suitable adjustment of the equalising levies or by inviting tenders for imports it would be possible to admit imports with price-reducing effect. On the other hand no measure should be adopted which might have the

effect of increasing exports. Thus the proportion of development assistance conditional on purchases from the Federal Republic should not be further increased, but should rather be diminished.

The support which the public authorities can give to cyclical policy is partly of special and partly of general character. The special measures include, in particular, continuance of the restrictive attitude towards public building projects. The recently promulgated amendment to the Income Tax Law has ensured that the partial suspension of Article 7b of the Income Tax Law shall expire not on 31 March 1964, as originally provided, but only on 30 June 1964. Apparently Parliament is also prepared to continue this suspension until the end of the year. Reintroduction of Article 7b in the previous form would in the existing circumstances entail a danger that the building market would be further overstrained, particularly since public authorities' plans for building, which have again shown a clear cyclical increase during recent months, indicate that such authorities' demand on the building market will continue its rapid rise. Coordination of public orders for building and of housing policy in accordance with the trend of business, and adjustment of the whole of the building programmes influenced by public authorities to accord with the available building capacities, therefore continue to present an urgent problem which so far has not been solved.

Fiscal support
for cyclical policy

Apart from these special measures the influence exerted by public authorities on economic activity will above all depend on whether the trend (well discernible last year) towards greater deficits continues, or whether it can be stopped. In the budgets of the Federal Government and the Länder provision has been made for a further increase of borrowing in 1964. The great productiveness of the security market still evident in the first two months of 1964 also caused the local authorities to borrow more heavily; at all events the issuing institutions which act for them have been especially active in that market during the past few months. The increase of the public authorities' borrowing is particularly questionable in present circumstances. Quite apart from the growth of overall demand which it may entail, the main purpose of the additional borrowing is the financing of greater capital expenditure, so that there will be a further increase in the demand for services in the building market, which is still greatly strained. Hence it is necessary that the most important public authorities, including the large cities, should adjust their capital development and borrowing policy to accord with the requirements of cyclical policy.

Restraint in borrowing

Whereas during 1963 the course of private households' incomes exerted no particularly expansive influences on economic activity because the rise of total income became somewhat slower and the saving ratio greatly increased, it cannot be expected with certainty, in the light of the altered cyclical situation, that the income streams will remain similarly neutral in their effect during 1964. At the same time the impulse causing a more expansive trend need not necessarily come from wage policy. The movement in collectively agreed wages certainly does not suggest this — if only because last year many collective agreements were concluded for relatively long periods, so that some of them cannot be denounced again until towards the end of 1964. Whether actual wages will in the meantime rise appreciably will mainly depend on the further supply of labour, and on the consequent state of the labour market. In view of that market's strained state it is above all desirable that further cuts in working hours should be avoided, or that they should be applied only where, as a result of rationalisation, this can be done without impairing the further growth of output. Reduction of weekly working hours would actually cut down the total number of man-hours worked by German workers, since no appreciable increase in the number of persons employed can be expected from sources within the country. But even if the expansive influences emanating from wages are kept within narrow limits, it may be assumed that the incomes of private households will nevertheless rise very considerably in 1964, because public income transfers are likely to be much increased. The social insurance institutions' existing pensions were raised by 8.2 per cent, as compared with the previous year, with effect from 1 January 1964; and certain other substantial increases of income, for instance of children's allowance and war victims' pensions, have in the meantime been granted. In percentage terms the size of these income increases materially exceeds the prospective real growth of the national product.

Income policy in the
cyclical upswing

These tendencies show up the importance which will continue to attach to the movement in incomes from the angle of financial stability. It is therefore quite proper that in discussions concerned with cyclical and price policy the demand is made again and again for an "income policy" to be adopted — that is, a way of influencing in line with overall economic requirements such decisions as immediately affect the trend of incomes. In view of the fact that some 30 per cent of private households' total net income — in the shape of social security pensions, benefit and relief payments, as well as retirement pensions and salaries — come from public authorities' funds, an important factor here is the attitude adopted by the government itself when taking decisions in the field of income policy. Moreover, the effect of income increases in which the government takes a hand is widely dispersed inasmuch as such increases serve as guidance rules in many negotiations in the private sector. In addition, however, income policy will have to include in its analysis, and in its reckoning, the formation of income in all sections of the economy — including those which are still subsidised, in part directly and in part indirectly through measures of price policy. In this connection the Board of Experts for Assessment of Overall Economic Trends, which has now been set up, has a responsible economic function. In the course of its enquiries into cyclical and structural problems it will be incumbent on this board to ascertain, and to demonstrate, the extent to which the growing demands on the future national product can be reconciled with the general aims of economic policy, and in particular with the objective of price stability.

II. International Monetary Trends and Monetary Policy

The foregoing survey of the economic forces which at present determine the Bundesbank's policy has already shown what strong influences have for some time again been exerted by the world economy and by international monetary trends on economic activity in the Federal Republic, and how greatly the margin available for autonomous action by the Bundesbank is now constricted through the effects produced from outside. The situation is rendered particularly difficult through the fact that the inflow — already unnaturally large since the beginning of 1963 — of longer-term foreign capital into the Federal Republic of Germany has coincided, since the autumn of last year, with growing surpluses on goods and services. Nearly all German monetary measures which could counteract the effects produced by these surpluses on the German economy's internal equilibrium tend to increase the current-account surpluses and the pull on foreign capital. In view of this dilemma the monetary developments in the Federal Republic have inevitably become dependent on forces over which German monetary policy has no control, since, as already mentioned in the previous chapter, the causes of the surplus on both current and capital account lie mainly — although not solely — abroad. This makes it all the more important to grasp as clearly as possible the driving forces underlying these international trends which are so significant for the Federal Republic's monetary equilibrium, and to try to estimate their further course.

1. Causes of the Increased Afflux of Capital from Abroad

In the first chapter of this Report it has already been pointed out that the causes of the sudden rise in *net capital imports* into the Federal Republic are manifold, and are not always easy to explain. That is confirmed by detailed analysis. In the three years from 1960 to 1962, long-term capital transactions with foreign countries (excluding some exceptional official ones, namely premature repayment of German post-war debts and a special credit granted by the Bundesbank to the International Bank for Reconstruction and Development) had resulted in approximate equilibrium subject to temporary fluctuations. Against the inflows from abroad — already quite considerable during those years — in the form of foreigners' purchases of German securities,

Former equilibrium of
long-term capital
movements . . .

foreign participations in German enterprises and other longer-term transactions, there were approximately equal German longer-term capital exports, whether through acquisition of foreign shares or direct participations abroad, or through public or private bonded and other loans to foreign countries.

This approximate equilibrium which had lasted for years in normal longer-term capital transactions changed almost abruptly, from the start of 1963 onwards, into a net capital afflux of considerable extent. At the same time, remarkably enough, there was only slight change in German total capital exports at longer term (although their distribution between individual categories did somewhat vary); they amounted in 1963 to something over DM 2 billion, thus almost maintaining the level already attained in the three preceding years. There was on the other hand a thorough change in the afflux of longer-term foreign capital to the Federal Republic; that afflux rose from DM 2.4 billion in 1962 to DM 4.2 billion in 1963. While the amount of German shares acquired by foreigners was little greater in 1963 than in the previous year, and while new direct participations by foreigners in German enterprises even declined somewhat in 1963, there were abrupt rises in two other items. First, the longer-term credits and loans newly granted by non-residents rose from something less than DM 600 million in 1962 to over DM 1 billion in the next year; secondly, non-residents' purchases of German fixed-interest securities increased from DM 0.7 to 2.0 billion, all amounts being net.

... appreciably upset since 1963

One factor contributing to the increase (by over DM 0.4 billion on the year) in longer-term *lending* by foreigners to German trade and industry was greater granting of loans from Switzerland and various other European countries and also from the United States. Although the element representing provision of longer-term capital by foreign groups for their German subsidiaries follows its own rules, the interest differential as between the Federal Republic and those countries would also seem to have contributed to the sharp rise in the trend prevailing already since 1962. In addition the movement reflects other factors such as the need felt by German firms to cover, by borrowing in foreign currency, the exchange risks connected with their export business. This need for cover is limited in extent, however. Since moreover the recent upward movement of interest rates in Switzerland, Belgium and the Netherlands has narrowed the interest differential, a further excessive increase of such credits is not likely unless German enterprises or subsidiaries were to

Greater long-term borrowing abroad

Table 1: Foreigners' Net Purchases of German Fixed Interest Bearing Securities by Countries from which Purchasing Orders were Received
Millions of DM

Country or group of countries	1960	1961	1962	1963
E.E.C. member countries				
Belgium-Luxembourg	166	67	136	423
France	5	3	— 9	12
Italy	5	4	14	6
Netherlands	527	96	113	202
Total ¹⁾	706	154	287	620
Switzerland	510	151	375	1,186
United Kingdom	56	— 3	20	14
Other European countries ²⁾	39	— 33	— 1	36
All European countries ²⁾	1,311	269	681	1,856
U.S.A.	28	— 50	6	19
Other non-European countries	34	84	35	116
Total	1,373	303	722	1,991

¹⁾ Including European Investment Bank. — ²⁾ Except Eastern Bloc countries.

encounter greater difficulty in covering their credit needs within the country. In fact the amount of longer-term borrowing abroad in this form has tailed off somewhat since the autumn of 1963.

Strong flow of foreign
capital into German
bonds . . .

The case is different as regards the increased interest shown by foreigners in *German fixed-interest securities*, which has been the chief element in the strong net inflow of foreign money into the Federal Republic. Foreign buying of German bonds has continued undiminished in the first two months of 1964. In the rapid rise of foreigners' net purchases, from DM 0.7 billion in 1962 to no less than DM 2 billion in 1963, practically only buyers in three countries have been concerned—those in Switzerland being well in the lead, with others in Belgium and the Netherlands buying on a smaller scale. Buyers in those three countries accounted in 1963 for roughly nine-tenths of all purchases of German fixed-interest securities, Switzerland alone accounting for almost six-tenths (in which connection it is of course uncertain how far the buying by Switzerland represented real employment of Swiss capital or investment by others through Swiss intermediaries); countries other than these three are of no great importance as buyers of German fixed-interest securities. The trebling of bond purchases by Belgians as compared with the previous year was quite clearly due to the introduction or increase of the Belgian withholding tax on income from securities in January 1963; this made German securities, which yield high interest and are not subject to any such tax, appear especially attractive to Belgian investors. But the increasing interest shown by Swiss investors in German fixed-interest securities (Swiss net purchases were also trebled, rising from DM 375 million in 1962 to DM 1,186 million in 1963) would also seem to have been due not only to the fact that German bond interest rates are high, by comparison with Swiss conditions, but also to reasons of taxation. The one-sided concentration in the three countries mentioned of investors' desire for German fixed-interest securities also shows the great difficulty of finding a solution on free-market lines to the problem set by the unnaturally large flow of foreign capital into the Federal Republic. Evidently in the view of these foreign investors the yields on German fixed-interest securities are competitive with those on similar securities in Switzerland, the Netherlands and Belgium (in the latter country less the relatively heavy tax at source); and although in these three countries the rates of interest on long-term bonds have of late appreciably risen, it would seem almost impossible for the Federal Republic within the near future to close the interest rate differential still existing, especially in respect of Switzerland, by substantial lowering of the interest rates for German bonds. In addition the fact that Switzerland recently adopted vigorous measures designed further to impede the investment of foreign funds in its domestic market may make the Federal Republic, even more than hitherto, a haven of refuge alongside Switzerland for foreigners' flight capital. Reportedly, some Swiss buying of DM securities has already been based on flight capital, administered by Swiss intermediaries but originating from Italy, South America and other areas where there are political or monetary risks. It may therefore be that foreigners' urge to acquire German bonds, which bear relatively high interest and are thought safe, will appreciably weaken only when the causes are removed which now lead in other countries to considerable capital movements due either to anxiety about currencies or to fiscal or political considerations. Such a prospect of course raises all the more the question how long the Federal Republic for its part can accept the disturbance of its monetary equilibrium entailed by the unnaturally large inflow of such monies, particularly since part of these capital movements does not originate from any real differential in capital supply and since, in the present circumstances, the countervalue of this net capital inflow will only be reflected in a further increase of the Federal Republic's monetary reserves and hence of the foreign exchange claims on foreign countries, which bear relatively low interest. The introduction of a 25 per cent Capital Yield Tax on fixed-interest securities owned by non-residents, as planned by the Federal Cabinet, will somewhat curb at least such inflows of foreign capital as were attracted by the relatively high yield of German securities because, inter alia, the absence of a withholding tax so far made it easier to take advantage of the differences in taxation as between individual countries.

. . . makes counter-
measures necessary

2. Causes of the German Surplus on Current Account

The surprisingly large increase in the German trade surplus, the main source of the recently renewed surpluses on current account, is connected with simultaneous trends in the international monetary situation even more clearly than the abruptly expanding inflow of foreign capital. The fact that the course of world trade became more favourable last year, when it grew by 8½ per cent, can be regarded as a definite asset after its slower growth in the two previous years (by 5 per cent in 1962 and by 4½ per cent in 1961), particularly in so far as this expansion benefited — as it partly did — both the exports of under-developed countries and those of certain countries, like the United States and United Kingdom, which had previously suffered from balance-of-payments difficulties. One unfortunate fact about this expansion of world trade was, however, that it was accompanied in some countries by appreciable disturbances and distortions, which latter affected the Federal Republic's foreign trade in concentrated form. Thus in certain neighbouring countries, with which the German economy has especially close links, strong inflationary tendencies led to a rise — in some cases abrupt — of the demand for imports, as well as to large increases of costs, which facts not only exposed the German economy to the pull of that heavy demand but were also quite generally reflected in weakening of international competition and of its downward pressure on prices. The result of such trends, as the following table shows, was that in 1963 as compared with the previous year Germany's exports to Italy increased by no less than 33 per cent and those to France by 18 per cent. In the last months of the past year expansive or even inflationary tendencies in some other European countries too, such as the Netherlands and United Kingdom, were very strongly reflected in Germany's foreign trade figures. The rapid increase of the surpluses on trade with a few European countries (including more particularly Italy and France) would in itself suffice to explain the entire growth of the German export surplus by DM 2.6 billion in 1963. On the other hand Germany's exports to North America and the other countries outside Europe were relatively steady, while its balance of trade with most groups of non-European countries deteriorated.

Growing export surpluses through inflation-induced demand from abroad

Although of late the increasingly widespread world economic upswing has been causing the pull of demand for German exports to appear more and more widely, even among non-European countries, it can be stated that the renewed growth of the surplus on German trade — and hence the reappearance of a surplus on current account — is a fact the explanation of which must be sought mainly in trade relationships inside Europe. Thus it reflects quite accurately the shifts which have taken place in currency differentials since the beginning of 1963.

Table 2: Regional Movement of the Federal Republic of Germany's Exports and Balance of Trade

Country or group of countries	I. Balance of trade ¹⁾ (millions of DM)		II. Exports (year-to-year change in per cent) ²⁾					
	1962	1963	1962	1963	1963			
					1st qtr.	2nd qtr.	3rd qtr.	4th qtr.
Italy	+ 371	+ 1,763	+ 21	+ 33	+ 22	+ 28	+ 45	+ 37
France	+ 170	+ 937	+ 14	+ 18	+ 10	+ 20	+ 17	+ 25
Netherlands	+ 687	+ 929	+ 3	+ 17	+ 2	+ 15	+ 23	+ 29
Belgium-Luxembourg	+ 818	+ 783	+ 10	+ 16	+ 2	+ 18	+ 24	+ 18
E.E.C. member countries	+ 2,046	+ 4,412	+ 11	+ 21	+ 9	+ 20	+ 26	+ 27
United Kingdom	- 397	- 259	- 8	+ 13	+ 10	+ 12	+ 2	+ 30
Sweden	+ 669	+ 967	+ 2	+ 12	+ 3	+ 12	+ 14	+ 17
Switzerland	+ 2,290	+ 2,563	+ 10	+ 7	- 1	+ 11	+ 10	+ 9
Other European countries (excluding Eastern Bloc)	+ 3,845	+ 4,111	+ 2	+ 4	+ 2	+ 5	+ 1	+ 7
Europe (excluding Eastern Bloc)	+ 8,453	+ 11,794	+ 7	+ 14	+ 6	+ 14	+ 15	+ 19
U.S.A. and Canada	- 3,498	- 3,961	+ 9	+ 7	+ 4	+ 6	+ 11	+ 8
Rest of the world	- 1,478	- 1,801	- 5	0	- 9	- 1	+ 5	+ 5
World, total	+ 3,477	+ 6,032	+ 4	+ 10	+ 2	+ 10	+ 13	+ 15

¹⁾ According to producer and consumer countries. — ²⁾ According to consumer countries.

3. Changes in the International Balance of Payments Situation

Intra-European balance-of-payments problems

In fact since 1963 the balance-of-payments problem in the United States — a problem which still persists, although in less acute form — has been accompanied by one which is specifically intra-European. This problem is manifested in two forms. First, the above-mentioned inflation “surges” in some E.E.C. member countries have interrupted the previous relatively even course of such countries’ currencies and balances of payments, and within the E.E.C. itself a currency and balance-of-payments differential has arisen, so that the Community now comprises extreme deficit and surplus countries. Besides this the E.E.C.’s combined balance of payments in relation to the outside world has so rapidly deteriorated that this altered position of the E.E.C. in the world economy has already caused alarm. For the Federal Republic, which as chief supplier of the other E.E.C. countries was especially exposed to the pull of inflationary demand, it is outstandingly important whether the programmes already initiated with a view to counteracting the inflationary disturbances in those countries will achieve prompt success. But whether there will be any reduction of the additional demand emanating from some countries, or merely a certain stabilisation at the higher level reached in the meantime, depends not least on whether the inflation of demand represents only an “adjustment” of the country in question to the previous surplus on its balance of payments, or goes further and constitutes “original” inflation.

Improvement in the United States’ Balance of Payments

Reversal in the American balance of payments since mid-1963 through new balance-of-payments programme

As regards the persistent American balance-of-payments deficit, there has been substantial improvement since mid-1963 after critical aggravation in the first half of that year. The deficit on “regular transactions”, that is excluding exceptional debt repayments and other special financial transactions, fell from a seasonally adjusted annual rate of \$ 4.5 billion in the first half of 1963 to one of \$ 2 billion in the second, and seems to have continued in the first months of the new year on this basis or even to have declined further. This drastic improvement is by no means solely or preponderantly a reflection of the worsening balances of payments in a number of European countries, especially of most E.E.C. countries’ balances on current account, although the improvement of the American competitive position — due to the fact that wage and price trends are much more stable in America than in Europe — has of course also affected the United States’ balance of trade with continental Europe and their competition with European goods on the markets of third countries.

Table 3: *Balance of Payments Position of the United States and E.E.C. Countries 1953 to 1963**)
Billions of U. S. dollars

	Annual averages 1953 to 1956	Annual averages 1958 to 1960	1961	1962	1963
I. United States					
(1) Current items (excluding military transactions) ¹⁾	+ 4.02	+ 4.19	+ 7.27	+ 6.46	+ 6.92
(2) Government transactions	- 2.59	- 2.88	- 2.53	- 2.37	- 2.25
(a) Military transactions (net)	- 2.05	- 2.45	- 2.78	- 3.00	- 3.55
(b) Foreign aid (less repayments)					
Total (1 plus 2)	- 0.62	- 1.14	+ 1.96	+ 1.09	+ 1.12
(3) Private capital ²⁾	- 0.83	- 2.59	- 4.42	- 4.14	- 4.19
(4) Overall balance of payments ³⁾	- 1.45	- 3.72	- 2.37	- 2.19	- 2.66
(4a) Balance of regular transactions ⁴⁾	- 1.45	- 3.87	- 3.04	- 3.57	- 3.30
II. E.E.C. Countries					
(1) Current items	+ 1.05	+ 2.68	+ 2.42	+ 1.00	- 0.0
(2) Change in official gross monetary reserves	+ 1.10	+ 2.35	+ 1.22	+ 0.59	+ 1.46
<p><small>*) The 1957 results have been omitted since they are distorted owing to the Suez crisis. — ¹⁾ Including export of goods financed by foreign aid. — ²⁾ Including errors and omissions. — ³⁾ Contains, apart from items (1), (2) and (3), the placing of non-mobilisable government bonds with foreign countries and international aid organisations, as well as advances received in respect of armament goods exports. — ⁴⁾ Overall balance of payments excluding special factors (advance debt repayments, advances received on armament goods exports, and sales of non-mobilisable government bonds with maturities over twelve months).</small></p>					

The improvement of the United States' competitive position through maintenance of cost and price stability, and through a number of special measures, is only one point in the comprehensive American balance-of-payments programme which the United States President proclaimed in July 1963. Further main points include a number of measures through which the United States Government's untied dollar expenditure abroad for military and political purposes is to be reduced, as well as the announcement of an interest equalisation tax on the acquisition of foreign securities by Americans, which tax raises the cost of foreigners' long-term borrowing in the United States by roughly 1% per year. Simultaneously with the announcing of the balance-of-payments programme, and in order to support it, the Federal Reserve Bank discount rate was raised from 3% to 3½%, while the maximum rates of interest allowed on time and savings deposits were greatly increased. In fact most of the above-mentioned reduction of the American balance-of-payments deficit during 1963 occurred in connection with long and short-term capital movements; the outflows of capital, which had shown unusual expansion in the first half of 1963, were drastically reduced by these various measures. The rapid increase of American goods exports — in the second half of 1963 they exceeded those of a year earlier by no less than 12 per cent — and the gradual effects produced by the other balance-of-payments measures hold out a prospect that the tendencies to improvement will continue, although of course no final solution of the United States' balance-of-payments problem can already be forecast with certainty.

The Intra-European Balance of Payments Problem

The deterioration of Europe's position is most clearly reflected in the E.E.C. countries' combined balance of payments, and there on the current items (comprising goods, services and unilateral transfer payments). Whereas the E.E.C. countries between 1958 and 1961 had had annual surpluses of more than \$ 2.5 billion on current account with outside countries, this current surplus had fallen by 1962 to only \$ 1 billion, and in 1963 it completely disappeared, if indeed it was not converted into a slight deficit. According to the tendencies now apparent in the E.E.C. countries' goods and service transactions there might well be a further deterioration in 1964. This trend towards a deficit on current transactions with the outside world has given rise to anxious comments. The E.E.C. Commission, for instance, has mentioned the danger that costs and prices may be subjected to "over-adjustment" which cannot easily be reversed, and which will finally result in the Community having a structural deficit with the outside world.

The movement of costs in most E.E.C. countries does indeed cause anxiety. According to provisional data of the E.E.C. Commission, the rise of wage costs per unit of production (that is the ratio between the increase of wages and that of productivity) in processing industries amounted in 1963 to no less than 13 per cent in Italy, 6 per cent in France, 5 per cent in the Netherlands, 4 per cent in Belgium and 3 per cent in the Federal Republic. There is the further fact that especially in the Netherlands further wage increases far exceeding the possible advance in productivity have already been agreed for the current year, while in some other E.E.C. countries the surge of upward wage movements has not yet ceased. Continuation of such tendencies would in fact be bound in the long run seriously to weaken the E.E.C. countries' ability to compete with other industrial countries, and in particular with the United States.

It is another question whether there can already be said to be any danger of general "over-adjustment" in the E.E.C. One point to make here is that equilibrium in the balance of payments cannot be measured by the position on current account alone, but that for this purpose the balance on capital account must be included. Precisely during 1963, when the E.E.C. countries for the first time no longer had a surplus on current payments, their net foreign exchange movement on the other hand showed a surplus which was much greater than in the previous year, amounting to \$ 1.46 as against 0.6 billion (see Table 3). This discrepancy between current account and the foreign exchange movement is of course explained by the substantial capital inflows from outside countries, which precisely last year were recorded by some E.E.C. countries, more particularly the

Deterioration of the E.E.C. countries' current balance-of-payments position . . .

. . . owing to cost inflation . . .

. . . temporarily outweighed by capital imports . . .

Federal Republic but also France and the Netherlands; a further factor was the extensive financing of the Italian deficit through short-term bank borrowing abroad, especially by way of the Euro-dollar market. True, a part (but only a part) of these capital inflows is probably of a merely passing nature, while another part might be relatively permanent, as has become apparent on consideration of Germany's net capital imports. It is of course proper in this connection to ask whether, in the light of world economic considerations, countries so highly developed as the E.E.C. members ought not really to show a net export of capital and a net surplus on current items in relation to the outside world; but endeavours towards achieving a net surplus on current balance-of-payments account to this end appear to make sense only if the capital markets (or governments) of the countries concerned are in fact able to bring about corresponding net capital exports, which is not quite certain at the moment.

Wide variations as
between individual
E.E.C. countries . . .

More significant in this context is the fact that since 1963 the E.E.C.'s balance of payments has no longer followed uniform tendencies, and therefore no longer admits of uniform overall assessment. Whereas Italy with the above-mentioned wage and price inflation and with a balance-of-payments deficit amounting to no less than \$ 1.2 billion in 1963 has already gone much too far in "adjusting" its level of costs and demand to take up the margin previously available on its balance of payments, so that it has slid a long way into the zone of "over-adjustment", other E.E.C. countries — in particular the Federal Republic — actually have a rapidly growing foreign exchange surplus, so that they are again faced with the quandary that any anti-inflationary policy tends further to increase the external surplus. Whereas the Netherlands with their extremely expansive wage policy likewise seem to be "adjusting" their costs and demand upwards beyond the limit permitted by the balance of payments, and to be at least temporarily running into a considerable deficit on current items, France appears to have stopped the inflationary tendencies in good time; it seems that, while its former surplus position has gone, its external equilibrium has nevertheless been in some measure preserved.

These considerations are important when an attempt is made to estimate how far the additional demand exerted by neighbouring countries on the Federal Republic's current balance of payments will again decline. It is for instance certain that the excess demand emanating from Italy cannot in the long run continue on the present scale, because Italy cannot maintain so great a deficit on its balance of payments for a long time, not even with the international assistance mobilised in March

Table 4: Changes in the Reserve Position of the European O.E.C.D. Countries¹⁾
between 1960 and 1963
Millions of U.S. dollars

	I. Changes in official reserves (gross)				II. Changes in official reserves and in net foreign-exchange position of commercial banks ²⁾ , total (adjusted for special factors ³⁾)			
	1960	1961	1962	1963	1960	1961	1962	1963
<i>All E.E.C. countries</i>	+3,283	+1,221	+ 592	+1,458	+3,359	+2,919	+ 751	+ 477
of which:								
Federal Republic of Germany	+2,204	- 196	- 94	+ 659	+1,555	+ 941	- 178	+ 522
France	+ 350	+ 869	+ 671	+ 847	+ 772	+1,305	+1,183	+ 983
Italy	+ 126	+ 340	+ 22	- 384	+ 449	+ 492	- 306	-1,185
Netherlands	+ 403	- 27	+ 28	+ 156	+ 469	+ 100	+ 38	+ 237
Belgium	+ 200	+ 235	- 35	+ 180	+ 114	+ 81	+ 14	- 80
<i>Other O.E.C.D. countries in Continental Europe⁴⁾</i>	+ 670	+ 941	+ 664	+ 692	+ 613	+ 882	+ 586	+ 811
<i>Continental Europe, total</i>	+3,953	+2,162	+1,256	+2,150	+3,972	+3,801	+1,337	+1,288
United Kingdom ⁵⁾	+ 489	+ 85	- 515	- 149	+ 912	-1,163	+ 545	- 162

Increase (+); decrease (-).
Source: I.M.F. (International Financial Statistics) and calculations by Bundesbank.
¹⁾ Except Ireland. — ²⁾ The banks' net foreign-exchange position was not available in the case of the United Kingdom, Switzerland, Spain, Portugal, Turkey and Iceland. — ³⁾ After elimination of: I.M.F. transactions (net), credits granted by the European Fund, advance debt redemption including E.P.U. credits and special credit granted to I.B.R.D. by Bundesbank. — ⁴⁾ Including Iceland. — ⁵⁾ In the case of the United Kingdom the figures in section II of the table only represent the changes (adjusted for special factors) in the official reserves; cf. footnote³⁾.

1964 to help that country overcome an acute foreign exchange crisis. Similarly it can no doubt be assumed that the surge of demand from the Netherlands will not continue at full strength. The case is on the other hand different in France, which had for years had extremely large foreign exchange surpluses, and now seems to have returned to approximate equilibrium in its balance of payments. The process in France must therefore be regarded as an adjustment, though involuntarily effected at a dangerously rapid pace, to the previous position of extreme surplus. It is in some measure a delayed consequence of the two devaluations of the franc at mid-1957 and the end of 1958 by altogether 29 per cent; while these did at the time appear thoroughly justified, they afterwards turned out to have been somewhat too great, so that they had to be rectified by inflationary upward adjustment of the entire French cost structure. This assessment of the process as an adjustment, in the long run probably inevitable, to the franc rate selected at the time does not of course alter the fact that this inflationary adjustment strengthened the tendencies to inflation in the rest of Europe, and in particular the demand-pull on the Federal Republic as the most important country trading with France.

The inflation and balance-of-payments differentials which became virulent during the period under review inside Europe, and especially inside the E.E.C., are testing the much invoked *coordination* of monetary and economic policy within both E.E.C. and O.E.C.D. Never before has it become so clear as in the period under review how quickly and thoroughly disturbances of monetary equilibrium in one or several important European countries spread to the rest, and how difficult it is, in a system of convertibility and almost complete liberalisation, for the affected fellow-member countries to insulate and protect themselves against such spreading. To that extent therefore the countries so affected have a vital interest in working, with the help of the European integrative organs appointed for the purpose, to influence the disturbing countries' economic and monetary policy in such a way that the export of inflation shall so far as possible be stopped at the outset. It is therefore a welcome fact that the E.E.C. Commission and the other organs of the E.E.C. have energetically tackled the task of counteracting inflation in Europe as a common duty.

... require further coordination

4. The Bundesbank's Cooperation in Putting Foreign Exchange Markets in Order

Despite temporary aggravation of the American balance-of-payments deficit in the second quarter of 1963, and despite the new intra-European balance-of-payments problems which have been described, the international foreign exchange markets remained free from major disturbances during the period under report. A brief speculative attack on sterling in February and March 1963, to counteract which short-term currency credits were granted to the Bank of England by Central Banks including the Bundesbank, has already been mentioned on page 27 of last year's Report.

In the Federal Republic's foreign exchange position substantial surpluses again gradually appeared in the course of 1963 after initial deficits. Although these surpluses, as already explained, were mainly due to improvement of the German balance of payments with European countries, the peculiar character of our foreign exchange system (with the central role of the U.S. dollar as the currency generally used for intervention) caused these German exchange surpluses to be very strongly reflected in the relationship between the DM and the U.S. dollar. To a corresponding but opposite extent the United States' remaining exchange deficits, although they by no means resulted from the bilateral balance-of-payments relationship with the Federal Republic, were strongly concentrated, through foreign exchange arbitrage, on the relation with the DM. From the spring of 1963 onwards the Bundesbank constantly intervened in close cooperation with the Federal Reserve Bank of New York to maintain orderly conditions in the dollar/DM market. In the course of these interventions on the foreign exchange market the Federal Reserve Bank in May and June availed itself of the entire swap line, then amounting to DM 600 million, on which it had by way of precaution agreed with the Bundesbank (as to this see the Report for the Year 1962, page 27); that is to say, it purchased this DM amount from the Bundesbank at the spot rate against U.S. dollars, subject to

Strong position of the DM

Increase of swap lines

an obligation to resell it at the same spot rate after expiry of the agreed period. The Federal Reserve Bank used these DM holdings to intervene in favour of the U.S. dollar. In October 1963 the swap line was increased, as a precaution, to \$ 250 million or DM 1,000 million. So far, however, it has never been used to the full extent.

Altogether up till the end of 1963 the Federal Reserve Bank of New York had concluded with eleven Central Banks and with the B.I.S. reciprocal currency agreements (or swap lines) totalling \$ 2,050 million, the agreement with the Bundesbank accounting for \$ 250 million of the total. The largest individual agreement is that between the Federal Reserve Bank and the Bank of England for \$ 500 million or the equivalent in sterling. At the amount of something over \$ 2 billion now reached, the extension of this network of agreements for mutual support, centred on the U.S. dollar, has in the view of the American monetary authorities been more or less concluded.

Partial consolidation through "medium-term U.S. Treasury bonds"

The instrument of medium-term United States Treasury bonds in the creditor country's currency (known as Roosa bonds) was likewise described in detail in the Report for the Year 1962; this instrument too was further activated in the period under report. In January and February 1963 the Bundesbank took altogether DM 800 million of such United States Government DM bonds running for 15 to 24 months, but with the possibility of being mobilised if required; the Treasury used the DM amounts to purchase from the Bundesbank dollar balances, which were thereby converted into DM and so to speak consolidated at medium term. In July and August 1963 the Bundesbank took a further DM 300 million of such bonds, so that its holding has risen to DM 1,100 million, of which the first DM 200 million fall due in April 1964. The DM amounts acquired in July and August of last year by the American authorities were mostly used to meet DM liabilities which the Federal Reserve Bank of New York had incurred through use of the swap agreement with the Bundesbank. Since the Federal Reserve Bank's intervention on the exchange market meant that the Bundesbank needed to take correspondingly less dollars out of that market, these DM 300 million of U.S. Treasury bonds mobilisable at short term in reality also replaced dollar balances which the Bundesbank would otherwise have had to take.

Effective gold pool of the Central Banks

Of the monetary reserves accruing to the Bundesbank to the total extent of DM 2.6 billion in 1963, therefore, no less than DM 1,100 million was taken in such securities denominated in DM. In addition the Bundesbank increased its gold holding by DM 658 million, mainly through its share in the Central Banks' "gold pool", likewise described in last year's Report. Only DM 883 million of the DM 2.6 billion increase in reserves was employed in additional short-term dollar investments, the difference being explained by movement of various other reserve items. The fact that the Central Banks' gold pool was able to take substantial amounts of gold out of the market in the period under review, and to distribute them to the members with a view to building up their monetary reserves, is due on the one hand to the relatively large sales of gold by Soviet Russia, but on the other hand also to the decrease of private gold hoarding in comparison with previous years. Altogether Western monetary authorities last year increased their gold reserves by almost \$ 1 billion, which means substantial improvement as compared with the growth by only \$ 385 million in 1962 and is the greatest addition in gold to the official reserves since the war. The European O.E.C.D. countries alone built up their gold reserves by no less than \$ 1,158 million, since they also received a large part of the gold with which the United States parted. The decrease of private gold hoarding, and the greater addition to monetary gold reserves which this rendered possible, also indicate the gradual return of confidence in the present exchange rate structure of the great industrial countries — a process greatly assisted by the close and effective cooperation of the Central Banks.

5. Investigations Concerning the Present International Monetary System

"Group of Deputies" entrusted with investigation

The strengthening of long-term confidence in the present monetary system is also served by the investigations that were ordered in October 1963, during the I.M.F. annual meeting, on the initiative of the Ministers and Central Bank Governors of the ten industrial countries taking part,

with the I.M.F., in the “General Arrangements to Borrow”¹⁾). The Ministers and Governors instructed their Deputies “to undertake a thorough examination of the outlook for the functioning of the international monetary system and of its probable future needs for liquidity”. At the same time the Managing Director of the I.M.F. announced that the I.M.F. would also “continue and increase its investigations concerning the long-term problem”. The above-mentioned ten countries’ “Group of Deputies”, in which the Bundesbank is represented, has since applied itself in regular monthly conferences to this enquiry in close cooperation with the I.M.F. and with other international institutions active in the monetary field, such as the O.E.C.D. and B.I.S. It is expected that the result of these investigations, or at least an interim result, will be available at the next annual meeting of the I.M.F. in September 1964.

In their joint statement on the subject of the investigation, the Ministers and Central Bank Governors of the “Ten Club” made clear that certain basic elements of the present monetary order, namely the system of fundamentally stable exchange rates (within the limits of the I.M.F. regulations) and the present gold price are in all circumstances to be retained. Thereby they fixed from the outset a firm framework for the investigations by the Group of Deputies. This joint declaration by the leading countries has in itself removed much uncertainty about the further development of our monetary system, and in particular many uncertainties in the gold markets. This too has doubtless contributed towards the above-mentioned decrease of private gold hoarding.

There is yet another important point on which the instruction given by the Ministers and Central Bank Governors to their Deputies has established clarity. Contrary to the view occasionally stated in the financial press of certain countries, as well as by some academic critics of the present system, namely that the world economy is suffering from an open or concealed shortage of “international liquidity”, that is of monetary reserves and international credit facilities, the Ministers and Governors have already stated in their October 1963 order for the enquiry “that the present national reserves of member countries, supplemented as they are by the resources of the I.M.F. as well as by a network of bilateral facilities, seem fully adequate in present circumstances to cope with possible threats to the stability of the international payments system”. Events since then have fully confirmed this view. It has in fact become clear that the world’s present liquidity reserves, regarded as a whole and purely in terms of amount, are anything but insufficient; in their composition, that is, in terms of quality, they do of course not always meet the requirements, particularly inasmuch as owing to the persistent deficits in the American balance of payments the world’s supply of dollar reserves is if anything over-abundant, whereas in the case of gold there is felt to be a certain shortage as measured by the monetary authorities’ demand for that metal. At all events it has been made clear at the start that the investigations by the Group of Ten are not to be concentrated on proposing ways and means to remedy any present shortage of international liquidity, but are rather to deal with the *longer-term* prospects. It is evident that in the longer run, particularly if the American balance-of-payments deficit were to disappear completely or even be converted into a surplus, problems connected with the supply of international reserves might also arise. It seems appropriate that measures to cope with this difficulty are taken in advance, provided that they do not enhance the danger of inflation for the present.

Other problems, the solution of which might materially contribute towards greater stability in the existing monetary system, seem at the present time more urgent than this longer-term problem, which is not at the moment particularly acute. It has for instance become apparent that a monetary system in which the exchange rate relationships between the leading countries are to be kept in principle stable, that is fluctuating within narrow limits, can in the long run work only if there is close coordination of monetary and economic policy as between those countries, and if moreover, in the case of balance-of-payments disturbances, an efficient compensating mechanism ensures that equilibrium is restored within a not too prolonged period. To arrive in this matter at internationally

Gold price and stable exchange rates to be maintained

No shortage of “international liquidity” at present

Other problems of the international monetary system in the foreground

¹⁾ Details of these “General Arrangements to Borrow”, and of the participants in them, will be found in the Report for the Year 1961 (page 73 and following pages) and in that for 1962 (page 29).

agreed "rules", equally meeting the needs of internal and external equilibrium, would certainly be desirable. But it also seems important to solve some problems raised by the latest development of the gold exchange standard. There is for example the question how, with an increase in the indebtedness of the reserve currency countries, a run on the reserve currencies or slow undermining of the gold exchange standard through gradual raising of the gold proportion in total monetary reserves can be prevented. Another question is how the future supplying of the world with monetary reserves can be divorced from chance ups and downs in the balance of payments of one reserve currency country.

Important as it is to solve these various problems, on the other hand the present monetary system is firm enough — especially in view of the increasingly close cooperation between the leading countries' currency authorities — to permit an orderly and unhurried approach to their solution.

III. Trends in Money and Credit

1. Assets and Liabilities-Side Business of the Monthly Reporting Banks

Loans and Investments

Overall trend The assets-side business of the credit institutions rendering monthly returns was characterised by vigorous expansion during 1963. The banks' lending to business enterprises, individuals and public authorities, and their investments, which together form the most important part of the banks' total assets-side business¹⁾, increased by DM 28.7 billion in 1963 to about DM 240 billion at the end of that year. Thus in absolute terms the rise was again greater than in any previous year;

Expansion of Lending Business and Security Holdings¹⁾ at Banking Groups

Banking group	1961		1962		1963	
	DM mn	p.c.*)	DM mn	p.c.*)	DM mn	p.c.*)
Commercial banks	+ 6,914	25.9	+ 4,960	18.4	+ 4,993	17.4
Big banks	(+ 2,893)	(10.8)	(+ 1,934)	(7.2)	(+ 1,241)	(4.3)
State, regional and local banks	(+ 2,988)	(11.2)	(+ 2,544)	(9.4)	(+ 2,952)	(10.3)
Private bankers	(+ 828)	(3.1)	(+ 164)	(0.6)	(+ 512)	(1.8)
Specialised commercial banks	(+ 205)	(0.8)	(+ 318)	(1.2)	(+ 288)	(1.0)
Savings bank sector	+10,121	38.0	+11,964	44.3	+11,617	40.5
Central giro institutions	(+ 3,568)	(13.4)	(+ 4,289)	(15.9)	(+ 3,666)	(12.8)
Savings banks	(+ 6,553)	(24.6)	(+ 7,675)	(28.4)	(+ 7,951)	(27.7)
Industrial credit cooperative sector	+ 1,052	3.9	+ 1,229	4.6	+ 1,448	5.0
Central institutions of industrial credit coop's	(+ 93)	(0.3)	(+ 51)	(0.2)	(+ 107)	(0.4)
Industrial credit cooperatives	(+ 959)	(3.6)	(+ 1,178)	(4.4)	(+ 1,341)	(4.6)
Agricultural credit cooperative sector	+ 827	3.1	+ 975	3.6	+ 1,087	3.8
Central institutions of agricultural credit coop's	(+ 244)	(0.9)	(+ 130)	(0.5)	(+ 122)	(0.4)
Agricultural credit cooperatives	(+ 583)	(2.2)	(+ 845)	(3.1)	(+ 965)	(3.4)
Private and public mortgage banks	+ 4,178	15.7	+ 4,877	18.0	+ 5,655	19.7
Private mortgage banks	(+ 2,088)	(7.8)	(+ 2,488)	(9.2)	(+ 2,980)	(10.4)
Public mortgage banks	(+ 2,090)	(7.9)	(+ 2,389)	(8.8)	(+ 2,675)	(9.3)
Credit institutions with special functions	+ 2,378	8.9	+ 1,813	6.7	+ 2,531	8.8
Instalment credit institutions	+ 549	2.1	+ 344	1.2	+ 446	1.6
Postal Cheque and Postal Savings Bank offices	+ 633	2.4	+ 853	3.2	+ 923	3.2
All banking groups	+26,652	100.0	+27,015	100.0	+28,700	100.0

*) Proportion of overall expansion at all banking groups. — ¹⁾ 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.

¹⁾ The "interbank transactions" which are to be distinguished therefrom, and the banks' other purely money-market transactions, were fully described on page 3 and following pages of the Monthly Report for December 1963.

in 1962 it had amounted to DM 27.0 billion, and in 1961 to not quite DM 26.7 billion. The shares taken by individual banking groups in the total expansion of assets can be seen from the preceding table.

Even more than during previous years the emphasis in the expansion was on the banks' long-term lending business, which — apart from the savings banks — is mainly conducted by security-issuing institutions and by credit institutions with special functions. On the other hand the increasing prominence of medium-term bank loans, which had been an especially characteristic feature of the banks' assets-side business in 1962, did not continue in the year under report. The increase of short-term lending remained comparatively small, as it had already been in 1962. From the longer-term point of view an interesting fact concerning the assets-side business of the banks is that, as the graph on page 35 shows, the proportion borne by short-term credits to the banks' total assets has almost continuously declined in the last ten years, whereas the share of the investments in securities, and more particularly of the medium and long-term credits, has risen in roughly the same degree. The precondition for this was that a corresponding shift towards the longer-term items also took place in the structure of the liabilities-side business, which means in other words that during past years the formation of monetary capital at the banks has steadily gained ground, a fact clearly reflected in the graph on page 39.

The growth of those bank assets which represent extension of credit to business enterprises, individuals and public authorities was somewhat smaller than is reflected in the total figures mentioned above, because bonds of other credit institutions (and not bonds issued by industry or public authorities) again accounted for a large part of the securities acquired by banks. If this part of the assets-side business attributable to the interbank sphere is eliminated, so as to ascertain the increase in the banks' credit and security commitment solely in relation to *non-bank customers*, the result for 1963 is an increase by DM 25.6 billion (or by 13.2 per cent of the initial total) as against DM 24.1 billion (14.1 per cent) in 1962 and just on DM 24.0 billion (16.3 per cent) in 1961.

Credit extended to enterprises, individuals and public authorities

The total short-term credit extended to enterprises, individuals and public authorities¹⁾ by the credit institutions rendering monthly returns increased by DM 3.98 billion in the year under report; the rise was thus only a little greater than that by DM 3.73 billion in 1962, but fell far short of the rises by DM 6.3 and 5.5 billion respectively in 1961 and 1960. The growth-rate was 7.5 per cent in 1963 against 7.6 per cent in 1962 and 14.7 per cent in each of the years 1961 and 1960.

Bank credit extended at short term...

As usual, by far the greater part of the growth was in the short-term lending to business enterprises and individuals. Such lending, which at the end of 1963 accounted for some 95 per cent of all short-term credit extended by banks, increased in the year under report by roughly DM 3.50 billion, that is by only little more than in 1962, when it had grown by DM 3.38 billion. By comparison with the movement in 1960 or 1961, the rise had slackened substantially. Even more markedly than in earlier years the growth of short-term credit extended to business enterprises and individuals in 1963 was concentrated in the first half-year, when the central public authorities' domestic cash transactions had exerted appreciable contractive pressure on the economy's liquidity.

...to business enterprises and individuals

The short-term credit which the monthly reporting banks extended to public authorities²⁾ (this includes not only book credits but also the taking of domestic issuers' Treasury bills and non-interest-bearing Treasury bonds, although not "mobilisation paper") rose in 1963 by about DM 460 million, after having increased by not quite DM 350 million in 1962 and having slightly decreased in 1961. Whereas in 1962 it was solely the banks' holdings of Treasury bills and non-interest-bearing Treasury bonds that rose (which largely represented shifts in the placing of such paper), in the year under report the rise was above all in the credits granted in account to public authorities; these book credits rose by DM 360 million as compared with a fall by about DM 150

... to public authorities

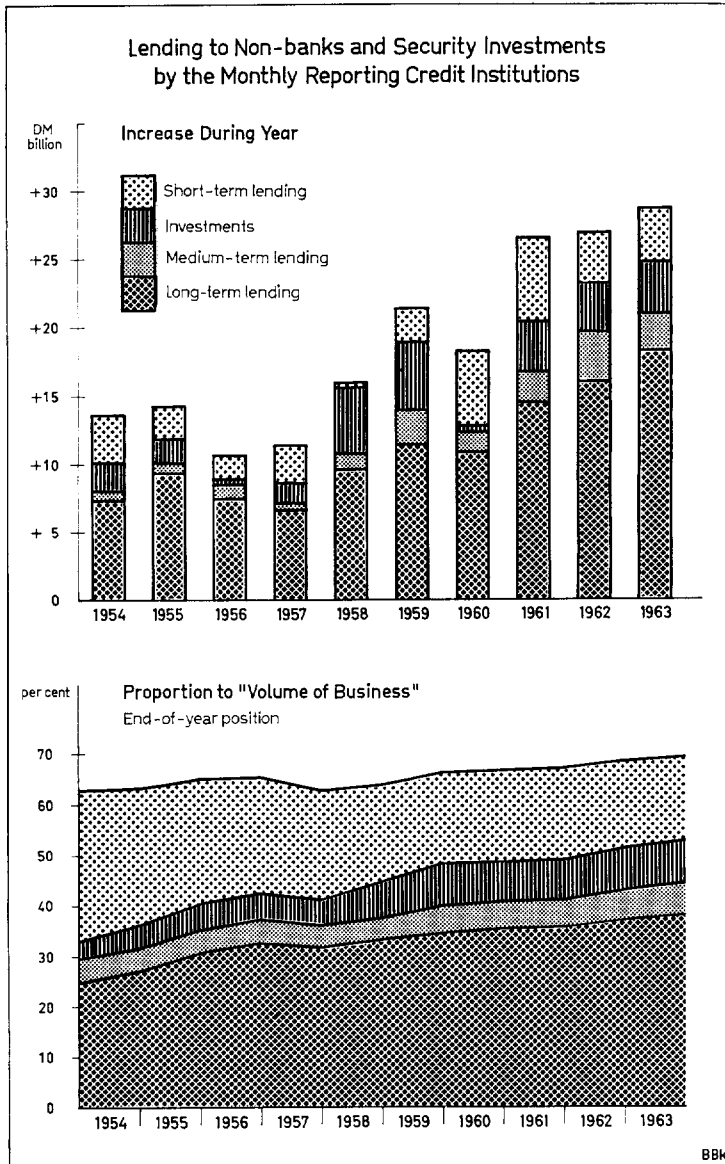
¹⁾ Including the banks' holdings of Treasury bills and non-interest-bearing Treasury bonds of domestic public issuers, but excluding mobilisation paper.

²⁾ The movement of the Bundesbank's cash advances is described on page 56.

Lending and Investments of the Monthly Reporting Credit Institutions
Millions of DM

Item	Yearly figures				Quarterly figures				
	1960	1961	1962	1963	Year	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.
	Increase (+) or decrease (-)								
I. Short-term lending ¹⁾ , total	+ 5,502	+ 6,292	+ 3,726	+ 3,982 ^{r)}	1961 + 1,905 1962 + 831 1963 + 1,271	+ 2,429 + 2,061 + 2,309 ^{r)}	+ 575 + 155 - 421	+ 1,383 + 679 + 823	
(a) to business enterprises and individuals	+ 5,484	+ 6,323	+ 3,380	+ 3,521 ^{r)}	1961 + 1,853 1962 + 1,000 1963 + 1,049	+ 2,280 + 1,879 + 2,079 ^{r)}	+ 1,022 + 131 - 449	+ 1,168 + 370 + 842	
(b) to public authorities ¹⁾	+ 18	+ 31	+ 346	+ 461	1961 + 52 1962 - 169 1963 + 222	+ 149 + 182 + 230	- 447 + 24 + 28	+ 215 + 309 - 19	
II. Medium and long-term lending, total	+ 12,401	+ 16,787	+ 19,707	+ 20,907 ^{r)}	1961 + 3,461 1962 + 3,409 1963 + 3,421	+ 3,871 + 4,616 + 4,653 ^{r)}	+ 4,738 + 5,446 + 5,767	+ 4,717 + 6,236 + 7,066	
(a) to business enterprises and individuals	+ 9,821	+ 13,445	+ 16,459	+ 16,195 ^{r)}	1961 + 2,517 1962 + 2,681 1963 + 2,737 ^{r)}	+ 3,168 + 4,017 + 4,171 ^{r)}	+ 3,925 + 4,555 + 4,456	+ 3,835 + 5,206 + 4,831	
(b) to public authorities	+ 2,580	+ 3,342	+ 3,248	+ 4,712 ^{r)}	1961 + 944 1962 + 728 1963 + 684 ^{r)}	+ 703 + 599 + 482	+ 813 + 3 + 1,311	+ 882 + 1,030 + 2,235	
(1) Medium-term lending, total	+ 1,502	+ 2,195	+ 3,573	+ 2,563 ^{r)}	1961 + 339 1962 + 16 1963 + 446	+ 897 + 1,034 + 847 ^{r)}	+ 491 + 1,110 + 390	+ 468 + 1,413 + 880	
(a) to business enterprises and individuals	+ 1,480	+ 2,170	+ 3,644	+ 2,511 ^{r)}	1961 + 352 1962 + 167 1963 + 572	+ 908 + 1,037 + 866 ^{r)}	+ 461 + 1,059 + 360	+ 449 + 1,381 + 713	
(b) to public authorities	+ 22	+ 25	- 71	+ 52	1961 - 13 1962 - 151 1963 - 126	- 11 + 3 + 19	+ 30 + 51 + 30	+ 19 + 32 + 167	
(2) Long-term lending, total	+ 10,899	+ 14,592	+ 16,134	+ 18,344	1961 + 3,122 1962 + 3,393 1963 + 2,975	+ 2,974 + 3,582 + 3,806	+ 4,247 + 4,336 + 5,377	+ 4,249 + 4,823 + 6,186	
(a) to business enterprises and individuals	+ 8,431	+ 11,275	+ 12,815	+ 13,684 ^{r)}	1961 + 2,165 1962 + 2,514 1963 + 2,165 ^{r)}	+ 2,260 + 2,980 + 3,305	+ 3,464 + 3,496 + 4,096	+ 3,386 + 3,825 + 4,118	
(b) to public authorities	+ 2,558	+ 3,117	+ 3,319	+ 4,660 ^{r)}	1961 + 957 1962 + 879 1963 + 810 ^{r)}	+ 714 + 602 + 501	+ 783 + 840 + 1,281	+ 863 + 998 + 2,068	
III. Holdings of securities and syndicate participations, excluding bank bonds	+ 26	+ 898	+ 701	+ 711	1961 + 114 1962 + 341 1963 + 311	- 228 + 127 + 116	+ 424 + 256 + 81	+ 132 - 23 + 203	
Lending to non-banks, total (I to III)	+ 17,929	+ 23,977	+ 24,134	+ 25,600	1961 + 5,480 1962 + 4,581 1963 + 5,003	+ 6,528 + 6,804 + 7,078	+ 5,737 + 5,857 + 5,427	+ 6,232 + 6,892 + 8,092	
Note: Holdings of Treasury bills and non-interest Treasury bonds, total	+ 272	+ 612	- 842	+ 1,003	1961 + 1,394 1962 - 555 1963 + 383	- 709 + 51 + 613	+ 557 - 658 + 55	- 630 + 320 + 1,178	
of which: Mobilisation paper ²⁾	+ 1,188	+ 106	- 862	+ 788	1961 + 836 1962 - 351 1963 + 552	- 711 + 17 - 611	+ 664 - 350 - 33	- 683 + 178 + 880	
Other domestic Treasury bills and non-interest Treasury bonds	- 63	- 310	+ 499	+ 98	1961 - 176 1962 - 145 1963 - 60	+ 22 + 113 + 159	- 250 - 16 + 51	+ 94 + 547 + 50	
Foreign Treasury bills and non-interest Treasury bonds	- 853	+ 816	- 479	+ 117	1961 + 734 1962 - 59 1963 - 109	- 20 + 79 - 161	+ 143 - 292 + 139	- 41 - 49 + 248	
Holdings of securities and syndicate participations, total	+ 359	+ 3,573	+ 3,582	+ 3,811	1961 + 839 1962 + 1,913 1963 + 1,402	+ 1,093 + 840 + 893	+ 951 + 748 + 553	+ 690 + 81 + 963	
among which: Bank bonds ³⁾	+ 333	+ 2,675	+ 2,881	+ 3,100	1961 + 725 1962 + 1,572 1963 + 1,091	+ 865 + 713 + 777	+ 527 + 492 + 472	+ 558 + 104 + 760	

¹⁾ Including holdings of domestic Treasury bills and non-interest-bearing Treasury bonds, but excluding "mobilisation paper". -- ²⁾ 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. -- ³⁾ 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. --
^{r)} Revised.



million in 1962 and a rise by some DM 280 million in 1961. Variations of this magnitude are not rare in the short-term book credits granted to public authorities; as a rule they are closely connected with fluctuations in the Federal Railways' need for cash.

As already indicated, the course of the banks' medium-term lending business with non-bank customers was much quieter in the year under report than in 1962, when it had shown a particularly large increase. The rise amounted to about DM 2.56 billion in 1963 as compared with DM 3.57 billion in 1962, almost DM 2.20 billion in 1961 and DM 1.50 billion in 1960. The greater part of the medium-term credit additionally granted in the year under review went, as usual, to enterprises and individuals. As the following table shows, medium-term lending to industry and craftsmen did not increase by even half as much in the year under report as in 1962. Against a further increase of credit granted to individual industries, for instance those that work for the

Medium-term lending

building trade, there were net repayments by other industries such as those concerned with steel construction, mechanical engineering, vehicle building, and chemical and pharmaceutical production; thus the picture has become appreciably more differentiated than in earlier years.

The loans granted by banks to business enterprises, individuals and public authorities at long term, that is with a period of four years or more to maturity, rose by over DM 18.3 billion in the year under report. Their expansion was thus greater by fully DM 2.2 billion than in 1962 and exceeded the 1961 rise by about DM 3.75 billion. The reason for the quickening in 1963 was the notable increase of borrowing by public authorities from banks. In itself such borrowing accounts for only a little over one-fifth of the banks' total long-term lending, but it did increase in 1963 by the particularly large margin of approximately DM 4.7 billion, as against only a little over DM 3.3 billion in each of the two preceding years. The growth acceleration began in the third quarter of 1963, and has continued into the new year. At DM 0.84 billion in January 1964 the increase of long-term lending to public authorities was more than twice as great as in the corresponding period of 1963; in February 1964 it was for the first time in a lengthy period again smaller than a year earlier, but this was due exclusively to a major repayment which temporarily reduced by a

Long-term loans

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

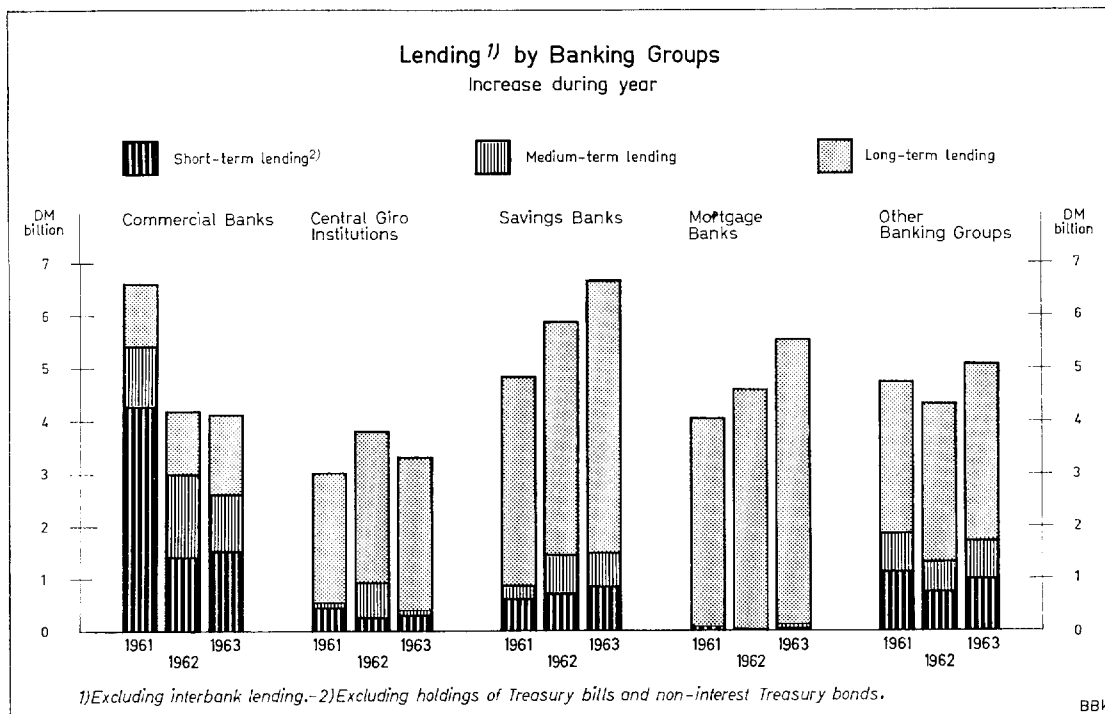
Millions of DM

Year	Total lending to non-banks	Industries and handicrafts, total	among which										Residential building	Public utilities	Trade	Agriculture, forestry, and water regulation and supply ²⁾	Other public borrowers ³⁾	Other branches of economic activity and other borrowers ⁴⁾	Lending of instalment credit institutions ⁵⁾
			Mining	Iron and metal producing 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 ⁶⁾									
Medium-term Lending																			
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 ^{x)}	18,084	6,062	462	695	1,067	584	709	340	330	433	1,849	253	1,481	448	1,112	4,559	2,320		
1963	20,693	6,794	436	952	1,050	633	625	457	376	618	2,245	223	1,736	485	1,096	5,369	2,745		
Increase (+), decrease (-), during year ⁶⁾																			
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 ^{o)}	+ 3,561	+1,589	+107	+283	+414	+ 86	+302	+ 42	+ 25	+ 97	+ 365	+130	+312	+ 49	- 119	+1,043	+192		
1963	+ 2,534	+ 732	- 26	+257	- 17	+ 49	- 84	+117	+ 46	+185	+ 396	- 30	+255	+ 37	- 16	+ 810	+350		
Long-term Lending																			
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 ^{x)}	112,312	16,917	1,317	1,467	2,936	1,178	1,169	1,715	1,385	1,230	48,788	3,240	3,822	10,642	17,856	11,043	4		
1963	130,409	19,314	1,539	1,744	3,294	1,261	1,276	1,940	1,482	1,510	56,315	3,959	4,371	12,442	21,285	12,711	12		
Increase (+), decrease (-), during year ⁶⁾																			
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 ^{o)}	+15,817	+2,437	+218	+ 91	+339	+ 57	+300	+203	+ 99	+220	+6,970	+580	+706	+1,685	+2,158	+1,280	+ 1		
1963	+18,097	+2,397	+222	+277	+358	+ 83	+107	+225	+ 97	+280	+7,527	+719	+549	+1,800	+3,429	+1,668	+ 8		

*) Not including Saarland. — x) End-1962 figures revised; the range of agricultural credit cooperatives reporting for the monthly balance-sheet statistics has been newly defined. — o) After elimination of statistical changes due to the new definition of the range of agricultural credit cooperatives reporting for the monthly balance-sheet statistics. — 1) Stones and earthenware, 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.

considerable margin the addition resulting from current new lending business. The greater part of the addition in 1963 comprised long-term loans to local authorities. As compared with 1962 there was a great increase of long-term borrowing from banks by the Federal Railways and Postal Administration; moreover, the Länder as a whole in 1963 again took long-term bank loans, whereas in 1962 their repayments had predominated. A further factor was that the Equalisation of Burdens Fund obtained long-term funds on the capital market to a greater extent than in earlier years, the Equalisation of Burdens Bank having issued DM 400 million of bonds, in accordance with the usual procedure, and transferred the proceeds to the Fund as a long-term loan.

The total amount of long-term credit granted to "private" borrowers rose by DM 13.7 billion in 1963 to over DM 102 billion at the end of the year. In 1962 the expansion had amounted to DM 12.8 billion, and in 1961 to just under DM 11.3 billion; by comparison with 1958 the growth of such lending has more than doubled. The greater part of the funds went in the year under report into the financing of house construction; in fact according to the statistics



of borrowers (see the opposite table) over DM 7.5 billion, that is more than half of the total increase, was so applied. Thus long-term housing loans once again rose faster than in preceding years, although the amount by which the expansion of such lending exceeded the previous year's was not nearly so great in the year under review as in 1962. With some notable differences between individual categories the banks' long-term loans to industrial and craftsmen's enterprises rose in 1963 by roughly the same amount as in the previous year, namely by DM 2.40 as against 2.44 billion; the movement of long-term loans granted to other private borrowers can be seen from the table.

The banks' total security and syndicate holdings rose by over DM 3.8 billion in the year under report to not quite DM 30 billion at its close. Their rise was accordingly somewhat greater than in the two previous years, in each of which it had amounted to some DM 3.6 billion; but it did not nearly equal the large 1958 and 1959 additions, which — at DM 4.9 and 5.0 billion respectively — were the greatest so far recorded. In the first half of 1963 the banks' purchases of securities were relatively small because of the strain on bank liquidity. On the easing of liquidity which occurred later in the year, however, the interest shown by the banks in acquiring securities visibly increased. In the last quarter alone their security holdings rose by about DM 960 million as against roughly DM 80 million in the corresponding period of 1962.

Among the banks' security purchases, bank bonds were even more prominent than in past years. The acquisition of such securities would seem to have been additionally stimulated by the fact that in the year under report the central giro institutions greatly stepped up their issuing of "medium-term" bonds, a process which had attained appreciable extent for the first time in 1962. The following table shows the changes in the banks' other security and syndicate holdings; these changes did not greatly differ from those in preceding years. One fact brought out by the table is that the increase in the amount of public authorities' bonds held by banks was not greater in 1963 — despite the much larger total issues — but was somewhat smaller than in the two previous years, and that the banks' holdings of dividend-bearing securities rose by almost a quarter of a billion DM (that is by about as much as in 1961), whereas in 1962 they had as a whole increased

The banks' investments
in securities

only slightly¹⁾. This is the more remarkable inasmuch as the reduced valuations, entailed by the 1962 fall in share prices, did probably in great part not appear before the banks' interim balance sheets for the first months of 1963 were published.

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 ²⁾	Other securities		Syndi-cate participations
			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, millions of DM											
1958	13,146	5,263	7,883	74pe)	2,743	—	767	1,242	85	297	129
1959 ¹⁾	18,346	7,200	11,146	561	3,967	659	876	1,489	94	377	397
1960	18,705	7,226	11,479	611	3,534	472	763	1,987	102	469	371
1961	22,278	8,124	14,154	778	4,062	702	842	2,211	104	540	365
1962	25,610	8,825	16,785	986	4,616	658	954	2,232	127	543	353
1963	29,678	9,541	20,137	1,301	5,112	768	914	2,382	219	477	437
Increase (+) or decrease (-) ³⁾ , millions of DM											
1959	+ 4,960	+ 1,881	+ 3,079	+ 483	+ 1,189	+ 656	+ 91	+ 246	+ 7	+ 81	+ 267
1960 ¹⁾	+ 359	+ 26	+ 333	+ 50	- 433	- 187	- 113	+ 498	+ 8	+ 92	- 26
1961	+ 3,573	+ 898	+ 2,675	+ 167	+ 528	+ 230	+ 79	+ 224	+ 2	+ 71	- 6
1962	+ 3,582	+ 701	+ 2,881	+ 208	+ 554	- 44	+ 112	+ 21	+ 23	+ 3	- 12
1963	+ 3,812	+ 712	+ 3,100	+ 315	+ 495	+ 110	- 43	+ 149	+ 92	- 65	+ 84
1962 1st qtr.	+ 1,913	+ 341	+ 1,572	+ 180	+ 302	+ 96	+ 20	+ 1	+ 27	- 61	+ 52
2nd qtr.	+ 840	+ 127	+ 713	+ 39	+ 62	- 73	+ 47	+ 13	- 20	+ 73	- 48
3rd qtr.	+ 748	+ 256	+ 492	+ 57	+ 278	+ 59	+ 37	- 36	+ 18	- 7	- 34
4th qtr.	+ 81	- 23	+ 104	- 68	- 88	- 126	+ 8	+ 43	- 2	- 2	+ 18
1963 1st qtr.	+ 1,403	+ 312	+ 1,091	+ 59	+ 495	+ 242	- 22	- 123	- 7	- 35	+ 4
2nd qtr.	+ 893	+ 116	+ 777	+ 88	+ 99	- 129	+ 1	+ 0	+ 6	+ 19	- 9
3rd qtr.	+ 553	+ 81	+ 472	+ 24	- 15	- 4	- 17	+ 70	+ 49	- 30	+ 24
4th qtr.	+ 963	+ 203	+ 760	+ 144	- 84	+ 1	- 5	+ 202	+ 44	- 19	+ 65

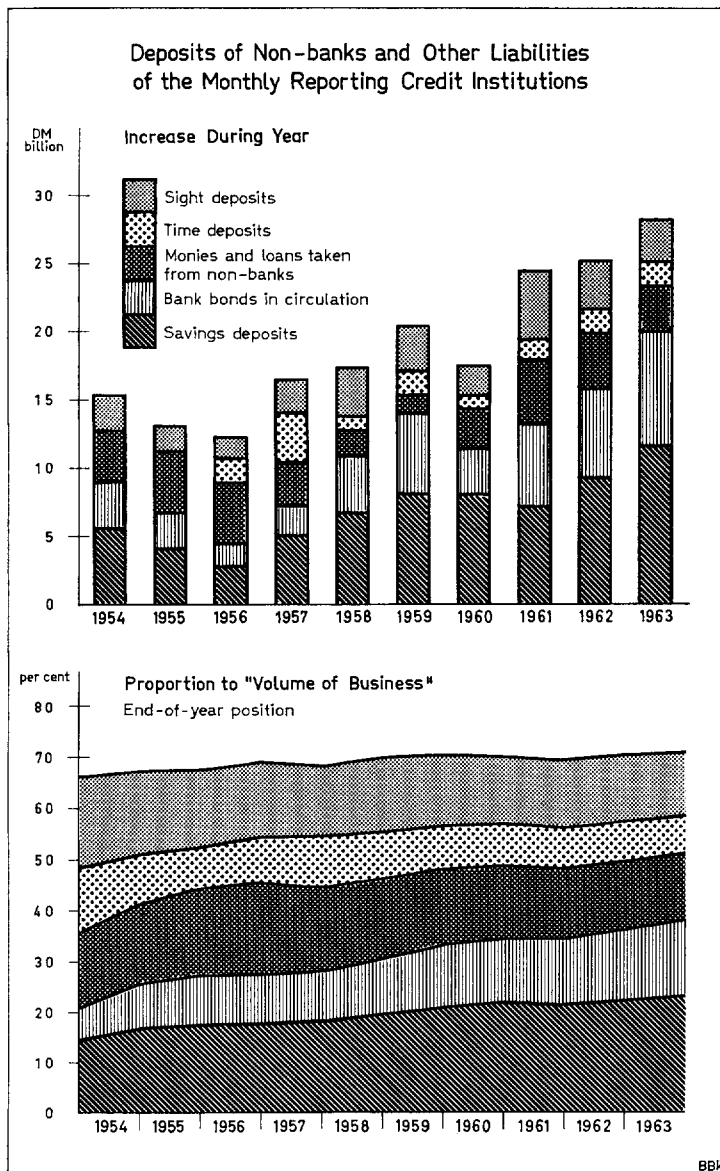
¹⁾ From end-1959 including Saarland credit institutions. — ²⁾ Including investment fund certificates. — ³⁾ Statistical changes have been eliminated. — pe) Partly estimated.

Deposits and Borrowings

Overall trend The chief features of the liabilities-side business done in the year under review by the credit institutions rendering monthly returns were the much greater addition to savings deposits and the further considerable increase in the sale of bank bonds. Thus the two traditional forms of monetary capital formation at the banks became even more prominent than before, particularly since the rise of sight and time deposits was somewhat smaller in the year under report than in 1962, while the monies and loans obtained from non-banks actually increased much less in 1963 than in the two preceding years. The further shift within the banks' liabilities-side business towards savings deposits and security issues continues a trend which has already been evident for some time; up to a point it forms the counterpart to the above-mentioned relative growth of the banks' longer-term assets-side business.

Savings deposits Savings deposits increased by nearly DM 11.7 billion in the year under report to over DM 81.5 billion; thus their rise was greater by almost DM 2.4 billion than in 1962, and exceeded that in 1961 by as much as fully DM 4.3 billion. The way in which the total addition to savings deposits was distributed between individual groups of banks can be seen from Table I (3) in the Statistical Annex to this Report. Once again last year domestic business enterprises increased their savings deposits by less than in previous years, namely by DM 110 million against DM 173 million in 1962;

¹⁾ The "other securities" shown in the above table alongside the "marketable equities" are also mostly dividend-bearing. Both items have accordingly been here combined.



the public authorities also employed less reserves on savings accounts than in 1962, having so employed about DM 880 million as against DM 1.02 billion. The remarkable increase in the accrual of savings deposits was thus solely due in the year under review to greater saving by private households.

Private households' savings deposits (here deemed to include the few such deposits of non-residents) increased in 1963 by almost DM 10.7 billion, that is by some DM 2.6 billion more than in 1962 and by about DM 4.3 billion more than in 1961. A contributing cause was that the in-payments on savings accounts under savings agreements carrying the benefit of premiums were once again considerably greater in the year under report than in the previous year, whereas — apart from special cases — no premium-carrying savings deposits have so far been released for repayment, and the expiry of savings agreements carrying tax concessions has hardly been significant since a

large number of them had fallen due at the end of 1961. If both forms of governmentally privileged savings deposits are combined, the addition for 1963 becomes something over DM 2 billion as against DM 1.3 billion for 1962; in 1961 on the other hand, owing to the above-mentioned expiry of the blocking period for almost all fiscally privileged savings deposits, the total had actually declined by over DM 1.9 billion. It cannot be assumed, however, that the whole of the rise in savings deposits carrying premiums was due to "additional" saving by private households; a part of the in-payments would rather seem to have represented transfers of existing savings deposits, that is, to have originated from "old holdings" of such deposits (just as conversely in earlier years the liquidation of savings deposits carrying tax privileges often merely meant their reconversion into "normal" savings deposits).

Besides the increase in the amounts credited as interest a factor contributing to the faster growth of private households' savings deposits was once again the special crediting of such deposits to recipients of basic Equalisation of Burdens compensation pursuant to the 13th Law to Amend the Equalisation of Burdens Law. At an estimated total of over DM 400 million the amount so credited in 1963 was considerably greater than the DM 250 million, or thereabouts, credited in the previous

Bank Liabilities at the Monthly Reporting Credit Institutions

Millions of DM

I t e m	Yearly figures				Quarterly figures				
	1960	1961	1962	1963	Year	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.
	Increase (+) or decrease (-)								
I. Sight deposits	+ 2,168	+ 5,092	+ 3,548	+ 3,262	1961 1962 1963	-2,586 -3,891 -5,070	+2,129 +2,178 +2,363	+1,034 + 874 +1,164	+ 4,515 + 4,387 + 4,805
(a) of business enterprises and individuals	+ 1,668	+ 4,468	+ 2,650	+ 2,999	1961 1962 1963	-2,033 -3,167 -3,857	+1,908 +1,878 +1,875	+ 903 + 809 +1,226	+ 3,690 + 3,130 + 3,755
(b) of public authorities	+ 500	+ 624	+ 898	+ 263	1961 1962 1963	- 553 - 724 -1,213	+ 221 + 300 + 488	+ 131 + 65 - 62	+ 825 + 1,257 + 1,050
II. Time deposits	+ 982	+ 1,313	+ 1,711	+ 1,668	1961 1962 1963	+ 947 + 734 + 208	+ 697 + 501 + 4	- 88 - 71 + 181	- 243 + 547 + 1,275
(a) of business enterprises and individuals	+ 651	- 20	+ 1,111	+ 1,500	1961 1962 1963	+ 603 + 156 + 314	- 255 + 121 - 5	- 327 - 45 - 36	- 41 + 879 + 1,227
(b) of public authorities	+ 331	+ 1,333	+ 600	+ 168	1961 1962 1963	+ 344 + 578 - 106	+ 952 + 380 + 9	+ 239 - 26 + 217	- 202 - 332 + 48
III. Savings deposits	+ 8,075	+ 7,310	+ 9,278	+11,648	1961 1962 1963	+2,453 +3,175 +3,643	+1,171 +1,399 +1,494	+1,166 +1,435 +2,254	+ 2,520 + 3,269 + 4,257
(a) of individuals	+ 7,074	+ 6,330	+ 8,086	+10,655	1961 1962 1963	+2,177 +2,797 +3,129	+1,058 +1,206 +1,394	+ 960 +1,264 +2,247	+ 2,135 + 2,819 + 3,885
among which: carrying tax privileges and premiums	+ 8	- 1,912	+ 1,317	+ 2,029	1961 1962 1963	- 90 + 241 + 409	+ 154 + 265 + 391	- 467 + 180 + 292	- 1,509 + 631 + 937
(b) of business enterprises	+ 225	+ 174	+ 173	+ 110	1961 1962 1963	+ 51 + 58 + 93	+ 11 + 21 - 36	+ 54 + 36 + 4	+ 58 + 58 + 49
(c) of public authorities	+ 776	+ 806	+ 1,019	+ 883	1961 1962 1963	+ 225 + 320 + 421	+ 102 + 172 + 136	+ 152 + 135 + 3	+ 327 + 392 + 323
Deposits of non-banks, total (I to III)	+11,225	+13,715	+14,537	+16,578	1961 1962 1963	+ 814 + 18 -1,219	+3,997 +4,078 +3,861	+2,112 +2,238 +3,599	+ 6,792 + 8,203 +10,337
(a) of business enterprises and individuals	+ 9,618	+10,952	+12,020	+15,264	1961 1962 1963	+ 798 - 156 - 321	+2,722 +3,226 +3,228	+1,590 +2,064 +3,441	+ 5,842 + 6,886 + 8,916
(b) of public authorities	+ 1,607	+ 2,763	+ 2,517	+ 1,314	1961 1962 1963	+ 16 + 174 - 898	+1,275 + 852 + 633	+ 522 + 174 + 158	+ 950 + 1,317 + 1,421
IV. Circulation of bank bonds, total ¹⁾	+ 3,443	+ 5,976	+ 6,592	+ 8,339	1961 1962 1963	+1,888 +2,250 +2,545	+1,472 +1,550 +1,765	+1,068 +1,656 +1,643	+ 1,548 + 1,136 + 2,386
among which: Circulation without banks' holdings	+ 3,110	+ 3,301	+ 3,711	+ 5,239	1961 1962 1963	+1,163 + 678 +1,454	+ 607 + 837 + 988	+ 541 +1,164 +1,171	+ 990 + 1,032 + 1,626
V. Monies and loans obtained from non-banks	+ 2,851	+ 4,763	+ 4,013	+ 3,466	1961 1962 1963	+1,565 +1,261 + 237	+1,034 + 832 + 874	+1,172 + 230 +1,181	+ 992 + 1,690 + 1,174
(a) from business enterprises and individuals	+ 390	+ 462	+ 769	+ 373	1961 1962 1963	+ 214 + 227 + 192	+ 79 + 204 + 29	+ 84 + 85 + 53	+ 85 + 253 + 99
(b) from public authorities	+ 2,461	+ 4,301	+ 3,244	+ 3,093	1961 1962 1963	+1,351 +1,034 + 45	+ 955 + 628 + 845	+1,088 + 145 +1,128	+ 907 + 1,437 + 1,075

¹⁾ Excluding bonds of own issues in the portfolios of the issuing institutions.

year. Although these savings deposits have nearly all been released for withdrawal, according to data given by the Federal Equalisation of Burdens Office only a relatively small part of them has been withdrawn by the beneficiaries. The ultimate reason for the increase of saving through accounts was, however, the greater overall propensity of private households to save and the fact that saving in this relatively liquid form entailing no risk on the price remains especially popular. Up to a point indeed many savers have evidently come back to saving through savings books — even if perhaps only for the time being — their experience of buying shares having been disappointing in many cases owing to the slump in 1961 and 1962.

Sales of bank bonds also notably increased in the year under report. The circulation of such securities (less the banks' holdings of their own issues) rose by DM 8.34 billion in 1963 to over DM 50 billion at the end of the year, as compared with increases by DM 6.59 billion in 1962 and DM 5.98 billion in 1961. What securities were concerned can be seen in detail from the following section dealing with security markets. Like the total sales of bank bonds, the amount sold to purchasers outside the circle of domestic credit institutions also increased in comparison with previous years, rising to about DM 5.24 billion in the year under report as against DM 3.71 and 3.30 billion in 1962 and 1961. One contributing cause was no doubt the fact that in 1963 some bank bonds also found their way into foreign hands, although foreigners normally prefer bonds of public authorities; details as to this are not available. After the turn of the year 1963/64 the sales of bank bonds continued their vigorous rise. In the two months January and February 1964 they totalled some DM 2.60 billion as against DM 1.93 and 1.69 billion respectively in the corresponding period of the two previous years.

Circulation
of bank bonds

The amount of monies and loans obtained from non-banks in 1963 was once again smaller than in the previous year; it reached DM 3.47 billion against DM 4.01 billion in 1962 and DM 4.76 billion in 1961. Last year by far the greater part of such funds again came from public authorities, nearly all being made available to the banks at longer term. The longer-term monies and loans obtained from public authorities in 1963 amounted to DM 3.19 billion; this was somewhat more than the DM 3.01 billion so obtained in 1962, although appreciably less than in 1961, when the proceeds of the Federal Government's development assistance loan were transferred to the Reconstruction Loan Corporation.

Monies and loans
obtained from non-banks

At DM 1.67 billion in the year under review the addition to time deposits was roughly equal to that of DM 1.71 billion in 1962; it exceeded the DM 1.31 and 0.98 billion so added in 1961 and 1960. The emphasis was more strongly than in 1962 on time deposits of business enterprises and individuals, which rose by DM 1.50 billion; time deposits of public authorities rose in 1963 by only the relatively small margin of not quite DM 170 million, as compared with rises by DM 600 million in 1962 and by as much as DM 1.33 billion in 1961. One reason for the slowing in the rise of public authorities' time deposits (as well as their savings and sight deposits) was that in 1963 the local authorities' need for financing increased by more than their indebtedness, so that they did not enlarge their reserves held at banks by so much as in the previous year. In the case of the social insurance institutions the maturing of the mobilisation paper taken in 1960 at the instance of the Bundesbank had materially contributed in 1961 and 1962 to the increase of their bank balances, whereas no such factor was at work in the year under report.

Time deposits

The sight deposits held by enterprises, individuals and public authorities at the credit institutions rendering monthly returns rose by DM 3.26 billion in the year under report. The increase was thus smaller than in 1962, when it had amounted to DM 3.55 billion; and it fell far short of the growth by DM 5.10 billion in 1961, when however the seasonal end-of-year peak had been appreciably greater than in earlier years. The rise in public authorities' sight deposits, like that in their time deposits, was remarkably small in the year under report; it amounted to only about DM 260 million as against almost DM 900 million in 1962 and something over DM 600 million in 1961¹⁾.

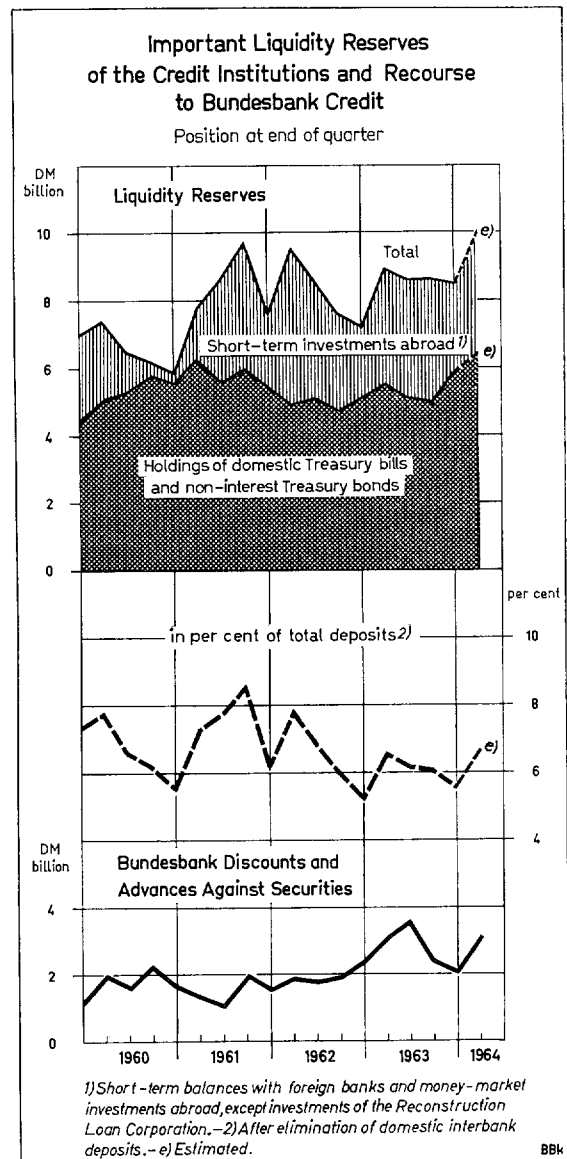
Sight deposits

¹⁾ Further details concerning the movement in the "volume of money" and its determinants are contained in the Monthly Report of the Deutsche Bundesbank for January 1964 in the article, published on page 59 and following pages, about "The Money Supply in 1963".

2. Bank Liquidity

The banks' liquidity again increased during 1963 as a whole, although the predominance of contractive determinants which had been a feature of the previous year continued into the summer. The past year was accordingly one of strong opposite movements; on the whole, however, the marked tendency to relaxation starting after the middle of the year prevailed. This is especially apparent in the movement of the banks' free or easily mobilisable reserves of liquidity. At the end of the third quarter of 1963 their holdings of domestic Treasury bills and non-interest Treasury bonds plus their assets resulting from "money exports", which items together constitute the nucleus of their free liquidity reserves, for the first time again reached a level higher than at the corresponding date in the previous year, whereas since mid-1962 they had been almost consistently below the level of a year before. At the end of January 1964 they amounted to DM 11.34 billion; they were thus greater than at the end of January 1963 by more than DM 2 billion, and were also slightly above their previous peak since the end of the 1959/60 restrictive period, namely the level reached in January 1962. The January 1962 proportion of liquid reserves to the "volume of deposits"¹⁾ has not yet been reattained, however, since the proportion borne by such reserves to the volume of deposits at the end of January 1964 was only 7.6 per cent, which compares with 7.0 per cent at the corresponding date in 1963 but 9.5 per cent at that in 1962; during most of 1958 the ratio had actually been as high as between 12 and 13 per cent. The reason for the change which took place in respect of liquidity about mid-1963 was the increase in the inflow of funds from abroad, plus the reversal in the central public authorities' domestic cash and borrowing transactions. Whereas these had in the first half-year outweighed the addition "from outside" to the banking system's liquidity, in the second half-year on the contrary they reinforced the expansive effect produced by the net foreign exchange inflow. During the year under review, just as in 1962, the Bundesbank did not counteract these "market" influences by means of credit policy; the reasons for its restraint have already been explained in the first chapter of this Report.

If the determinants of bank liquidity are considered in detail²⁾, it becomes clear that the overall addition to liquidity in 1963 was once again almost solely due to the surpluses on payment trans-



Increase of the banks' liquidity through foreign exchange transactions

¹⁾ Total deposits, but excluding domestic interbank deposits.

²⁾ In accordance with the data in the table on page 44 the following figures are based, for the purpose of eliminating chance fluctuations, on averages of the four bank-return dates in the closing months of years or half-years.

actions with foreign countries. For various reasons it is not easy to express in terms of amount the influence exerted by this factor on bank liquidity. That is chiefly because the course of the balance of payments, or of the central monetary reserves, gives only an incomplete impression of the effect produced by foreign payments on the banks' liquidity, since the movements in the Bundesbank's gold and foreign exchange holding (the basis of any such calculation) are also influenced by transactions which either — like the Federal Government's foreign payments — do not directly affect the liquidity of banks or — like the formation or repatriation of short-term bank assets abroad — in the last analysis only represent redisposal of liquid assets. These transactions, which are neutral in their effect on liquidity, and which for the purpose of ascertaining the actual addition to the banks' liquidity from abroad must in each case be eliminated from the movements of the central monetary reserves, cannot all be exactly recorded; the figures given in the following table under Item I (3) can therefore illustrate only the orders of magnitude. According to them the banks' liquidity was increased in 1963 as the result of foreign exchange transactions by about DM 8.4 billion, of which increase some DM 3.8 billion occurred in the first half-year and DM 4.6 billion in the second; in the first months of 1964 the accruals continued undiminished. Thus in comparison with the two preceding years, and especially with 1962, the addition to the banking system's liquidity as the result of payment transactions with foreign countries was considerably increased, although the afflux of funds from this source did not equal that in 1960, which, at over DM 9.3 billion, was the greatest to date.

The most important factor counteracting this addition to liquidity in the year under report, as in the previous years, was the movements on the Bundesbank accounts of central public authorities (Federal Government, Länder and Equalisation of Burdens Fund), although, as already mentioned, the consequent contractive influence was confined to the first half of the year. It is true that in 1963, as indicated in detail on page 52 and following pages, the said authorities as a whole showed considerable cash deficits which were even much greater than in 1962 and which they met partly by drawing on their Bundesbank balances and by increased borrowing at the Bundesbank, so that their net position in relation to the latter deteriorated. If however in this case also separate account is taken — much as is done in order to ascertain the foreign exchange afflux "affecting liquidity" — of those foreign payments which do not directly affect domestic banks' liquidity, it turns out that owing to the central public authorities' domestic cash and borrowing transactions the banks in the year under report suffered a loss of liquidity exceeding DM 4 billion. In previous years, as the table shows, the contractive effect was in some cases greater (as in 1960 and 1961), and in some smaller (as in 1962). The reason why for some time past the public authorities' cash transactions have at least on the whole year consistently been among the factors causing strain is that their foreign payments (neutral as affecting liquidity), especially those of the Federal Government, have for years now been very large; some of them even have an intrinsic connection with certain foreign exchange inflows which do affect liquidity, such as the expenditure effected in the Federal Republic by the powers with forces stationed there.

The increase of the note and coin circulation strained bank liquidity in 1963 less than in the preceding years, even though this influence was in itself again quite considerable. On the average of the four bank-return dates in December 1963 the circulation of notes and coin in that month was above the December 1962 level by about DM 1.6 billion, as compared with increases by some DM 1.8 billion in 1962 and by over DM 2.5 billion in 1961. The strain on the banks due to the public's additional demands for notes and coin was as usual confined to the last three quarters of 1963, producing an especially great effect in December. After the turn of the year 1963/64 the note and coin circulation for a time declined sharply in accordance with the seasonal tendency.

Some narrowing of the banks' free margin of liquidity also resulted from the increase of minimum reserve requirements. The minimum reserve required of the banks (excluding the Postal Cheque and Postal Savings Bank offices) was about DM 10.86 billion in December 1963; it thus exceeded that for December 1962 by over DM 1 billion. Since the minimum reserve ratios fixed for

Loss of liquidity due to movements on the Central Bank accounts of domestic non-banks

Increase of the note and coin circulation

Minimum reserve requirements

Bank Liquidity *)

Millions of DM

Item	1960	1961	1962	1963	1963	
					1st half	2nd half
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 half-year					
(1) Change in note and coin circulation ¹⁾	-1,684	-2,524	-1,803	-1,607	+ 171	-1,778
(2) Movements on Central Bank accounts of domestic non-banks in so far as they affect bank liquidity ²⁾	-4,823	-5,683	-2,524	-4,121	-4,351	+ 230
of which:						
(a) on accounts of Federal Government, Länder and Equalisation of Burdens Fund	(- 5,312)	(- 5,095)	(- 2,785)	(- 4,344)	(- 4,729)	(+ 385)
(b) on accounts of other depositors	(+ 489)	(- 588)	(+ 261)	(+ 223)	(+ 378)	(- 155)
(3) Foreign exchange transactions in so far as they affect bank liquidity ³⁾	+ 9,348 ^{pe)}	+ 6,775 ^{pe)}	+ 3,464 ^{pe)}	+ 8,360	+ 3,798	+ 4,562
(4) Open-market transactions with domestic non-banks on the basis of mobilisation paper ⁴⁾	- 832 ^{pe)}	+ 180	+ 553	+ 56	+ 6	+ 50
(5) Other factors (not assignable to specific items)	+ 298	+ 221	+ 328	- 194	+ 33	- 227
Total (balance of 1 to 5)	+ 2,307	- 1,031	+ 18	+ 2,494	- 343	+ 2,837
II. Central Bank balances of banks (determined over longer periods by the minimum reserve requirements⁵⁾; increase: +, decrease: -)	+ 4,001	- 2,936	+ 1,005	+ 1,224	- 129	+ 1,353
Note: Minimum reserve required ⁵⁾ (increase: +, decrease: -)	(+ 4,364)	(- 3,361)	(+ 833)	(+ 1,059)	(+ 478)	(+ 581)
Total (balance of I and II) Influx or release (+), or efflux or tying up (-), of liquid resources	- 1,694	+ 1,905	- 987	+ 1,270	- 214	+ 1,484
III. Banks' investment or disinvestment, and recourse to Bundesbank						
(1) Acquisition (-) or resale (+) of money-market paper in open-market operations ⁶⁾	- 503 ^{pe)}	- 225	+ 592	- 697	- 51	- 646
(2) Formation (-) or repatriation (+) of short-term investments abroad ⁷⁾ by the banks	+ 1,400 ^{e)}	- 1,200 ^{e)}	- 132 ^{pe)}	- 376	- 680	+ 304
(3) Banks' credit repayment to (-) or borrowing from (+) Bundesbank	+ 797	- 480	+ 527	- 197	+ 945	- 1,142
Total (balance of I to 3)	+ 1,694	- 1,905	+ 987	- 1,270	+ 214	- 1,484
Note: Liquidity reserves of credit institutions in the shape of	Position at end of period					
Holdings of domestic Treasury bills and non-interest Treasury bonds	4,626 ⁸⁾	5,419 ⁸⁾	5,056	5,942	5,096	5,942
Short-term balances with foreign banks and money-market investments abroad ⁹⁾	1,315	2,135	2,156	2,548	3,471	2,548
Total millions of DM	5,941	7,554	7,212	8,490	8,567	8,490
per cent of total deposits ⁹⁾	5.6	6.3	5.3	5.6	6.2	5.6

*) The figures recorded in this table under I (1) to (5) have been especially calculated from the Bundesbank return and further statistical data, with the sole object of showing the effects of the individual items on bank liquidity. It is therefore not possible to draw from them any conclusions as to the movement of the balance of payments (or the central monetary reserves) or as to the central public authorities' finances on a cash basis.

¹⁾ Including changes in the credit institutions' cash holdings, which cannot be eliminated here. — ²⁾ That is, after elimination of payments not affecting liquidity (chiefly net foreign payments of Federal Government). — ³⁾ 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 ²⁾), as well as of the Bundesbank's transactions on own account not affecting liquidity (e. g., interest receipts on foreign investments). — ⁴⁾ These are exclusively transactions under special arrangements with certain public authorities. — ⁵⁾ 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. — ⁶⁾ Only transactions concerning "mobilisation paper" and "other" money-market paper in so far as they affect the Bundesbank's holdings of such paper. — ⁷⁾ Without investments by the Reconstruction Loan Corporation in U.S. Treasury bills out of the Bundesbank's holdings. — ⁸⁾ The holdings of special mobilisation paper series "L" ("Blessing Milliarde") were included at the time (August 1961) when the prohibition on sale was cancelled. — ⁹⁾ Excluding domestic interbank deposits. — ^{pe)} Partly estimated. — ^{e)} Estimated.

calculating the required reserve were not altered in the course of the year, the increase — apart from minor variations resulting from the differing extent to which use was made of the “offset privilege” in connection with the reserve obligation for liabilities to non-residents¹⁾ — was due exclusively to the growth of the reserve-carrying liabilities.

The banks employed in domestic money-market paper the greater part of the funds which remained at their disposal after fulfilment of the minimum reserve obligations. Their holding of mobilisation Treasury bills and non-interest Treasury bonds, as well as of other money-market paper which they acquired from the Bundesbank in connection with open-market transactions, rose by almost DM 700 million between December 1962 and December 1963, while the addition — apart from the seasonal replenishment of holdings in the first months of 1963 — was concentrated on the last quarter of the year, when the tendencies to greater liquidity became more and more perceptible. The investment of liquid funds in open-market paper of the Bundesbank at first continued on a greatly increased scale in January 1964; in the following two months however there were net resales of such paper to the Bundesbank, because the money-market situation increasingly tightened and, moreover, since 10 March 1964 money exports have once again been more attractive for the banks as a result of the measures introduced by the Bundesbank.

Although in 1963 the banks had on the whole further increased their assets in respect of money exports even in the absence of stimulating measures, the total rise was smaller than the aforementioned growth in their holdings of domestic money-market paper. In December 1963 the short-term credit balances at foreign banks plus the foreign money-market investments held by the 90 credit institutions reporting weekly on their foreign exchange position (which account for some 95 per cent of the total short-term foreign assets) averaged over DM 3 billion for the four bank return dates; they were thus above the December 1962 level by about DM 380 million²⁾. As the graph on page 42 shows, major fluctuations in their short-term foreign assets were confined to the time around the turn of the year, because before the close of the year the banks as usual temporarily repatriated parts of their foreign liquid reserves on window-dressing grounds, so as to be able to show high cash liquidity on their balance-sheet date. Through the renewed onset of money exports immediately after the turn of the year 1963/64, however, the repatriations of November and December 1963 were for a time only partly cancelled out. This was mainly because the interest rate margin which exists and is tending to widen as against the leading foreign money markets was partly absorbed through relatively high forward-rate-covering costs for dollar investments, these costs having formed in the free market after the turn of the year in place of the forward premium which had still been obtainable in the last months of 1963. It was only in March 1964, when the Bundesbank again undertook to fix the forward rate for dollar investments — that is on U.S. Treasury bills running for between three and six months — and offered swap rates somewhat more favourable than the free market, that the banks again placed funds abroad on a major scale. At the 90 institutions reporting for the weekly sample statistics the assets resulting from money exports grew in March — despite the temporary strain on liquidity due to the major tax payment date and the seasonal increase in the note and coin circulation — by some DM 140 million, on the average of the four bank-return dates, to roughly DM 3.5 billion, which approximately equalled the level reached in September 1963. At the end of March the Bundesbank’s swap commitment amounted to DM 384 million.

The widening of the banks’ liquidity margin is also reflected in the fact that their total recourse to Bundesbank credit declined in 1963 by almost DM 200 million, falling to DM 1.9 billion in December of that year, and was further reduced in the first two months of 1964. It is true that the changes in the amount of such recourse were opposite in the two halves of the year and thereby clearly reflected the differing trends of liquidity in those two periods. By the end of March and beginning of April 1963 the banks had already resorted to the Bundesbank on a scale without prece-

¹⁾ That is the right to deduct the credit balances held abroad and the foreign money-market investments, before application of the reserve ratios, from the reserve-carrying liabilities to non-residents.

²⁾ The Reconstruction Loan Corporation’s investments in U.S. Treasury bills out of the Bundesbank’s holding are in each case eliminated.

Open-market transactions
of the Bundesbank

The banks’ short-term
foreign assets

The banks’ recourse
to the Bundesbank

dent for years past, so as to tide over the temporary strain on their liquidity without reducing their stocks of money-market paper and foreign assets, and in June 1963 they did so again. The banks' liability to the Bundesbank on rediscounted bills and on advances against securities rose by about DM 950 million in the first half of 1963. In July of that year it was already considerably reduced again, however, and in the further course of 1963 it continued to decline (with seasonal fluctuations), so that by the end of 1963 — as mentioned earlier — it was below its level of a year before. It was not until March 1964 that the said contractive factors again led to recourse to the Bundesbank on a considerable scale; the amount of rediscounts and advances against securities granted by the Bundesbank rose to over DM 3.1 billion at the end of the month, thus even slightly exceeding the level attained on 31 March 1963.

3. Security Markets

Overall Picture of the Bond Market

Large gross sales and stable interest rate

The year 1963 was a particularly good one for fixed-interest securities as measured by the placing of those newly issued. Gross placings of such securities totalled DM 16.6 billion in 1963 as against DM 11.9 billion in 1962 and DM 9.6 billion in 1961. The gross amount of fixed-interest securities placed in 1963 was more than three times as great as in 1960, when the total issues reached only DM 5.4 billion.

At the same time the rate of interest on capital remained at about 6% during 1963, with slight fluctuations in the yield obtainable. The steadiness of the prevailing interest rate — in contrast to the considerable and highly disturbing fluctuations during past years, when it had varied between just on 5½% and 7% — also indicates the progressive consolidation of the German bond market and its return to a more normal state. This steadiness undoubtedly contributed towards strengthening investors' confidence. The proportion of private subscribers and purchasers of fixed-interest securities continued to increase in gratifying fashion during 1963.

Greatly increased foreign demand

On the other hand the fact must not be overlooked that a considerable part of the newly issued fixed-interest securities, especially of public authorities' bonds, were bought by non-residents. Foreigners' net purchases of German fixed-interest securities (that is after offsetting their sales) amounted to DM 1.84 billion¹⁾ in 1963; they were thus considerably greater than in 1962, when they had reached a net total of DM 0.74 billion. The reasons why foreigners find German fixed-interest securities attractive are complex. Considerations of yield, taxation and speculation would appear to have been chief among them; in many cases these jointly contributed towards causing foreigners' decisions to purchase.

Repayments

If the capacity of the German capital market is to be accurately assessed, however, repayments must be deducted from the above-mentioned gross figure for the placing of fixed-interest securities in 1963. Total repayments in that year were especially large; at DM 4.4 billion they were almost twice as great as in 1962, and nearly three times as great as in 1961. One reason for the great increase of repayments is that in 1963 many issuers took advantage of the opportunity for the first time afforded to them in that year, under the terms of issue, to call for repayment before maturity of their older loans carrying interest at high rates such as 8%, 7½% and 7%. As a rule the loans thus called were replaced by 6% conversion loans, which were offered to holders of the old bonds at preferential prices, mostly with a bonus of 1 per cent. Altogether such conversions probably amounted to about DM 1 billion last year as against roughly DM 250 million in the year before. A further substantial share in the large total of repayments was taken by the medium-term notes (Kassenobligationen) which matured in large tranches; corresponding new issues were also offered against most of these. Last year the repayments of medium-term notes totalled DM 1.19 billion as against only DM 390 million in 1962.

¹⁾ Excluding German external bonds and other bonds issued abroad by German issuers.

placing took more time than had been required by the preceding issues. The chief cause of this market weakness no doubt lay mainly in a certain strain, induced by very large issues in the first half of 1963.

Most issuers, especially public authorities, thereafter tried to contribute towards overcoming the weakness of markets by a cautious issuing policy and flexible framing of the terms, while maintaining the 6% nominal interest rate; they shortened the life of loans to between 10 and 12 years, returned to half-yearly interest coupons, and in some cases reduced the price of issue by $\frac{1}{4}$ to $99\frac{3}{4}$. In September 1963 the market again radically improved, with issues greatly increasing.

A temporary slight dullness of bond markets in December 1963 was followed, after the turn of the year, by a vigorous increase of the demand for fixed-interest securities; this grew into a regular boom about the middle of January 1964. Most of the 6% issues quoted in the market reached levels of 101 to 102, some of them even more. The real-estate credit institutions were also able to raise the issue prices for their new 6% mortgage and communal bonds to between $100\frac{1}{2}$ and 101, while reducing the bonuses for institutional investors to between 1 and $\frac{1}{2}$ point. In that connection a number of factors produced a combined effect, for instance the large interest payments, the growth of liquidity in the money market and also, not least, foreigners' previously mentioned keen demand for German bonds, this being due partly to the interest rate and partly to speculation of various kinds.

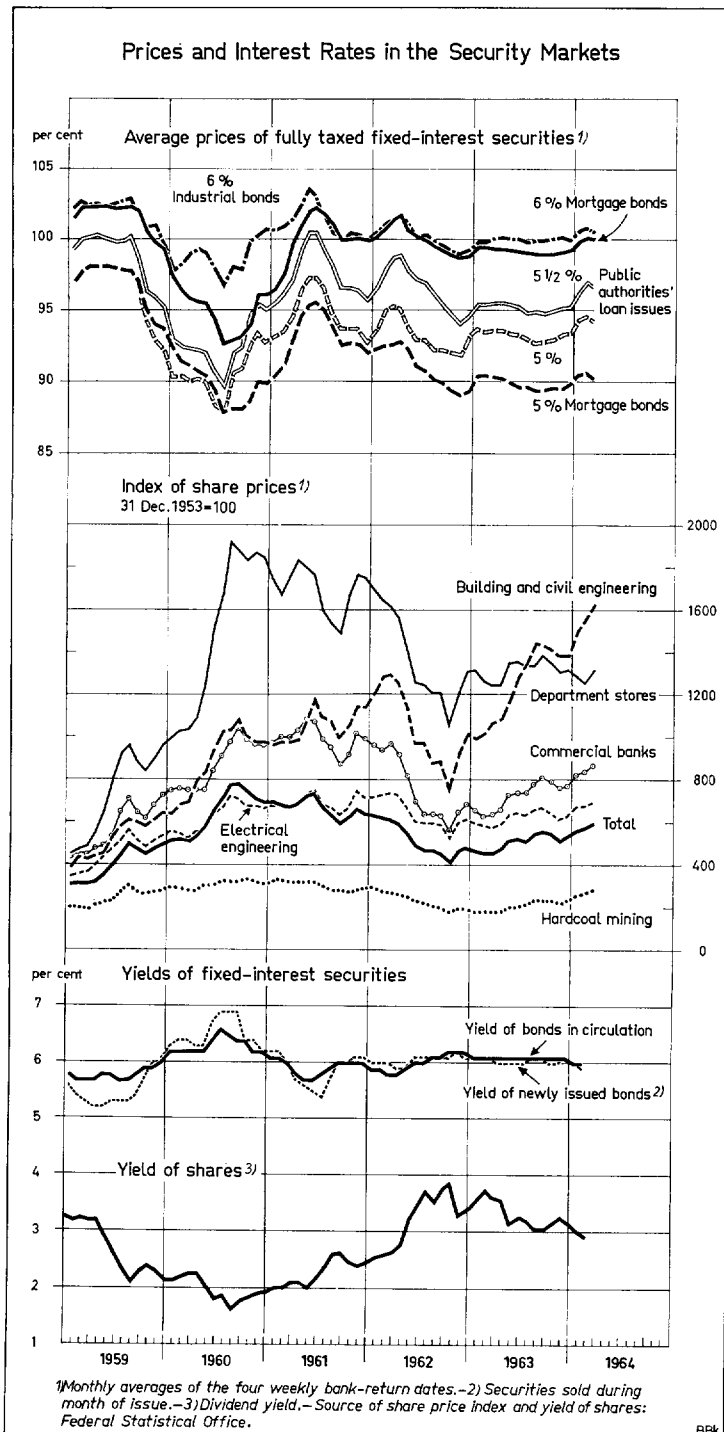
In view of the incipient downward tendency of market interest rates — at a price of 102 the yield on a 6% security amounts, according to its life, to about 5.8% to 5.9% — some public issuers decided to offer medium-term loans carrying $5\frac{1}{2}$ % interest. A start was made at the end of January 1964 by the Equalisation of Burdens Bank with a DM 100 million loan, running for only 8 years, maturing en bloc and carrying half-yearly interest coupons, this loan being issued at 98. The yield on it was about 5.9%, being thus only a little lower than that of the 6% issues last offered. A further step was taken at the beginning of February 1964 on the issue of the Federal Railways' DM 270 million loan, also bearing interest at $5\frac{1}{2}$ % and offered at 98, but running for the somewhat longer period of 11 years and carrying annual coupons; the yield on this loan was 5.76%. The German Postal Administration followed at the beginning of March 1964 with a further $5\frac{1}{2}$ % loan for DM 210 million. In addition some occasional issuers' 6% loans, running for longer periods, were for the first time successfully placed above par at prices of 101 and $100\frac{1}{2}$.

The total effect of all this was to loosen up the terms of issue, which had largely become rigid in 1963 at a 6% nominal interest rate and an issue price of 100. In the first place the prejudice against issues above par, previously described as unmarketable, was broken. Secondly it proved possible to arrange a $5\frac{1}{2}$ % nominal interest rate for some medium-term issues running for between 8 and 10 years. Further relaxation resulted from the fact that differences have again been established between the rates of interest for medium and those for long-term loans. The chief reason why this easing made no further progress, however, while even signs of weakness have re-appeared later, was the overloading of the bond market with new issues in the first weeks of the new year. Thus in January 1964 alone new fixed-interest securities were issued to the extent of no less than DM 3 billion gross, including DM 1.5 billion of mortgage and communal bonds. When a growing slackness of demand thereupon appeared in this section of the market, the real-estate credit institutions (the continuous issuers) decided to allow rising bonuses, with the result that the net selling prices at which these bonds were sold to credit institutions and institutional investors dropped from about $100\frac{1}{2}$ to 99 and in some cases even lower. At the beginning of February the tendency to weakness spread to the other sections of the bond market.

In the last week of March 1964 the bond market came under heavy pressure which was occasioned by the announcement of the Federal Cabinet that it would introduce into Parliament a bill providing for a 25% Capital Yield Tax to be charged on interest payments for German bonds owned by non-residents. The announcement of this bill produced a great effect on the bond market,

Vigorous increase of demand in January 1964

Downward tendency of interest rates not lasting



where, immediately after the proposed measure was made public, heavy sales by residents and especially by non-residents predominated. The prices of most fixed-interest securities and in particular those of public authorities' bonds, for which foreign buyers had previously shown preference, fell within a few days by 2 points and in some cases by even more. In those days the public issuers bought large amounts of their own issues with a view to supporting prices and maintaining the market in operating condition. After a few days the market situation calmed down and precipitate sales stopped, especially when details about the proposed measures became known. Under the provisions non-residents may apply for refunding of the Capital Yield Tax withheld if there are corresponding double-taxation relief conventions with their countries, just as has already been done in the case of the withholding tax on dividend payments. A precondition for refunding is that the foreign owners present a certificate by their domestic fiscal authorities that they are domiciled and subject to taxation in the respective foreign country. Non-resident owners of German bonds will thus have to decide whether they will pay tax on their invest-

ment income in their country of residence or accept reduction of the yield on their holding of German bonds by about one quarter.

Already at the end of March 1964 there was a vigorous demand for bonds at the reduced prices and as a result part of the fall in prices was made good within a few days. All 6% bonds of public authorities were quoted just below par at the beginning of April, so that the yield of these securities had risen by about $\frac{1}{4}\%$ as compared with January 1964.

Bond Markets Classified by Groups of Issuers and Purchasers

Real-estate credit institutions

Once again in 1963 the real-estate credit institutions were the greatest offerers of new issues. From the sale of mortgage and communal bonds in that year they obtained net total proceeds amounting to DM 6.24 billion¹⁾. This was over DM 900 million more than in 1962, as against a rise by only DM 260 million in the latter year. It is true that their proportion of total fixed-interest security placings declined slightly, from 57 per cent in 1962 to 52 per cent in 1963. The expansion of sales applied almost solely to communal bonds, sales of which rose by about DM 800 million in 1963 to DM 2.55 billion. On the other hand mortgage bond sales rose by only about DM 100 million last year to DM 3.69 billion. The increase in the proceeds of placing communal bonds benefited local authorities as well as numerous other public-law entities and also Special Funds. In addition a substantial amount of loans guaranteed by local authorities would appear to have been given to borrowers outside the public sphere. An important precondition for any expansion of business in loans to or guaranteed by local authorities has been created, on the revision of the Mortgage Bank Law at the beginning of 1963, through the fact that the institutions, apart from the existing rule limiting the circulation of mortgage bonds to twenty times the liable funds, have been granted an independent circulation limit for communal bonds, this limit having been raised (as compared with the previous formula) to fifteen times the liable funds. The real-estate credit institutions' issuing, especially of communal bonds, became still brisker in 1964. In the first two months of this year alone the net amount of new bank bonds placed by them reached the unusually large total of DM 1.82 billion (against DM 1.24 billion in January and February 1963), of which communal bonds accounted for over one-half, namely about DM 1 billion.

Public authorities

The public authorities also issued freely on the bond market during 1963. The securities offered in that year by such authorities, including the Federal Railways and Postal Administration, totalled DM 3.62 billion net. In comparison with 1962, when the net proceeds of issuing new loans had been just under DM 2.5 billion, that represented a rise by almost one-half. Owing to the increase of issuing activity the public authorities' share of the total funds obtained in the bond market rose further from 26 per cent in 1962 to 30 per cent in 1963. Among public issuers the Federal Government last year advanced to first place. At DM 1.8 billion (in 1962 DM 0.66 billion) its issues accounted for roughly one-half of all public authorities' net bond offerings. Second came the Federal Railways with some DM 1 billion, this being roughly as much as they had taken from the capital market in 1962. The Federal Postal Administration and the Equalisation of Burdens Fund took from the market, respectively, just under DM 600 and over 300 million; the Länder and local authorities on balance reduced their bond market indebtedness. In the new year public issuers continued to take substantial further amounts from the security markets.

Business enterprises

On the other hand borrowing by trade and industry on the bond market in 1963 was once again appreciably smaller than in the previous year. It is true that industrial bond issues reached substantial gross amounts, totalling about DM 1.54 billion; but most of these new issues were funding loans, which were designed merely to reduce the interest charge but pro tanto gave the borrowers no fresh money. If such fundings and the regular repayments are deducted from the gross totals, the remaining net amount of industrial bonds placed in 1963 becomes only DM 340 million as against about DM 590 million in the previous year. At the same time industry's need of long-term funds was certainly not reduced — probably, indeed, the opposite was the case; just as in previous years, however, other methods of financing were preferred. Growing importance attached in this connection to indirect financing through the security market by way of borrowing from central giro institutions and Landesbanken, which for their part procured the necessary funds through issues of bearer bonds running for periods mostly under ten years. Last year these issues, shown in the statistics as "other bonds", totalled over DM 900 million as compared with about DM 400 and not quite 100 million respectively in the two previous years. The borrowing from various

¹⁾ Reckoned at issue values with allowance for amounts resold to issuers and for re-placings.

specialised credit institutions also amounts to indirect recourse to the security market, so far as these institutions specialise in industrial lending and obtain funds for that purpose in the security market through loan issues. In 1963 such institutions' issues totalled about DM 865 million against DM 655 million in the year before. Apart from this, just as in previous years, enterprises again had opportunities to obtain finance outside the security markets. Such opportunities included, in particular, the taking of loans against borrowers' notes. Although no complete data are available regarding the total amount of loans so obtained, it can be concluded from the increase in the holdings of insurance companies (the chief lenders in that market) that this source of funds must have been used last year to roughly the same extent as in previous years.

Foreigners' issues were of only modest importance on German security markets in 1963. Altogether only two foreign loans totalling DM 160 million were issued, against DM 100 million in 1962. During 1964 there has been a marked increase in issuing by foreigners on the German bond market. By the beginning of April this year three foreign issues totalling DM 180 million had been placed there. Negotiations are in progress about further loans for foreigners.

Foreign issuers

Last year the domestic non-banking public once again formed the chief group of purchasers in the bond market. The net amount of securities acquired in 1963 by these investors (apart from enterprises and individuals they include private and public institutional investors) was over DM 6.6 billion as against about DM 5.2 billion in 1962. This was 55 per cent of the total net sales of domestic fixed-interest securities, being the same proportion as that of non-banks' purchases in 1962. After the turn of the year their purchases temporarily increased at a substantial rate (while the amount of issues on offer also became much greater). In January 1964 alone they amounted to almost DM 1.3 billion, such a total having scarcely ever been recorded for a whole quarter in earlier years. In February on the other hand such purchases totalled only something less than DM 450 million as compared with DM 530 million in the corresponding month a year earlier. At the banks the holdings of domestic fixed-interest securities (excluding external bonds and commutation debt) rose last year by altogether DM 3.5 billion. This was roughly as much as in 1962, and only a little more than the DM 3.2 billion rise in 1961. As usual, the banks' purchases comprised almost exclusively bank bonds. Their holdings of domestic fixed-interest securities, which had begun to grow somewhat faster already in the fourth quarter of 1963, were again considerably increased after the turn of the year. Up to the end of February 1964 they rose by roughly DM 1.44 billion as compared with, respectively, DM 1.36 billion and DM 1.43 billion in January and February of the two preceding years. Further details concerning the banks' security holdings are given in the section dealing with the banks' assets-side business (pages 37/38). Foreign investors' purchases in the bond market increased, as already mentioned, to a striking extent in 1963. In that year (with German external bonds and other loans issued abroad by domestic issuers excluded) such purchases reached a net total of over DM 1.84 billion, as compared with DM 740 and 380 million in the two previous years. Even the particularly large 1960 net purchases, amounting to over DM 1.4 billion, were materially exceeded in 1963. Hence, as measured by the total net placing of German bonds the share of net foreign purchases increased substantially, rising in fact from 8 per cent in 1962 to 16 per cent in 1963, while the share taken by the banks declined from 37 to 29 per cent. The reasons for the keen interest shown by foreigners in acquiring German fixed-interest securities, especially bonds of public authorities, have already been described on pages 14/15 in Part A I of this Report; that interest continued for some time in the new year. Up to the end of February 1964 foreigners' net purchases on the German bond market amounted to some DM 400 million as compared with roughly DM 360 and 130 million, respectively, in the corresponding period of 1963 and 1962. In March 1964 however foreign buying would seem to have fallen off considerably as a result of the proposed measures which are designed to ward off the afflux of foreign capital; the purchases may actually have been offset or even outweighed by sales in the last few days of the month.

The principal groups of buyers

Share Market

Prices tended upward
again...

In the course of 1963 a clear change of tendency took place on the share market after a decline which had lasted more than two years. The first signs of change appeared at the beginning of March 1963, when a comparatively large capital increase by a great public utility company was successfully effected. The gradual recovery of prices from the spring of 1963 onwards was further assisted by the good annual results of the leading chemical companies. In May 1963 the upturn of quotations, stimulated by increasing foreign purchases and the settlement of the labour conflict in the metal-using industries, at times even attained a boom-like pace. In the subsequent months there was again a certain temporary fall in prices, for instance when the United States Government announced an interest equalisation tax on the acquisition of foreign securities. In the second half of the year share prices again showed relatively wide fluctuations. After a rapid rise in August and September 1963 the price gains were mostly lost again in the two succeeding months. Factors contributing to this setback included not only greater sales — for a time — by foreigners but also, above all, the announcement of some dividend cuts in the basic industries as well as certain major insolvencies. Towards the end of the year the generally more favourable assessment of business trends combined with the renewed increase of foreign buying to cause a rapid recovery, in the course of which the share-price index calculated by the Federal Statistical Office (31 December 1953 = 100) rose from 528 at the end of November 1963 to 570 at the middle of January 1964. In the second half of February quotations again started moving upwards, stimulants coming in particular from the market for coal and steel shares. Since mid-March the quotation index has been slightly above 600, being thus 10 per cent higher than when the year began. Since its low level of 405 in October 1962 the index has risen by about 50 per cent.

...but new issues
were small

New share issues were remarkably small in 1963. At issue value they amounted to DM 1.3 billion in that year, against DM 2.2 billion in 1962 and DM 3.3 billion in 1961. While in 1963 the new issues of fixed-interest securities attained a record level, at DM 12.2 billion net, those of shares declined to a low point. This decline has its parallel in the fact that the new issues of industrial bonds were also extremely small; as already mentioned, net sales of such bonds reached only about DM 340 million in 1963 against around DM 590 million in 1962. If the new issues of shares (at issue value) and of industrial bonds are combined, the total amount obtained by business enterprises directly from the organised capital market in 1963 was only about DM 1.7 billion; this was less than in 1962 by approximately DM 1.1 billion.

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

1. Growing Deficits

The public authorities' cash transactions showed greatly increased tendencies to deficit in 1963 as compared with the previous year. The ordinary receipts, which in 1962 — unlike the two preceding years — had already fallen short of total expenditure, again rose in 1963 by less than expenditure did. The result was that public authorities had to incur debt on a growing scale; some also drew on their cash holdings, which, while they still increased as a whole, did so by much less than in the preceding years.

Individual budgets

The deterioration in the cash position affected all budgets except that of the Equalisation of Burdens Fund, the deficit on which slightly declined. It was especially marked in the finances of

*) The following data are more narrowly delimited than those relating to the public sector which are contained in the preceding chapter III, "Trends in Money and Credit". While the latter mostly refer to all public authorities — including, in addition to the public authorities in the narrower sense, the Federal Railways and Federal Postal Administration Special Funds, the public enterprises without independent legal personality, and other German and foreign public authorities — this chapter reports only 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 for public authorities' bank balances and for credit institutions' loans to public authorities, in particular, differ in some cases quite considerably as between the two chapters.

the Federal Government and the Länder. The Federal budget showed a cash deficit of over DM 3.1 billion against about DM 1.5 billion in 1962; for the first time since 1958 the Länder had a cash deficit, which exceeded DM 700 million. In 1963 the E.R.P. Special Fund also showed a considerable deficit, of about DM 280 million, due to special transactions, viz., the granting of loans for development assistance out of Volkswagen Works Foundation monies. Finally, the cash position of the local authorities and the social insurance institutions as well was more unfavourable than in 1962. In the case of the former, which have always had a relatively great need for credit, the expenditure in 1963 is estimated to have exceeded the current receipts by DM 1.2 billion against about DM 0.8 billion in each of the two previous years. Surpluses were achieved in 1963 only among the social insurance institutions. The reason why they declined by some DM 200 million as compared with 1962 lay mainly in the deterioration shown by social health insurance, while there were only slight changes in the case of the pension and unemployment insurance funds. Of the social insurance institutions' accounting surpluses, amounting to about DM 2.4 billion in 1963, a sum roughly equal to that in 1962 was made available for financing capital projects; the remaining cash surpluses reached DM 640 million against DM 830 million in the year before. For all public authorities together the 1963 deficits work out at DM 5 billion, against something over

The Public Authorities' Finances on a Cash Basis

Millions of DM

Item	1960	1961	1962			1963 ^{pe)}		
			Total	1st half	2nd half	Total	1st half	2nd half
Cash Surplus (+) or Deficit (-) ¹⁾								
(1) Central authorities	- 121	+1,794	-1,611	+2,225	-3,836	-4,445	+1,848	-6,293
Federal Government ²⁾	-1,358	+324	-1,543	+437	-1,980	-3,142	+247	-3,389
Equalisation of Burdens Fund ²⁾	-140	-165	-352	-93	-259	-320	-32	-288
E.R.P. Special Fund	-166	-95	+74	+234	-160	-278	+150	-428
Länder	+1,543	+1,730	+210	+1,647	-1,437	-705	+1,483	-2,188
(2) Other authorities	+1,020	+470	-20	-350	+330	-560	-595	+35
Local authorities	-270	-830	-850	-190	-660	-1,200	-130	-1,070
Social insurance funds	+1,290	+1,300	+830	-160	+990	+640	-465	+1,105
(3) Total of 1 plus 2	+899	+2,264	-1,631	+1,875	-3,506	-5,005	+1,253	-6,258
Financing								
Increase (+), decrease (-) in								
I. Cash reserves								
(1) Central authorities	+1,091	+1,160	-242	+1,874	-2,116	-341	+2,399	-2,740
Federal Government	-205	+78	-75	+28	-103	+53	+812	-759
Equalisation of Burdens Fund	+17	+17	-84	+202	-286	+100	+40	+60
E.R.P. Special Fund	-91	-95	+74	+234	-160	+222	+150	+72
Länder	+1,370	+1,160	-157	+1,410	-1,567	-716	+1,397	-2,113
(2) Other authorities	+2,410	+2,070	+2,120	+590	+1,530	+1,690	+135	+1,555
Local authorities	+1,120	+770	+1,290	+750	+540	+1,050	+600	+450
Social insurance funds	+1,290	+1,300	+830	-160	+990	+640	-465	+1,105
(3) Total I (1 plus 2)	+3,501	+3,230	+1,878	+2,464	-586	+1,349	+2,534	-1,185
II. Credit market indebtedness								
(1) Central authorities	+1,120	-728	+1,265	-401	+1,666	+3,953	+489	+3,464
Federal Government	+1,041	-348	+1,389	-414	+1,803	+2,966	+521	+2,445
Equalisation of Burdens Fund	+177	+190	+243	+250	-7	+498	+54	+444
E.R.P. Special Fund	+75	-	-	-	-	+500	-	+500
Länder	-173	-570	-367	-237	-130	-11	-86	+75
(2) Local authorities	+1,390	+1,600	+2,140	+940	+1,200	+2,250	+730	+1,520
(3) Total II (1 plus 2)	+2,510	+872	+3,405	+539	+2,866	+6,203	+1,219	+4,984
III. Amounts credited to Federal Government in respect of coinage	92	94	104	50	54	151	62	89
Overall total (I less II less III)	+899	+2,264	-1,631	+1,875	-3,506	-5,005	+1,253	-6,258

¹⁾ 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. - ²⁾ 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.

DM 1.6 billion in 1962, whereas in 1960 and 1961 there had been surpluses amounting respectively to DM 0.9 billion and as much as DM 2.3 billion.

Especially striking is the change which took place in the second half of 1963 as compared with the first. It is indeed usual for the cash position to deteriorate in the second half of each year, because expenditure rises a good deal faster than receipts towards the close of the year in particular; in 1963, however, this tendency was much more marked than in the preceding years. Thus at DM 1.25 billion the surpluses achieved in the first half of 1963, despite the unfavourable course of receipts, were smaller than in the first half of 1962 by only some DM 600 million; on the other hand at about DM 6.3 billion the deficits in the second half of 1963 exceeded those in the corresponding period of the previous year by DM 2.8 billion. This change was largely due to capital expenditure, which, after the decrease caused by the weather in the first quarter of 1963, increased more and more in the succeeding months.

Further slowing in the growth of receipts . . .

The current receipts of all public authorities rose in 1963 to about DM 146 billion. They were thus greater by some DM 9 billion, or not quite 7 per cent, than in the previous year — when they had risen by almost DM 12 billion, or more than 9 per cent. Of crucial importance for the slowing of growth in 1963 was the fact that tax revenues increased by only 5.4 per cent, that is by not even so much in percentage terms as the national product at current prices. One factor here was that the receipts from property taxation — the Equalisation of Burdens Levies and the Länder's Property Tax — dropped below the 1962 level, which however had been particularly high due to the reduction of the discount rate allowed on composition payment of Equalisation of Burdens Levies and to final payments of Property Tax. In addition the proceeds of the Corporation Tax, determined by the assessment for 1961 and partly for 1962 with those years' relatively unfavourable trend in profits, fell short of those for 1962. Nevertheless, owing to the progressive scales for the Wages Tax and the Assessed Income Tax the total revenue from the Income Taxes still rose by 8 per cent against as much as almost 13 per cent in 1962. Contrary to what took place in previous years the yield of the Turnover Tax grew by appreciably less in percentage terms than the national product, this being due to the difference between tax-free turnovers (such as exports) on the one hand and taxable turnovers (in industry and retail trade) on the other. By comparison the receipts from social insurance contributions rose by quite a large margin, viz., about DM 2.7 billion; the chief reason why their rate of increase (about 8 per cent as against roughly 10 per cent in 1962) did not decline by so much as that of the incomes subject to obligatory insurance was that unemployment insurance contributions were again collected throughout 1963, whereas their collection had for a time been suspended in 1962.

. . . with little slackening in the rise of expenditure

On the other hand at about DM 151 billion in 1963 the expenditure of all public authorities was greater than in 1962 by almost DM 13 billion, that is by about 9 per cent; the increase thus exceeded that (of not quite 7 per cent) in their receipts and was also much greater, in percentage terms, than the growth in the nominal — not to mention the real — national product. In comparison with 1962, when expenditure had exceeded the previous year's level by DM 15 billion or 12 per cent, the rise indeed became somewhat slower; but it did not slow down so much as might have been expected in the light of the budget estimates. One reason was that extensive capital development programmes, the funds for which had already been appropriated in earlier years but had been only in part spent, led — on the progress and conclusion of the projects — to large payments which materially exceeded the 1963 appropriations. Altogether direct capital expenditure on buildings and procurement in 1963 totalled nearly DM 18 billion as against not quite DM 15.5 billion in 1962. At roughly DM 2.5 billion the additional expenditure under that head by comparison with the previous year was roughly as great as in 1962. The indirect capital expenditure, including in particular the loans and grants to other parties for capital purposes (for instance house-building and agriculture), also continued to rise appreciably last year, increasing by about DM 1.3 billion or 11 per cent. The growth of current expenditure in 1963 showed greater slackening than that of capital expenditure; at about 8 per cent the rate of increase was above that of current receipts, however.

The prospects that the public authorities' cash position will improve in 1964 are only slight. If it should not prove possible to adopt effective measures — as required in view of the cyclical trend — for limiting the increase of expenditure, there is reason to expect that the gap between current receipts and total expenditure will open more widely, so that the public authorities' need for credit will be even greater than in 1963. According to present estimates, it is true, the rise of expenditure will be smaller than in previous years, totalling 6 per cent for the Federal Government, Equalisation of Burdens Fund and Länder; but it would appear virtually certain that the actual expenditure will exceed the estimates because, firstly, important items of expenditure (in particular on road-making, development aid, and grants to pension insurance institutions) were not entered at their full amount in the Federal budget and, secondly, in the case of the Länder capital expenditure is likely to exceed the new appropriations once more in the current year. There is the further fact that the pension insurance institutions' expenditure will increase in especially marked degree because the existing pensions were adjusted at the beginning of the year to the 1963 basis of determination, which is above that for the previous year by 8.2 per cent. On the other hand there is not much prospect that the ordinary receipts will appreciably exceed the estimates. Quite apart from the fact that the additional proceeds from taxes as entered in the budgets of the Federal Government and the Länder will be received only if economic activity increases faster — as it now seems to be doing — than was assumed until recently, no greater additional receipts can be expected in 1964 on such important taxes as the Assessed Income Tax and the Corporation Tax (the yield on which follows the trend of profits and incomes with an appreciable time-lag owing to the assessment system usual in the Federal Republic) even if taxable incomes were to increase in the course of this year by much more than has so far been expected.

2. Indebtedness and Cash Assets

The public authorities' market indebtedness increased last year by almost twice as much as in 1962. The increase amounted to DM 6.2 billion, as against about DM 3.4 billion in 1962 and only just on DM 0.9 billion in 1961. This was chiefly due to the course of the Federal finances (including the Equalisation of Burdens and E.R.P. Special Funds¹⁾); altogether the indebtedness of the Federal Government, including the Special Funds mentioned, rose by almost DM 4 billion against DM 1.6 billion in the previous year. Of this amount the Federal Government alone accounted for nearly DM 3 billion as compared with DM 1.4 billion in 1962. The Equalisation of Burdens Fund also borrowed in the markets on a greater scale than in 1962, taking DM 500 as against 240 million. Finally the E.R.P. Special Fund, which until then had hardly borrowed, expanded its indebtedness by DM 500 million; this represented a loan from the Volkswagen Works Foundation, intended for development assistance purposes. At DM 2.2 billion in the case of the local authorities the addition to indebtedness in 1963 was only a little greater than in 1962, when it had amounted to DM 2.1 billion; this was mainly because the local authorities needed little credit in the first months of last year, when building had to be greatly cut down because of unfavourable weather. Among all public authorities only the Länder as a whole did not borrow in 1963, the credits taken by some Länder having roughly equalled the repayments by others. On the whole during 1963 however, unlike the three previous years, the indebtedness of the Länder did not further decline in any appreciable degree; hence the other authorities' growing demand for credit was more strongly reflected in the overall figures than during previous years, in each of which it had been partly offset by a substantial reduction of the Länder's indebtedness.

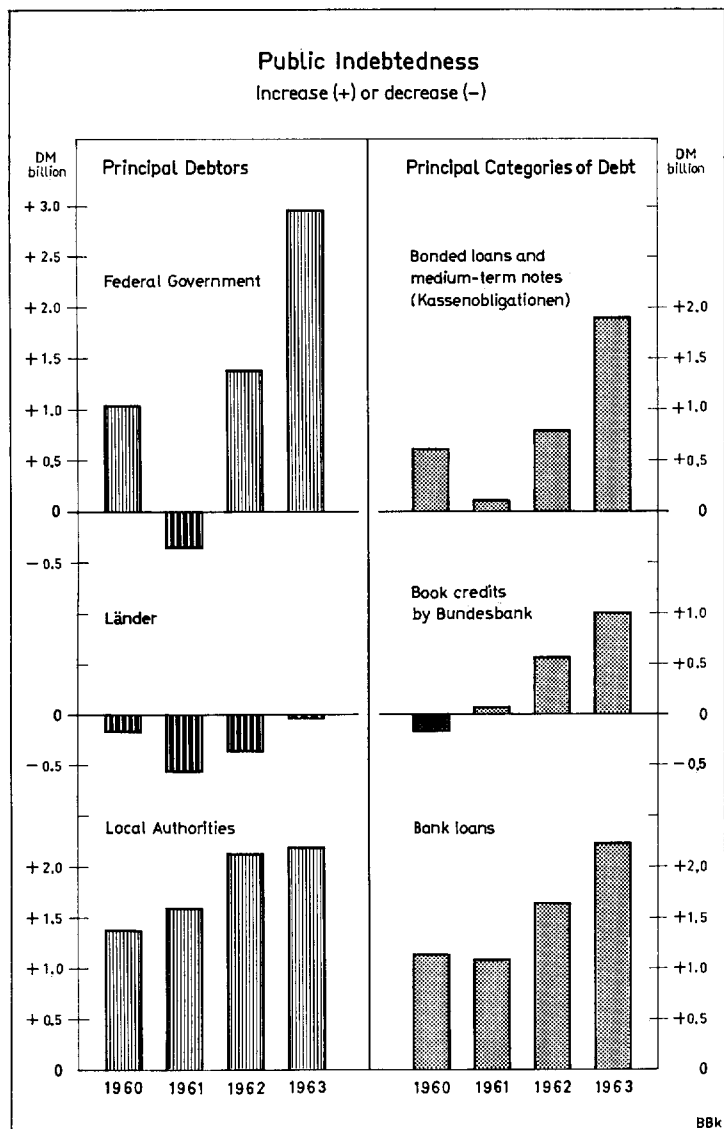
The variation in the growth of indebtedness as between individual authorities also entailed shifts, during 1963, in the categories of debt. The chief reason was that the Federal Government, whose indebtedness increased last year in special degree, mainly incurs debt through the issue of fixed-

Faster increase
of indebtedness

More recourse to
security markets ...

¹⁾ In the same way as in previous years this disregards the increase in the indebtedness of the other two large Federal Special Funds, the Railways and Postal Administration, which are not counted as public authorities; in 1963 these two Special Funds incurred market debt amounting to over DM 3.2 billion as against DM 2.9 billion in 1962.

interest securities whereas the local authorities — whose indebtedness, as already mentioned, grew no faster in 1963 than in 1962 — largely cover their need for credit by direct borrowing from credit institutions, especially from savings banks. That is why the public authorities' bonds and medium-term notes (Kassenobligationen) in circulation increased by more than DM 1.9 billion in 1963, to nearly DM 7.2 billion, whereas they had risen in 1962 by about DM 800 million and in 1961 by a mere DM 100 million. In 1963, just as in 1962, the increase was mainly due to new issues by the Federal Government and in part also by the Equalisation of Burdens Bank, which obtained some DM 320 million net in the security market for purposes of the Equalisation of Burdens Fund. In the first quarter of 1964 the public authorities' bonds and medium-term notes in circulation increased by the further substantial margin of some DM 650 million.



... and to book credits

At about DM 1.75 billion the book credits granted by the Bundesbank, and outstanding at the end of 1963, were also considerably greater than at the end of 1962, when such credits stood at about DM 750 million. Apart from one small amount, concerning a Land, the increase related solely to the Federal Government. The money-market debts, comprising mostly non-interest-bearing Treasury bonds of the Federal Government and in lesser part Tax Credit Certificates issued by the Land of Bavaria, declined by DM 80 million in 1963 to DM 450 million, whereas in 1962 they had remained practically the same and in 1961 had been materially reduced owing to the very favourable cash position of the authorities concerned. In the first months of 1964 the money-market indebtedness again rose appreciably, for the first time since 1959, through the issue of non-interest-bearing Treasury bonds and of Treasury bills by the Federal Government; at DM 850 million at the end of March such debts were greater by DM 320 million than a year before. There was also considerable growth last year (by DM 2.4 billion to a total of DM 16.3 billion) in the amounts lent by credit institutions, mainly to local but also to other authorities. Their proportion of the addition to indebtedness, however, became smaller. Whereas bank lending had accounted for nearly half the total addition in 1962, its proportion fell last year to 39 per cent. Finally, the other debts of public authorities also rose by the considerable margin of nearly

DM 1 billion last year to roughly DM 4 billion; in 1963, unlike earlier years when the increase had mainly been in liabilities on loans obtained from private institutional investors against the borrowers' notes, the borrowings by the Federal Government and the E.R.P. Special Fund from the Volkswagen Works Foundation were a special factor.

As already mentioned, the increase of the public authorities' cash resources slowed down further last year. It amounted to only about DM 1.3 billion, against some DM 1.9 billion in 1962 and more than DM 3.2 billion in 1961. In the case of the central authorities the cash holdings declined by roughly DM 340 million, as against about DM 240 million in 1962. To cover their 1963 cash deficits the Länder as a whole, although with differences as between the individual cases, drew on their credit balances to the extent of about DM 700 million, whereas there was some rise in the other central authorities' liquid funds. On the other hand the local authorities as a whole continued to increase their cash reserves, which — apart from wide differences between the financial positions of the individual authorities, numbering about 25,000 — was doubtless mainly due to anticipated borrowing for capital projects. At over DM 1 billion, however, the increase was not quite so great as that (of about DM 1.3 billion) in 1962. The reason may have been that in 1963 the carry-over of unfinished building projects did not increase by so much as in the preceding years.

Last year, like those before, there were again shifts in the distribution of the indebtedness by creditors, as well as some changes in the employment of the monies held. In 1963 the public authorities' net cash position in relation to the Bundesbank (i.e., the net result of the changes in money holdings and indebtedness) deteriorated further on the year, namely by over DM 1.7 billion against not quite DM 1.2 billion in 1962. With the inclusion of amounts credited to the Federal Government for coinage the public authorities last year drew almost DM 1.9 billion from the Bundesbank, this being more than in 1962 by about DM 600 million. At over DM 600 million the decrease in the monies held at the Bundesbank — which in addition to the credit balances also include the funds employed by the social insurance institutions in mobilisation paper — was roughly as great as in 1962. But whereas the reduction in 1962 was almost exclusively due to the fact that large investments in mobilisation paper expired and were not renewed by the insurance institutions, the decline in 1963 resulted solely from the use of funds to cover deficits in the budgets of the Länder. On the other hand, as can be seen in detail from the following table, the public authorities' Bundesbank indebtedness increased by much more in 1963 than in the previous year, namely by DM 1.1 billion as against not quite DM 0.6 billion. The main reason lay in the Federal Government's very great recourse to borrowing in account at the Bundesbank. This survey disregards the Federal Government's other Bundesbank liabilities, these being unconnected with the financing of its actual cash transactions; they include the special credits granted to finance the Federal Government's subscriptions to international institutions, as well as the liabilities which arose in 1961 on upward revaluation of the D-mark and on the acquisition of claims arising from post-war economic aid. The total amount of these liabilities did not appreciably alter in 1963.

Last year, for the first time since 1959, the loans obtained by public authorities from credit institutions were greater than the monies employed there — the excess being approximately DM 0.5 billion — whereas in 1961 they had fallen short by over DM 1.7 billion, and in the following year by DM 0.5 billion, of the monies additionally employed at the banks. The total deposits at banks plus un earmarked loans to banks rose last year by over DM 1.9 billion as against almost DM 2.5 billion in 1962. One reason why the rise was smaller was that the local authorities' cash — kept almost all at credit institutions — did not increase by so much in 1963 as in the previous year. Besides this the social insurance institutions in 1963 placed only just on DM 700 million with banks as against more than DM 1.4 billion in 1962. The amount so placed in 1963 was roughly equal to that of the money holdings newly formed by insurance institutions, whereas in the previous year it had been much affected by the above-mentioned switching within the reserves, through employment at banks of monies previously invested in mobilisation paper. The slower increase of public authorities' liquid funds held at banks was accompanied by a

Only slight increase
of cash reserves

Worsening of the
position in relation
to the Bundesbank . . .

. . . and to
credit institutions

Change in the Public Authorities' Net Cash Position

Increase (+), decrease (—)

Millions of DM

Item	1960	1961	1962			1963 pe)		
			Total	1st half	2nd half	Total	1st half	2nd half
I. Bundesbank								
(1) Deposits	+1,239	+ 994	— 38	+1,294	—1,962	— 603	+2,300	—2,903
Federal Government	— 205	— 8	+ 10	+ 113	— 103	+ 53	+ 812	— 759
Equalisation of Burdens Fund	+ 17	— 3	— 67	+ 199	— 266	+ 80	+ 19	+ 61
E.R.P. Special Fund	— 80	— 33	+ 76	+ 195	— 119	— 3	+ 110	— 113
Länder	+1,495	+1,060	— 71	+1,420	—1,491	— 716	+1,357	—2,073
Other authorities ¹⁾	+ 12	— 22	+ 14	— 3	+ 17	— 17	+ 2	— 19
(2) Mobilisation paper (Social insurance funds)	+ 845	— 264	— 561	— 465	— 96	— 15	— 7	— 8
Total of 1 plus 2	+2,084	+ 730	— 599	+1,459	—2,058	— 618	+2,293	—2,911
(3) Indebtedness	— 72	— 10	+ 576	— 163	+ 739	+1,105	— 739	+1,844
Federal Government	— 72	— 13	+ 579	— 160	+ 739	+1,088	— 739	+1,827
Länder	—	+ 3	— 3	— 3	—	+ 17	—	+ 17
<i>Note:</i>								
Special credits for payments to international institutions	(+ 176)	(+ 1,322)	(— 480)	(— 161)	(— 319)	(+ 139)	(+ 29)	(+ 110)
Indebtedness in respect of alteration of the exchange parity	(—)	(+ 1,265)	(— 75)	(— 75)	(—)	(— 108)	(— 108)	(—)
Indebtedness in respect of acquisition of claims resulting from post-war economic aid	(—)	(+ 2,513)	(—)	(—)	(—)	(—)	(—)	(—)
(4) Balance (1 plus 2 less 3)	+2,156	+ 740	—1,175	+1,622	—2,797	—1,723	+3,032	—4,755
II. Credit Institutions								
(1) Deposits pe ²⁾	+1,176	+2,192	+1,971	+ 762	+1,209	+1,317	— 105	+1,422
(a) Central authorities	— 125	+ 205	— 188	— 92	— 96	+ 20	+ 60	— 40
(b) Other authorities ¹⁾	+1,301	+1,987	+2,159	+ 854	+1,305	+1,297	— 165	+1,462
(2) Un earmarked loans ³⁾	+ 226	+ 441	+ 526	+ 263	+ 263	+ 610	+ 305	+ 305
(3) Indebtedness	+ 734	+ 920	+1,993	+ 574	+1,419	+2,378	+ 870	+1,508
(a) Central authorities	— 240	— 409	+ 339	— 133	+ 472	+ 518	+ 363	+ 155
(b) Local authorities	+ 974	+1,329	+1,654	+ 707	+ 947	+1,860	+ 507	+1,353
(4) Balance (1 plus 2 less 3)	+ 668	+1,713	+ 504	+ 451	+ 53	— 451	— 670	+ 219
III. Foreign Countries								
Indebtedness	+ 570	— 60	+ 170	+ 25	+ 145	+ 670	+ 335	+ 335
IV. Domestic Non-banks								
(1) Employment of cash resources ³⁾	+ 15	— 134	— 20	— 20	—	+ 40	+ 40	—
(2) Indebtedness	+1,278	+ 21	+ 666	+ 103	+ 563	+2,050	+ 752	+1,298
(3) Balance (1 less 2)	—1,263	— 155	— 686	— 123	— 563	—2,010	— 712	—1,298

¹⁾ Local authorities and social insurance funds (including unemployment insurance). — ²⁾ 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. — ³⁾ E.R.P. Special Fund and social insurance funds. — pe) Partly estimated.

somewhat faster increase of their indebtedness; this increased by about DM 2.4 billion against just under DM 2.0 billion in the year before. As to details, the credit institutions' direct loans grew by DM 2.4 billion, that is by some DM 750 million more than in 1962. On the other hand the banks' holding of public authorities' money-market paper (other than mobilisation paper) was reduced by about DM 180 million. To an almost equal extent, of about DM 160 million, the banks' holdings of public authorities' fixed-interest securities (bonds and medium-term notes) increased. Measured by the great rise in the circulation of such paper — it rose, as already mentioned, by about DM 1.9 billion — the banks' share of the amounts placed was relatively modest. Never-

theless, with allowance for their large direct lending, the credit institutions still were the most important group among creditors of public authorities; at DM 18.8 billion at the end of 1963 their share equalled roughly 63 per cent of all claims in respect of public authorities' post-currency-reform indebtedness as compared with 70 per cent at the end of 1962.

On the other hand the proportion represented by non-residents as creditors of public authorities rose appreciably last year. Foreigners have taken in 1963 an estimated DM 670 million of fixed-interest securities issued by public authorities (excluding Equalisation of Burdens Fund, Federal Railways and Federal Postal Administration), that is about 40 per cent of the total increase in the circulation of such paper. In absolute terms non-residents' purchases were even greater than in 1960, when they had for the first time attained substantial amount (namely about DM 570 million) through the combined effect of various factors such as the rule forbidding payment of interest on foreigners' deposits, high security yields and currency speculation.

Large contribution by foreigners . . .

Moreover during 1963 domestic non-banks — public and private institutional investors as well as individuals — also granted credit to public authorities on an increased scale, namely to the extent of over DM 2.1 billion against only DM 0.7 billion in 1962. Of last year's increase the loans obtained by the Federal Government and the E.R.P. Special Fund from the Volkswagen Works Foundation accounted for as much as DM 600 million; but even apart from this there was a considerable increase during 1963 in the amount of the monies which resident non-banks placed at public authorities' disposal by way of credit. Of the public authorities' total indebtedness outstanding at the end of 1963, namely about DM 30 billion, some DM 7.5 billion (or about 25 per cent) had been granted by domestic non-banks.

. . . and by resident non-banks towards financing the deficits

V. Economic Activity *)

The feature of economic activity in 1963 was the gradual cessation of cyclical downward tendencies and the start of a new upswing. The reversal however took place in individual categories at differing times and in varying degrees. In the introductory General Survey its causes have been analysed. In this chapter the reversal will be explained in greater detail as affecting individual sectors. It is clearly reflected in the course of orders and prices as well as in the changes on the labour market. In production as well as in the distribution and appropriation of incomes, where cyclical changes often produce effect only with a certain time-lag, the break is less evident. Where differences were observed in these fields between the first months of 1963 and the subsequent period, they were mainly due to the long cold spell at the beginning of that year. Apart from this both production and incomes showed a rising trend throughout 1963.

1. Labour Market and Employment

On the labour market some signs of slight relaxation were apparent during the first half of 1963. This was chiefly reflected in the fact that not only during the first quarter of that year, when economic activity was greatly hindered by the severe winter weather, but also in the subsequent months up to and including July fewer vacancies were registered at the labour exchanges than in the corresponding period of the previous year. Owing to the renewed cyclical increase of the demand for labour, however, from August 1963 onwards the number of vacancies was again above the level of a year before. On an average the number of registered unemployed was greater than in 1962 by 32,000 in all months of 1963. One important reason for the temporary slight relaxation on the labour market was that for the first time in one and a half decades the number of persons employed in industry declined; in 1963 it was lower than in 1962 by an average of about 66,000,

Slight relaxation

*) Unless otherwise indicated the figures in sections 1 to 5 and 7 of this chapter refer to the Federal Republic excluding West Berlin, and those in section 6 to the Federal Republic including West Berlin.

that is 0.8 per cent. As a result of this, and of the further decrease in the numbers employed in agriculture, it became easier for other branches which were more rapidly expanding to obtain additional labour. This applies in particular to the building sector, where the number of persons employed was raised on the yearly average by 50,000 or 3.4 per cent. Apart from this the net addition to the number of workers in 1963 mainly benefited trade, transport and the other private and public service-rendering occupations. Already at the beginning of 1964 signs of tightness reappeared in the labour market. At the end of March 1964 8,000 more unemployed were registered at labour exchanges, it is true, but at the same time almost 54,000 more vacancies were reported, than at the corresponding date in the previous year. In industry the number of persons employed at the end of January 1964 nevertheless was still lower than a year previously by 63,000 (against as much as 96,000 at the end of November 1963); but the vigorous cyclical increase of incoming orders during previous months may lead within the near future to greater demands on the labour market, particularly since further cuts in working hours will also cause an additional demand for labour. This means that for other branches of economic activity the possibility of a better labour supply will again decrease, the more so since at the same time the total potential labour force is likely if anything to increase even less in 1964 than during the previous year.

Only slight addition to total employment

According to estimates by the Federal Statistical Office the number of employed persons (wage-earners, salaried employees and officials) in the Federal Republic excluding Berlin averaged not quite 20.4 million during 1963. In comparison with 1962 this represented an increase by 240,000 or 1.2 per cent, as against something over 330,000 in 1962 and nearly 400,000 in 1961. The greater part of the total increase in persons employed during 1963 once again came from areas outside the Federal Republic. The net addition to the number of foreign workers was the main factor. On the average for 1963 766,000 foreigners were employed in this country, that is over 140,000 more than in 1962. So far as there was a net addition to employed wage and salary earners from domestic sources they were people who had previously been working as self-employed persons or as assisting family members in agriculture, trade or the crafts. Hence last year the number of

Movement in the Labour Force

Area of the Federal Republic except Berlin; in thousands of persons

Item	1958	1959	1960	1961	1962	1963 P)
	Position ¹⁾					
Labour force, total	25,213	25,264	25,460	25,715	25,905	26,036
of whom:						
Unemployed	689	480	237	161	142	175
Gainfully active	24,524	24,784	25,223	25,554	25,763	25,861
of whom:						
Self-employed ²⁾	6,005	5,919	5,805	5,741	5,619	5,477
Wage and salary earners	18,519	18,865	19,418	19,813	20,144	20,384
	Change against preceding year					
Labour force, total	+ 207	+ 51	+ 196	+ 255	+ 190	+ 131
Classified by principal sources:						
Foreign wage and salary earners	+ 20	+ 40	+ 110	+ 195	+ 155	+ 142
Natural movement of population, change in "gainful activity ratio" and increase due to migration ³⁾	+ 187	+ 11	+ 86	+ 60	+ 35	-- 11
Classified by groups:						
Unemployed	+ 21	- 209	- 243	- 76	- 19	+ 33
Gainfully active	+ 186	+ 260	+ 439	+ 331	+ 209	+ 98
of whom:						
Self-employed ²⁾	- 16	- 86	- 114	- 64	- 122	- 142
Wage and salary earners	+ 202	+ 346	+ 553	+ 395	+ 331	+ 240
Note:						
Juveniles leaving school	705	615	579	664	630	694
¹⁾ Averages estimated by Federal Statistical Office. — ²⁾ Including assisting family members. — ³⁾ Excluding foreign wage and salary earners. Principally immigrants from Central Germany and Berlin. — P) Provisional.						

gainfully active persons increased, as compared with 1962, by less than that of wage and salary earners, in fact by only just on 100,000, to a total of 25.9 million. If the foreign workers are eliminated, there was actually a slight decrease; this means that, with foreigners excluded, the number of persons ceasing gainful activity exceeded that of the people starting it. This tendency is likely to continue in 1964, particularly since the number of juveniles leaving school and entering the labour market (being people born in the years of low birth-rate between the end of the war and the currency reform) will at best be only a little greater in 1964 than last year, whereas the number ceasing to work should continue to increase. Thus the supply of labour will again crucially depend on how far it proves possible to gain foreigners for taking up work in the Federal Republic. By reason of the economic expansion in the principal countries concerned, especially Italy, the prospects for this are no longer so favourable as in earlier years.

The slower growth of the labour force would not have been so important if working hours had remained constant. Once again in 1963, however, the actual time worked per gainfully active person declined, falling by over 1 per cent. While this decrease of working hours was smaller than in 1962, it does mean that despite the rise in the number of gainfully active persons during 1963 somewhat fewer man-hours were on the whole worked than in 1962. The fact that average working hours were shorter than in 1962 was, however, partly due to the hold-ups caused by the weather during the first months of last year. Thus for instance in industry and building the number of hours worked per worker in the whole of 1963 was smaller by 2.3 per cent than in 1962. The decrease in the first half-year amounted to 4.6 per cent, while in the second half-year it was only 0.1 per cent which scarcely represented any change as compared with the corresponding period a year before. This was partly due to the fact that the number of working days was less by 1.5 per cent in the first half of 1963, and greater by 0.8 per cent in the second half, than in 1962.

Continuing reduction
of working hours

2. Overall Production

Total production again rose in 1963, although on the yearly average its growth was smaller than in previous years; this was mainly due to the lengthy cold spell which, during the first months, hindered activity more than usual in some important branches of activity. In the Federal Republic including West Berlin the gross national product at constant prices rose, according to provisional calculations, by only 3.2 per cent in 1963 as against 4.2 and 5.4 per cent in the two preceding years. Only agriculture (including forestry, animal husbandry and fisheries) showed an increase of production — by 4.3 per cent — which materially exceeded the average for total output within the country. This largely represented overtaking of the previous year's arrears in production; at all events the good agricultural output of 1961 was not exceeded in 1963 either. The production of vegetable foodstuffs, reckoned in grain equivalent units, is estimated to have risen in the 1963 calendar year by 14 per cent. In foodstuffs of animal origin the increase of output was a good deal smaller; thus the amount of meat resulting from commercial slaughtering was greater by only about 3 per cent, and the production of milk by 2 per cent, than in 1962.

Slower rise of
production

Industry (not including building and power) showed an increase of output by 3.2 per cent as against 4.3 per cent in 1962, calculated per calendar month. The comparative smallness of the year's increase was mainly due to the low level of production during the first two months. Between March and December 1963 the year-to-year growth-rate averaged about 3.9 per cent, being thus only a little smaller than in 1962. At the same time there was in the course of those months a slight quickening of the rise, and this continued early in 1964. In January and February 1964 the level of output was above that of a year previously, which had been relatively low because of the weather, by an average of 10.7 per cent.

As already indicated, the rise of production in industry took place with a slight decrease in the number of persons employed and with a continued reduction of working hours. The total number of man-hours worked was smaller by 2.1 per cent than in 1962. This means that the output per

Notable advance in
productivity

man-hour increased by 5.5 per cent. Thus the rise of productivity in industry was only a little smaller than that of 5.9 per cent in the previous year. In the course of 1963 that rise quickened; in the second half of the year it amounted to 6.5 per cent against 4.1 per cent in the first. In the economy as a whole the advance of productivity was, as usual, somewhat smaller than in industry, where there are much greater opportunities for rationalisation than in most other sections of the economy. The gross national product per hour worked per gainfully active person — a means of expressing overall productivity — is estimated to have been higher by 4.2 per cent in 1963 than in 1962, when the increase had amounted to 5.1 per cent.

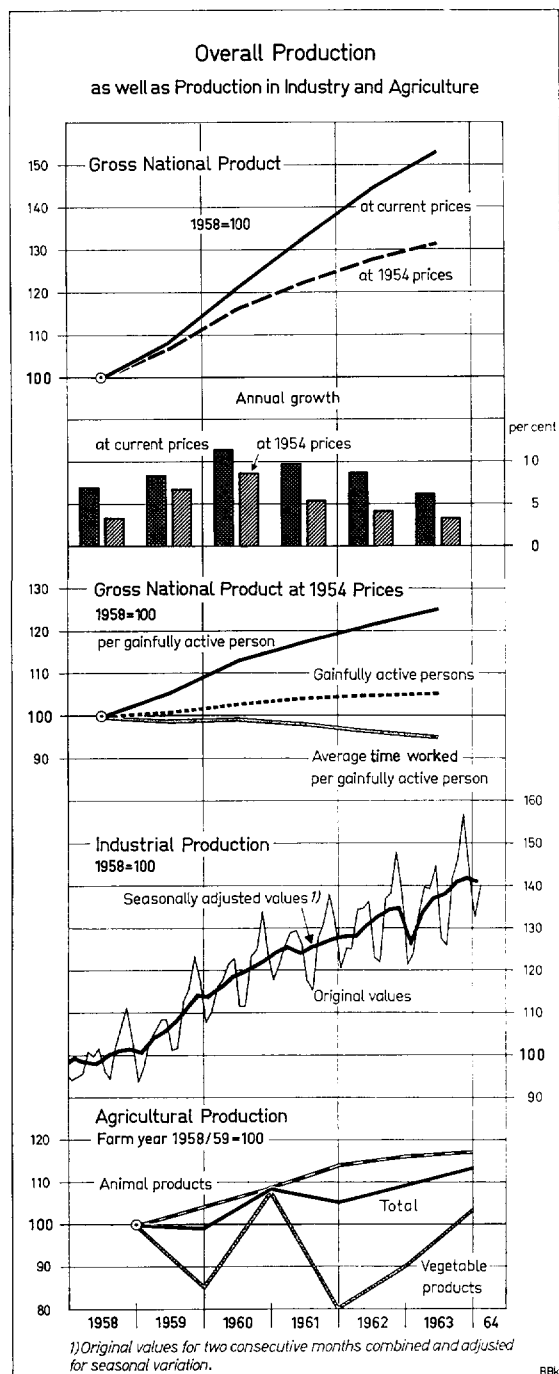
3. Foreign Trade

The prevailing trends in the foreign trade of the Federal Republic including West Berlin during 1963 were quite different from those in 1962. Whereas in the latter year imports had increased more than twice as much as exports in both absolute and relative terms, in 1963 it was exports which rose by much more than imports. Exports rose in 1963 by DM 5.3 billion, or 10.1 per cent, to DM 58.3 billion; imports on the other hand increased by only DM 2.8 billion, or 5.6 per cent, to DM 52.3 billion. Thus the surplus on trade in goods amounted in 1963 to DM 6.0 billion, against DM 3.5 billion in 1962; only in 1961 had the export surplus, at DM 6.6 billion, been greater than in 1963. In the first two months of 1964 exports again considerably exceeded imports, in fact by almost DM 1.6 billion.

The beginnings of the reversal in the tendency of foreign trade go back to the last few months of 1962, when, after rather lengthy dullness, the foreign orders reaching industry started to rise again. This upward trend continued throughout 1963 and up till recently. At the same time a definite quickening of the rise in foreign orders was apparent. The figures for a year earlier were exceeded, on an average, by 12 per cent in the first half of 1963 and by 22 per cent in the second; in January and February of 1964 the year-to-year growth-rate was 27 per cent. The rise of foreign demand chiefly benefited the great exporting industries. Thus for example among basic industries the steel rollers recorded export orders greater by over 50 per cent on the average of the months from September 1963 to February 1964 than in the corresponding period a year earlier. In mechanical engineering too, the greatest exporter among the capital goods industries, there has been a considerable increase of

Great increase of the export surplus

Increase of orders arriving from abroad



foreign demand since the spring of 1963. The same applies to the automobile industry, where export business was already flourishing. In addition even some of the less export-minded industries, for instance textiles, were favoured by the general increase of foreign demand. In percentage terms the rates of growth in some of these industries were actually greater than in those traditionally concerned with exporting.

Exports followed the course of orders with a time-lag of several months. The delay, so far as it was not due to factors connected with the production process, was partly due to difficulties of transport and shipment during the cold spell in January and February 1963. From March onwards exports greatly increased. After amounting to only 2 per cent in the first quarter the rise in value by comparison with a year previously increased in the following quarters to 10, 13 and finally 15 per cent; on the average for the year the growth amounted to about 10 per cent. In January and February 1964 exports exceeded the previous year's value by 29 per cent, although this increase is partly explained by the extremely low level in the comparable months of 1963. Total exports of goods in 1963 reached a proportion of 15.5 per cent to the gross national product as against 14.9 per cent in 1962. One important precondition for this favourable course of foreign business was that, owing to reduction of their previously much enlarged order backlogs, some great exporting industries were again able to offer normal delivery periods, and thus regained a competitive advantage which they had largely lost during the previous cyclical upswing. In many of these industries moreover the orders on hand (and with them the degree to which production capacities were employed) had so greatly declined, during 1962, that efforts were made to raise exports by dint of price reductions which were in some cases considerable. But the ultimate reason for the rise of exports was the great import demand in the countries trading with the Federal Republic. This was partly due to the economic expansion which in 1963, unlike earlier years, spread to nearly all countries in the Western world. Even the developing countries, whose economic situation improved owing to the great industrial nations' growing demand for raw materials, had their share in that expansion. Apart from this universally perceptible influence of the world business cycle, it was important for exports to E.E.C. members in particular that in these countries — just as in the Federal Republic — the so-called internal duties on industrial products were lowered, as from 1 July 1963, by a further 10 per cent of their level at the beginning of 1957, being thus brought down to only 40 per cent of what they had been before the Common Market came into being. But a fact of special importance for the growth of foreign demand for German products would seem to have been that the cyclical expansion in quite a number of countries was accompanied by a domestic price rise. That was in the first place so, above all, in Italy and France; then in the course of 1963 similar tendencies spread, although in differing degree, to Sweden, Switzerland, the Netherlands and also — in somewhat less marked form — to the United Kingdom. The consequence was that German products became more attractive in price for buyers in those countries, particularly since, as is shown by the average values of German exports, the prices for these showed a slightly downward tendency. The importance of the inflation component for the rise of exports is shown by the fact, among others, that in 1963 the said six countries alone accounted for no less than 76 per cent of the total rise in German exports. While their proportion of that total rise was smaller towards the end of 1963 than when that year began, the chief reason was that during its second half the developing countries outside Europe accounted for almost one-tenth of the total rise in the Federal Republic's exports, whereas during the first half-year the exports to them had still been declining.

While the change in price relationships with important trading countries favoured exports, on the other hand it contributed towards the quite considerable slowing in the rise of imports. Thus in terms of value imports from Italy and France rose either not at all, or only slightly. It is difficult to estimate how far the course of imports was affected by economic policy measures. Whereas on the one hand German customs duties on imports from E.E.C. countries were lowered as from July 1963 by a further 10 per cent of their 1957 level, on the other hand the second assimilation of

The rise of exports and its causes

Slowing of the rise in imports

Foreign Trade of the Federal Republic of Germany¹⁾ by Groups of Countries

Group of countries, or country	1961	1962	1963					
			Total	1st hf.	2nd hf.	Total	1st hf.	2nd hf.
			Billions of DM			Share in change against 1962 in per cent		
			Exports ²⁾					
E.E.C. member countries	16.2	18.0	21.8	10.2	11.6	70.1	82.6	65.0
among which:								
France	4.8	5.4	6.4	3.0	3.4	18.6	25.4	15.8
Italy	3.4	4.1	5.5	2.5	3.0	25.4	31.9	22.7
Netherlands	4.8	4.9	5.7	2.7	3.0	15.6	13.9	16.4
E.F.T.A. member countries	14.4	14.7	15.8	7.5	8.3	20.3	26.2	17.8
among which:								
United Kingdom	2.1	2.0	2.2	1.1	1.1	4.8	6.6	4.1
Sweden	2.6	2.7	3.0	1.4	1.6	5.8	6.4	5.6
Switzerland	3.6	4.0	4.3	2.1	2.2	5.4	6.2	5.1
U.S.A. and Canada	4.0	4.4	4.7	2.2	2.5	6.0	6.7	5.7
Non-European developing countries	9.1	8.2	8.4	3.9	4.5	2.7	- 13.9	9.6
Other countries	7.1	7.5	7.4	3.5	3.9	0.5	- 2.6	1.8
All countries ⁴⁾	51.0	53.0	58.3	27.4	30.9	100.0	100.0	100.0
			Imports ³⁾					
E.E.C. member countries	13.8	16.0	17.4	8.2	9.2	49.5	55.3	45.1
among which:								
France	4.6	5.3	5.5	2.6	2.9	8.1	7.0	8.9
Italy	3.0	3.7	3.7	1.7	2.0	- 1.3	- 1.8	- 0.9
Netherlands	3.8	4.2	4.8	2.3	2.5	21.3	25.5	18.2
E.F.T.A. member countries	8.6	9.4	9.6	4.6	5.0	9.0	11.7	6.9
among which:								
United Kingdom	2.0	2.4	2.5	1.2	1.3	4.3	9.3	0.6
Sweden	1.9	2.0	2.0	0.9	1.1	0.5	- 2.7	2.9
Switzerland	1.6	1.7	1.7	0.8	0.9	0.5	2.1	- 0.7
U.S.A. and Canada	7.0	7.9	8.7	4.5	4.2	28.1	53.5	9.0
Non-European developing countries	9.4	10.2	10.6	5.3	5.3	11.9	- 8.0	26.8
Other countries	5.5	5.9	5.9	2.8	3.1	1.8	- 11.6	11.9
All countries ⁴⁾	44.4	49.5	52.3	25.5	26.8	100.0	100.0	100.0

¹⁾ Including Berlin (West). — ²⁾ According to consumer countries. — ³⁾ According to producer countries. — ⁴⁾ Including ships' and aircraft's fuel and other supplies, etc.

duties with effect from 1 July 1963 to the Common External Tariff of the European Economic Community, which assimilation meant the raising of many German duties on imports from non-E.E.C. countries, tended to prevent imports from rising. The latter also applies in principle to the raising in the summer of 1963 of the Turnover Equalisation Tax on a number of items, especially in the range of steel and textiles. Another factor was that the domestic market situation, for partly temporary reasons, did not particularly favour any greater rise of imports. First, the good result of last year's crops meant that the need for food imports was less than in 1962. Since moreover domestic demand for industrial goods on the part of private households rose only relatively little in 1963, here again the inducement to import was weaker than before. Besides this, as is evident from the course of home-market orders reaching the capital goods industries, the propensity of German industry to invest did not noticeably increase until the second half of 1963, so that the orders given to foreign countries for capital goods probably increased only in recent months, if they did so at all. These influences tending to check imports were to some extent counteracted by industry's increasing demand for raw materials. The value of raw material imports rose in 1963 by 6 per cent, whereas in 1962 it had fallen by 3 per cent. One reason for this reversal was the increase of current demand for raw materials, due to greater production; another was the fact that in the second half of 1963 the price trend on some international raw material markets was quite appreciably rising, which probably caused many enterprises to replenish their stocks. A further significant factor last year was the armament imports; they accounted for a substantial part of the total increase in imports of finished industrial goods, so that the commercial imports of such

goods rose in 1963 by only about 6 per cent after having done so by roughly 16 per cent in 1962. This influence was at work only in the first three quarters of 1963, however, whereas in the fourth quarter the imports of armaments declined considerably, thereby contributing to the rapid increase of the export surplus to DM 2.8 billion in that quarter.

4. Capital Expenditure of Enterprises

Enterprises' total capital expenditure increased only slightly in 1963. At not quite 3 per cent its growth by comparison with the previous year fell short of that in the other components of demand. But the year's result conceals the reversal which began to appear more clearly in the third quarter of 1963. Whereas total capital expenditure had been below that of a year earlier by about 1 per cent in the first half-year, mainly because enterprises' building projects were impeded by the lengthy cold spell, in the second half-year it was greater by 6 per cent than a year before. The strengthening of the propensity to invest was reflected in the giving of orders by the parties engaging in capital development sooner than in actual capital expenditure. After adjustment for the season the home-market orders placed with capital goods industries (other than vehicle building) rose in the third quarter of 1963 by 7 per cent, in the fourth quarter by 1 per cent, and on the average of the first two months in the current year by a further 8 per cent; thus in January and February 1964 they were greater by 21 per cent than a year previously. At the same time the demand for equipment would appear to have risen even somewhat faster than is reflected in these figures, since some capital goods industries also produce consumer durables which were less in demand than equipment. The reversal of trend was most clearly apparent in the orders reaching the mechanical engineering industry, an especially typical producer of equipment. Here the home-market orders were greater by 25 per cent on the average of the months from September 1963 to February 1964 than in the corresponding period a year earlier, whereas the year-to-year rise on the monthly average from April to August 1963 had reached only 1 per cent. The plans for commercial, industrial and farm buildings likewise indicate that enterprises are again proposing to invest more. After seasonal adjustment the official permits for such private non-residential buildings were greater by 12 per cent during the third quarter of 1963, in terms of building costs, than on the average of the first two quarters, when however the figures had been unusually small; in the fourth quarter they increased by a further 5 per cent. The fact that home-market orders for equipment increased by much more than industrial building suggests that entrepreneurs, in planning their capital expenditure, are thinking more of raising their efficiency through rationalisation and modernisation than of merely extending capacities. On the whole the course of capital investment has so far been much quieter than four years ago, when the last cyclical upswing began. In 1959 the seasonally adjusted home-market orders reaching the capital goods industries (other than vehicle building) rose by 38 per cent between the first and the fourth quarters; in the corresponding period of 1963, on the other hand, the increase amounted to only 13 per cent. Up to the end of 1963 home-market orders did not exceed industry's ability to deliver, so that the backlogs of unfilled orders hardly increased on the whole. In January and February however the incoming orders were substantially greater than current deliveries, so that order backlogs have again been increasing since then.

The first and decisive cause of the increase in enterprises' propensity to invest lay in the growing foreign demand, which improved expectations of both sales and earnings. For many industries, which had previously been keenly competing with imported goods, the rising import prices also improved the prospects of sale on the home market. Both factors contributed towards increasing the degree to which production capacities were employed; they also quickened the advance of productivity and reduced the rise of costs. The state of earnings, at first still depressed, also gradually improved in the course of 1963. This change took place so late, however, that it failed appreciably to affect the result for the year. In the whole of 1963 undrawn profits were smaller than in

Gradual growth of the propensity to invest

Principal reasons for the increase of capital investment

1962. But in the second half of the year they showed a rising tendency. Producers' own resources available for financing capital expenditure thereupon again increased, quite apart from the proceeds of depreciation, which have steadily grown.

Upward tendencies partly due to the stock cycle

Inventory investments so far show no general change of tendency. In the stocks of raw materials held by manufacturing industries it would seem, on the evidence of raw material imports which in many cases exceed current needs, that a rise due to the stock cycle is in progress. In the case of steel too the vigorous rise of domestic demand since the autumn of 1963 indicates that manufacturers again intend to build greater stocks, although actual inventories of rolled steel products in the steel-using industries were if anything declining until the end of 1963. As regards the stocks of finished goods held by industrial producers, these decreased somewhat in the second half of 1963. In retail trade throughout that year, apart from the usual seasonal fluctuations, there was a marked build-up of stocks; this suggests that, even if consumer demand were to rise faster than hitherto, traders will continue to observe a certain restraint in the placing of new orders.

5. Building Market

Rise of output impaired by weather

The efficiency of the building trade rose very considerably in 1963 owing to the relatively good labour supply together with the further improvement of capacities. This, however, is reflected only slightly in the results for that year, since in building the output was impaired more than in all other activities by the wintry weather at the beginning of 1963. In the whole of 1963 the output in building and civil engineering was greater by 3.6 per cent than in the previous year, whereas it had risen in 1962 by 7.9 and in 1961 by 8.5 per cent. But the actual expansion of building capacity appeared in the course of production from March onwards, since in the remaining ten months of 1963 the output in building and civil engineering was greater than a year earlier by over 11 per cent. The trends diverged appreciably as between the two. Whereas turnovers in civil engineering during 1963 were greater than in 1962 by almost 15 per cent, the growth in building proper amounted to only a little over 3 per cent. In house construction, including both bare shells and finishing, the 1963 output was not appreciably greater in real terms than that for the previous year. At 551,900 the number of dwellings becoming ready for occupation in 1963 was a little smaller than the 1962 total of 553,200; but the units completed would seem to have been bigger and better equipped, on the average, than those finished a year earlier.

Slight decrease of the building backlog

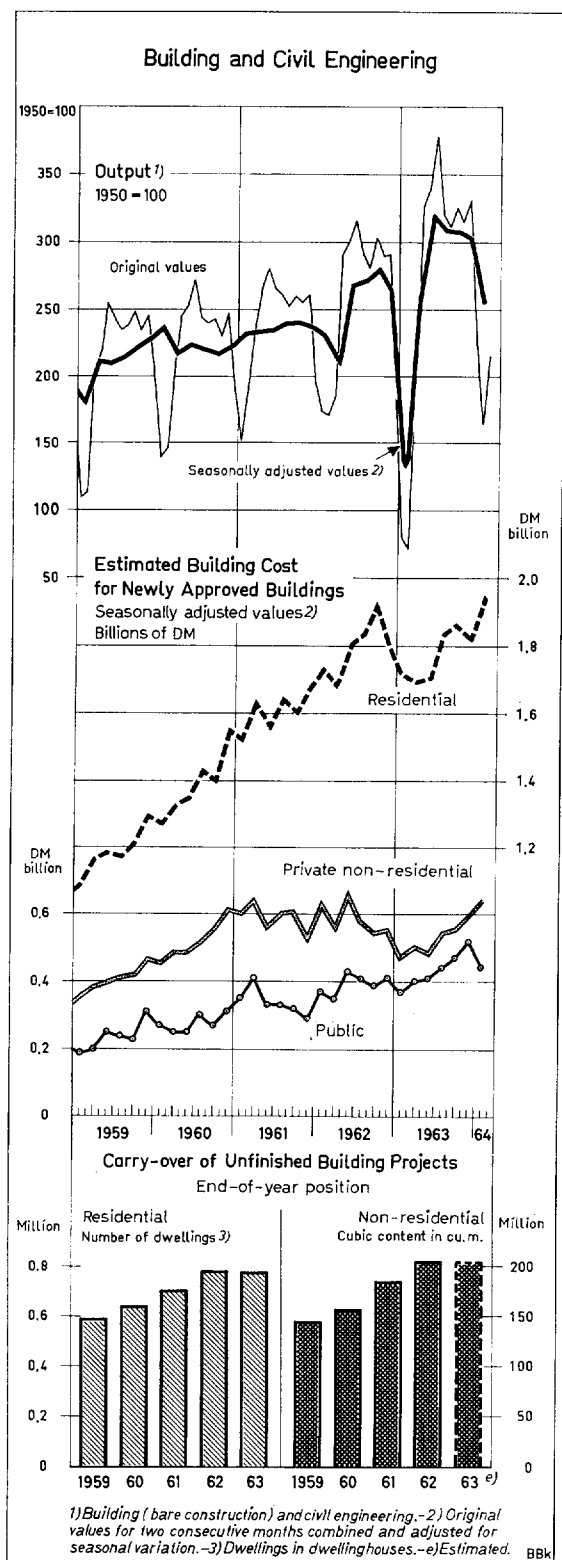
Newly granted permits for buildings of all kinds were less than in 1962 by 2 per cent in terms of estimated net building costs, and by almost 11 per cent in terms of cubic content. This downward tendency, however, did not apply throughout the year; in fact from the middle of the year onwards the demand for building on public, commercial and industrial account was rising again. After seasonal adjustment the estimated building costs of non-residential properties were greater by 18 per

Carry-over of Unfinished Housing Projects

Area of the Federal Republic except Berlin; in thousands of dwellings

Dwellings in residential and non-residential buildings	1960	1961	1962	1963 P)
(1) Carry-over of dwellings under construction, or of dwellings approved but not yet started, at the beginning of the year ¹⁾	610.6	656.6	721.7	786.3
(2) Building permits newly granted in the course of the year	612.9	629.0	626.6	558.0
(3) Dwellings completed in the course of the year ²⁾	550.8	543.4	553.2	551.9
(4) Excess of approved over completed dwellings (items 2 less 3)	62.1	85.6	73.4	6.1
(5) Building permits expired in the course of the year ³⁾	16.1	20.5	8.8	8.4
(6) Carry-over at the end of the year (items 1 plus 4 less 5)	656.6	721.7	786.3	784.0

¹⁾ Including the dwellings already occupied in buildings not yet finished. — ²⁾ Excluding dwellings mentioned in footnote ¹⁾. — ³⁾ Including errors of ascertainment. — P) Provisional.



cent in the third quarter, and by 24 per cent in the fourth, than the average for the first two quarters. The reason lay mainly in public authorities' building, where the total amount approved was greater by 5 per cent in the third quarter and by 9 per cent in the fourth (in cubic content) than a year before. In house-building the demand for the first time declined in 1963. At 558,000 in the whole of that year the number of newly approved dwellings was smaller than in 1962 by 69,000. After deduction of unused building permits it appears that the number of dwellings newly approved fell short of those completed. At about 784,000 the carry-over of dwellings approved but not yet begun, and of those begun but not yet completed, was slightly smaller at the end of 1963 than the 786,300 so outstanding at the end of 1962.

These trends in residential building were materially affected by certain changes in the governmental measures to assist it. In 1963 authorisations were issued for only 195,000 publicly assisted dwellings as against 266,000 in 1962. Nevertheless at DM 2.7 billion the public monies granted as capital assistance were greater by over 6 per cent than in the previous year, the reason being that the amount lent per assisted dwelling was materially raised, in fact from DM 11,300 in 1962 to DM 14,100. This increase compensated the reduction of newly granted official assistance towards interest and repayment. A certain delay in the progress of publicly assisted house-building was probably also due to the fact that the Federal funds were not distributed to the Länder until November 1963, that is two months before the end of the financial year. The effect of this measure was, however, reduced by the fact that the Länder still had sufficient funds of their own to cover the resulting gap. As regards 1964 it would seem to be significant that in the Federal budget for this year only about DM 910 million have been entered for assistance to housing (excluding appropriations in the budgets of the Defence and

Limitation of assistance to housing

Food Ministries) against DM 1,243 million in 1963. According to the estimates for the Länder the intention is that the Länder's own funds provided for housing shall also be reduced by some DM 300 million as compared with 1963; hence a limitation of officially assisted house-building may be expected in 1964. In view of this, and of similar tendencies in the field of privately financed

and fiscally assisted house-building, it may be possible in 1964 for the first time appreciably to reduce the carry-over of housing projects. It is a precondition for this, however, that the parties ordering construction of new dwellings not regarded as promoting private ownership shall continue to be unable to make use of the depreciation facilities under Article 7b of the Income Tax Law. Some limitation of house-building, which seems in the light of the foregoing to be not impossible, and which in view of the only slight overall housing shortage is much more readily justifiable on social grounds than in any earlier year, would certainly afford a desirable offset to the continuing upward trend in the remaining sections of the building market. This of course does not mean that the result would be a wide margin for building by public authorities and by enterprises; on the contrary, in these sectors, too, adaptation to the relatively small possibilities of expanding supply is necessary, for otherwise the tensions on the building market probably could not be reduced any further.

6. Income, Consumption and Saving

Slowing of the rise
in incomes

In line with the slowing of general economic growth the rise of incomes also slackened in 1963. According to provisional calculations the national income exceeded the previous year's by 5.8 per cent, as compared with a rise by 8.2 per cent in 1962 and by 9.5 per cent in 1961. At the same time the rising trend in the proportion of wages and salaries to the national income, evident since 1960, continued. Gross wage and salary incomes increased in 1963 by 7.4 per cent; thus their proportion to the national income rose to 64.8 per cent, against 63.9 and 62.5 per cent respectively in 1962 and 1961. On the other hand at 3.1 per cent the growth of gross income from entrepreneurial activity and wealth in 1963 again fell considerably short of that in the national income; its proportion to this latter declined to 35.2 per cent as compared with 36.1 and 37.5 per cent in 1962 and 1961. The course of enterprises' profits, regarded in isolation, would seem to have been still more unfavourable in 1963 than that of the total gross income from entrepreneurial activity and property, since all available evidence indicates that incomes from monetary and material wealth (which incomes are included in the totals mentioned above) increased by much more than the national income. The earnings of enterprises were especially impaired in 1963 by the shortfalls in turnover and rises in costs entailed by the exceptionally long cold spell in the first months of that year. In addition certain downward cyclical tendencies were also for a time at work. In the further course of the year the increase of demand gradually began to improve the profits of enterprises.

Increase of direct
governmental charges...

In 1963 a growing part of incomes was taken by direct official imposts in the form of taxes and social insurance contributions. Last year the recipients of wages and salaries had to part with 17.3 per cent of their earnings for Wages Tax and contributions to social insurance, as against 16.8 per cent in 1962 and 16.4 per cent in 1961. At 6.7 per cent the rise in net wages and salaries was therefore not so great as that in gross wage and salary incomes, amounting — as already mentioned — to 7.4 per cent. The proportion of income from entrepreneurial activity and wealth taken by public imposts likewise increased; it amounted to 30.5 per cent as compared with 30.1 per cent in 1962 and 28.4 per cent in 1961. Consequently the rise in net income derived from these sources amounted to only 2.3 per cent. The disproportionately great increase of the direct imposts as compared with the growth of gross income was mainly due to the progressive effect produced by the scale of Income Tax applicable to individuals. In the case of enterprises it was also due to the fact that substantial final tax payments had to be made during 1963 in respect of earlier assessment periods when the course of profits had been more favourable.

... but also greater
increase of income
transfers to private
households

Like the deductions from private incomes in the form of direct taxes and social insurance contributions, so the income transfers by public authorities to individuals in the form of social security pension and benefit payments as well as retirement pensions rose faster than the total national income. Such income transfers rose by 7.6 per cent during 1963, mainly owing to the increase in social security pensions together with considerable additional expenditure on bad-

The National Product

Area of the Federal Republic including Berlin (West)

Item	1960	1961	1962 P)	1963 P)	Change against previous year		
					1961	1962P)	1963P)
Billions of DM				per cent			
I. Origin of the National Product*)							
(a) At current prices							
Contributions to gross domestic product							
Agriculture, forestry and fisheries	17.7	17.9	18.1	19.5	+ 1.2	+ 0.6	+ 7.8
Producing industries ¹⁾	158.1	174.7	189.9	198.3	+ 10.5	+ 8.7	+ 4.4
Trade and transport ²⁾	58.5	63.4	69.8	73.7	+ 8.4	+ 10.0	+ 5.6
Services ³⁾	62.4	70.6	77.5	85.7	+ 13.2	+ 9.8	+ 10.5
Gross domestic product	296.6	326.6	355.2	377.1	+ 10.1	+ 8.8	+ 6.2
Net income payments to factors of production due from the rest of the world	+ 0.2	- 0.4	- 0.4	- 0.3	-	-	-
Gross national product at market prices	296.8	326.2	354.8	376.8	+ 9.9	+ 8.8	+ 6.2
(b) At 1954 prices							
Gross national product at market prices id., per gainfully active person, in DM	254.9 (9,712)	268.6 (10,101)	279.8 (10,447)	288.8 (10,744)	+ 5.4 + 4.0	+ 4.2 + 3.4	+ 3.2 + 2.8
II. Distribution of National Income and National Product*)							
at current prices							
(a) Before income re-distribution							
Compensation of employees ⁴⁾	139.8	157.2	173.9	186.7	+ 12.5	+ 10.6	+ 7.4
Income from entrepreneurial activity and property of which:	90.0	94.4	98.3	101.3	+ 4.9	+ 4.1	+ 3.1
Individuals' income from entrepreneurial activity and property	(86.4)	(90.1)	(93.6)	(96.3)	+ 4.3	+ 3.9	+ 2.9
Government income from entrepreneurial activity and property ⁵⁾	(3.6)	(4.3)	(4.7)	(5.0)	+ 18.4	+ 8.6	+ 6.8
Net national product at factor costs (national income)	229.8	251.6	272.1	288.0	+ 9.5	+ 8.2	+ 5.8
plus indirect taxes	42.8	47.5	51.5	51.3	+ 10.8	+ 8.5	+ 5.1
less subsidies	2.1	2.5	2.7		+ 21.3	+ 5.6	
Net national product at market prices plus depreciation	270.6	296.2	321.0	339.3	+ 9.6	+ 8.2	+ 5.7
	26.2	29.7	33.8	37.5	+ 13.0	+ 14.1	+ 10.8
Gross national product at market prices	296.8	326.2	354.8	376.8	+ 9.9	+ 8.8	+ 6.2
(b) After income re-distribution ⁶⁾							
Net compensation of employees	104.6	117.1	129.0	137.7	+ 12.0	+ 10.2	+ 6.7
Net income from social security pensions and benefits and from retirement pensions	36.5	40.0	43.5	46.8	+ 9.5	+ 8.7	+ 7.6
Net income of individuals from entrepreneurial activity and property	64.1	64.4	65.3	66.8	+ 0.3	+ 1.4	+ 2.3
Net income of government	65.3	75.0	83.2	88.0	+ 14.8	+ 10.9	+ 5.8
Net national product at market prices	270.6	296.6	321.0	339.3	+ 9.6	+ 8.2	+ 5.7
III. Appropriation of the National Product*)							
at current prices							
Private consumption	170.0	186.8	203.8	214.9	+ 9.8	+ 9.1	+ 5.4
Government consumption	40.4	46.1	52.9	58.0	+ 14.0	+ 14.9	+ 9.6
Gross investment in fixed assets	70.6	80.7	90.0	94.4	+ 14.3	+ 11.5	+ 4.8
of which:							
Building	(35.0)	(40.1)	(45.5)	(48.7)	+ 14.4	+ 13.5	+ 7.1
Equipment	(35.6)	(40.7)	(44.6)	(45.7)	+ 14.2	+ 9.6	+ 2.6
Inventory changes	+ 8.6	+ 5.9	+ 4.4	+ 4.4	- 31.3	- 25.4	+ 0.0
Net exports of goods and services	+ 7.2	+ 6.8	+ 3.7	+ 5.1	- 5.3	- 45.9	+ 39.0
Gross national product at market prices	296.8	326.2	354.8	376.8	+ 9.9	+ 8.8	+ 6.2
<p>Source: Federal Statistical Office, and calculations of Bundesbank. — *) Details may not add to totals because of rounding. — ¹⁾ Mining and power (including water supply), manufacturing, building. — ²⁾ Including communications. — ³⁾ Credit institutions and insurance business, lease of dwellings, government, other services. — ⁴⁾ Gross wages and salaries including employers' contributions to social insurance funds. — ⁵⁾ After deduction of interest on public debt. — ⁶⁾ Before deduction of transfers to foreign countries. — P) Provisional.</p>							

weather allowance and unemployment benefit, while the remainder of private net incomes increased by 5.2 per cent. Thus the re-distribution of incomes by the government has gained greater importance in respect not only of obligatory payments by individuals to the government in the form of taxes and contributions, but also of payments by the government to individuals in the form of pensions and benefits.

Slowing of the rise in consumption

As has been shown above mass income, that is the total net income from wages, salaries and public income transfers, increased during 1963 faster than total national income. At nearly DM 185 billion it was greater by 6.9 per cent than in 1962. With the inclusion of profit withdrawals by the self-employed, where the rate of increase at 5.8 per cent was equal to that in the national income, the disposable income of private households in 1963 totalled almost DM 238 billion as against DM 223 billion in the previous year. This represented an increase by 6.7 per cent, that is by approximately a quarter or a third less than in 1962 and 1961. As a result of this smaller rise in disposable income, and of the fact that the increase of saving was greater than in the previous year, the growth of private households' consumer expenditure became slower. At DM 215 billion total private consumption in 1963 was 5.4 per cent greater than in the year before, whereas the annual growth had amounted to 9.1 and 9.8 per cent respectively in 1962 and 1961. Thus the slowing of the upward movement was much more strongly marked in private consumption than in all other uses of the gross national product, the increase in these averaging 7.2 per cent in 1963 against 8.3 per cent in the year before. In 1963 private consumption took only 57.0 per cent of the gross national product as compared with 57.4 per cent in 1962. After elimination of the 1963 rise in consumer prices the increase of consumption amounted to only 2.7 per cent as compared with 5.8 per cent in 1962.

Restrained buying of consumer durables

These trends were largely due to the fact that the expenditure on new acquisition of some important consumer durables increased only slightly in 1963. Thus the expenditure on items like furniture, electrical household appliances, radio and television sets hardly increased on the average at all. In the case of clothing and of foodstuffs, beverages and tobacco, too, the rise of expenditure by comparison with 1962 was smaller, at about 4 per cent, than the increase of total private consumption. As against this the expenditure on rents rose considerably; owing to the rises in rents, and the increase in the number of dwellings, about 14 per cent more was spent on them in 1963.

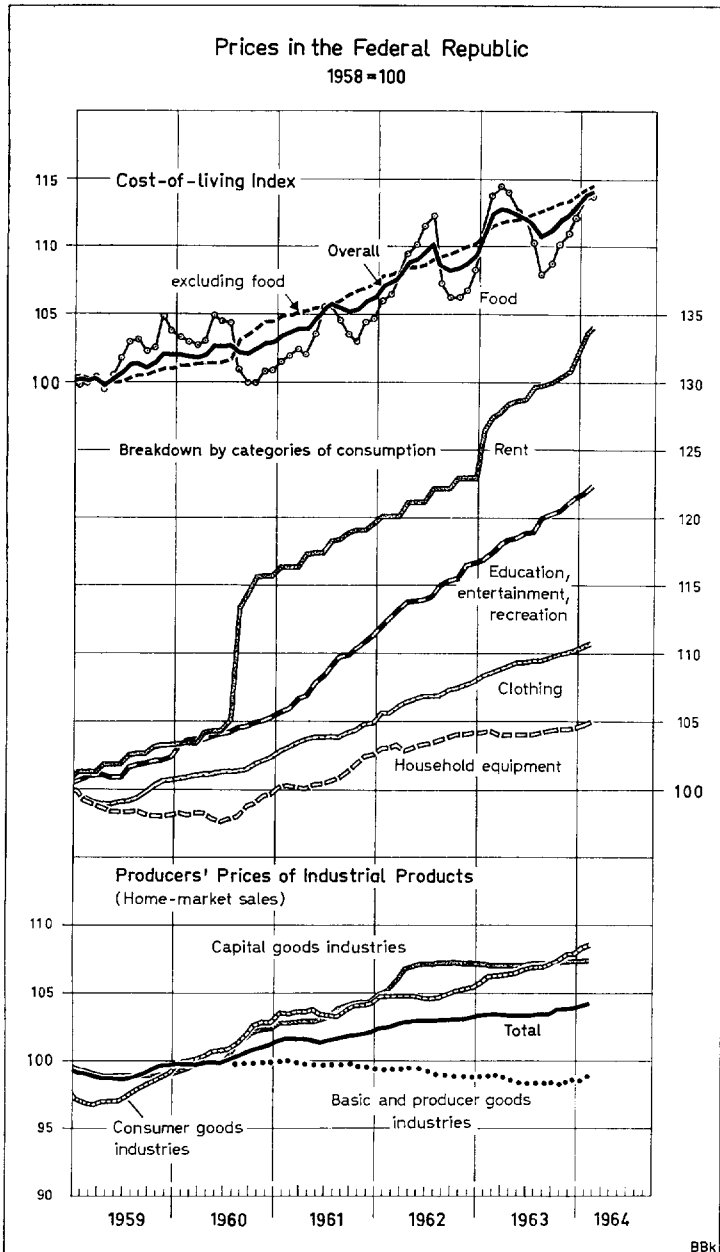
Great increase of the saving ratio

Private saving in 1963 amounted to DM 22.8 billion, which was more than in 1962 by almost DM 3.8 billion or about 20 per cent. The average proportion of private households' disposable income saved was thus 9.6 per cent, against 8.5 per cent in each of the two previous years. Roughly one-quarter of the total growth in private households' income was additionally saved in 1963; this represents a very high "marginal" saving ratio at a level only seldom attained.

7. Prices and Wages

Slower rise of prices

The feature of prices in the Federal Republic, if the year 1963 is considered as a whole, was the slowing of their rise. Calculated as yearly averages, the most important price indices rose less in 1963 than in 1962. Thus the index for producers' prices of industrial products sold within the country rose by only 0.6 per cent as against 1.1 per cent in the previous year. The producer price index for agricultural products went up by 2.4 per cent, against 3.9 per cent in 1962, and the cost-of-living index by 3.1 against 3.5 per cent. On the other hand at 6.0 per cent the 1963 rise in the price index for work on residential buildings was again very considerable, although smaller than that of 8.7 per cent in 1962. On the whole the decrease of the average yearly growth-rates was mainly due to the movement in the first half of 1963, when, partly for seasonal and partly for cyclical reasons, prices — except in the building sector — in many cases were stable or even slightly declined. The latter was the case especially in agriculture, where owing to the abundant crops producers' prices had by August fallen by 3.4 per cent as compared with their seasonal peak in March. The slackening in the case of agricultural producers' prices also affected the cost-



of-living index; this declined by 1.8 per cent between March and August 1963 as a result of falling food prices.

During the third quarter of 1963 the price tendency was reversed in nearly all categories. The change was most clearly evident in farm products. Despite good crops agricultural producers' prices began to rise again, more than seasonally, from September onwards. The chief reason was the shortage of fatstock. The amount of meat produced by commercial slaughtering of German beasts was for example smaller by over 3 per cent in the fourth quarter of 1963 than a year before, but consumer demand continued to rise. Consequently wholesale prices for fat cattle and hogs had risen by December 1963 by about 16 per cent as compared with their level of a year before. One factor here was that because of the shortage prevailing in other countries too it was at first not possible to increase imports appreciably; another was no doubt that, despite reduction of the equalising levies on imports from non-E.E.C. countries, considerable amounts still had to be paid in order to raise import prices

Reversal of the price tendency in the autumn

(which in some cases remained lower than German prices) to the domestic price level. In the case of industrial products also there were again slight price rises at the producer stage, from August 1963 onwards, under the influence of greater ordering. Between the middle and the end of 1963 the index for industrial producers' prices, which best reflects the cyclical price trend, rose by 0.7 per cent after having remained almost unchanged during the first half-year. In part however this rise of the index was due to the increase in price of imported raw materials, especially in the industries concerned with non-ferrous metals, textiles and woodworking. In the case of building prices the rise became noticeably slower during 1963. Between May 1963 and February 1964 the price index for residential building work rose by 1.7 per cent, whereas in the corresponding period of the previous year it had done so by 3.4 per cent.

In connection with consumer prices the differences between cyclical price tendencies did not become so marked during 1963 as at the producer stage. This was largely because governmentally

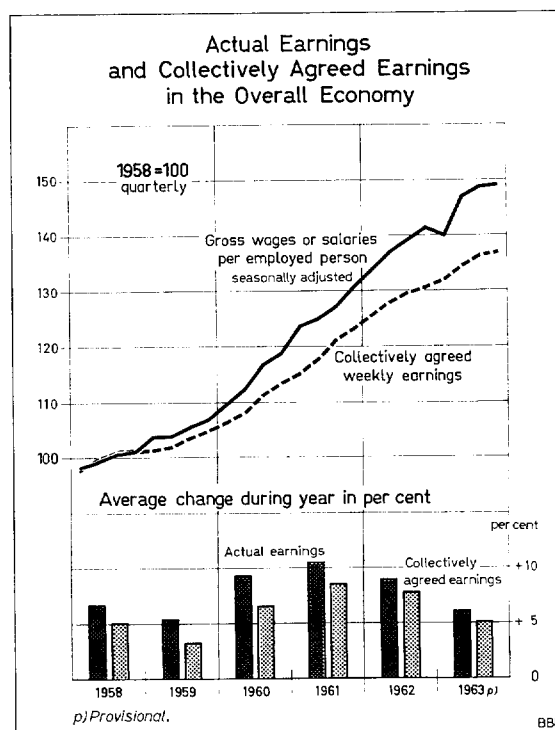
Governmentally influenced price increases at the consumer stage

influenced prices are more important at the stage of consumption than at that of production. Of the total 3.5 per cent rise in the cost-of-living index between December 1962 and December 1963, for example, over one-third represented the increase in the prices of meat and milk alone, that is in prices which at the wholesale stage are either governmentally influenced or are actually fixed by law. Rent increases accounted for a further fifth of the price rise. Altogether the rents for dwellings rose by 7.4 per cent in the course of 1963. The reason lay in the rents for dwellings completed before the currency reform; some of these were raised at the beginning of 1963, while moreover it was possible to raise them towards the end of the year in the “white districts”, where rent control was abolished. As a whole rents for pre-currency reform dwellings were higher in December 1963 by over 11 per cent than a year earlier, while in the case of dwellings completed after the currency reform rents had risen by only just on 3 per cent. Finally, there were also administrative increases of transport charges during 1963. Railway charges were raised in January of that year, and postal charges — so far as they are included in the cost-of-living index — in March, to the extent of roughly 12 per cent in each case, which however was reflected in the overall index by a rise of only 0.2 per cent. Besides these price rises, directly or indirectly influenced by the government, there were also considerable increases in the sphere of services. Altogether the prices for these rose by 5.3 per cent between December 1962 and December 1963 according to the index mentioned. In the same way as in previous years this disproportionate rise was chiefly due to the fact that wage increases in that connection can be cancelled out to only a small extent by advances in productivity; at all events the price rises in that category lagged only slightly behind the general rise in wages.

Slower rise of wages

The rise of wages continued at a slower rate in 1963. Reckoned on a weekly basis, the level of collectively agreed wages and salaries rose on the yearly average by 5.1 per cent in that year against 7.7 per cent in 1962. While the rate of increase dropped to 4.8 per cent in the fourth quarter of 1963, this was due not solely to a general reduction of wage demands but more particularly to the fact that, owing to the longer life of the collective agreements, new agreements were concluded for a much smaller number of employed persons than in the year before. It is true that — according to statistics which however are only to some extent comparable with those for collectively agreed wages — actual earnings rose somewhat faster than those collectively agreed; but even in their case the rise was smaller than in 1962. Gross wages and salaries per employed person rose in the entire economy by 6.1 per cent during 1963 as against 9.0 per cent during 1962. In 1963, like the previous year, the

difference between the collectively agreed and the actual rise of earnings amounted to roughly one point. Despite the slower growth of actual earnings, and the increase in the cost of living, the real income per employed person continued to rise during 1963. With an increase of average gross earnings by 6.1 per cent, and an average rise of consumer prices on the year by 3.1 per cent as measured by the cost-of-living index, the average gross income grew in real terms by 2.9 per cent in 1963. Thus the standard of living continued to improve, while moreover the average number of man-hours worked was again appreciably reduced.



VI. The Balance of Payments *)

1. Principal Trends

In 1963 the Bundesbank's gold and foreign exchange holding again rose, by the relatively large margin of almost DM 2.6 billion, to DM 30.3 billion net, whereas in 1962 it had declined by about DM 550 million and in 1961 by as much as DM 1.9 billion, although this was solely due to large premature debt repayments. The fact that the Federal Republic's balance of payments last year again showed a surplus, after having shown deficits for two years, was due both to a surplus on current items and to growing capital imports.

Renewed rise of the
central monetary
reserves

The balance of current items, in which goods and services as well as transfer payments are combined, showed a surplus of about DM 1 billion in 1963 whereas in the previous year there had been a deficit of DM 2.2 billion. Significant as this change to renewed surpluses on current account is, it must be borne in mind that the surplus achieved last year is far from comparable with those in the earlier period of surplus on the German balance of payments; in fact on the average of the years 1957 to 1960, with much smaller turnovers, surpluses of more than DM 5 billion per annum were shown on current account. Among the causes of the remarkable change which took place in 1963 as compared with 1962 the most important was the course of foreign trade. Owing to a great increase of exports and the fact that imports grew by much less than in the previous year the export surplus rose in the course of 1963 from quarter to quarter, so that for the whole of that year it was above its level of the previous year by DM 3.0 billion. In 1963 moreover, unlike the years from 1954 to 1962, the deficit on services and on transfer payments did not continue to grow.

In 1963, just as in the previous year, there was a surplus on the capital movements statistically recorded in detail; at DM 2.4 billion, however, this was greater than in 1962 by DM 1.4 billion. The reason was that, mainly owing to an exceptionally large increase in foreigners' purchases of German fixed-interest securities, the surplus on long-term capital transactions rose from DM 165 million in 1962 to more than DM 2.1 billion in 1963. On the other hand the afflux of short-term funds declined, because the public authorities' capital payments to foreign countries greatly increased.

Current and capital transactions together yielded a surplus of DM 3.4 billion in 1963. The difference between this amount and the increase by almost DM 2.6 billion in the official monetary reserves caused the so-called residual item in the balance of payments, reflecting statistically unclassifiable transactions, to show a deficit of about DM 840 million as compared with surpluses in most earlier years. The fact that the surpluses on current and capital account calculated for 1963 exceeded the favourable net movement of gold and exchange may have been due to an increase in capital exports such as, in particular, the credits granted by German exporters in connection with the terms of payment; it is also possible, however, that the surplus on current account has been shown unduly high as a result of the revisions¹⁾ made at the end of 1963, a process causing some difficulty as regards the allocating of the newly included transactions to periods.

In the first months of 1964 the balance of payments showed relatively great fluctuations. In January the Bundesbank's monetary reserves declined because the other banks, as usual, replenished their foreign assets, which had considerably declined in the previous month. In February and in the first days of March there again appeared appreciable surpluses which however were largely offset in the further course of March, mainly by capital outflows. At DM 30.3 billion net at the end of March 1964 the Bundesbank's gold and exchange holding was no greater than at the end of December 1963, although current transactions during this period showed a substantial surplus owing to the export surpluses which continued to be very large in the first months of 1964, amount-

*) At the end of 1963 the figures in some important sections of the balance of payments were revised, and the data for earlier years were amended. This explains the differences from the figures published here in previous years. For details see the Monthly Report of the Deutsche Bundesbank, Vol. 16, No. 1, January 1964, page 44.

¹⁾ See the preceding footnote.

The Federal Republic of Germany's Balance of Payments*)

Millions of DM

Item	1957	1958	1959	1960	1961	1962	1963P)	1962		1963 P)	
								1st hf.	2nd hf.	1st hf.	2nd hf.
A. Balance of current items and capital movements											
I. Current items											
(1) Transactions in goods and services											
(a) Goods											
Exports (f.o.b.)	35,831	36,849	41,025	47,849	50,870	52,878	58,324	25,806	27,072	27,445	30,879
Imports (f.o.b.)	28,509	29,380	33,141	39,574	41,207	46,471	48,960	22,894	23,577	23,859	25,101
Merchanting trade: Sales	1,771	1,285	1,886	2,536	2,460	2,580	2,815	1,255	1,325	1,324	1,491
Purchases	1,697	1,249	2,018	2,231	2,325	2,542	2,784	1,354	1,188	1,380	1,404
Net transactions in goods	+ 7,396	+ 7,505	+ 7,752	+ 8,580	+ 9,798	+ 6,445	+ 9,395	+ 2,813	+ 3,632	+ 3,530	+ 5,865
(b) Services											
Receipts	9,240	10,189	10,800	12,031	11,871	13,152	13,766	6,274	6,878	6,447	7,319
among which: Receipts from foreign troops	(2,519)	(3,598)	(3,956)	(4,100)	(3,824)	(4,300)	(4,284)	(2,055)	(2,245)	(2,123)	(2,161)
Expenditure	8,999	9,864	11,407	12,993	15,221	17,809	18,563	7,922	9,887	8,524	10,039
Net services	+ 241	+ 325	- 607	- 962	- 3,350	- 4,657	- 4,797	- 1,648	- 3,009	- 2,077	- 2,720
Net transactions in goods and services	+ 7,637	+ 7,830	+ 7,145	+ 7,618	+ 6,448	+ 1,788	+ 4,598	+ 1,165	+ 623	+ 1,453	+ 3,145
(2) Transfer payments	- 1,832	- 1,850	- 3,013	- 3,008	- 3,679	- 4,005	- 3,600	- 2,086	- 1,919	- 1,992	- 1,608
among which: Indemnification	(- 1,396)	(- 1,405)	(- 1,738)	(- 2,259)	(- 2,745)	(- 2,715)	(- 2,514)	(- 1,597)	(- 1,118)	(- 1,447)	(- 1,067)
Net balance of current items	+ 5,805	+ 5,980	+ 4,132	+ 4,610	+ 2,769	- 2,217	+ 998	- 921	- 1,296	- 539	+ 1,537
II. Capital transactions ¹⁾											
(1) Long-term capital											
(a) German investments abroad (increase: -)											
Private	- 671	- 1,142	- 2,022	- 1,435	- 1,107	- 1,340	- 1,090	- 846	- 494	- 445	- 645
among which: Foreign securities	(- 81)	(- 279)	(- 1,464)	(- 715)	(- 207)	(- 726)	(- 471)	(- 373)	(- 353)	(- 204)	(- 267)
Official	- 321	- 548	- 2,875	- 925	- 1,904	- 889	- 970	- 376	- 513	- 344	- 626
Total	- 992	- 1,690	- 4,897	- 2,360	- 3,011	- 2,229	- 2,060	- 1,222	- 1,007	- 789	- 1,271
(b) Foreigners' investments in the Federal Republic (increase: +)											
Private	+ 910	+ 624	+ 870	+ 2,427	+ 1,958	+ 2,484	+ 4,270	+ 1,228	+ 1,256	+ 2,160	+ 2,110
among which: German securities	(+ 771)	(+ 592)	(+ 469)	(+ 2,073)	(+ 1,745)	(+ 1,522)	(+ 2,859)	(+ 588)	(+ 934)	(+ 1,431)	(+ 1,428)
Official	- 541	- 502	- 1,420	- 314	- 3,217	- 90	- 65	- 45	- 45	- 39	- 26
Total	+ 369	+ 122	- 550	+ 2,113	- 1,259	+ 2,394	+ 4,205	+ 1,183	+ 1,211	+ 2,121	+ 2,084
Net long-term capital	- 623	- 1,568	- 5,447	- 247	- 4,270	+ 165	+ 2,145	- 39	+ 204	+ 1,332	+ 813
among which: Net security transactions	(+ 690)	(+ 313)	(- 995)	(+ 1,358)	(+ 1,538)	(+ 796)	(+ 2,388)	(+ 215)	(+ 581)	(+ 1,227)	(+ 1,161)
(2) Short-term capital											
(a) Private: Changes in the banks' foreign exchange position	- 25	- 734	- 1,035	+ 2,254	- 264	- 147	+ 704	- 2,235	+ 2,088	- 1,443	- 2,147
Other private capital movements	+ 22	- 3	- 158	+ 655	+ 603	+ 419	+ 21	+ 20	+ 149	+ 684	- 663
(b) Official	- 1,810	- 87	+ 398	- 957	- 1,206	+ 594	+ 458	+ 270	+ 614	+ 377	- 835
Net short-term capital	- 1,813	- 824	- 795	+ 1,952	- 867	+ 866	+ 267	- 1,985	+ 2,851	- 382	+ 649
Net total of capital movements	- 2,436	- 2,392	- 6,242	+ 1,705	- 5,137	+ 1,031	+ 2,412	- 2,024	+ 3,055	+ 950	+ 1,462
Net balance of current items and capital movements	+ 3,369	+ 3,588	- 2,110	+ 6,315	- 2,368	- 1,186	+ 3,410	- 2,945	+ 1,759	+ 411	+ 2,999
B. Unidentified difference between movement of gold and exchange and balance of current items and capital movements	+ 1,753	- 400	- 94	+ 1,692	+ 440	+ 634	- 838	+ 1,657	- 1,023	+ 493	- 1,331
C. Movement of gold and exchange (change in Deutsche Bundesbank's net monetary reserves) (increase: +)	+ 5,122	+ 3,188	- 2,204	+ 8,007	- 1,928 ²⁾	- 552	+ 2,572	- 1,288	+ 736	+ 904	+ 1,668
<i>Note:</i> Special capital transactions											
Transactions with International Monetary Fund ³⁾	-	- 271	- 529	- 169	- 1,322	+ 480	- 139	+ 161	+ 319	- 29	- 110
Premature redemption of debt resulting from post-war economic aid	-	-	- 903	-	- 3,125	-	-	-	-	-	-
Bundesbank credit to International Bank for Reconstruction and Development ⁴⁾	-	-	-	- 100	- 880	-	-	-	-	-	-
Total	-	- 271	- 1,432	- 269	- 5,327	+ 480	- 139	+ 161	+ 319	- 29	- 110

*) Cf. balance-of-payments statement on page 147. - ¹⁾ Capital transactions are classified as "Private" or "Official" according to the sector to which the German party engaged in the transaction belongs. - ²⁾ Disregarding decrease by DM 1,419 million in the Deutsche Bundesbank's monetary reserves due to DM revaluation. - ³⁾ The transactions with the International Monetary Fund are recorded partly under long-term capital (subscription payments), and partly under short-term capital (current transactions). - ⁴⁾ Only drawing on the roughly DM 1 billion credit agreed upon in August 1960. - P) Provisional.

ing in January and February alone to DM 1.6 billion. In the field of long-term capital movements and more particularly in security transactions the inflow of funds likewise continued well into March. Towards the end of that month however the announcement of measures designed to impede capital imports led to net sales of German bonds by foreigners. On short-term transactions there was on the other hand a deficit in the first quarter of 1964, chiefly due to the improvement in the foreign exchange position of the banks. Apart from the usual January increase of foreign assets, in March, when the Bundesbank began to facilitate forward exchange rate covering for investments in U.S. Treasury bills, the credit institutions again increased their purchases of foreign money-market paper. Short-term capital transactions of public authorities also caused a net outflow of funds; advance payments for future imports of armaments and payments to the International Monetary Fund in connection with DM drawings were the most important factor here.

2. Balance of Current Items

The turnovers in goods and service transactions with foreign countries rose from DM 135 billion in 1962 to DM 145 billion in 1963, that is by DM 10 billion or 7.2 per cent. Since exports of goods and services (amounting to DM 74.9 billion) grew by 9.2 per cent, that is, much faster than the corresponding imports which at DM 70.3 billion were above the 1962 level by 5.2 per cent, the surplus on goods and services increased to DM 4.6 billion as against DM 1.8 billion a year previously and, it is true, an average of DM 7.3 billion for the years 1957 to 1961. One special reason lay in the course of foreign trade. According to the definition of trade in goods which is usually applied in the balance of payments, and which differs from that used in the official foreign trade statistics chiefly inasmuch as the freight and insurance costs included in the c.i.f. value of imports on crossing the frontier are eliminated and added to the expenditure on services, while the "additional trade items" are included in the foreign trade figures, the export surplus rose in 1963 to DM 9.4 billion¹⁾; it was thus greater by DM 3.0 billion than in the previous year and little smaller than in 1961, when, at DM 9.8 billion, it had reached its highest level to date. It exceeded by DM 3.4 billion the 1963 export surplus of DM 6.0 billion as shown in the official foreign trade statistics. The increase as compared with 1962 was also greater — by DM 0.4 billion — than according to the foreign trade statistics, chiefly because on the recent revision of previously published data one non-recurring transaction in respect of defence was included in the "additional trade items" for 1962, and is now also included in the f.o.b. import figures, with the result that the surplus found for 1962 was subsequently reduced. While therefore the increase of the export surplus on the definition used for the balance of payments is perhaps shown unduly high because of the above-mentioned somewhat uncertain statistical allocations, even according to the foreign trade statistics that surplus did considerably rise because of the great increase in exports. The manifold reasons for this, mostly connected with economic trends in countries particularly significant for the Federal Republic's foreign trade, have already been described in chapters A. I, II and V of this Report, to which readers are referred.

Larger surplus on goods

The increase of the statistically shown export surplus, due to the use of f.o.b. instead of c.i.f. values for imports, leads to corresponding deterioration in the balance of services. With freight and insurance costs on imports included, and after elimination of the "additional trade items", services in 1963 showed a deficit of DM 4.8 billion; without these shifts between trade and services the deficit would have been DM 1.4 billion. At the above-mentioned amount of DM 4.8 billion the deficit was somewhat greater than the previous year's DM 4.7 billion; but the tendencies to a further increase of the deficit on this section of the balance of payments became much weaker than in pre-

Continuing large deficit on services

¹⁾ In the first survey of the 1963 balance of payments, published in the Bundesbank's Monthly Report for January 1964, the trade figures were still based on the official foreign trade statistics because at that time it was not yet possible to calculate — as the Bundesbank does with the aid of detailed estimates — the freight and insurance costs of imports. The "additional trade items" (e.g., merchanting trade) were treated as a service item.

vious years, especially between 1958 and 1962, although the movement of course differed widely as between individual categories. It is for instance noteworthy that at DM 800 million the deficit on *transport*, despite the greater expenditure on conveyance of imports, was smaller by almost DM 100 million than in 1962, this being chiefly due to the rise in freights received by German seaborne shipping. One reason may have been that a growing part of German exports was carried by German ships for foreign account.

On *foreign travel* too, which between 1957 and 1962 had especially contributed towards the deterioration on total services, the deficit did not continue to grow in 1963 but fell to DM 2.1 billion as against DM 2.3 billion in 1962. In 1963, unlike the previous years, the expenditure by German travellers abroad rose little further. The increase amounted in 1963 to only DM 80 million, or 2 per cent, as against DM 1 billion or 30 per cent in 1962. Expenditure in Italy, Austria and Switzerland, the countries long particularly preferred by German tourists, declined even in absolute terms — with some differences as between the individual countries — falling to DM 2.5 billion as compared with DM 2.7 billion in the previous year, while the expenditure on journeys to Spain, Yugoslavia and Greece as well as to the Scandinavian countries continued to rise vigorously. On the other hand the receipts from foreign tourists greatly increased in 1963 after having remained practically stationary for years. They rose by DM 280 million, or 13 per cent, to DM 2.4 billion.

The deficit on *investment income* also declined last year; it amounted to DM 1.26 billion against DM 1.35 billion in the previous year and DM 1.28 billion in 1961. First, the Federal Republic's receipts from its investments abroad — largely from investment of the official monetary reserves — rose last year by DM 60 million. Secondly, there was a certain decrease in the payments of interest and earnings on foreigners' investments in the Federal Republic. Although the decrease was only slight, it is hard to reconcile with the fact that foreigners' investments in the Federal Republic have grown relatively fast during recent years. It looks as though resident enterprises which are wholly or mainly in foreign hands paid out less profits to their foreign participants in 1963 than in the year before. Statistical ascertainment of these payments in particular is, however, extremely difficult; the possibility that the decline may be due to gaps in the recording can therefore not be ruled out.

As against this the transfers of *employees' remuneration* to foreign countries increased in 1963. With social insurance and retirement pensions included they totalled almost DM 2 billion, against DM 1.8 billion in the previous year and DM 1.3 billion in 1961. Of the total amount it is estimated that DM 1.0 billion represented remittances by foreign workers employed in the Federal Republic, DM 260 million the remuneration of other employed persons (for instance "frontier-crossers"), DM 350 million that of self-employed persons and DM 310 million pensions. On the remaining commercial services too the outgoings rose somewhat more than the receipts. Thus rising expenditure on commissions, publicity and trade fairs led to an increase of the deficit in this category by roughly DM 60 million to over DM 1.3 billion net; and on building and assembly work the deficit has likewise slightly risen, in fact to DM 140 million. On the other hand, at fully DM 0.5 billion the deficit on patents and royalties (including film business) remained approximately on the previous year's level.

A considerable offset to the deficits on commercial transactions was again afforded in 1963 by the *receipts in respect of services rendered and deliveries made to foreign military agencies*, these being taken into account in the balance of services. At DM 4.3 billion they were about equal to those in 1962. To compensate for the foreign exchange charges which this entails for the NATO powers concerned, especially the United States, the Federal Republic has for years incurred heavy expenditure abroad for defence purposes — at first mainly in the form of advance payments for arms imports, which payments, however, have led to growing actual imports in the last two years. Altogether in 1963 the Federal Republic's payments — they are recorded partly among current and partly among capital items — were in fact for the first time greater than the receipts due to the presence of foreign troops.

On unilateral transfer payments the deficit for 1963 was DM 3.6 billion against DM 4.0 billion in the previous year. One reason for the decline was that in 1963, unlike earlier years, the Federal Republic needed to provide nothing for the Development Fund of the European Economic Community. Another was the decrease of indemnification payments to individuals; these continue to form the main part of total transfer payments. At DM 2 billion in 1963 they were smaller by some DM 250 million than in the year before, the reason being that the claims to capital compensation have been largely met. Among the other indemnification payments those resulting from the "overall agreements" concluded with a number of European countries and some international organisations increased by about DM 50 million to DM 275 million. The payments under the indemnification agreement with Israel, at DM 250 million, were not much smaller. The rest of the transfer payments out of public funds (mainly contributions towards the costs of administering international organisations) amounted to DM 580 million in 1963; private transfer payments somewhat exceeded DM 600 million.

Smaller deficit on transfer payments

3. Capital Transactions with Foreign Countries

Capital transactions in 1963 showed a surplus (that is a net capital import) of DM 2.4 billion against DM 1.0 billion in the preceding year and a deficit of DM 5.1 billion in 1961; this last, however, had been due exclusively to special transactions such as anticipated debt repayments, credits granted by the Bundesbank to the International Bank for Reconstruction and Development, and extensive DM payments to the International Monetary Fund.

Increased capital influx

On long-term capital transactions the tendencies to greater surplus were actually somewhat more marked than on total capital transactions. The surplus on long-term capital rose from DM 165 million in 1962 to DM 2.1 billion in 1963. The increase of foreigners' investments in the Federal Republic amounted to DM 4.2 billion, being thus greater than in all previous years, whereas the rise of long-term German investments abroad became somewhat slower, at something over DM 2 billion against DM 2.2 billion in 1962.

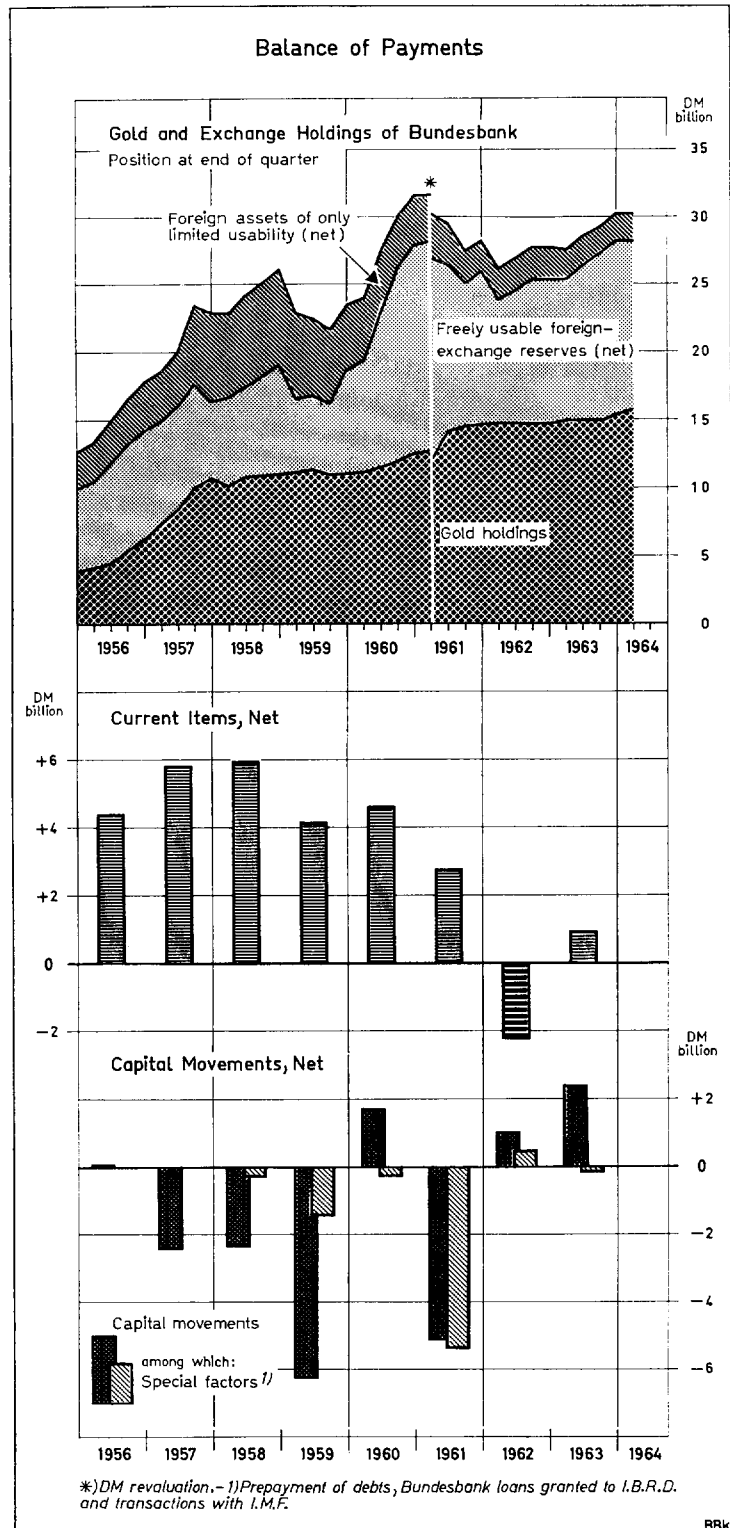
Foreigners' long-term investments in the Federal Republic

The most important factor in the afflux of long-term foreign capital was the *acquisition of securities by foreigners*. Against nearly DM 4.8 billion of purchases there were DM 1.9 billion of sales, so that foreign investors in 1963 increased their holding of German shares and fixed-interest securities by almost DM 2.9 billion net as against DM 1.5 billion in the previous year. While there was little change (at DM 870 million against DM 800 million for 1962) in net purchases of German shares, largely in the nature of direct participations, the net purchases of fixed-interest securities rose from about DM 720 million in 1962 to DM 2 billion in 1963. In particular there was an increase in the net buying of public authorities' bonds. Such buying amounted to more than DM 1.3 billion against about DM 460 million in the year before. This was equal to roughly 40 per cent of the net security sales effected in the same period by public authorities, especially the Federal Government and Federal Special Funds. Foreign holdings of private German fixed-interest securities rose by DM 700 million in 1963, against about DM 320 million in 1962 and some DM 260 million in 1961. One factor here was that during 1963 German industrial companies offered for subscription in Switzerland loans totalling Sw. fr. 210 million (or DM 194 million) against Sw. fr. 130 million (DM 117 million) in the previous year. The causes which gave rise to the growing foreign demand for German fixed-interest securities have already been discussed in chapters A. I and II. Here some data may be added concerning the regional spread of security transactions, although it should be noted that the reports available to us provide information only about the countries from which the orders came, but do not show whether the purchases were effected for nationals of those countries or for others. This must be borne in mind especially in the case of Switzerland, which accounted for more than half the foreign buying of securities. Swiss purchases amounted to almost DM 1.6 billion net in 1963, against DM 0.6 billion in each of the two preceding years; in the case of fixed-interest securities alone the Swiss net purchases grew by about

DM 800 million to nearly DM 1.2 billion. The E.E.C. countries' security purchases, which amounted in 1962 to not quite DM 500 million net, rose last year to more than DM 900 million, of which Belgium-Luxembourg accounted for about DM 480 million and the Netherlands for DM 250 million. On the other hand direct buying of German securities by investors in the United States, which had been very brisk during the years from 1960 to 1962 in particular, was insignificant in 1963 at DM 40 million.

The amount of *long-term credits and loans obtained* abroad by German firms also continued to rise vigorously in 1963. After having already increased in 1962 to about DM 580 million, against DM 100 million in the previous year, such borrowing amounted in 1963 to something over DM 1 billion. On the other hand there was little change in the amount of funds procured through sale to foreign countries of interests not embodied in securities. In 1963, like the previous year, about DM 500 million accrued through such transactions. The *official payments* taken into account in ascertaining the movement of foreigners' investments in the Federal Republic — mostly redemptions under the London Debt Agreements — were only small in 1963, whereas in earlier years, especially 1959 and 1961, they had as a result of premature debt repayments at times outweighed the capital afflux in the private sector.

In the first months of 1964 the imports of capital continued. They amounted in January and February to DM 600 million, of which foreigners' security purchases accounted for over DM 500 million. In that connection the taking of public authorities' bonds remained prominent at



DM 240 million. When this report went to press, no detailed information was yet available on the effect of the measures which were initiated in March with a view to impeding long-term capital imports.

The Federal Republic's long-term capital exports were smaller in 1963 than in the preceding years. DM 3.4 billion of new investments had against them DM 1.4 billion of liquidations, so that total private and public foreign investments increased on balance by about DM 2 billion, against DM 2.2 billion in 1962 and DM 3.0 billion in 1961. The slowing in the rate of growth was due to changes in *private* transactions, especially those in foreign securities. On acquiring foreign shares and fixed-interest securities DM 470 million net was spent in 1963, against about DM 730 million in the previous year, when however the amount of security purchases had been particularly great owing to certain special transactions. Of the 1963 total amount DM 250 million comprised shares and investment fund certificates, while DM 220 million represented fixed-interest securities, including DM 100 million as subscriptions to a loan for the municipal authorities of Osaka in Japan and DM 60 million through the placing of a loan for the European Investment Bank. Private capital exports through the granting of credits and loans, the acquiring of real properties abroad and the taking of participations not in security form amounted, much as in the previous year, to about DM 600 million. Owing to the issue of some foreign loans on the German capital market there was a certain rise in the net purchases of foreign securities by residents at the beginning of 1964.

*Long-term German
investments abroad*

Contrary to the domestic private sector's transactions, the *capital exports by public authorities* arising not from repayment of external liabilities but from the granting of credit to foreign countries increased somewhat in 1963. With the inclusion of the Reconstruction Loan Corporation's financial assistance they amounted to almost one billion DM, against roughly DM 900 million in the previous year and DM 1.9 billion in 1961, when however the official exports had been particularly large owing to a special credit granted by the Bundesbank to the I.B.R.D. The largest item was once again the bilateral financial aid to developing countries. Among the receiving countries India, Pakistan, Liberia and Turkey may be specially mentioned. These loans, however, represent only part of the total development assistance provided by the Federal Republic. Such assistance also includes so-called multilateral aid (that is payments to the international organisations concerned with financing development projects) as well as expenditure on technical assistance and certain private capital contributions, chiefly in the form of direct investments and long-term export credits.

The surplus on statistically recorded short-term capital transactions, unlike that on long-term capital movements, decreased last year, although only because in respect of public authorities' transactions the 1962 capital imports were replaced by a substantial export of capital.

*Short-term capital
transactions*

The official payments made to foreign countries in 1963 were greater by about DM 460 million than the simultaneous capital imports, whereas in the previous year the latter had predominated. The change was in great part due to transactions with the International Monetary Fund. Whereas in 1962 owing to extensive repayments by some I.M.F. member countries the Federal Republic had on balance received DM 480 million, last year it had to pay in DM 139 million net because of DM drawings. Altogether at the end of 1963 the I.M.F. still had available for loans to its member countries out of the German membership quota DM 942 million (that is 30 per cent of the German quota totalling DM 3,150 million). By the end of March 1964 this remaining amount had been reduced to some DM 570 million as a result of DM drawings in February and March. In special cases the I.M.F. can of course also resort to the "General Arrangements to Borrow", which were concluded in 1962 by the ten most important industrial countries to provide for I.M.F. assistance to any one of the ten when such assistance is required in major currency crises. In that connection the Bundesbank undertook to make available to the I.M.F. funds up to DM 4 billion, on specified terms, outside the German quota.

*Transactions of public
authorities*

In the *private* sector, on the other hand, the accruals of funds rose from DM 270 million in 1962 to something over DM 700 million. To that extent the "foreign exchange position" of the credit

*Foreign exchange
position of the banks
other than Bundesbank*

institutions deteriorated in 1963. Whereas the banks greatly increased their short-term foreign assets early in 1963, as they do at the beginning of every year, and maintained that level with relatively slight changes until the autumn despite considerable temporary fluctuations in their liquidity, in November and more particularly in December there were the usual seasonal repatriations due to window-dressing. Even so at the end of 1963 the total short-term foreign assets, at DM 4.2 billion, were more than DM 100 million above their level of 31 December 1962; they were also greater than at the end of any previous year. The increase during 1963 was exclusively due to the banks' "money exports", that is to an increase of their balances at foreign banks and of their investments in foreign money-market paper, while their granting of credit to foreigners decreased. The slight increase of the banks' total foreign assets was, however, far outweighed by changes on the liabilities side of their foreign position. During 1963 their liabilities in respect of foreigners' deposits and of borrowings abroad rose by DM 800 million, with some fluctuations, to DM 7.0 billion. If the DM 4.2 billion of foreign assets are deducted, the banks at the end of 1963 showed net liabilities of DM 2.8 billion, that is about DM 700 million more than at the end of 1962. In the first months of 1964 the proportion between foreign assets and liabilities again improved, as it usually does at this time of the year. At the 90 banks reporting weekly on their foreign position the net liabilities had up till the end of March decreased by DM 2.2 billion to approximately DM 250 million. The picture would probably be similar for the banks as a whole; at the time when this Report went to press, however, precise data were not yet available.

*Financial borrowing
and lending by
trade and industry*

According to the presumably not fully complete information available to us, the short-term foreign position of the non-bank sector, unlike that of the credit institutions, did not greatly alter last year. This applies at least to the credits granted and obtained by German firms direct, that is without the interposition of German banks. At the beginning of 1963 the liabilities on financial borrowings at first greatly rose, reaching more than DM 3 billion. In the summer and more particularly in the autumn such liabilities were reduced, so that at DM 2.3 billion at the end of 1963 they were only a little greater than at the beginning of the year. At roughly DM 500 million the assets of resident firms resulting from their granting of credit, including their credit balances at foreign banks, remained approximately the same. Altogether there were accordingly no significant changes in that field during 1963, regarded as a whole, whereas funds had accrued to the net extent of DM 470 million in 1962 and of DM 620 million in 1961.

The Deutsche Bundesbank's Cooperation in Bank Supervision

In 1963 the Laws concerning Mortgage and Ship Mortgage Banks as well as Mortgage Bonds and Similar Bonds of Public-law Credit Institutions were amended, supplemented, and revised. According to the announcement by the Federal Minister of Justice the following are now valid: the Mortgage Bank Law in the version of 5 February 1963 (Federal Law Gazette I, page 81), the Law on Ship Mortgage Banks (Ship Mortgage Bank Law) in the version of 8 May 1963 (Federal Law Gazette I, page 301),

Advice on amendment of the Laws concerning real-estate credit institutions

and according to the announcement by the Federal Minister of Economics

the Law on Mortgage Bonds and Similar Bonds of Public-law Credit Institutions in the version of 8 May 1963 (Federal Law Gazette I, page 312).

The Deutsche Bundesbank cooperated with advice in the amendment of these Laws.

In the implementing of the Banking Law of 10 July 1961 — KWG — (Federal Law Gazette I, page 881), which came into force on 1 January 1962, the Deutsche Bundesbank in 1963 again cooperated closely with the Federal Banking Supervisory Office (as to this see also the Monthly Report of the Deutsche Bundesbank for August 1961, page 3 and following pages, and its Report for the Year 1962, page 94 and following pages).

Close cooperation with the Federal Banking Supervisory Office

As regards the Federal Banking Supervisory Office's ruling decisions, mention may for instance be made of the Deutsche Bundesbank's cooperation in the further regulations made with a view to defining more exactly the concept of liable funds within the meaning of Article 10, KWG. After hearing the Deutsche Bundesbank's view in accordance with Article 10, paragraph 2, item 3, KWG, the Federal Banking Supervisory Office issued

the Order as to Fixing an Additional Amount for Calculating the Liable Funds of Credit Institutions in the Form of Registered Cooperative Societies (Additional Amount Order) of 6 December 1963 (Federal Law Gazette I, page 871),

Additional Amount Order

and, after close consultation with the Bundesbank, laid down in its

Notice No. 1/1963 of 29 June 1963 the procedure for recognition as liable funds pursuant to Article 10, paragraph 4, last sentence, KWG, of any proved private assets held by the proprietor or a personally liable partner of a credit institution.

Recognition of proprietors' private assets

The Deutsche Bundesbank is particularly interested in these decisions by the Federal Banking Supervisory Office because the definition of liable funds significantly affects the determination of a credit institution's rediscount quota.

Judging by the experience gained since 1 April 1962, when the Federal Banking Supervisory Office's Principles established in agreement with the Deutsche Bundesbank pursuant to Articles 10 and 11, KWG, concerning the adequacy of credit institutions' capital resources and liquidity were applied for the first time, it appears desirable to modify Principle I in certain points. The Federal Banking Supervisory Office and the Deutsche Bundesbank intend in future to include in that Principle the long-term credits, not covered by the existing Principle I, which are granted to business enterprises, individuals and credit institutions, and 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, items 1 and 4, KWG, or against corresponding charges on ships; but in view of the fact that the risk on them is smaller than on other credits it is intended to count them to the extent of only one-half. This is also designed to allow for the fact that — contrary to the arrangement in the Mortgage Bank Law — in the revised version of the Law on Mortgage Bonds and Similar Bonds of Public-law Credit Institutions, in view of the differing structures and varied business activities of these institutions, no limit has been laid down for the circulation of bonds. In fact, it was expressly left to the Federal Banking Supervisory Office, in agreement with the Deutsche Bundesbank, to make an appropriate regulation for these credit institutions pursuant to Article 10, KWG. It is moreover intended to extend the validity of Principle I so as to include

Principles concerning capital resources and liquidity

the instalment credit institutions, to which the principles established pursuant to Articles 10 and 11, KWG, have so far not applied. No decision has yet been reached, however, on these matters.

Accordingly the "Principles" remain valid in the following version, published by the Federal Banking Supervisory Office through Notice No. 1/62 of 8 March 1962 (as to this see also the Monthly Report of the Deutsche Bundesbank for March 1962, page 3 and following pages, and its Report for the Year 1962, page 96 and following pages):

Principles Concerning the Capital Resources and Liquidity of Credit Institutions

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 46, 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 per cent of the savings deposits,
- 10 per cent 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 per cent 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 per cent 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 per cent of the sight and time deposits of non-banks,
 - 35 per cent of the sight and time deposits of credit institutions,
 - 20 per cent of the savings deposits,
 - 35 per cent 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 per cent of customers' availments of credits opened at credit institutions abroad,
 - 80 per cent 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.

In addition, after full consultations between the Federal Banking Supervisory Office and the Deutsche Bundesbank,

Draft of the
Interest Rates Order

the draft of an Order pursuant to Article 23, KWG, concerning the terms on which credits may be granted and deposits taken by credit institutions (Interest Rates Order) has been completed and was sent by the Federal Banking Supervisory Office at mid-March 1964 to the associations representing the credit institutions and to the German Federal Postal Administration for an expression of their views.

In connection with the current supervision of credit institutions the Land Central Banks, using their close network of branches, have processed about 55,000 individual reports pursuant to Article 13, paragraph 1, sentences 1 and 2, KWG, as well as about 27,000 large credit commitments contained in compilations pursuant to Article 13, paragraph 1, sentence 4, KWG, and some 45,000 monthly returns pursuant to Article 25, KWG. So far as the Federal Banking Supervisory Office had not waived their transmission these reports and returns were in each case transmitted to the Office with a statement of view. The Office uses this material, as well as the information obtained on the basis of its own data and personal contacts regarding the position of individual credit institutions, in its decisions concerning any measures of bank supervision that may be required. In addition the Land Central Banks processed about 3,500 reports on important changes at individual credit institutions pursuant to Article 24 as well as some 9,500 annual statements pursuant to Article 26, KWG. On the basis of approximately 180,000 reports rendered pursuant to Article 14, paragraph 1, KWG, the recording centre at the Deutsche Bundesbank (Directorate) ascertained the indebtedness of borrowers who had taken credits amounting to or exceeding DM 1 million at two or more institutions, and in each case informed the lending institutions about the amount of their borrowers' combined indebtedness to the various lenders and about the number of those lenders.

Cooperation in
current supervision
of banks

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 87, “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 (latest decision of 19 March 1964; cf. page 87, “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 limits of a rediscount line accorded to the Ausfuhrkredit-AG (decisions of 5/6 March 1952 and 5 May 1960). Since the beginning of 1963 the rediscount line, known as Limit B of the Ausfuhrkredit-AG, has amounted to DM 300 million (decision of 5 May 1960).

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 dispatch 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

Foreign currency bills

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 Claims¹⁾, in so far and so long as is necessary for maintaining the solvency of the pledger (Article 24 paragraph 1 of the Law concerning the Deutsche Bundesbank).

2. Rediscount Quotas for Credit Institutions

The extent of 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

¹⁾ According to the decision taken by the Federal Constitutional Court on 16 June 1959 the Law on the Redemption of Equalisation Claims of 14 June 1956 (Federal Law Gazette I, 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.

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. 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 year under report the Deutsche Bundesbank's Order on Minimum Reserves was amended only once when the Central Bank Council, by decision of 21 March 1963, 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).

With effect from 1 April 1964 the Central Bank Council, by decision of 19 March 1964, raised the reserve ratios according to which minimum reserves are to be maintained in respect of reserve-carrying liabilities to non-residents (Article 4 paragraph 1 item 4 of the Foreign Trade and Payments Law) to the maximum ratios permitted by law (sight liabilities: 30 per cent; time liabilities: 20 per cent; savings deposits: 10 per cent).

The version of the Order on Minimum Reserves as at present in force is reproduced below.

The Deutsche Bundesbank's Order on Minimum Reserves

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:

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, 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 or 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 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 ¹⁾²⁾	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 1/4	
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.

¹⁾ This is also the rate for cash advances. — ²⁾ Until May 1956 lower rates as well applied to foreign bills and export drafts; fixed special rates were charged for certain credits which had been granted to the Reconstruction Loan Corporation and which ran out at the end of 1958 (for details see footnotes to the table published in the Report for the Year 1961, page 91; cf. also page 16 in the off-print "The Deutsche Bundesbank's Credit and Foreign Exchange Policy Regulations at Present in Force — Position: May 1962").

II. Foreign Exchange Policy Regulations

No new foreign exchange policy arrangements were made in 1963. The restrictions contained in Article 52 of the Foreign Trade and Payments Order concerning the sale of domestic money-market paper to non-residents, and the sale of domestic fixed-interest securities to non-residents by way of "en pension" security transactions, remained in force. The same applies to the regulation, laid down in Article 53 of the Foreign Trade and Payments Order, providing that the payment of interest on non-residents' credit balances other than individuals' savings balances requires a permit. As before, no permits have been granted for payment of interest on sight deposits.

Foreign trade
and payments

In May 1962 the credit institutions had been granted the facility of obtaining permits allowing payment of interest on time deposits of non-residents up to specified maximum rates. This facility was discontinued, until further notice, in March 1964. Interest may only be paid on the existing time deposits until their due dates or until expiry of the first term of notice. It is only for the payment of interest on balances held by non-resident customers as cover for letters of credit that permits are still granted on application.

For the rest reference is made to the "Comparative Survey of the Progressive Liberalisation of Trade in Goods and the Main Items of Services and Capital Transactions with Foreign Countries" printed on the following pages.

In interzonal clearing transactions with the Deutsche Notenbank, Berlin, the total swing allowed was again DM 200 million. The annual turnovers in these clearing transactions, and the state of the clearing accounts on 31 December 1963, are indicated in Part B (Annual Statement — Assets — Other claims).

Interzonal transactions

The accounting settlement on 30 June of each year, for which provision is made in Article IX, item 3 of the Interzonal Trade Agreement, was carried out for the first time in 1963.

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

	Position at end of 1949	Position at end of 1956	Position in July 1958	Position in April 1964
A. Trade in Goods				
Liberalisation of the import of goods				
I. from O.E.E.C. countries (in p.c. of 1949 imports)	47 per cent ¹⁾	92.4 per cent ¹⁾	94.0 per cent ¹⁾	*)
II. from dollar countries (in p.c. of 1953 imports)	—	92.9 per cent ¹⁾	95.0 per cent ¹⁾	
B. Services				
I. Transfer in respect of incidental expenses and services directly resulting from trade (e.g. freight and insurance)	transport costs free, otherwise Special Licence	free	free	free
II. Transfer in respect of incidental expenses and services indirectly resulting from trade				
(1) Commissions	Special Licence	free	free	free
(2) Expenses on commercial agency reports and publicity	free	free	free	free
(3) Licence fees (current and non-recurring)	Special Licence	free up to DM 50,000 per quarter, or DM 300,000 once	free	free
III. Insurance (for transport insurance see B. I)				
(1) Property insurance contracts	not permitted	free (with certain exceptions)	free (with certain exceptions)	free (with certain exceptions)
(2) Life assurance contracts				
(a) between residents and foreign life assurance companies	not permitted	not permitted	Special Licence	free
(b) between non-residents and German life assurance companies	not permitted	free on DM basis	free on DM basis	free
(c) between residents and German life assurance companies, in foreign currency	not permitted	not permitted	not permitted	free
(3) Active and passive reinsurance and further reinsurance — in any currency — conclusion and performance	Special Licence	free	free	free
IV. Transfer of employees' compensation (wages and salaries, social security 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 (ab) foreign payment media	free up to DM 40 free	free free	free free	free free
(b) by foreigners (ba) national payment media (bb) foreign payment media	free up to DM 40 free	free free	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 natural persons	to Blocked DM Account under Special Licence	free up to DM 300 per month	free	free
(4) Legal and contractual maintenance payments	to Blocked DM Account under Special Licence	free up to DM 3,000 per month	free	free
(5) Loans to relatives abroad	not permitted	Special Licence	free	free
(6) Winnings from governmentally approved gaming (lotteries, totalisator, etc.)	to Blocked DM Account under Special Licence	free in currency of limited convertibility; otherwise Special Licence	free	free
(7) Prizes, e. g. art. literature or sport prizes and prizes in connection with public and other competitions	to Blocked DM Account under Special Licence	free up to DM 50,000	free	free
(8) Fines and penalties; compensation on the ground of tortious act, of average and on other non-contractual grounds of liability; unjustified enrichment	to Blocked DM Account under Special Licence	free	free	free
(9) Taxes and public imposts	to Blocked DM Account under Special Licence	Special Licence	free	free
(10) Individual indemnification	to Blocked DM Account	free in currency of limited convertibility; otherwise Special Licence	free	free

¹⁾ Excluding governmental imports. — ²⁾ 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 April 1964
C. Capital Transactions				
I. Income from foreign-owned investments in the Federal Republic and proceeds 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 4½%; otherwise Special Licence	free against freely convertible currency; otherwise Special Licence	free
Loans in foreign currency running for not less than 5 years	not permitted	Special Licence	Special Licence	free
Loans running for less than 5 years	not permitted	Special Licence	Special Licence	free
(d) Participations	not permitted	free out of Liberalised Capital Accounts up to DM 500,000; otherwise Special Licence	free	free
(e) Real estate	not permitted	free out of Liberalised Capital Accounts	free	free
(2) German investments abroad				
(a) Enterprises, branch establishments and participations	not permitted	free up to DM 3 million for German enterprises	free	free
(b) Acquisition of foreign securities	not permitted	free (marketable securities only)	free (marketable securities only)	free
(c) Acquisition of real estate	not permitted	Special Licence	free	free
V. Import and export of foreign-owned securities	not permitted	free	free	free
VI. Import of gold coin and dealings therein in the Federal Republic	not permitted	free	free	free
D. Special Official Deliveries and Payments				
(1) Israel Agreement	Agreement not yet concluded	deliveries and payments according to Agreement	deliveries and payments according to Agreement	deliveries and payments according to Agreement
(2) Federal Indemnification Law	Law not yet promulgated	free	free	free
(3) Federal Restitution Law	Law not yet promulgated	Law not yet promulgated	free	free
(4) War Consequences Law	Law not yet promulgated	Law not yet promulgated	free	free
E. Keeping of Accounts				
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 natural persons and on cover for letters of credit)
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 1963

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.

Changes in con-
nection with staff

By decisions of 11 October 1962 and 10 January 1963 the Central Bank Council with the Federal Government's assent amended the Regulations concerning the Training and Careers of Deutsche Bundesbank Officials. The amendments came into force on 1 March 1963; they were published in Federal Advertiser No. 54 of 19 March 1963. For the salaried employees and wage-earners the Bank has concluded a number of collective agreements, through which their legal positions were in each case assimilated to those of the Federal Government's salaried employees and wage-earning workers.

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 Bank's weekly return. The Asset Item 11, "Securities", has been supplemented as compared with last year by adding, in the text column, the sub-item "among which, Bundesbank Enjoyment Right Certificates having a par value of DM"

The classification of the Profit and Loss Account has remained unchanged by comparison with 1962.

Valuation

In the same way as in previous years the provisions of the Companies Act (Aktengesetz) 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 1963, the Bank's claim to allocation of Equalisation Claims has risen by DM 860,532.12 to DM 8,103,466,861.86; the claim on the Federal Government arising from the non-interest-bearing debt certificate issued in connection with the currency conversion in Berlin decreased by DM 90.12 during the year under report to DM 547,167,616.60.

Annual Statement

The Annual Statement for 1963, which is attached as Appendix 2, will be explained as usual in the order of the items in the Balance Sheet and Profit and Loss Account. At the same time a report is rendered on the Bank's activity during 1963.

Balance Sheet

Comparison of Balance Sheet Results

Millions of DM

Assets	31 December			Liabilities	31 December		
	1961	1962	1963		1961	1962	1963
Gold	14,426.6	14,490.1	15,137.7	Capital	290.0	290.0	290.0
Balances at foreign banks and money-market investments abroad	11,386.8	10,929.1	12,894.4	Reserves	588.0	638.0	700.8
Foreign notes and coin, foreign bills and cheques	291.7	329.1	417.2	Reserves for specific purposes	949.7	1,075.6	1,260.4
German divisional coin	57.2	44.8	81.1	Bank notes in circulation	22,991.7	24,146.6	25,426.6
Postal cheque account balances	281.1	545.8	376.2	Deposits of			
Domestic bills of exchange	1,146.1	1,967.4	1,646.7	credit institutions	11,615.0	12,232.3	13,607.0
Treasury bills and non-interest-bearing Treasury bonds of Federal Government and Federal Special Funds	—	—	125.1	Federal Government	79.1	40.6	93.4
Advances against securities	219.7	157.7	207.7	Federal Special Funds	991.8	634.7	1,161.4
Cash advances	167.5	739.1	1,749.3	Länder	3,625.1	3,553.7	2,837.9
Other claims	98.6	91.3	70.4	other public depositors	37.0	55.2	33.9
Securities	1,483.7	1,368.9	1,221.7	other German depositors	252.4	278.8	272.8
Equalisation claims on public authorities and debt certificate in respect of Berlin	3,431.8	4,957.8	3,989.9	Liabilities in respect of foreign business	367.7	374.4	269.9
Credits to Federal Government for participation in international institutions	2,635.7	2,155.7	2,294.2	Items in course of settlement	—	302.8	—
Claims on Federal Government in respect of acquired claims resulting from post-war economic aid	2,512.8	2,512.8	2,512.8	Other liabilities	111.5	133.8	123.5
alteration of exchange parity	1,265.0	1,190.2	1,082.5	Net profit	180.8	226.4	269.9
Loans to international institutions and consolidation loans	2,442.4	2,289.4	2,121.8				
Items in course of settlement	6.2	—	153.1				
Other assets	226.9	213.7	265.7				
Total	42,079.8	43,982.9	46,347.5	Total	42,079.8	43,982.9	46,347.5

The Balance Sheet total as at 31 December 1963 has risen by DM 2,364.6 million, as compared with the end of 1962, to DM 46,347.5 million.

Balance Sheet total

Assets

The gold holding, at DM 15,137.7 million on 31 December 1963, is shown higher by DM 647.6 million than on 31 December 1962.

Gold

The balances at foreign banks and the money-market investments abroad amounted to DM 12,894.4 million on 31 December 1963 (against DM 10,929.1 million on 31 December 1962).

Balances at foreign banks and money-market investments abroad
Foreign exchange dealings

The Bank's turnover in foreign exchange spot dealings amounted in the year under report to DM 11,824.6 million, against DM 6,551.9 million in 1962; the number of deals rose from 6,154 in the previous year to 7,640. They comprised

	1962		1963	
	Number	DM million	Number	DM million
Purchases	1,936	2,218.1	3,483	7,281.3
Sales	4,218	4,333.8	4,157	4,543.3
	6,154	6,551.9	7,640	11,824.6

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

U.S. dollar swap transactions with domestic credit institutions to assist the employment of money abroad were concluded, during the year under report, only in the first days of January. With effect from 7 January 1963 the Bank raised by $\frac{1}{4}\%$ per annum (to 1% per annum on bargains

running for more than one month up to two months, and to $\frac{3}{4}\%$ per annum on bargains running for more than two up to six months) the discount last charged on forward repurchase of the U.S. dollars sold spot; after that date no further bargains were concluded. The highest level of the commitment was reached on 7 January 1963 at U.S. \$ 100.9 million (the commitment at the end of December 1962 having been U.S. \$ 32.2 million). The liquidation was spread over several months; the last transaction was liquidated on 14 May 1963.

Foreign payments The payment orders to and from foreign countries processed by the Bank have been as follows:

	1961	1962 Number	1963
Orders for payment to foreign countries			
in foreign currency	186,367	233,870	257,859
in DM	130,678	220,718	255,431
	<u>317,045</u>	<u>454,588</u>	<u>513,290</u>
Orders for payment from foreign countries			
in foreign currency	20,701	17,772	16,596
in DM	212,321	228,947	165,613
	<u>233,022</u>	<u>246,719</u>	<u>182,209</u>
Total processed orders for payment to and from foreign countries	550,067	701,307	695,499.
Of the orders for payment in foreign currency the amount executed by the debit of German credit institutions' U.S. \$ accounts			
kept at the Bank was	3,905	3,042	2,243
and to the credit of such accounts	3,760	1,772	1,142
	<u>7,665</u>	<u>4,814</u>	<u>3,385.</u>
The number of transfers between such accounts was	48,685	53,808	55,747.

The number of orders for payment from foreign countries declined after the Greek Government had authorised the Greek commercial banks, with effect from 1 April 1963, to enter into accounting relations with credit institutions in the Federal Republic of Germany. Since that time the payment transactions with Greece have been handled almost exclusively through credit institutions. The consequent decrease in the number of orders for payment to foreign countries was outweighed by the further growth of payment orders to other countries.

Trade and other economic agreements

During the year under report the Bank assisted in the conclusion of trade and other economic agreements with 16 countries, including five investment promotion agreements.

Foreign notes and coin, foreign bills and cheques

At DM 4.6 million the holding of foreign notes and coin at the end of 1963 was greater by DM 0.9 million than on 31 December 1962. During the year under review the Deutsche Bundesbank effected 33,390 purchases of foreign notes and coin (against 33,908 in 1962) and 15,032 sales of foreign notes and coin (against 14,317 in 1962).

Purchase and sale of foreign notes and coin

At the close of 1963 the holding of foreign bills arising from purchase within the country was DM 411.2 million as compared with DM 323.5 million on 31 December 1962.

Purchase of foreign bills

The following were purchased:

	in	Number	DM million
	1962	62,021	1,657.1
	1963	68,746	2,105.0.

The proportion of DM acceptances to the total value of the foreign bills purchased averaged about 54 per cent in 1963 against 47 per cent in 1962 and 36 per cent in 1961 (when the DM was revalued).

During the year under report 143,031 foreign cheques worth DM 138.3 million were purchased, against 138,567 worth DM 130.8 million in the previous year. Altogether 12,239 cheques on foreign countries were sold, against 12,487 in 1962, their total amount being DM 81.8 million as against DM 129.1 million in 1962.

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

	1962	Number	1963
Foreign notes and coin	6,526		5,317
Bills, cheques, etc. on a commission basis	10,079		9,911
	<u>16,605</u>		<u>15,228.</u>

Purchase and sale of foreign cheques

Foreign commission business

The Bank's holding of German divisional coin amounted at the close of 1963 to DM 81.1 million, against DM 44.8 million at the end of 1962. In 1963 the Federal Government was credited with DM 148.6 million for coin taken over from the Mints, and debited with DM 0.5 million for coin called in or no longer fit for circulation. Altogether in the years 1948 to 1963 the Bank took over coin amounting to DM 1,951.2 million, and redeemed, by the debit of the Federal Government, DM 145.1 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 1963 on minting orders given up till that time, namely DM 109.8 million of all denominations, the amount of coin per head of population works out at DM 33.15 on the basis of a population of 57.8 million in the Federal Republic including the Land of Berlin on 30 September 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, totalled on 31 December 1963 DM 376.2 million (against DM 545.8 million at the end of 1962). Each day the credit balance on that account, in amounts rounded off to multiples of DM 100,000, is offset against the giro balance of the Central Cash Office of the Postal Administration.

Balances on postal cheque account

Postal Cheque Transactions with Third Parties

	1962				1963			
	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	88,529	7,448.5	39,815	782.7	91,120	7,772.8	38,659	878.7
Bavaria	87,551	8,680.6	26,599	728.3	91,764	9,290.1	26,602	853.1
Berlin	14,553	1,489.1	13,615	501.7	14,855	1,681.9	12,527	445.9
Bremen	29,694	927.3	2,247	27.8	27,719	883.2	2,296	38.8
Hamburg	50,727	4,486.3	7,621	69.9	55,441	4,690.5	6,941	60.5
Hesse	61,372	4,730.8	25,061	1,020.6	63,311	5,069.7	24,768	1,141.6
Lower Saxony	93,755	4,673.7	16,545	381.3	102,923	4,892.9	7,175	213.5
North Rhine-Westphalia	191,877	9,811.1	40,914	1,246.2	190,572	10,410.6	42,708	1,555.1
Rhineland-Palatinate	54,306	1,787.0	11,874	222.2	54,105	1,906.6	11,691	268.6
Saarland	4,209	880.8	1,010	31.5	4,472	920.9	1,180	41.8
Schleswig-Holstein	11,708	244.5	6,287	114.8	10,964	267.2	6,302	117.1
Total	688,281	45,159.7	191,588	5,127.0	707,246	47,786.4	180,849	5,614.7
Bundesbank								
— Directorate —	9,379	1,237.1	50,241	65.3	9,227	1,398.9	47,298	43.9
Grand total	697,660	46,396.8	241,829	5,192.3	716,473	49,185.3	228,147	5,658.6

Domestic bills of exchange

The domestic bill holding comprised:	31 Dec. 1962	31 Dec. 1963
	Millions of DM	
Domestic bills		
purchased by way of discount	1,944.0	1,479.0
Import and Storage Agency bills taken in the course of open-market operations	21.3	30.2
Prime bankers' acceptances thus taken	2.1	137.5
	1,967.4	1,646.7

The average bill holding, as calculated from the figures on the return dates in the year under report, was DM 1,874.1 million against DM 1,129.3 million in 1962.

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

	Purchase				Held on	
	1962		1963		31 Dec. 1962	31 Dec. 1963
	'000	DM mn	'000	DM mn	DM million	
Land Central Bank						
Baden-Württemberg	192	1,777.0	233	2,358.7	178.8	89.9
Bavaria	59	666.1	88	1,224.4	108.5	77.1
Berlin	5	99.6	12	344.0	12.0	4.8
Bremen	35	479.0	40	650.6	59.7	40.5
Hamburg	88	1,566.3	109	2,171.8	190.1	168.2
Hesse	210	3,279.8	253	4,982.1	309.8	402.2
Lower Saxony	105	927.2	114	1,128.0	152.2	100.1
North Rhine-Westphalia	444	7,183.8	446	8,265.4	781.2	458.0
Rhineland-Palatinate	55	419.4	61	524.7	61.5	41.6
Saarland	5	212.5	8	372.9	27.3	43.6
Schleswig-Holstein	39	250.9	56	437.9	52.7	42.7
Bills in course of remittance	—	—	—	—	10.2	10.3
Total	1,237	16,861.6	1,420	22,460.5	1,944.0	1,479.0

At DM 15,817 the average amount of the bills purchased in 1963 was above the previous year's average of DM 13,631.

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

	1962		1963	
	Number	DM million	Number	DM million
	5,022	9.5	6,438	14.9
in per cent of the total purchased	0.4	0.06	0.5	0.07

Commission business

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

	Number	DM million
1962	268,160	2,155.0
1963	239,810	1,727.1

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 somewhat greater than in the previous year. Bills having a face value of DM 1,081.2 million were purchased (in 1962 DM 749.0 million), and DM 740.6 million of these (in 1962 DM 600.0 million) were resold. Bills amounting to DM 331.7 million out of the Bank's holding were repaid in 1963 (against DM 145.0 million in 1962).

Prime bankers' acceptances

During the year under report, just as in previous years but on an increased scale, the Bank afforded the intended support to the liquidity of the prime bankers' acceptance market. Items amounting to DM 712.9 million (in 1962 DM 205.8 million) were purchased from the Privatdiskont-

Aktiengesellschaft, Frankfurt am Main, which acts as broker, and DM 488.9 million (in 1962 DM 217.2 million) were resold for transmission to the market. Bills which because of their short remaining life were no longer good delivery were repaid to a total extent of DM 88.6 million. On 31 December 1963 prime bankers' acceptances amounting to DM 137.5 million were held by the Bank.

Once again in the year under report the Bank's open-market business included — besides the Storage Agency bills, the prime bankers' acceptances and the mobilisation paper (Article 42 of the Bundesbank Law) 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.

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 and Federal Special Funds

Millions of DM

Category of paper	In circulation on 31 Dec. 1962	Issued in 1963		In circulation on 31 Dec. 1963
		Issued	Redeemed	
Non-interest-bearing Treasury bonds of the Federal Republic of Germany "B"	479.1	—	78.5	400.6
Treasury bills of the German Federal Railways	186.9	894.3	737.3	343.9
Non-interest-bearing Treasury bonds of the German Federal Railways	571.0	424.3	550.3	445.0
Non-interest-bearing Treasury bonds of the German Federal Postal Administration	232.0	143.9	75.8	300.1

Of the items shown in the table DM 95.0 million of non-interest-bearing Treasury bonds of the Federal Republic of Germany "B" and DM 30.1 million of Treasury bills of the German Federal Railways were held by the Bank on 31 December 1963. The Treasury bills were sold to the market in the first half of January; the Treasury bonds had fallen due by the middle of February 1964.

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 60.3 million against DM 49.4 million in 1962. On 31 December 1963 such advances outstanding totalled DM 207.7 million as compared with DM 157.7 million at the end of 1962.

Advances against securities

Lending on Securities in the Land Central Bank Areas

Land Central Bank	Advances granted against securities				Outstanding on	
	1962		1963		31 Dec. 1962	31 Dec. 1963
	Number	DM mn	Number	DM mn	DM mn	
Baden-Württemberg	1,178	326.2	1,093	639.1	19.7	20.3
Bavaria	1,004	175.9	992	238.6	23.4	57.0
Berlin	17	8.2	43	79.8	0.0	0.0
Bremen	43	3.3	70	11.8	1.5	2.6
Hamburg	533	186.8	644	556.4	7.6	6.8
Hesse	1,137	1,059.7	1,398	1,262.2	13.0	57.9
Lower Saxony	1,976	352.0	1,820	378.8	31.7	38.7
North Rhine-Westphalia	805	900.1	853	985.9	41.8	9.1
Rhineland-Palatinate	749	254.2	941	341.6	16.6	14.9
Saarland	29	14.5	61	36.0	1.6	0.0
Schleswig-Holstein	291	70.4	266	67.2	0.8	0.4
Total	7,762	3,351.3	8,181	4,597.4	157.7	207.7

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 1963:

	Millions of DM
(a) Fed. Govt. and Fed. Special Funds	
by the Federal Government as a book credit	1,732.7
by the Federal Railways through Treasury bills in circulation with an assurance of purchase by the Bank	343.9
(b) Länder	
by the Saarland as a book credit	16.6

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

Other claims The "Other claims" of DM 70.4 million shown in Asset Item 10 (in 1962 DM 91.3 million) include inter alia DM 2.1 million (in 1962 DM 48.5 million) of claims arising from interzonal payments, 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:

	1962	1963
	Millions of DM	
West/East deliveries and services	885.6	955.0
East/West deliveries and services	890.0	1,001.4
	1,775.6	1,956.4

Securities The holding of securities is shown at DM 1,221.7 million (in 1962 DM 1,368.9 million); it includes bonds and other debt certificates of the International Bank for Reconstruction and Development as well as bonds of the Federal Government, mortgage bonds, communal bonds and Bundesbank Enjoyment Right Certificates.

Security issues During the year under review 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.

Loans Issued Through the Federal Loan Syndicate in 1963

Issuer	Amount DM mn	Interest rate %	Issue price per cent	Start of sales 1963	Introduced on stock exchanges (official dealings) 1963
Federal Republic of Germany	400	6	100	2 Jan.	15 Jan.
German Federal Postal Administration ¹⁾	200	6	100	4 Feb.	19 Feb.
German Federal Railways	265	6	100	26 Feb.	12 March
Federal Republic of Germany 2nd Issue	500	6	100	2 April	17 April
German Federal Railways 2nd Issue	265	6	100	22 May	10 June
German Federal Postal Administration ¹⁾ 2nd Issue	200	6	100	19 June	3 July
Federal Republic of Germany 3rd Issue	400	6	100	4 July	17 July
German Federal Railways 3rd Issue	250	6	100	29 Aug.	11 Sep.
Federal Republic of Germany 5th Issue	300	6	100	2 Oct.	15 Oct.
German Federal Postal Administration ¹⁾ 4th Issue	100	6	100	30 Oct.	12 Nov.
German Federal Railways 4th Issue	265	6	100	11 Nov.	30 Nov.

¹⁾ In addition DM 10 million was placed by the issuer directly.

The table shows that in 1963 the Federal Loan Syndicate, which is under the Bank's leadership, offered for public sale bonds amounting to DM 3,145 million as compared with DM 2,020 million in the previous year.

In addition the Bank placed with social insurance institutions DM 100 million of 6% Federal Republic of Germany Treasury Bonds 1963 maturing between 1969 and 1978, as well as DM 100 million of 6% Federal Republic of Germany 1963 Loan, Fourth Issue.

To holders of the German Federal Postal Administration's DM 160 million 7½% Loan of 1957, called for repayment on 1 November 1963, a German Federal Postal Administration 6% Loan of 1963, Third Issue, was offered. The Bank effected conversion to the extent of DM 150 million. The 6% Loan, Third Issue, was introduced for stock exchange dealings on 12 November 1963. In the conversion of the 8% Loans of 1957 issued by the Land of Rhineland-Palatinate and by the Land of Schleswig-Holstein into 6% bearer bonds of 1963 the services of the Land Central Banks in the Rhineland-Palatinate and in Schleswig-Holstein, respectively, were used.

Treasury bonds (medium-term notes — "Kassenobligationen") of the Federal Republic of Germany and the German Federal Postal Administration, running for three and four years and bearing interest at 4% and 4½%, were sold through the Bank to a total extent of DM 290.5 million. The Bank introduced these medium-term notes, as well as the DM 420 million of 4½%, 4¾% and 5% medium-term notes directly placed by the German Federal Railways and the German Federal Postal Administration, for regulated unofficial dealings on the stock exchanges at Frankfurt am Main and at Düsseldorf.

The period set for acceptance of the settlement offers for conversion or cash repayment of the Conversion Office for German External Debts 3% bonds and other debt instruments, including fractional debt certificates, denominated in Reichsmarks and in foreign currencies, terminated in the main on 30 April 1963 (Federal Advertiser No. 74 of 16 April 1960). 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 in the course of the year under report paid 368,360 interest coupons and matured bonds as against 376,100 in 1962; the countervalue of 1,068,808 interest coupons and matured bonds, against 1,477,502 in 1962, was collected from foreign agents in 1963.

The Bank as conversion and paying agent for external loans

	31 Dec. 1962	31 Dec. 1963	
	Millions of DM		
Equalisation claims arising from			Equalisation claims on public authorities
own Conversion Account Bank deutscher Länder	5,504.1	5,504.3	
Land Central Banks	2,598.5	2,599.1	
	<u>8,102.6</u>	<u>8,103.4</u>	
handed back in exchange for money-market paper	3,768.7	4,689.6	
	<u>4,333.9</u>	<u>3,413.8</u>	
Conversion of Berlin pre-capitulation balances	27.4	27.6	
Conversion of RM balances at credit institutions in the Soviet Sector of Berlin	1.3	1.4	
	<u>4,362.6</u>	<u>3,442.8</u>	
Equalisation claims purchased	48.1	—	
	<u>4,410.7</u>	<u>3,442.8</u>	

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 1963, which account is attached to this Report as Appendix 1. The equalisation claims belonging to the Bank on 31 December 1962

in respect of its own Conversion Account and of the conversion of Berlin pre-capitulation balances are entered in the Federal Debt Register; those in respect of the conversion of RM balances at credit institutions in the Soviet Sector of Berlin are entered in the Debt Register for the Land of Berlin.

Purchase of equalisation claims for own account

For the Bank's own account no equalisation claims were purchased in the year under report. The DM 47.4 million of equalisation claims purchased by the former Berlin Central Bank were transferred in December 1963 to the Fund for the Purchase of Equalisation Claims.

Mobilising of equalisation claims for the purpose of open-market policy

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 claim 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, rose further in the year under report. The new issues increased from DM 11.6 billion in 1962 to DM 14.2 billion in 1963. With considerable variations during the year the circulation of mobilisation paper amounted on 31 December 1963 to DM 4,689.6 million (at the end of 1962 DM 3,768.7 million). The proportion of the total placings for which domestic credit institutions (including the Postal Cheque and Postal Savings Bank offices) accounted was about 94 per cent.

The selling rates for mobilisation Treasury bonds with maturities of 18 and 24 months, as well as those for comparable Treasury bonds of other issuers, were lowered in all cases by $\frac{1}{8}\%$ on 25 November 1963. All the rest of the selling rates remained unchanged throughout 1963.

Mobilisation Paper Sold and Redeemed

Millions of DM

	1961 in circu- lation on 31 Dec.	1962			1963		
		sold	redeemed	in circu- lation on 31 Dec.	sold	redeemed	in circu- lation on 31 Dec.
Treasury bills of the Federal Government (running for a maximum of ninety days)	1,208.0	8,025.5	7,914.0	1,319.5	9,816.4	10,153.1	982.8
Non-interest-bearing Treasury bonds of the Federal Government (running for 6 to 24 months)	4,083.8	3,608.6	5,243.2	2,449.2	4,408.8	3,151.2	3,706.8
Total	5,291.8	11,634.1	13,157.2	3,768.7	14,225.2	13,304.3	4,689.6

Debt Certificate in respect of Berlin

The Bank's claim on the Federal Government in respect of the currency conversion in Berlin declined by DM 90.12 in 1963; it amounted on 31 December 1963 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 credit granted to the Federal Government in respect of its participation in the International Monetary Fund rose to DM 2,239.8 million after DM 63.1 million of repayments and DM 201.6 million of DM drawings by various countries. The credit granted to the Federal Government for the purpose of meeting payment liabilities to the I.B.R.D. and to the European Fund remained unchanged in the year under review. 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.

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 further repayments had to be effected for 1963.

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

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 107.7 million share of profit (remaining balance) which was due to the Federal Government for the year 1962 under Article 27 of the Bundesbank Law.

At DM 2,121.8 million the loans to international institutions and consolidation loans are shown lower by DM 167.6 million than a year before. In detail the claims consist of:

Loans to international institutions and consolidation loans

	31 Dec. 1962	31 Dec. 1963
	Millions of DM	
Loans to I.B.R.D.	1,342.5	1,342.5
Consolidation loans		
arising from liquidation of E.P.U.	897.1	751.0
to foreign Central Banks	49.8	28.3
	2,289.4	2,121.8.

The claims arising from liquidation of E.P.U. amounted at the end of 1963 to DM 751.0 million, against DM 897.1 million at the end of 1962 and DM 4,185.8 million after the E.P.U. settlement in January 1959; thus more than 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 1963 was DM 28.3 million (against DM 49.8 million at the end of 1962).

Loans to foreign Central Banks

Against the additions of DM 19.8 million to land and buildings there are disposals of DM 0.2 million. After the writing off of DM 14.6 million the land and buildings are shown in the Balance Sheet at DM 80 million.

Land and buildings

The additions of DM 3.2 million to equipment were fully written off in the same way as in previous years.

Equipment

The Balance Sheet item "Items in course of settlement" continues mainly to comprise the transfers to and from other places that were proceeding inside the Bank at the close of the year as well as the cheques in course of clearing. On 31 December 1963 there was a net asset of DM 153.1 million as against a net liability of DM 302.8 million at the end of 1962.

Items in course of settlement

Of the DM 74.2 million (against DM 66.8 million at the end of 1962) shown in the item "Other assets" DM 66.6 million (at the end of 1962 DM 58.1 million) represent interest which falls due in 1964, 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

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

Reserves In pursuance of the Central Bank Council's decision of 4 April 1963 DM 45.3 million has been added to the legal reserve and DM 17.5 million to the other reserves out of the net profit for 1962; the reserves have accordingly risen from DM 638.0 million at the end of 1962 to DM 700.8 million.

Reserves for specific purposes

Position and Movement of Reserves for Specific Purposes

Millions of DM

Reserves for specific purposes	Position on 31 Dec. 1962	Withdrawal	Addition in 1963	Position on 31 Dec. 1963
For pension liabilities	575.0	27.3	62.3	610.0
For note printing	25.0	—	—	25.0
For conversion costs	0.6	0.2	—	0.4
Other	475.0	—	150.0	625.0
Total	1,075.6	27.5	212.3	1,260.4

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.

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 0.2 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 remain within the limits of the remaining reserve of DM 0.4 million.

The other reserves for specific purposes were increased by DM 150 million in the year under review, to DM 625 million, with a view to covering hazards inherent in the foreign and domestic business.

Bank notes in circulation

The circulation of bank notes rose from DM 24,146.6 million at the end of 1962 to DM 25,426.6 million on 31 December 1963.

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
1963	25,426.6	1,725.0	27,151.6

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

By the issue of the Bundesbank notes for DM 5 in May 1963 and for DM 10 in October 1963 the exchange of Bank deutscher Länder notes still in circulation for new denominations of the Bundesbank note series was continued. In 1961 the Bundesbank note for DM 20 was put into circulation; it was followed in 1962 by the Bundesbank notes for DM 100 and for DM 50.

In connection with the issue of Bundesbank notes the Bank in the year under review put into circulation, or made available for that purpose, new notes of various denominations totalling DM 9,053.6 million.

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

Millions	1957	1958	1959	1960	1961	1962	1963
Number	160.3	92.8	153.0	323.3	280.4	204.5	323.3
DM	4,047.8	3,426.9	4,916.3	12,140.5	9,680.0	9,286.4	11,512.2.

The number of counterfeit notes and coin detained in the course of payments rose somewhat in 1963.

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
1963	413	25.8	5,502	11.2

The balances of German depositors
comprise those of

Deposits

	31 Dec. 1962		31 Dec. 1963	
	Millions of DM			
(a) Credit institutions (including Postal Cheque and Postal Savings Bank offices)		12,232.3		13,607.0
(b) Public depositors				
(ba) Federal Government	40.6		93.4	
(bb) Federal Special Funds	634.7		1,161.4	
(bc) Länder	3,553.7		2,837.9	
(bd) Other public depositors	55.2	4,284.2	33.9	4,126.6
(c) Other German depositors		278.8		272.8
		16,795.3		18,006.4.

The credit institutions' deposits mainly represent the minimum reserves which have to be maintained at the Bundesbank. In December 1963 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 liabilities on the last two weekly bank-return dates in the preceding month and the first two such dates in the current month, amounted to DM 10,860.3 million as against DM 9,801.6 million in December 1962, and the actually maintained reserve to DM 11,244.1 million as against DM 10,140.1 million in December 1962.

Giro transactions

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

	Percentage of	
	number	amounts
in 1962	99.27	95.53
in 1963	99.32	95.71.

Annual Turnover on Giro Accounts at the Deutsche Bundesbank

	1962			1963		
	Number ¹⁾	Total amount	Average amount	Number ¹⁾	Total amount	Average amount
	'000	DM million	DM '000	'000	DM million	DM '000
(a) Credits						
of which:						
Cash in-payments	1,085	83,694	77.1	1,047	85,829	82.0
Settlements with account-holders	6,433	555,971	86.4	6,616	603,432	91.2
Local transfers	11,298	518,595	45.9	11,719	553,995	47.3
Transfers from other places	34,944	546,903	15.7	37,059	584,402	15.8
Cheque collections (cheques lodged)	103,310	179,887	1.7	105,713	193,266	1.8
Total	157,070	1,885,050	—	162,154	2,020,924	—
(b) Debits						
of which:						
Cash out-payments	1,164	85,028	73.0	1,140	87,317	76.6
Settlements with account-holders	4,440	555,312	125.1	4,446	601,460	135.3
Local transfers	11,298	518,595	45.9	11,719	553,995	47.3
Transfers to other places	34,757	545,883	15.7	37,134	583,831	15.7
Cheque collections (cheques paid)	103,212	180,024	1.7	105,258	193,114	1.8
Total	154,871	1,884,842	—	159,697	2,019,717	—
(c) In per cent of total turnover (credits and debits)		<i>per cent</i>			<i>per cent</i>	
Cash payments		4.47			4.29	
Settlements with account-holders		29.48			29.82	
Local transfers		27.51			27.42	
Transfers to and from other places		28.99			28.91	
Cheque collections (cheques lodged and paid)		9.55			9.56	
		<u>100.00</u>			<u>100.00</u>	
¹⁾ Number of transactions.						

The liabilities in respect of foreign business comprised

	31 Dec. 1962		31 Dec. 1963	
	Millions of DM			
Deposits of non-residents				
Banks	286.1		183.8	
Others	67.3	353.4	50.4	234.2
Deposits of resident credit institutions on U.S. dollar accounts		10.1		11.8
Provision of cover for credits and guarantees by				
Non-residents	0.4		0.4	
Residents	6.6	7.0	18.2	18.6
Other liabilities		3.9		5.3
		374.4		269.9

Liabilities in respect of
foreign business

Orders to open credits or to pay documentary bills were given to the Bank in the year under report only on an insignificant scale.

Export credit business

In the year under report 43 credits (in the previous year 116) were newly opened and 61 expired credits were re-established.

Import credit business

The "Other liabilities" are shown on 31 December 1963 at DM 27.1 million as against DM 70.0 million at the end of 1962.

Other liabilities

In the same way as previously the transitory items on the liabilities side (DM 96.4 million for 1963, DM 63.8 million for 1962) 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.

Transitory items

The contingent liabilities and claims are shown on 31 December 1963 at DM 1.8 million against DM 3.0 million at the end of 1962.

Contingent liabilities
and claims

Profit and Loss Account

Comparison of Expenditure and Receipts

Millions of DM

Expenditure	1961	1962	1963	Receipts	1961	1962	1963
Interest on money-market paper issued in exchange for equalisation claims	246.0	156.4	135.5	Interest on monies employed abroad	451.9	360.0	428.0
Other interest	6.7	1.6	1.1	equalisation claims	244.8	245.6	245.7
	252.7	158.0	136.6	domestic bills of exchange, advances against securities and cash advances, as well as on other claims	81.1	96.1	120.7
Valuation requirement in respect of the external position	59.7	—	—	foreign bills of exchange bought in Germany	7.7	7.5	8.6
Administrative costs				securities, Treasury bills and Treasury bonds	38.6	61.0	61.8
Personnel	143.5	149.8	160.2	Other interest	0.6	0.6	0.4
Materials	23.7	25.7	26.9		824.7	770.8	865.2
Note printing	33.0	29.5	24.4	Fees	2.5	2.8	2.8
Depreciation	10.3	13.4	17.8	Other receipts	27.8	7.5	9.8
Allocations to reserves for specific purposes	125.3	150.2	212.3				
Pension payments in respect of Reichsbank	21.7	24.1	25.9				
Other expenditure	4.3	3.9	3.8				
Net profit	180.8	226.5	269.9				
Total	855.0	781.1	877.8	Total	855.0	781.1	877.8

		<i>Receipts</i>					
		1961		Millions of DM 1962		1963	
Interest	The interest received amounts to	824.7		770.8		865.2	
	After deduction of the interest paid out, namely	252.7		158.0		136.6	
	and of valuation requirement in respect of the external position, namely	59.7	312.4	—	158.0	—	136.6
	it is shown in the Profit and Loss Account at	512.3		612.8		728.6	

The interest on monies employed abroad rose by DM 68.0 million, as compared with last year's figure, to DM 428.0 million in 1963.

The amount of interest received on equalisation claims was DM 245.7 million (against DM 245.6 million in 1962); the interest paid on money-market paper issued in exchange for equalisation claims was down by a further DM 20.9 million on the year at DM 135.5 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 120.7 million in 1963 as compared with DM 96.1 million in the previous year. At DM 61.8 million the interest received on securities, Treasury bills, and Treasury bonds was greater by DM 0.8 million than the DM 61.0 million received in the previous year. DM 8.6 million of interest accrued from the discounting of foreign bills, against DM 7.5 million in 1962.

Fees DM 2.8 million of fees were received in the year under review, DM 2.8 million having been so received in 1962.

Other receipts DM 9.8 million are shown as "Other receipts", against DM 7.5 million in 1962.

Expenditure

**Administrative costs
(a) Personnel**

The administrative costs in respect of personnel are up in comparison with the previous year owing to the statutorily imposed or collectively agreed increase in the pay of officials, salaried employees, and wage-earners; they amounted to DM 160.2 million in 1963 as against DM 149.8 million in 1962. The Bank's staff increased in number by 201 in 1963.

Number of Persons Employed in the Bundesbank

	End of 1962					End of 1963				
	Direc- torate	Land Central Banks	Total	of which:		Direc- torate	Land Central Banks	Total	of which:	
				male	female				male	female
Officials	584	3,911	4,495	4,456	39	587	3,989	4,576	4,534	42
Salaried employees	1,216	4,290	5,506	2,563	2,943	1,201	4,410	5,611	2,564	3,047
Wage-earners	175	821	996	212	784	175	836	1,011	221	790
Total	1,975	9,022	10,997	7,231	3,766	1,963	9,235	11,198	7,319	3,879

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 with the inclusion of subsequent payments to DM 4,181,856.40 in the year under report.

(b) Materials The administrative costs in respect of materials rose from DM 25.7 million in 1962 to DM 26.9 million.

Note printing The expenditure on note printing fell short of that in the previous year; it amounted to DM 24.4 million in 1963 against DM 29.5 million in 1962.

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.

Depreciation and allocations to reserves for specific purposes

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 29.7 million (against DM 27.9 million in 1962); of this amount DM 3.8 million was taken from the reserve for pension liabilities, in the same way as previously, so that DM 25.9 million is shown as pension payments in respect of the Reichsbank by comparison with DM 24.1 million in 1962.

Pension payments in respect of Reichsbank

<i>Net Profit</i>		DM	
According to the Profit and Loss Account the net profit amounts to (against DM 226,467,057.34 in 1962).		269,930,312.48	Proposed distribution of the profit
The Directorate proposes to the Central Bank Council that there be allocated	DM		
to the legal reserve	54,000,000.--		
that there be provided for dividends on Bundesbank Enjoyment Rights	5,400,000.—		
and that there be allocated to the other reserves	21,000,000.—		
and to the Fund for the Purchase of Equalisation Claims	40,000,000.--		
		120,400,000.—.	
Out of the balance of profit remaining to the Federal Government (Article 27, item 4 of the Bundesbank Law), namely		149,530,312.48	
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 the sum of	139,530,312.48		
has to be applied to redemption of the claim on the Federal Government in respect of alteration of the exchange parity.		149,530,312.48	

Frankfurt am Main, April 1964

*Deutsche Bundesbank
The Directorate*

Karl Blessing Dr. Troeger

Dr. Benning Dr. Emminger Hartlieb Könneker Tüngeler Dr. Zachau

Part C

Fund for the Purchase of Equalisation Claims

In 1963 the Fund for the Purchase of Equalisation Claims had resources available to the extent of DM 93.8 million for the purpose of taking further equalisation claims. Apart from the allocation of DM 40 million out of the Bank's net profit in 1962 the Fund received DM 23.5 million by way of interest and redemption. Liquid assets amounting to DM 30.3 million had been carried over from 1962.

In the year under report a total of DM 72.9 million was applied to the purchase of equalisation claims. They included the claims of several Berlin credit institutions with a remaining capital of DM 47.4 million, which in the years immediately following the currency reform had been taken over by the Berlin Central Bank and were so far held in its portfolio. The greater part of the remaining equalisation claims was taken from liquidating or dissolved life assurance companies, pension funds, and credit institutions.

At the end of the year the sum still available for purchase of equalisation claims was DM 20.9 million. Out of the sum carried over, which was mostly invested in Treasury bills of the Federal Government, undertakings to purchase to the extent of DM 2.5 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 1963 either.

	DM
Liquid resources available to the Fund on 31 December 1962 amounted to	30,272,432.79.
During 1963 the Purchase Fund received the following amounts:	
Allocation out of the Bank's 1962 net profit	40,000,000.—
Interest	
on equalisation claims	13,699,537.75
from temporary employment of the Fund's liquid assets	1,216,677.09
Redemption of equalisation claims	8,602,389.18
Reassignment of equalisation claims	37,299.50
	<hr/>
	93,828,336.31.
There were used for purchase of equalisation claims	72,932,421.01.

On 31 December 1963 the Fund's assets not yet used for purchase of equalisation claims comprised		DM
Treasury bills of the Federal Republic of Germany amounting at nominal value to DM 16,000,000.—	DM	15,959,750.—
Balances at the Deutsche Bundesbank		3,729,571.32
Interest and redemption due on 31 December 1963 and received on 2 January 1964		1,206,593.98
		<u>20,895,915.30.</u>
The holding of equalisation claims on 31 December 1962, namely rose through purchase of equalisation claims		418,114,699.15
having an initial capital amount of DM 79,778,528.34 by		72,932,421.01
to		<u>491,047,120.16</u>
and was reduced, through redemption	8,602,389.18	
reassignment	37,299.50	8,639,688.68.
Holding on 31 December 1963		<u>482,407,431.48.</u>

Movement in the Holding of Equalisation Claims

Interest rate	DM initial capital				DM remaining capital Holding on 31 Dec. 1963 DM
	Holding on 31 Dec. 1962	Addition through purchase and exchange	Decrease through reassignment and exchange	Holding on 31 Dec. 1963	
%	DM				DM
0	73,832,946.22	2,920,861.34	53,285.—	76,700,522.56	52,156,355.34
3	165,463,826.19	59,959,009.60	465,707.12	224,957,128.67	204,787,056.50
3½	110,842,227.71	11,673,625.40	—	122,515,853.11	111,318,965.92
4½	119,821,179.56	8,543,106.21	2,233,392.91	126,130,892.86	114,145,053.72
Total	469,960,179.68	83,096,602.55	2,752,385.03	550,304,397.20	482,407,431.48

The Report on the position of the Fund for the Purchase of Equalisation Claims as at 31 December 1963, 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 1963 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 1963, 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 1964

*Deutsche Bundesbank
The Directorate*

Karl Blessing Dr. Troeger

Dr. Benning Dr. Emminger Hartlieb Könniker Tüngeler Dr. Zachau

Issue, Servicing and Redemption of Bundesbank Enjoyment Right Certificates

Issue of Bundesbank
Enjoyment Right
Certificates

In the Bank's Report for the Year 1962 (page 114) it has already been pointed out that the Liquidator of the Deutsche Reichsbank through a Notice of 9 March 1963 (Federal Advertiser No. 48) invited holders of the Deutsche Reichsbank Share Certificates which had remained in force, and which carried a certificate of negotiability, to present them in order to receive Bundesbank Enjoyment Right Certificates, and that at the same time, out of the DM 100 million nominal of Bundesbank Enjoyment Right Certificates held at his disposal, 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 Shares. 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.

Up to the end of 1963 the Liquidator had delivered altogether 1,499,654 Bundesbank Enjoyment Right Certificates, having a par value of DM 99,976,933¹/₃, in discharge of Reichsbank Shares at a par value of RM 149,965,400; 346 such Certificates, at a par value of DM 23,066²/₃, were still held at his disposal on 31 December 1963.

Servicing of the Bundes-
bank Enjoyment Rights

By Notices of 9 and 12 March 1963 (Federal Advertiser Nos 48 and 49) as well as of 10 and 11 May 1963 (Federal Advertiser Nos 87 and 88) the Bank declared the dividends on the Bundesbank Enjoyment Right Certificates payable at 6% for each of the years 1958 to 1962. For payment of the relevant dividend coupons (Nos 1 to 3) there was available out of the net profit for the years 1960 to 1962 DM 30 million, which was applied to the intended purpose except for an amount of DM 8,471.

The Bank furthermore paid, on the Bundesbank Enjoyment Right Certificates presented for collection, the dividend relating to the period from 1 January to 30 September 1963; the No. 4 dividend coupons received by the Bank in this connection will be paid on maturity out of the DM 5.4 million provided from the Bank's net profit for payment of the 1963 dividends.

Fund for Redemption
of Bundesbank Enjoy-
ment Rights

The Fund for Redemption of Bundesbank Enjoyment Rights, which was to be set up at the Bank in accordance with Article 7 paragraph 1 of the Law concerning Liquidation of the Deutsche Reichsbank and the Deutsche Golddiskontbank, of 2 August 1961 (Federal Law Gazette I, page 1165), was so established in the year under report.

On 19 June 1963 the Bank effected the first drawing of Enjoyment Right Certificates pursuant to Article 7 paragraph 2 of the said Law, and published the result in Federal Advertiser Nos 112 and 113 of 22 and 25 June 1963. Six groups of Bundesbank Enjoyment Right Certificates were drawn for redemption on 30 September 1963 at 150 per cent of their par value. In the Fund for Redemption of Bundesbank Enjoyment Rights there was available for this purpose DM 60 million, half of which came from the net profit for the years 1960, 1961, and 1962, while the other half had been

provided by the Liquidator of the Deutsche Reichsbank, in accordance with Article 6 paragraph 5 of the Law concerning Liquidation of the Deutsche Reichsbank and the Deutsche Golddiskontbank, as an advance payment on account of the surplus on liquidation. DM 59.9 million was used to repay the Bundesbank Enjoyment Right Certificates which had been called; on 31 December 1963 Enjoyment Right Certificates having a redemption value of DM 72,600 had not yet been presented. Nine groups of Bundesbank Enjoyment Right Certificates amounting at par value to DM 60 million (and at redemption value to DM 90 million) now remain to be redeemed.

Frankfurt am Main, April 1964

Deutsche Bundesbank

The Directorate

Karl Blessing Dr. Troeger

Dr. Benning Dr. Emminger Hartlieb Könneker Tüngeler Dr. Zachau

Report of the Central Bank Council

The Annual Statement of the Deutsche Bundesbank for 1963, the Combined Conversion Account of the Institutions Amalgamated to Form the Deutsche Bundesbank, as shown by the books on 31 December 1963, and the Reports on the Fund for the Purchase of Equalisation Claims and the Fund for Redemption of Bundesbank Enjoyment Rights as at 31 December 1963, 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 1963, the bookkeeping and the Conversion Account as shown by the books on 31 December 1963 are in accordance with the legal provisions and that the Funds for the Purchase of Equalisation Claims and for Redemption of Bundesbank Enjoyment Rights have been properly endowed and administered.

The Central Bank Council approved the Annual Statement for 1963 on 2 April 1964. 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 1963, and approved the Reports on the Funds for the Purchase of Equalisation Claims and for Redemption of Bundesbank Enjoyment Rights as at 31 December 1963.

The Central Bank Council has assented to the Report for the Year 1963 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 the amount required for the 1963 dividends on Bundesbank Enjoyment Rights, there is a residual profit of DM 149,530,312.48 due to the Federal Government; of this residual profit, DM 10 million shall be used for allocation to the Fund for Redemption of Bundesbank Enjoyment Rights and DM 139,530,312.48 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 1962 the following changes have taken place in the organs of the Deutsche Bundesbank.

*We regret to record the death,
on 3 February 1964, of
the Member of the Directorate of the Deutsche Bundesbank
Dr. Eduard Wolf.*

*Retired from service
as at the close of 31 August 1963
the Vice-President of the Land Central Bank in Bavaria
Dr. Maximilian Bernhuber,*

*as at the close of 31 December 1963
the President of the Land Central Bank in Bremen
Dr. Hermann Tepe,*

as at the close of 31 March 1964
the Vice-President of the Land Central Bank in Schleswig-Holstein
Herr Wilhelm Spilger.

Newly appointed

with effect from 1 September 1963

Dr. Friedrich Oechsner

to be Vice-President of the Land Central Bank in Bavaria

at the same time giving up his office of

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

Herr Erich Küssper

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

with effect from 1 April 1964

Dr. Leonhard Gleske

to be President of the Land Central Bank in Bremen,

Herr Wolfgang Hecker

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

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 1963.

Frankfurt am Main, April 1964

KARL BLESSING
President of the Deutsche Bundesbank

Appendices
to
Parts B and C

Combined Conversion Account of the Institutions

Assets as shown by the books

	as shown by the books on 1 Jan. 1963 DM	Changes in 1963 DM	as shown by the books on 31 Dec. 1963 DM
1. Cash ¹⁾	1,133,326.07	—	1,133,326.07
2. Bills of exchange	211,524.63	—	211,524.63
3. Advances against securities	103,240.—	—	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	8,102,606,329.74	+ 860,532.12	8,103,466,861.86
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	547,167,706.72	— 90.12	547,167,616.60
	<u>8,735,373,747.21</u>	<u>+ 860,442.—</u>	<u>8,736,234,189.21</u>
13. Contingent claims	126,558.92	—	126,558.92

¹⁾ Relating to converted Small Money Tokens.

Amalgamated to Form the Deutsche Bundesbank

on 31 December 1963

Liabilities

	as shown by the books on 1 Jan. 1963 DM	Changes in 1963 DM	as shown by the books on 31 Dec. 1963 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.	264,957,573.05	—	264,957,573.05
4. Deposits	5,629,763,444.11	+ 860,532.12	5,630,623,976.23
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	588,502,420.43	— 90.12	588,502,330.31
	8,735,373,747.21	+ 860,442.—	8,736,234,189.21
8. Contingent liabilities	126,558.92	—	126,558.92

Frankfurt am Main, 16 January 1964

Deutsche Bundesbank The Directorate

Karl Blessing Dr. Troeger

Dr. Benning Dr. Emminger Hartlieb Könniker Tüngeler 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 1963 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, 13 March 1964

Deutsche Revisions- und Treuhand-Aktiengesellschaft
Treuarbeit

Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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

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

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

Assets	Balance Sheet of the Deutsche Bundesbank		
	DM	DM	DM
1. Gold			15,137,750,928.21
2. Balances at foreign banks and money-market investments abroad			12,894,353,123.24
3. Foreign notes and coin, foreign bills and cheques.			417,239,855.71
4. German divisional coin			81,136,753.25
5. Balances on postal cheque account			376,224,454.68
6. Domestic bills of exchange			1,646,657,488.60
7. Treasury bills and non-interest-bearing Treasury bonds of Federal Government and Federal Special Funds			125,100,000.—
8. Advances against securities			207,674,700.—
9. Cash advances to			
(a) Federal Government and Federal Special Funds		1,732,700,000.—	
(b) Länder		16,549,820.—	1,749,249,820.—
10. Other claims			70,388,346.79
11. Securities among which: Bundesbank Enjoyment Right Certificates having a par value of DM 55,540,733 ¹ / ₃			1,221,744,842.28
12. Equalisation claims on public authorities and debt certificate in respect of Berlin			
(a) Equalisation claims	8,132,410,380.15		
less			
Equalisation claims returned in exchange for money-market paper	4,689,640,000.—	3,442,770,380.15	
(b) Debt certificate		547,167,616.60	3,989,937,996.75
13. Credits to Federal Government for participation in international institutions			2,294,192,000.—
14. Claims on Federal Government in respect of			
(a) acquisition of claims resulting from post-war economic aid		2,512,791,516.24	
(b) alteration of exchange parity		1,082,519,271.—	3,595,310,787.24
15. Loans to international institutions and consolidation loans			2,121,814,438.97
among which: (a) to I.B.R.D. DM 1,342,480,000.—			
(b) arising from liqui- dation of E.P.U. DM 751,045,938.97			
16. Land and buildings			80,000,000.—
17. Equipment			1.—
18. Items in course of settlement			153,045,917.04
19. Other assets			74,211,603.51
20. Transitory items			111,496,814.48
<i>Right of recourse in respect of contingent liabilities</i>		1,797,422.32	
			<u>46,347,529,871.75</u>

as on 31 December 1963

Liabilities

	DM	DM	DM
1. Capital			290,000,000.—
2. Reserves			
(a) legal reserve		495,000,000.—	
(b) other reserves		205,800,000.—	700,800,000.—
3. Reserves for specific purposes			
(a) for pension liabilities		610,000,000.—	
(b) for note printing		25,000,000.—	
(c) for conversion costs		354,878.17	
(d) for other purposes		625,000,000.—	1,260,354,878.17
4. Bank notes in circulation			25,426,593,695.—
5. Deposits of			
(a) credit institutions (including Postal Cheque and Postal Savings Bank offices)		13,607,005,918.98	
(b) public depositors			
(ba) Federal Government	93,394,980.21		
(bb) Federal Special Funds	1,161,406,142.43		
(bc) Länder	2,837,933,047.05		
(bd) other public depositors	33,879,036.12	4,126,613,205.81	
(c) other German depositors		272,760,275.07	18,006,379,399.86
6. Liabilities in respect of foreign business			
(a) Deposits of foreign depositors		234,225,773.08	
(b) others		35,723,095.43	269,948,868.51
among which: provision of cover for letters of credit and guarantees by foreigners DM 356,019.67 residents DM 18,213,988.61			
7. Other liabilities			27,134,896.13
8. Transitory items			96,387,821.60
9. Net profit			269,930,312.48
Contingent liabilities		1,797,422.32	
			<u>46,347,529,871.75</u>

**Profit and Loss Account of the Deutsche Bundesbank
for the Year 1963**

Expenditure	DM	DM
1. Administrative costs		
(a) Personnel	160,188,742.06	
(b) Materials	26,929,836.46	187,118,578.52
2. Note printing		24,419,977.68
3. Depreciation		
(a) on land and buildings	14,626,372.02	
(b) on equipment	3,153,458.76	17,779,830.78
4. Allocations to reserves for specific purposes		
(a) for pension liabilities	62,306,179.26	
(b) others	150,000,000.—	212,306,179.26
5. Pension payments in respect of Reichsbank		25,855,210.59
6. Other expenditure		3,794,535.29
7. Net Profit		269,930,312.48
		<u>741,204,624.60</u>
		<u><u>741,204,624.60</u></u>
Receipts		
1. Interest		728,606,015.32
2. Fees		2,778,638.42
3. Other receipts		9,819,970.86
		<u>741,204,624.60</u>
		<u><u>741,204,624.60</u></u>

Frankfurt am Main, 16 January 1964

*Deutsche Bundesbank
The Directorate*

Karl Blessing Dr. Troeger

Dr. Benning Dr. Emminger Hartlieb Könniker Tüngeler 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, 13 March 1964

*Deutsche Revisions- und Treuhand-Aktiengesellschaft
Treuarbeit*

*Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft*

*Dr. Merckens Prof. Dr. Birck
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*Dr. Wollert - Dr. Elmendorff K.G.
Wirtschaftsprüfungsgesellschaft*

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

Fund for the Purchase of Equalisation Claims

Position on 31 December 1963

	Equalisation claims (remaining capital)	Cash resources	Total assets of the Fund
	DM	DM	DM
Position on 31 December 1962. . .	418,114,699.15	30,272,432.79	448,387,131.94
Allocation from the Deutsche Bundesbank's 1962 net profit . .		40,000,000.—	40,000,000.—
Equalisation claims purchased. . .	72,932,421.01	— 72,932,421.01	
Redeemed	— 8,602,389.18	8,602,389.18	
Retroceded	— 37,299.50	37,299.50	
Interest			
on equalisation claims		13,699,537.75	13,699,537.75
from temporary employment of the Fund's cash resources . . .		1,216,677.09	1,216,677.09
Position on 31 December 1963 . .	482,407,431.48	20,895,915.30	503,303,346.78

Frankfurt am Main, 16 January 1964

Deutsche Bundesbank
The Directorate

Karl Blessing Dr. Troeger

Dr. Benning Dr. Emminger Hartlieb Könniker Tüngeler Dr. Zachau

Returns of the
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			Securities
							Total	(a) Federal Government and Federal Special Funds	(b) Länder		Total	to		
												(a) Federal Government and Federal Special Funds	(b) Länder	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1963														
Jan. 7	14,490.1	10,539.5	315.5	64.1	350.4	1,769.0	4.2	4.2	—	21.9	358.9	358.9	—	1,368.8
15	14,550.3	10,341.5	281.9	84.6	198.0	1,351.4	—	—	—	22.1	—	—	—	1,366.1
23	14,551.4	10,394.9	264.4	100.7	176.8	1,322.5	—	—	—	38.3	—	—	—	1,363.3
31	14,551.4	10,250.0	265.3	78.1	185.2	1,128.6	—	—	—	21.7	—	—	—	1,360.3
Feb. 7	14,683.7	10,244.8	267.4	87.6	165.5	1,448.2	—	—	—	22.7	148.4	144.7	3.7	1,353.0
15	14,683.7	10,247.7	254.8	97.7	138.9	1,191.5	—	—	—	24.1	—	—	—	1,349.2
23	14,684.7	10,297.6	247.2	97.9	98.3	1,181.8	—	—	—	35.2	—	—	—	1,347.1
28	14,684.7	10,204.8	246.2	77.0	186.1	924.0	—	—	—	60.6	102.9	94.1	8.8	1,345.2
Mar. 7	14,705.0	10,375.9	284.4	84.8	164.1	2,302.0	—	—	—	21.7	59.2	59.2	—	1,344.4
15	14,705.1	10,593.8	296.3	92.4	153.7	2,324.4	—	—	—	44.1	—	—	—	1,341.4
23	14,750.8	10,769.4	297.8	100.0	101.2	2,927.4	—	—	—	151.4	—	—	—	1,340.2
31	14,768.9	10,648.9	303.9	77.9	153.8	2,899.4	—	—	—	101.9	—	—	—	1,337.3
Apr. 7	14,768.9	10,699.9	305.2	82.2	135.3	3,407.1	—	—	—	72.3	—	—	—	1,337.2
15	14,768.9	10,834.9	301.9	76.3	123.3	2,952.1	—	—	—	34.2	10.5	—	10.5	1,336.5
23	14,769.5	10,821.2	298.9	91.0	201.4	2,054.9	—	—	—	31.5	—	—	—	1,336.5
30	14,769.6	10,663.7	326.0	72.2	177.0	1,729.0	—	—	—	28.8	9.5	—	9.5	1,335.3
May 7	14,769.6	10,918.7	321.7	77.6	158.7	2,096.6	—	—	—	38.6	17.5	—	17.5	1,335.3
15	14,769.6	11,126.5	306.7	86.8	179.7	1,876.1	—	—	—	41.7	19.6	—	19.6	1,335.3
23	14,770.3	11,416.8	337.7	95.9	161.4	2,635.1	—	—	—	164.0	7.6	—	7.6	1,335.5
31	14,770.3	11,587.7	357.8	75.0	173.7	2,252.9	—	—	—	30.2	19.6	—	19.6	1,335.5
June 7	14,786.2	11,521.9	355.8	83.5	180.3	2,430.2	—	—	—	41.4	18.5	—	18.5	1,335.4
15	14,786.2	11,532.6	352.4	92.7	186.0	2,304.2	—	—	—	48.8	15.4	—	15.4	1,334.6
23	14,786.9	11,887.6	347.3	99.5	179.5	2,625.9	—	—	—	199.3	13.1	—	13.1	1,334.5
30	14,786.9	11,636.9	360.7	79.8	196.0	3,245.2	—	—	—	299.9	—	—	—	1,334.5
July 7	14,815.0	11,719.0	361.7	82.9	148.0	3,265.7	—	—	—	72.9	—	—	—	1,334.3
15	14,815.0	11,889.0	340.1	89.5	144.0	2,583.3	—	—	—	46.9	—	—	—	1,334.3
23	14,816.0	11,884.9	332.2	100.0	160.8	1,988.5	—	—	—	33.2	—	—	—	1,334.3
31	14,816.3	11,874.5	338.3	76.2	220.3	1,702.7	—	—	—	23.1	—	—	—	1,334.3
Aug. 7	14,816.3	11,926.1	328.9	84.8	186.4	1,825.2	—	—	—	20.4	361.3	361.3	—	1,334.0
15	14,816.3	12,011.6	316.2	93.0	147.0	1,432.7	—	—	—	20.6	—	—	—	1,334.0
23	14,817.0	12,047.5	305.8	98.0	126.1	1,332.6	—	—	—	24.2	—	—	—	1,334.0
31	14,817.0	12,029.3	309.5	79.3	183.7	1,289.1	—	—	—	20.1	475.8	475.8	—	1,334.0
Sep. 7	14,817.0	12,061.9	309.1	85.5	142.1	1,708.4	—	—	—	18.6	520.0	517.9	2.1	1,334.0
15	14,817.0	12,132.8	277.5	92.1	156.1	1,594.8	—	—	—	26.0	69.9	69.9	—	1,334.0
23	14,817.7	12,140.2	286.3	103.8	107.8	1,726.6	30.0	30.0	—	121.4	—	—	—	1,314.0
30	14,817.9	12,290.8	315.1	83.7	338.4	2,120.9	30.0	30.0	—	41.8	4.0	—	4.0	1,231.1
Oct. 7	14,964.1	12,329.9	318.3	86.0	252.1	2,203.7	10.5	10.5	—	38.2	7.0	—	7.0	1,231.1
15	14,964.1	12,069.5	285.2	93.9	197.5	1,647.1	—	—	—	25.6	11.1	—	11.1	1,222.5
23	15,040.3	12,095.6	283.1	103.1	159.1	1,357.0	—	—	—	84.7	—	—	—	1,222.2
31	15,040.3	12,168.0	300.4	84.5	199.1	1,084.2	—	—	—	40.8	13.8	—	13.8	1,222.2
Nov. 7	15,064.2	12,341.2	316.3	92.7	185.3	1,171.0	—	—	—	31.8	511.1	496.4	14.7	1,222.2
15	15,064.2	12,327.0	293.3	98.5	164.0	1,009.0	—	—	—	45.9	1.2	—	1.2	1,219.9
23	15,064.9	12,676.5	308.0	97.4	160.0	1,282.4	—	—	—	92.0	—	—	—	1,219.9
30	15,064.9	12,742.9	310.3	81.0	191.2	1,226.2	—	—	—	53.1	659.0	644.7	14.3	1,219.9
Dec. 7	15,124.6	12,981.0	337.9	74.0	136.6	1,654.2	—	—	—	70.7	896.5	875.7	20.8	1,219.9
15	15,124.6	13,350.1	325.4	73.6	171.4	1,414.2	—	—	—	45.7	601.1	596.4	4.7	1,219.9
23	15,126.4	13,175.1	393.9	69.8	112.2	1,313.0	0.1	0.1	—	92.5	782.5	782.5	—	1,219.9
31	15,137.8	12,894.4	417.2	81.1	376.2	1,646.7	125.1	125.1	—	207.7	1,749.3	1,732.7	16.6	1,221.7

¹⁾ 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	
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		
Total	Equalisation claims					(c) Debt certificate	(a) acquisition of claims resulting from post-war economic aid	(b) alteration of exchange parity	Total	among which:					Total
	(a) Equalisation claims from conversion of own balance sheet ¹⁾	(b) Equalisation claims purchased	less equalisation claims returned in exchange for money-market paper	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		
4,250.6	8,131.4	48.0	4,476.0	3,703.4	547.2	2,155.7	2,512.8	1,190.2	2,289.4	1,342.5	897.1	233.1	41,914.2	1963	
3,745.7	8,131.4	48.0	4,980.9	3,198.5	547.2	2,155.7	2,512.8	1,190.2	2,289.4	1,342.5	897.1	276.5	40,366.2	Jan. 7	
4,131.4	8,131.4	48.0	4,595.2	3,584.2	547.2	2,112.8	2,512.8	1,190.2	2,288.7	1,342.5	896.4	318.2	40,766.4	15	
3,680.7	8,131.4	48.0	5,045.9	3,133.5	547.2	2,112.8	2,512.8	1,190.2	2,288.7	1,342.5	896.4	781.6	40,407.4	23	
3,697.7	8,131.4	48.0	5,028.9	3,150.5	547.2	2,112.8	2,512.8	1,190.2	2,288.7	1,342.5	896.4	232.5	40,456.0	31	
3,886.8	8,131.4	48.0	4,839.8	3,339.6	547.2	2,112.8	2,512.8	1,190.2	2,288.7	1,342.5	896.4	432.0	40,410.9	Feb. 7	
3,875.7	8,131.4	48.0	4,850.9	3,328.5	547.2	2,112.8	2,512.8	1,190.2	2,288.0	1,342.5	895.7	964.0	40,933.3	15	
3,599.4	8,131.4	48.0	5,127.2	3,052.2	547.2	2,112.8	2,512.8	1,190.2	2,288.0	1,342.5	895.7	843.9	40,378.6	23	
3,917.4	8,131.4	48.0	4,809.2	3,370.2	547.2	2,164.4	2,512.8	1,190.2	2,288.0	1,342.5	895.7	270.9	41,685.2	28	
4,131.7	8,131.4	48.0	4,594.9	3,584.5	547.2	2,164.4	2,512.8	1,190.2	2,288.0	1,342.5	895.7	483.3	42,321.6	Mar. 7	
4,246.4	8,131.4	48.0	4,480.2	3,699.2	547.2	2,164.4	2,512.8	1,190.2	2,287.3	1,342.5	895.0	344.9	43,184.2	15	
4,425.9	8,131.4	48.0	4,300.7	3,878.7	547.2	2,164.4	2,512.8	1,190.2	2,271.3	1,342.5	884.4	868.9	43,725.5	23	
4,405.4	8,131.4	48.0	4,321.2	3,858.2	547.2	2,164.4	2,512.8	1,190.2	2,271.3	1,342.5	884.4	274.4	43,626.6	31	
4,207.6	8,131.4	48.0	4,519.0	3,660.4	547.2	2,164.4	2,512.8	1,190.2	2,271.3	1,342.5	884.4	317.0	43,101.9	Apr. 7	
3,947.7	8,131.4	48.0	4,778.9	3,400.5	547.2	2,164.4	2,512.8	1,190.2	2,270.6	1,342.5	883.7	744.9	42,435.5	15	
3,980.1	8,131.4	48.0	4,746.5	3,432.9	547.2	2,184.4	2,512.8	1,190.2	2,270.6	1,342.5	883.7	850.3	42,099.5	23	
3,996.6	8,131.4	48.0	4,730.0	3,449.4	547.2	2,184.4	2,512.8	1,082.5	2,270.6	1,342.5	883.7	242.4	42,023.6	30	
4,055.0	8,131.4	48.0	4,671.6	3,507.8	547.2	2,184.4	2,512.8	1,082.5	2,270.6	1,342.5	883.7	333.8	42,181.1	May 7	
4,082.2	8,131.4	48.0	4,644.4	3,535.0	547.2	2,184.4	2,512.8	1,082.5	2,269.9	1,342.5	883.0	389.4	43,445.5	15	
3,931.6	8,131.4	48.0	4,795.0	3,384.4	547.2	2,184.4	2,512.8	1,082.5	2,269.9	1,342.5	883.0	550.1	43,134.0	23	
3,999.3	8,131.4	48.0	4,727.3	3,452.1	547.2	2,184.4	2,512.8	1,082.5	2,269.9	1,342.5	883.0	243.3	43,045.4	31	
4,361.9	8,131.4	48.0	4,364.7	3,814.7	547.2	2,184.4	2,512.8	1,082.5	2,269.9	1,342.5	883.0	232.3	43,296.7	June 7	
4,605.2	8,131.4	48.0	4,121.4	4,058.0	547.2	2,184.4	2,512.8	1,082.5	2,269.3	1,342.5	882.3	398.9	44,526.7	15	
4,980.9	8,131.4	48.0	3,745.7	4,433.7	547.2	2,184.4	2,512.8	1,082.5	2,253.3	1,342.5	871.7	952.5	45,906.3	23	
5,152.8	8,131.4	47.7	3,573.5	4,605.6	547.2	2,164.4	2,512.8	1,082.5	2,253.3	1,342.5	871.7	288.6	45,253.9	31	
4,721.4	8,131.4	47.7	4,004.9	4,174.2	547.2	2,164.4	2,512.8	1,082.5	2,253.3	1,342.5	871.7	253.2	44,229.7	July 7	
4,762.6	8,131.4	47.7	3,963.7	4,215.4	547.2	2,164.4	2,512.8	1,082.5	2,252.6	1,342.5	871.0	333.0	43,757.8	15	
4,626.2	8,131.5	47.7	4,100.2	4,079.0	547.2	2,164.4	2,512.8	1,082.5	2,252.6	1,342.5	871.0	810.4	43,834.6	23	
4,689.8	8,131.5	47.7	4,036.6	4,142.6	547.2	2,164.2	2,512.8	1,082.5	2,164.4	1,342.5	782.8	270.5	43,767.6	31	
4,713.4	8,131.5	47.7	4,013.0	4,166.2	547.2	2,164.2	2,512.8	1,082.5	2,164.4	1,342.5	782.8	423.3	43,232.0	Aug. 7	
4,690.7	8,131.5	47.7	4,035.7	4,143.5	547.2	2,214.2	2,512.8	1,082.5	2,163.7	1,342.5	782.1	775.8	43,524.9	15	
4,388.8	8,131.5	47.7	4,337.6	3,841.6	547.2	2,214.2	2,512.8	1,082.5	2,163.7	1,342.5	782.1	620.5	43,520.3	23	
4,543.3	8,131.5	47.7	4,183.1	3,996.1	547.2	2,214.2	2,512.8	1,082.5	2,163.7	1,342.5	782.1	310.5	43,823.6	31	
4,663.7	8,131.5	47.7	4,062.7	4,116.5	547.2	2,214.2	2,512.8	1,082.5	2,163.7	1,342.5	782.1	307.9	43,445.0	Sep. 7	
5,340.2	8,131.5	47.7	3,386.2	4,793.0	547.2	2,224.2	2,512.8	1,082.5	2,163.0	1,342.5	781.5	329.4	44,299.9	15	
5,005.6	8,131.5	47.7	3,720.8	4,458.4	547.2	2,264.2	2,512.8	1,082.5	2,140.6	1,342.5	764.5	901.7	45,181.1	23	
5,009.9	8,131.5	47.7	3,716.5	4,462.7	547.2	2,264.2	2,512.8	1,082.5	2,140.6	1,342.5	764.5	324.5	44,775.4	31	
4,825.5	8,131.5	47.7	3,900.9	4,278.3	547.2	2,264.2	2,512.8	1,082.5	2,140.6	1,342.5	764.5	396.7	43,738.8	Oct. 7	
4,714.6	8,131.5	47.7	4,011.8	4,167.4	547.2	2,274.2	2,512.8	1,082.5	2,139.9	1,342.5	763.8	455.5	43,524.6	15	
3,979.5	8,131.5	47.7	4,746.9	3,432.3	547.2	2,274.2	2,512.8	1,082.5	2,139.9	1,342.5	763.8	590.6	42,732.8	23	
3,932.7	8,131.5	47.7	4,793.7	3,385.5	547.2	2,274.2	2,512.8	1,082.5	2,139.9	1,342.5	763.8	415.1	43,293.0	31	
3,748.1	8,131.5	47.7	4,978.3	3,200.9	547.2	2,274.2	2,512.8	1,082.5	2,139.9	1,342.5	763.8	537.7	42,518.2	Nov. 7	
3,805.4	8,131.5	47.7	4,921.0	3,258.2	547.2	2,284.2	2,512.8	1,082.5	2,139.2	1,342.5	763.1	814.2	43,539.4	15	
3,373.0	8,131.5	47.7	5,353.4	2,825.8	547.2	2,284.2	2,512.8	1,082.5	2,136.8	1,342.5	760.7	643.1	43,580.9	23	
3,740.0	8,131.5	47.7	4,986.4	3,192.8	547.2	2,284.2	2,512.8	1,082.5	2,136.8	1,342.5	760.7	365.9	44,617.6	31	
3,628.6	8,131.5	47.7	5,097.8	3,081.4	547.2	2,284.2	2,512.8	1,082.5	2,136.8	1,342.5	760.7	443.8	44,414.7	Dec. 7	
4,539.4	8,131.5	—	4,139.3	3,992.2	547.2	2,294.2	2,512.8	1,082.5	2,136.2	1,342.5	760.0	518.0	45,368.5	15	
3,989.9	8,132.4	—	4,689.7	3,442.7	547.2	2,294.2	2,512.8	1,082.5	2,121.8	1,342.5	751.0	406.1	46,264.5	23	
														31	

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

Returns of the Deutsche

Millions

Date of return	Liabilities								
	Bank notes in circulation	Deposits							
		Total	of						
			(a) credit institutions (including Postal Cheque and Postal Savings Bank offices)	(b) public depositors				(bd) other public depositors	(c) other German depositors
Total	(ba) Federal Government	(bb) Federal Special Funds	(bc) Länder	Total					
29	30	31	32	33	34	35	36	37	
1963									
Jan. 7	22,804.8	16,235.9	11,381.8	4,555.5	17.2	762.6	3,751.7	24.0	298.6
15	21,952.1	15,705.6	10,096.5	5,333.9	133.4	839.1	4,330.8	30.6	275.2
23	20,649.3	17,460.7	9,978.2	7,211.3	1,684.9	1,014.6	4,486.9	24.9	271.2
31	23,647.4	14,150.7	9,017.6	4,888.5	220.6	1,027.1	3,618.7	22.1	244.6
Feb. 7	22,326.6	15,525.5	10,865.7	4,417.4	7.4	692.7	3,699.4	17.9	242.4
15	21,976.8	15,772.1	10,163.5	5,380.0	266.0	818.5	4,245.9	49.6	228.6
23	21,247.0	17,025.5	9,580.4	7,195.2	1,022.3	2,180.9	3,971.3	20.7	249.9
28	24,403.3	13,405.1	8,704.2	4,450.4	17.4	1,204.1	3,207.2	21.7	250.5
Mar. 7	23,155.7	15,887.8	11,329.2	4,309.7	17.5	781.3	3,489.7	21.2	248.9
15	22,627.5	17,125.2	9,618.0	7,281.5	1,142.1	875.2	5,243.6	20.6	225.7
23	21,546.1	19,039.7	9,797.8	9,015.7	2,178.5	913.6	5,904.8	18.8	226.2
31	24,699.4	16,277.4	9,149.9	6,878.6	455.4	1,675.2	4,717.8	30.2	248.9
Apr. 7	23,576.0	17,433.4	10,530.3	6,667.8	842.1	1,042.4	4,763.7	19.6	235.3
15	23,475.2	17,033.1	10,581.6	6,210.3	563.7	768.7	4,858.8	19.1	241.2
23	21,086.6	18,762.0	9,487.4	9,002.2	2,016.3	1,724.5	5,242.5	18.9	272.4
30	24,515.8	15,008.4	9,140.7	5,601.9	443.7	831.9	4,304.0	22.3	265.8
May 7	23,142.0	16,334.3	10,771.7	5,294.0	217.6	630.0	4,429.8	16.6	268.6
15	22,674.0	16,966.7	10,393.0	6,331.1	637.2	694.4	4,949.7	49.8	242.6
23	21,843.8	19,118.6	11,374.0	7,494.6	1,627.6	844.4	4,973.1	49.5	250.0
31	25,216.1	15,298.4	10,206.0	4,830.7	125.4	852.1	3,822.4	30.8	261.7
June 7	23,766.9	16,731.8	11,656.5	4,832.7	179.9	744.4	3,891.5	16.9	242.6
15	23,630.3	17,063.6	10,193.7	6,602.9	771.6	616.9	5,191.5	22.9	267.0
23	22,384.9	19,431.1	10,032.4	9,128.5	2,439.1	760.0	5,901.7	27.7	270.2
30	25,548.6	17,555.7	10,063.4	7,208.3	852.9	1,392.7	4,910.4	52.3	284.0
July 7	24,526.3	17,984.2	11,018.3	6,710.7	764.4	901.7	5,024.8	19.8	255.2
15	23,775.3	17,675.9	10,218.3	7,199.9	884.9	928.9	5,357.3	28.8	257.7
23	22,452.9	18,600.3	10,495.1	7,846.9	1,602.3	976.5	5,234.9	33.2	258.3
31	25,549.6	15,568.5	9,685.5	5,627.7	103.9	1,304.3	4,199.7	19.8	255.3
Aug. 7	23,999.2	17,005.8	11,569.7	5,155.1	9.1	875.2	4,248.7	22.1	281.0
15	23,753.0	16,682.7	10,615.4	5,830.4	161.3	964.8	4,644.9	59.4	236.9
23	22,748.3	18,001.0	9,968.1	7,787.7	1,122.2	2,329.1	4,309.5	26.9	245.2
31	25,712.3	15,033.7	10,404.2	4,365.2	13.0	1,170.0	3,160.8	21.4	264.3
Sep. 7	24,536.9	16,506.3	11,997.0	4,241.4	11.0	1,005.3	3,205.4	19.7	267.9
15	24,185.4	16,326.9	10,652.4	5,443.6	19.5	1,059.3	4,350.1	14.7	230.9
23	22,584.2	18,868.0	9,962.0	8,669.2	1,665.7	1,421.0	5,555.3	27.2	236.8
30	25,749.9	16,637.7	10,174.2	6,194.1	273.9	1,661.7	4,224.9	33.6	269.4
Oct. 7	24,423.3	17,455.0	11,366.2	5,757.2	182.8	1,183.3	4,374.9	16.2	331.6
15	23,541.5	17,457.3	11,024.4	6,181.1	489.9	976.9	4,687.4	26.9	251.8
23	22,115.1	18,586.8	11,242.8	7,069.3	1,404.9	930.7	4,699.0	34.7	274.7
31	25,605.5	14,389.0	9,463.9	4,668.7	84.9	1,031.1	3,533.5	19.2	256.4
Nov. 7	23,975.2	16,561.9	11,720.7	4,564.1	8.0	871.4	3,658.5	26.2	277.1
15	23,694.7	16,083.4	10,735.4	5,098.5	157.5	870.2	4,018.3	52.5	249.5
23	22,799.9	17,862.4	10,636.1	6,959.8	1,152.7	1,809.0	3,961.0	37.1	266.5
30	26,664.1	14,092.8	10,053.6	3,755.2	11.1	1,179.1	2,528.2	36.8	284.0
Dec. 7	26,037.3	15,769.0	11,778.3	3,736.2	10.3	1,074.5	2,632.2	19.2	254.5
15	25,514.8	16,086.0	11,124.9	4,708.6	17.7	925.3	3,743.3	22.3	252.5
23	25,059.6	17,478.6	10,845.0	6,329.8	28.0	1,862.5	4,409.2	30.1	303.8
31	25,426.6	18,006.4	13,607.0	4,126.6	93.4	1,161.4	2,837.9	33.9	272.8

Bundesbank (cont'd)

of DM

Liabilities										Date of return
Liabilities in respect of foreign business					Reserves for specific purposes	Capital	Reserves	Other liabilities	Total	
Total	(a) Deposits of foreign de- positors	(b) Others								
		Total	among which, provision of cover for letters of credit and guarantees by							
				foreigners	residents					
38	39	40	41	42	43	44	45	46	47	
										1 9 6 3
389.9	360.0	29.9	0.4	10.2	949.7	290.0	638.0	605.9	41,914.2	Jan. 7
443.1	409.4	33.7	0.3	11.9	949.7	290.0	638.0	387.7	40,366.2	15
448.8	414.8	34.0	0.3	20.1	949.7	290.0	638.0	329.9	40,766.4	23
403.2	377.3	25.9	0.3	14.0	949.7	290.0	638.0	328.4	40,407.4	31
381.2	355.1	26.1	0.3	11.7	949.7	290.0	638.0	345.0	40,456.0	Feb. 7
401.4	378.1	23.3	0.3	10.5	949.7	290.0	638.0	382.9	40,410.9	15
401.5	371.2	30.3	0.3	17.9	949.7	290.0	638.0	381.6	40,933.3	23
308.1	280.8	27.3	0.3	15.9	949.7	290.0	638.0	384.4	40,378.6	28
373.6	340.3	33.3	0.3	16.3	949.7	290.0	638.0	390.4	41,685.2	Mar. 7
295.2	266.7	28.5	0.3	15.1	949.7	290.0	638.0	396.0	42,321.6	15
320.0	287.0	33.0	0.3	17.6	949.7	290.0	638.0	400.7	43,184.2	23
461.3	428.9	32.4	0.3	16.7	949.7	290.0	638.0	409.7	43,725.5	31
328.7	291.4	37.3	0.3	16.7	949.7	290.0	638.0	410.8	43,626.6	Apr. 7
302.7	269.3	33.4	0.3	15.3	949.7	290.0	638.0	413.2	43,101.9	15
290.4	258.4	32.0	0.3	19.0	949.7	290.0	638.0	418.8	42,435.5	23
312.3	274.3	38.0	0.3	12.8	949.7	290.0	638.0	385.3	42,099.5	30
402.4	361.0	41.4	0.3	10.5	1,075.6	290.0	700.8	78.5	42,023.6	May 7
382.7	358.1	24.6	0.3	11.0	1,075.6	290.0	700.8	91.3	42,181.1	15
317.1	280.9	36.2	0.3	18.5	1,075.6	290.0	700.8	99.6	43,445.5	23
441.6	393.2	48.4	0.3	15.1	1,075.6	290.0	700.8	111.5	43,134.0	31
359.8	333.1	26.7	0.3	12.4	1,075.6	290.0	700.8	120.5	43,045.4	June 7
334.0	309.4	24.6	0.3	8.5	1,075.6	290.0	700.8	202.4	43,296.7	15
512.3	467.1	45.2	0.3	16.7	1,075.6	290.0	700.8	132.0	44,526.7	23
449.6	416.9	32.7	0.3	15.2	1,075.6	290.0	700.8	286.0	45,906.3	30
382.1	348.0	34.1	0.4	13.4	1,075.6	290.0	700.8	294.9	45,253.9	July 7
374.8	306.6	68.2	0.4	10.5	1,075.6	290.0	700.8	337.3	44,229.7	15
334.6	298.3	36.3	0.4	18.4	1,075.6	290.0	700.8	303.6	43,757.8	23
333.1	306.7	26.4	0.3	13.1	1,075.6	290.0	700.8	317.0	43,834.6	31
306.8	276.6	30.2	0.3	11.8	1,075.6	290.0	700.8	389.4	43,767.6	Aug. 7
326.4	301.5	24.9	0.3	9.9	1,075.6	290.0	700.8	403.5	43,232.0	15
301.1	272.0	29.1	0.4	17.1	1,075.6	290.0	700.8	408.1	43,524.9	23
301.6	275.4	26.2	0.4	13.4	1,075.6	290.0	700.8	406.3	43,520.3	31
304.2	280.6	23.6	0.4	11.9	1,075.6	290.0	700.8	409.8	43,823.6	Sep. 7
353.3	333.0	20.3	0.4	7.2	1,075.6	290.0	700.8	513.0	43,445.0	15
321.8	289.6	32.2	0.4	17.3	1,075.6	290.0	700.8	459.5	44,299.9	23
327.8	301.5	26.3	0.4	13.0	1,075.6	290.0	700.8	399.3	45,181.1	30
301.8	278.8	23.0	0.3	9.8	1,075.6	290.0	700.8	528.9	44,775.4	Oct. 7
270.9	245.3	25.6	0.4	8.4	1,075.6	290.0	700.8	402.7	43,738.8	15
353.5	319.3	34.2	0.3	16.9	1,075.6	290.0	700.8	402.8	43,524.6	23
266.1	237.1	29.0	0.3	14.5	1,075.6	290.0	700.8	405.8	42,732.8	31
285.6	233.1	52.5	0.3	11.5	1,075.6	290.0	700.8	403.9	43,293.0	Nov. 7
260.8	237.3	23.5	0.3	8.0	1,075.6	290.0	700.8	412.9	42,518.2	15
392.0	328.5	63.5	0.3	16.2	1,075.6	290.0	700.8	418.7	43,539.4	23
328.7	300.7	28.0	0.3	15.3	1,075.6	290.0	700.8	428.9	43,580.9	30
313.7	280.7	33.0	0.4	13.6	1,075.6	290.0	700.8	431.2	44,617.6	Dec. 7
294.5	262.1	32.4	0.4	10.1	1,075.6	290.0	700.8	453.0	44,414.7	15
302.1	268.7	33.4	0.4	19.3	1,075.6	290.0	700.8	461.8	45,368.5	23
269.9	234.2	35.7	0.4	18.2	1,075.6	290.0	700.8	495.2	46,264.5	31

Turnover on the Giro Accounts of the Deutsche Bundesbank

	Debits				Credits			
	1962		1963		1962		1963	
	'000 ¹⁾	DM million	'000 ¹⁾	DM million	'000 ¹⁾	DM million	'000 ¹⁾	DM million
Land Central Bank								
Baden-Württemberg	21,445	191,281	21,975	202,693	24,714	191,333	25,863	202,634
Bavaria	25,366	193,298	25,921	209,514	22,979	193,475	23,293	209,629
Berlin	2,164	45,050	2,188	46,800	3,015	45,158	2,836	46,833
Bremen	3,583	23,895	3,622	25,490	4,700	23,915	4,873	25,516
Hamburg	6,733	166,015	6,719	165,208	10,076	166,020	9,982	165,399
Hesse	15,049	228,547	15,983	254,894	15,709	228,394	16,195	255,235
Lower Saxony	18,449	115,902	18,882	126,182	16,209	115,918	16,670	126,091
North Rhine-Westphalia	46,164	615,300	47,940	661,654	45,292	615,863	47,211	661,806
Rhineland-Palatinate	8,702	64,334	9,109	68,712	8,567	64,290	9,192	68,718
Saarland	1,342	16,361	1,448	16,804	983	16,346	1,098	16,793
Schleswig-Holstein	5,324	33,808	5,316	35,671	4,218	33,700	4,308	35,670
Total	154,321	1,693,791	159,103	1,813,622	156,462	1,694,412	161,521	1,814,324
Bundesbank – Directorate –	550	191,051	594	206,095	608	190,638	633	206,600
Grand total	154,871	1,884,842	159,697	2,019,717	157,070	1,885,050	162,154	2,020,924

1) Number of transactions

Simplified Cheque Collection

	Cheques lodged				Cheques paid			
	1962		1963		1962		1963	
	'000	DM million	'000	DM million	'000	DM million	'000	DM million
Land Central Bank								
Baden-Württemberg	16,529	26,778	17,045	29,373	15,070	25,740	15,022	27,377
Bavaria	14,887	23,142	14,793	24,288	14,790	23,913	15,004	25,578
Berlin	2,208	4,023	2,005	4,022	1,375	3,164	1,374	3,282
Bremen	3,626	3,612	3,770	3,936	2,394	3,250	2,370	3,567
Hamburg	6,318	11,770	6,391	12,739	3,659	10,928	3,884	11,665
Hesse	10,598	18,331	10,729	20,160	10,581	22,793	11,126	25,535
Lower Saxony	10,947	15,665	11,112	17,512	13,304	17,128	13,486	18,255
North Rhine-Westphalia	29,725	59,708	30,876	62,850	31,884	59,186	32,721	62,930
Rhineland-Palatinate	5,260	8,022	5,671	9,045	5,723	8,170	5,853	8,833
Saarland	659	1,522	730	1,710	980	1,755	1,039	1,853
Schleswig-Holstein	2,397	3,739	2,428	3,981	3,446	3,931	3,368	4,171
Total	103,154	176,312	105,550	189,616	103,206	179,958	105,247	193,046
Bundesbank – Directorate –	156	3,575	163	3,650	6	66	11	68
Grand total	103,310	179,887	105,713	193,266	103,212	180,024	105,258	193,114

Telegraphic Giro Transactions
telegraphic giro transfers dispatched

	1962		1963	
	'000	DM mn	'000	DM mn
Land Central Bank				
Baden-Württemberg	28	26,696	28	29,127
Bavaria	28	31,007	28	32,479
Berlin	5	13,167	5	13,882
Bremen	3	2,822	3	2,645
Hamburg	11	20,247	11	21,679
Hesse	28	33,695	31	42,656
Lower Saxony	20	17,955	20	18,959
North Rhine-Westphalia	56	102,464	56	113,241
Rhineland-Palatinate	11	9,210	11	9,232
Saarland	1	1,737	2	1,783
Schleswig-Holstein	5	4,621	5	4,595
Total	196	263,621	200	290,278
Bundesbank – Directorate –	8	8,833	8	9,057
Grand total	204	272,454	208	299,335

Certified Cheques

Land Central Bank	1962		1963	
	number	DM mn	number	DM mn
Baden-Württemberg	1,885	1,731	1,815	1,864
Bavaria	921	613	992	556
Berlin	105	3	96	4
Bremen	328	159	187	214
Hamburg	279	59	212	39
Hesse	1,435	1,794	1,500	1,989
Lower Saxony	348	452	282	397
North Rhine-Westphalia	9,933	15,220	10,296	16,756
Rhineland-Palatinate	891	313	765	336
Saarland	11	11	12	22
Schleswig-Holstein	532	65	201	71
Total	16,668	20,420	16,358	22,248

Turnover in Clearing Transactions

Land Central Bank	1962						1963					
	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	19,368	42,259	4,262	7,206	23,630	49,465	19,279	45,132	5,804	9,458	25,083	54,590
Bavaria	20,431	43,697	8,046	7,984	28,477	51,681	20,279	46,753	9,215	9,460	29,494	56,213
Berlin	5,093	10,753	3,021	12,149	8,114	22,902	4,976	11,375	3,119	13,315	8,095	24,690
Bremen	3,990	6,697	3,751	7,098	7,741	13,795	3,875	7,276	4,059	7,291	7,934	14,567
Hamburg ¹⁾	6,115	19,300	20,535	131,236	26,650	150,536	6,423	21,877	22,175	144,772	28,598	166,649
Hesse	14,305	145,529	4,200	173,731	18,505	319,260	14,546	156,754	5,001	223,806	19,547	380,560
Lower Saxony	12,792	21,537	4,990	9,155	17,782	30,692	12,811	23,062	5,381	9,368	18,192	32,430
North Rhine-Westphalia	44,232	89,220	8,630	28,279	52,862	117,499	44,286	94,330	10,047	29,915	54,333	124,245
Rhineland-Palatinate	6,469	11,229	1,888	2,719	8,357	13,948	5,455	11,958	2,108	3,066	7,563	15,024
Saarland	1,307	3,538	1,215	4,214	2,522	7,752	1,498	3,911	1,351	3,971	2,849	7,882
Schleswig-Holstein	4,097	5,979	4,276	3,553	8,373	9,532	4,069	6,494	4,711	3,991	8,780	10,485
Total	138,199	399,738	64,814	387,324	203,013	787,062	137,497	428,922	72,971	458,413	210,468	887,335

¹⁾ The Hamburg clearing transactions, to which special arrangements apply, include moreover 1,071,000 transfers to and from other places amounting to DM 2,791 million (1962 972,000 amounting to DM 2,754 million).

Bank Note Circulation

Denomination	1960		1961		1962		1963	
	DM million	per cent	DM million	per cent	DM million	per cent	DM million	per cent
100 II	7,885.12	38.52	9,416.27	40.96	5,132.62	21.26	2,215.44	8.71
100 I BBk	—	—	—	—	6,101.00	25.27	10,338.70	40.66
50 I	1,269.58	6.20	770.97	3.35	45.11	0.19	33.07	0.13
50 III	7,288.63	35.61	8,507.20	37.00	5,482.16	22.70	2,089.33	8.22
50 I BBk	—	—	—	—	3,185.32	13.19	6,577.55	25.87
20 I/III	2,659.23	12.99	1,204.12	5.24	744.56	3.08	511.90	2.01
20 I BBk	—	—	1,647.82	7.17	1,965.29	8.14	2,068.70	8.13
10 I/II	1,222.11	5.97	1,279.00	5.56	1,292.95	5.35	1,176.27	4.63
10 I BBk	—	—	—	—	—	—	185.72	0.73
5 II	141.83	0.69	162.90	0.71	194.80	0.81	146.98	0.58
5 I BBk	—	—	—	—	—	—	80.29	0.32
Other bank notes	3.77	0.02	3.41	0.01	2.78	0.01	2.65	0.01
Total	20,470.27	100.00	22,991.69	100.00	24,146.59	100.00	25,426.60	100.00

Coin in Circulation

Coin at DM	1960		1961		1962		1963	
	DM million	per cent	DM million	per cent	DM million	per cent	DM million	per cent
5.—	462.66	33.78	492.03	32.88	498.38	30.89	506.76	29.38
2.—	169.57	12.38	197.32	13.18	228.55	14.17	256.60	14.88
1.—	386.76	28.24	419.88	28.06	456.04	28.27	488.96	28.34
—,50	150.34	10.98	167.76	11.21	186.50	11.56	205.53	11.91
—,10	128.67	9.40	141.38	9.45	156.79	9.72	172.31	9.99
—,05	40.22	2.94	43.69	2.92	48.51	3.01	52.91	3.07
—,02	5.99	0.44	7.54	0.50	9.57	0.59	11.51	0.67
—,01	25.17	1.84	26.98	1.80	28.90	1.79	30.42	1.76
Total	1,369.38	100.00	1,496.58	100.00	1,613.24	100.00	1,725.00	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	554	Eßlingen (Neckar)	Stuttgart	BW
563	Aalen (Württ)	Ulm	BW	397	Euskirchen	Bonn	NW
319	Ahlen (Westf)	Hamm	NW				
282	Alfeld (Leine)	Hildesheim	N	232	Flensburg	Flensburg	SH
431	Alsfeld (Oberhess)	Fulda	H	512	Frankenthal (Pfalz)	Ludwigshafen	R
415	Altena (Westf)	Hagen	NW	4	Frankfurt (Main)	Frankfurt	H
655	Amberg (Oberpf)	Regensburg	BY	57	Freiburg (Breisgau)	Freiburg	BW
447	Andernach	Koblenz	R	435	Friedberg (Hess)	Gießen	H
646	Ansbach (Mittelfr)	Nürnberg	BY	599	Friedrichshafen	Konstanz	BW
416	Arnsberg (Westf)	Lippstadt	NW	644	Fürth (Bay)	Nürnberg	BY
614	Aschaffenburg	Würzburg	BY	433	Fulda	Fulda	H
68	Augsburg	Augsburg	BY				
				689	Garmisch-Partenkirchen	München	BY
536	Baden-Baden	Karlsruhe	BW	438	Gelnhausen	Fulda	H
429	Bad Hersfeld	Fulda	H	341	Gelsenkirchen	Gelsenkirchen	NW
469	Bad Kreuznach	Mainz	R	317	Gelsenkirchen-Buer	Gelsenkirchen	NW
699	Bad Reichenhall	München	BY	385	Gevelsberg	Hagen	NW
62	Bamberg	Nürnberg	BY	43	Gießen	Gießen	H
63	Bayreuth	Hof	BY	316	Gladbeck (Westf)	Gelsenkirchen	NW
352	Beckum (Bz Münster, Westf)	Hamm	NW	323	Goch	Krefeld	NW
496	Bensheim	Darmstadt	H	565	Göppingen	Stuttgart	BW
1	Berlin (West)	Berlin	B	288	Göttingen	Göttingen	N
444	Betzdorf (Sieg)	Koblenz	R	296	Goslar	Braunschweig	N
597	Biberach (Riß)	Ulm	BW	353	Gütersloh	Bielefeld	NW
424	Biedenkopf	Gießen	H	441	Gummersbach	Bonn	NW
26	Bielefeld	Bielefeld	NW				
481	Bingen (Rhein)	Mainz	R	41	Hagen	Hagen	NW
462	Bitburg (Eifel)	Trier	R	2	Hamburg	Hamburg	HH
313	Bocholt	Münster	NW	22	Hamburg-Altona	Hamburg	HH
346	Bochum	Bochum	NW	226	Hamburg-Harburg	Hamburg	HH
442	Bonn	Bonn	NW	279	Hameln	Hannover	N
29	Braunschweig	Braunschweig	N	35	Hamm (Westf)	Hamm	NW
21	Bremen	Bremen	HB	439	Hanau	Frankfurt	H
215	Bremerhaven	Bremen	HB	27	Hannover	Hannover	N
531	Bruchsal	Karlsruhe	BW	381	Hattingen (Ruhr)	Bochum	NW
537	Bühl (Baden)	Karlsruhe	BW	236	Heide (Holst)	Husum	SH
267	Bünde (Westf)	Minden	NW	523	Heidelberg	Mannheim	BW
				567	Heidenheim (Brenz)	Ulm	BW
272	Celle	Hannover	N	54	Heilbronn (Neckar)	Heilbronn	BW
622	Coburg	Hof	BY	293	Helmstedt	Braunschweig	N
221	Cuxhaven	Lüneburg	N	269	Herford	Bielefeld	NW
				343	Herne	Bochum	NW
49	Darmstadt	Darmstadt	H	367	Hilden	Düsseldorf	NW
673	Deggendorf	Regensburg	BY	28	Hildesheim	Hildesheim	N
278	Detmold	Bielefeld	NW	452	Höhr-Grenzhausen	Koblenz	R
451	Dillenburg	Gießen	H	633	Hof (Saale)	Hof	BY
34	Dortmund	Dortmund	NW	284	Holzminen	Göttingen	N
395	Düren	Aachen	NW	231	Husum	Husum	SH
36	Düsseldorf	Düsseldorf	NW				
32	Duisburg	Duisburg	NW	474	Idar-Oberstein	Mainz	R
331	Duisburg-Hamborn	Duisburg	NW	66	Ingolstadt (Donau)	München	BY
329	Duisburg-Ruhrort	Duisburg	NW	411	Iserlohn	Dortmund	NW
				222	Itzehoe	Husum	SH
592	Ebingen (Württ)	Reutlingen	BW				
235	Eckernförde	Kiel	SH	393	Jülich	Aachen	NW
224	Elmshorn	Kiel	SH				
212	Emden	Oldenburg	N	513	Kaiserslautern	Kaiserslautern	R
573	Emmendingen	Freiburg	BW	53	Karlsruhe	Karlsruhe	BW
322	Emmerich	Duisburg	NW	42	Kassel	Kassel	H
643	Erlangen	Nürnberg	BY	686	Kaufbeuren	Augsburg	BY
428	Eschwege	Kassel	H	685	Kempten (Allgäu)	Augsburg	BY
394	Eschweiler	Aachen	NW	23	Kiel	Kiel	SH
33	Essen	Essen	NW	619	Kitzingen	Würzburg	BY

Appendix 5 (cont'd) to the Report of the Deutsche Bundesbank for the Year 1963

Serial number	Bank place	Appropriate Main Branch	Land Central Bank	Serial number	Bank place	Appropriate Main Branch	Land Central Bank
321	Kleve	Krefeld	NW	418	Plettenberg	Hagen	NW
44	Koblenz	Koblenz	R				
3	Köln	Köln	NW	535	Rastatt	Karlsruhe	BW
378	Köln-Mülheim	Köln	NW	59	Ravensburg	Ulm	BW
58	Konstanz	Konstanz	BW	318	Recklinghausen	Gelsenkirchen	NW
421	Korbach	Kassel	H	65	Regensburg	Regensburg	BY
363	Krefeld	Krefeld	NW	446	Remagen	Koblenz	R
634	Kulmbach	Hof	BY	374	Remscheid	Remscheid	NW
				389	Remscheid-Lenep	Remscheid	NW
571	Lahr (Schwarzw)	Freiburg	BW	237	Rendsburg	Kiel	SH
519	Landau (Pfalz)	Ludwigshafen	R	55	Reutlingen	Reutlingen	BW
67	Landshut (Bay)	Regensburg	BY	312	Rheine (Westf)	Münster	NW
432	Lauterbach (Hess)	Fulda	H	328	Rheinhausen	Duisburg	NW
216	Leer (Ostfriesl)	Oldenburg	N	368	Rheydt	Mönchengladbach	NW
277	Lemgo	Bielefeld	NW	697	Rosenheim	München	BY
453	Limburg (Lahn)	Wiesbaden	H	591	Rottweil	Reutlingen	BW
688	Lindau (Bodensee)	Augsburg	BY	457	Rüdesheim (Rhein)	Wiesbaden	H
262	Lingen (Ems)	Osnabrück	N				
356	Lippstadt	Lippstadt	NW	47	Saarbrücken	Saarbrücken	S
577	Lörrach	Freiburg	BW	476	Saarlouis	Saarbrücken	S
548	Ludwigsburg	Stuttgart	BW	578	Säckingen	Freiburg	BW
51	Ludwigshafen(Rhein)	Ludwigshafen	R	516	St. Ingbert (Saar)	Saarbrücken	S
24	Lübeck	Lübeck	SH	234	Schleswig	Flensburg	SH
417	Lüdenscheid	Hagen	NW	647	Schwabach	Nürnberg	BY
227	Lüneburg	Lüneburg	N	562	Schwäbisch Gmünd	Stuttgart	BW
				545	Schwäbisch Hall	Heilbronn	BW
48	Mainz	Mainz	R	616	Schweinfurt	Würzburg	BY
52	Mannheim	Mannheim	BW	384	Schwelm	Wuppertal-Elberfeld	NW
425	Marburg (Lahn)	Gießen	H	593	Schwenningen (Neckar)	Freiburg	BW
638	Marktredwitz	Hof	BY				
449	Mayen	Koblenz	R	295	Seesen	Braunschweig	N
683	Memmingen	Augsburg	BY	443	Siegburg	Bonn	NW
412	Menden (Sauerland)	Dortmund	NW	445	Siegen	Siegen	NW
617	Miltenberg	Würzburg	BY	584	Singen (Hohentwiel)	Konstanz	BW
268	Minden (Westf)	Minden	NW	355	Soest	Hamm	NW
365	Mönchengladbach	Mönchengladbach	NW	373	Solingen	Remscheid	NW
325	Moers	Duisburg	NW	372	Solingen-Ohligs	Remscheid	NW
526	Mosbach (Baden)	Heilbronn	BW	515	Speyer	Ludwigshafen	R
335	Mülheim (Ruhr)	Essen	NW	273	Stadthagen	Hannover	N
6	München	München	BY	396	Stolberg (Rhein)	Aachen	NW
31	Münster (Westf)	Münster	NW	672	Straubing	Regensburg	BY
				5	Stuttgart	Stuttgart	BW
413	Neheim-Hüsten	Lippstadt	NW	465	Traben-Trarbach	Trier	R
238	Neumünster	Kiel	SH	46	Trier	Trier	R
478	Neunkirchen (Saar)	Saarbrücken	S	557	Tübingen	Reutlingen	BW
366	Neuß	Köln	NW	594	Tuttlingen	Konstanz	BW
239	Neustadt (Holst)	Lübeck	SH				
514	Neustadt (Weinstr)	Ludwigshafen	R	229	Uelzen	Lüneburg	N
448	Neuwied	Koblenz	R	56	Ulm (Donau)	Ulm	BW
271	Nienburg (Weser)	Hannover	N	354	Unna	Hamm	NW
661	Nördlingen	Augsburg	BY				
211	Norden	Oldenburg	N	338	Velbert (Rhein)	Wuppertal-Elberfeld	NW
263	Nordhorn	Osnabrück	N	362	Viersen	Mönchengladbach	NW
286	Northeim (Han)	Göttingen	N	582	Villingen (Schwarzw)	Freiburg	BW
64	Nürnberg	Nürnberg	BY				
				705	Waiblingen	Stuttgart	BW
333	Oberhausen (Rheinl)	Oberhausen	NW	342	Wanne-Eickel ¹⁾	Bochum	NW
332	Oberhausen (Rheinl)-Sterkrade	Oberhausen	NW	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

¹⁾ The Branch at Wanne-Eickel was closed down on 31 March 1964.

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 *)*

Millions of DM

Item	Position at end of year						Increase (+) or decrease (-) during year ¹⁾				
	1958	1959 ²⁾	1960	1961	1962	1963	1959	1960	1961	1962	1963
I. Bank Lending to German Non-Banks, total	107,985	128,670	145,977	169,855	192,602	218,236	+18,096	+17,307	+23,966	+22,771	+25,634
(1) Credit institutions except Deutsche Bundesbank, total	107,136	127,134	144,376	167,056	189,707	214,067	+17,409	+17,242	+22,694	+22,675	+24,360
Short-term lending, total to business enterprises and individuals	34,152	37,076	42,523	48,655	52,208	56,122	+2,316	+5,447	+6,189	+3,567	+3,989
to public authorities	31,755	35,211	40,623	46,790	50,005	53,463	+2,858	+5,418	+6,224	+3,229	+3,533
Banks' holdings of German Treasury bills and non-interest-bearing Treasury bonds (excluding "mobilisation paper" ³⁾)	530	307	405	680	519	877	-223	+92	+275	-161	-358
Note: Banks' holdings of "mobilisation paper" ³⁾	1,867	1,558	1,495	1,185	1,684	1,782	-319	-63	-310	+499	+98
Medium and long-term lending, total to business enterprises and individuals	(4,300)	(2,940)	(4,128)	(4,234)	(3,372)	(4,160)	(-1,385)	(+1,188)	(+106)	(-862)	(+788)
to public authorities	67,850	83,255	94,998	110,671	129,065	148,888	+13,479	+11,743	+15,630	+18,409	+19,748
Banks' holdings of German securities and syndicate participations (excluding holdings of bank bonds ⁴⁾)	54,165	65,947	75,630	88,972	104,820	120,456	+10,254	+9,741	+13,299	+15,873	+15,561
Note: Banks' holdings of bank bonds ⁴⁾	13,685	17,308	19,368	21,699	24,245	28,432	+3,225	+2,002	+2,331	+2,536	+4,187
(2) Deutsche Bundesbank, total	5,134	6,803	6,855	7,730	8,434	9,057	+1,614	+52	+875	+699	+623
Lending to public authorities	(7,883)	(11,146)	(11,479)	(14,154)	(16,787)	(20,137)	(+3,079)	(+333)	(+2,675)	(+2,881)	(+3,100)
Holdings of Treasury bills and non-interest-bearing Treasury bonds ⁴⁾	849	1,536	1,601	2,799	2,895	4,169	+687	+65	+1,272	+96	+1,274
Lending to business enterprises and individuals	748	1,456	1,465	2,799	2,895	4,044	+708	+9	+1,408	+96	+1,149
	100	80	136	-	-	125	-20	+56	-136	-	+125
	1	0	-	-	-	-	-1	-0	-	-	-
II. Net Claim on Foreign Countries (Bundesbank and other banks)	24,936	24,510	30,744	29,845	30,504	33,597	-261	+6,269	+427	+792	+3,078
III. Note and Coin Circulation, total	18,858	20,324	21,840	24,488	25,760	27,152	-1,466	+1,516	+2,648	+1,272	+1,392
among which: Banks' cash holdings	918	980	1,068	1,350	1,601	1,734	+37	+88	+282	+246	+133
IV. Deposits of German Non-Banks and other Bank Liabilities to German Non-Banks											
(1) Credit institutions except Deutsche Bundesbank											
Sight deposits of business enterprises and individuals	21,402	24,845	26,361	30,986	33,589	36,486	+2,994	+1,516	+4,472	+2,580	+2,897
public authorities	2,900	3,197	3,664	4,272	5,222	5,475	+249	+467	+608	+946	+253
Time deposits ⁵⁾ of business enterprises and individuals	9,791	10,736	11,450	11,861	12,823	14,223	+898	+714	-12	+961	+1,400
public authorities	6,720	7,687	8,013	9,343	9,905	10,150	+780	+326	+1,330	+561	+245
Savings deposits	36,065	44,940	52,863	60,073	69,423	80,972	+8,105	+7,923	+7,210	+9,181	+11,549
Note: Accrual of funds in savings business ⁶⁾	(. . .)	(. . .)	(. . .)	(. . .)	(. . .)	(. . .)	(+8,146)	(+7,960)	(+7,232)	(+9,055)	(+11,287)
Bank bonds in circulation ⁷⁾	19,804	25,849	29,292	35,268	41,860	50,199	+5,824	+3,443	+5,676	+6,592	+8,339
Note: Accrual of funds from sale of bank bonds to non-banks ⁸⁾	(. . .)	(. . .)	(. . .)	(. . .)	(. . .)	(. . .)	(+2,744)	(+3,118)	(+3,306)	(+3,728)	(+5,262)
Monies and loans taken from non-banks among which: at notice of, or fixed for, six months and over	27,654	29,891	32,632	37,645	41,641	44,994	+1,322	+2,672	+4,833	+4,055	+3,354
Capital and reserves ⁹⁾	(27,259)	(29,420)	(32,114)	(37,097)	(40,719)	(44,142)	(+1,246)	(+2,636)	(+4,881)	(+3,682)	(+3,423)
(2) Deutsche Bundesbank	7,546	9,007	10,423	12,143	13,738	15,336	+1,373	+1,416	+1,720	+1,597	+1,598
Sight deposits of business enterprises and individuals	336	222	219	252	279	273	+13	-3	+33	+27	-6
public authorities	4,271	1,838	3,440	4,733	4,285	4,127	-2,686	+1,453	+1,293	-448	-158

*) The figures 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". Assets and liabilities in respect of foreign countries — with the exception of DM notes and coins as well as bank bonds held by foreigners, the amount of which holdings cannot be ascertained — are combined in an overall net balance and hence not contained in any of the other items. Thus the figures are not immediately comparable with the other statistical data presented in this Annex. — ¹⁾ Since December 1959 including Saarland. Cf. footnote *). — ²⁾ 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. — ³⁾ 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. — ⁴⁾ Banks' holdings of other banks' bonds do not represent any immediate granting of credit to non-banks. — ⁵⁾ "Mobilisation paper" is not held by the Bundesbank. — ⁶⁾ Deposits at notice or fixed period of at least one month. — ⁷⁾ 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) are taken into account only in so far as the Equalisation of Burdens Fund has made available the countervalue. — ⁸⁾ Set off against the credit institutions' holdings of their own and other banks' bonds. — ⁹⁾ 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. — ¹⁰⁾ Including those of Deutsche Bundesbank.

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

Millions of DM

End of month	Note and coin circulation, and residents' sight deposits ¹⁾ , total including | excluding amounts temporarily employed in equalisation claims ¹⁾		Note and coin circulation excluding credit institutions' cash holdings ^{2) *)}	Sight deposits of German business enterprises and individuals			Sight deposits of German public authorities					Deposits of agencies of former occupying powers with Deutsche Bundesbank ³⁾
				Total	with credit institutions (except Deutsche Bundesbank ³⁾)	with Deutsche Bundesbank ³⁾	Total including | excluding amounts temporarily employed in equalisation claims ¹⁾	with credit institutions (except Deutsche Bundesbank ³⁾)	with Deutsche Bundesbank ⁴⁾		temporarily employed in equalisation claims ¹⁾	
									on giro account			
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 ⁵⁾ "	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 "	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 ⁶⁾	67,512		24,164	33,845	33,566	279	9,503		5,218	4,285		—
December ⁷⁾	67,534		24,159	33,868	33,589	279	9,507		5,222	4,285		—
1963 March	65,869		24,812	30,174	29,925	249	10,883		4,004	6,879		—
June	69,208		25,537	31,995	31,711	284	11,676		4,466	7,210		—
September	69,790		25,741	33,268	32,998	270	10,781		4,422	6,359		—
December	71,779		25,418	36,759	36,486	273	9,602		5,475	4,127		—

*) 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 6). — 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 4). — 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.

(3) Savings Deposits

Millions of DM

Period	Savings deposits, total	among which:		Total savings deposits comprise those at						
		Savings deposits		Savings banks	Credit co-operatives	Commercial banks			Postal Savings Bank	Other credit institutions
		carrying tax privileges	carrying premiums			Total	among which:	State, regional and local banks		
						Big 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	558	27,958 ²⁾	6,167	7,142 ²⁾	4,129	2,576 ²⁾	2,783	218
1959 ¹⁾ "	45,039	4,051	565	28,516 ²⁾	6,305	7,204 ²⁾	4,135	2,616 ²⁾	2,793	221
1960 ¹⁾ "	53,114	3,216	1,408	33,724	7,454	8,402	4,827	3,027	3,274	260
1961 "	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 ³⁾	69,705	57	3,972	44,407	9,843	10,896	6,275	3,927	4,204	355
December ³⁾	69,874	56	3,977	44,407	10,012	10,896	6,275	3,927	4,204	355
1963 March	73,518	50	4,391	46,742	10,565	11,411	6,560	4,113	4,427	373
June	75,011	48	4,784	47,623	10,814	11,679	6,734	4,193	4,492	403
September	77,265	46	5,079	43,039	11,226	12,023	6,915	4,338	4,562	415
December	81,522	36	6,026	51,816	11,925	12,668	7,277	4,559	4,701	412

¹⁾ From 1960 onwards including Saarland. The rows of figures were linked together by showing for December 1959, firstly, the figures excluding Saarland and, secondly, the figures including Saarland. — ²⁾ Statistical shift of about DM 100 million due to transfer of the savings business of a state bank to a savings bank. — ³⁾ 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.

II. Interim Statements of the Credit Institutions *) 1)

Millions of DM

Assets

End of year or month	Total of balance sheet	Assets										Debtors		Long-term lending		Loans on a trust basis		Re-remaining assets
		Total	Cash reserve		Balances with credit institutions and on Postal Cheque account	Bills of exchange	Treasury bills and non-interest-bearing Treasury bonds	Medium-term notes (Kassenobligationen), securities and syndicate participations	Bonds of own issues	Equalisation claims and covering claims according to the Laws on Currency Conversion Compensation and Old Savings ²⁾	Non-banks	Banks	Non-banks	Banks	Non-banks	Banks		
			among which: balances with Deutsche Bundesbank															
1949		1,645.8	1,371.1	2,090.0	1,695.3	275.9			5,531.1	7,357.8	745.0	1,776.7			360.7			
1950	35,515.5	2,171.7	1,862.6	2,410.3	2,676.2	528.8	526.8	52.5	5,991.6	9,722.1	871.6	5,886.1	2,146.3	595.2	133.5	1,802.8		
1951	45,377.1	3,210.4	2,806.6	3,537.8	3,776.9	945.1	714.4	53.9	6,074.0	10,565.5	965.1	9,048.3	2,908.9	1,132.7	158.8	2,285.3		
1952	59,010.7	3,581.0	3,114.9	4,787.4	6,230.9	1,039.3	1,331.9	134.4	6,299.5	12,875.9	1,186.6	12,744.2	3,601.7	1,681.4	6,466.5	2,870.0		
1953	74,701.0	3,916.4	3,436.6	6,197.8	7,485.6	1,169.8	1,629.7	69.7	6,807.3	15,928.4	1,584.8	17,265.4	4,439.8	2,328.8	1,001.0	3,315.4		
1954	95,760.3	4,682.1	4,137.2	8,599.9	8,948.4	1,103.7	4,769.3	112.7	8,070.3	18,547.1	1,786.1	23,370.6	5,183.4	4,391.4	2,265.5	3,929.8		
1955	113,791.0	5,191.6	4,590.1	8,886.0	9,793.6	1,197.9	6,559.2	174.7	8,150.3	20,495.6	2,010.6	30,909.7	6,103.2	6,392.6	3,357.2	4,568.8		
1956	130,289.7 ³⁾	6,404.9	5,689.9	9,932.6	11,535.3	1,187.0	6,836.8	267.5	8,314.7	22,505.0	2,020.2	36,668.4	6,614.5	7,854.3 ⁴⁾	4,440.4 ⁵⁾	5,106.1		
1957	154,714.8 ⁶⁾	8,551.1	7,739.3	14,592.4	12,985.0	6,156.4	8,227.5	214.3	8,266.9	24,240.4	2,085.7	42,207.6 ⁷⁾	7,643.5	8,691.3 ⁸⁾	5,073.6	5,779.1		
1958	177,289.1 ⁹⁾	9,806.0	8,888.1	17,462.3	13,327.4	6,767.0	13,146.2	180.0	8,163.0	25,912.1	2,286.2	50,739.1 ¹⁰⁾	8,507.4	9,629.0 ¹¹⁾	5,105.1 ¹²⁾	6,258.3		
1959 ¹³⁾	204,052.9 ¹⁴⁾	10,830.9	9,875.3	18,575.3	14,845.4	5,694.6	18,106.7	262.9	8,200.9	30,317.0 ¹⁵⁾	2,814.5	61,140.6	9,718.7	10,949.3 ¹⁶⁾	5,430.7	7,165.4		
1959 ¹⁷⁾	207,425.4 ¹⁸⁾	11,010.7	10,030.9	19,379.8	15,166.4	5,729.7	18,345.1	268.0	8,200.9	30,649.9 ¹⁹⁾	2,833.9	62,324.3	9,740.9	11,016.0 ²⁰⁾	5,430.8	7,329.0		
1960	233,071.9 ²¹⁾	14,630.5	13,562.4	20,390.1	16,018.9	6,002.1	18,704.5	335.4	8,222.5 ²²⁾	36,404.6	3,182.3	71,994.7	11,269.0	12,220.8	5,684.2 ²³⁾	8,012.3		
1961	271,199.4 ²⁴⁾	13,866.8	12,515.9	26,885.3	17,927.7	6,614.2	22,278.5	324.1	8,100.0	42,649.5 ²⁵⁾	3,552.5	84,852.1	13,583.1	14,374.5 ²⁶⁾	5,954.5	10,636.8 ²⁷⁾		
1962 ²⁸⁾	302,040.3 ²⁹⁾	14,864.1	13,267.9	28,532.3	18,577.2	5,772.3	25,610.3	294.7	8,073.2	48,063.7	4,039.6	99,345.6 ³⁰⁾	15,502.5 ³¹⁾	15,825.7	6,561.9	10,972.2		
1962 ³²⁾	302,289.4 ³³⁾	14,868.7	13,268.0	28,583.7	18,581.9	5,772.3	25,616.7	294.7	8,055.4	48,135.4	4,039.7	99,448.8 ³⁴⁾	15,503.0 ³⁵⁾	15,836.7	6,561.9	10,990.5		
1963 Jan.	301,861.3	10,504.1	8,897.9	29,327.5	18,484.2	7,140.9	26,709.8	296.3	8,076.5	48,260.3	3,878.6	100,488.3	15,623.2	15,953.7	6,442.0	10,675.9		
Feb.	306,595.2	10,336.2	8,737.1	31,710.2	18,541.2	6,816.5	27,159.0	310.9	8,079.3	49,143.0	3,968.0	101,358.6	15,797.2	16,028.8	6,427.0	10,919.3		
March	304,787.8	11,079.1	9,582.5	28,785.3	16,974.3	6,155.2	27,269.7	347.9	8,097.0	50,374.1	4,017.2	102,189.2	16,033.0	16,127.7	6,475.8	10,862.3		
April	307,890.6	10,705.6	9,056.9	29,357.4	18,184.2	6,584.5	27,598.1	343.5	8,124.4	40,127.9	3,939.1	103,266.7	16,301.4	16,187.0	6,451.9	10,718.9		
May	311,726.1	11,799.9	10,243.4	29,691.7	17,925.2	6,431.0	28,058.8	359.7	8,130.5	50,161.4	4,055.4	104,849.0	16,563.7	16,303.8	6,476.4	10,918.9		
June	314,277.9	11,823.2	10,169.9	29,102.7	17,169.3	5,541.5	28,162.3	373.0	8,119.5	52,664.5	4,747.8	105,705.0	16,662.8	16,403.8	6,577.9	11,494.6		
July	317,650.6	11,707.1	9,832.7	30,845.3	18,731.4	5,899.9	28,261.5	392.9	8,165.7	51,530.6	4,004.3	107,334.1	16,732.1	16,569.6	6,524.8	10,951.3		
Aug.	324,225.8	12,142.1	10,532.8	33,048.5	18,927.1	6,184.0	28,555.3	377.0	8,176.0	52,055.0	3,915.6	109,212.5	17,011.1	16,697.9	6,559.8	11,363.9		
Sep.	325,222.9	12,015.7	10,330.0	32,086.9	17,858.8	5,596.4	28,714.7	407.4	8,218.6	53,241.8	4,047.0	110,590.9	17,233.6	16,913.1	6,587.6	11,710.4		
Oct.	329,097.8	11,289.3	9,635.2	32,168.6	18,788.5	6,877.9	29,015.8	379.2	8,282.7	52,748.3	3,866.1	112,503.2	17,554.6	17,184.5	6,589.8	11,849.3		
Nov.	334,578.2	12,097.4	10,410.3	32,861.8	18,878.2	7,169.4	29,294.6	378.3	8,289.3	53,478.3	4,028.7	114,292.5	17,651.0	17,333.3	6,605.2	12,020.2		
Dec.	341,682.0	16,555.6	14,821.7	32,674.7	20,000.1	6,774.9	29,677.9	341.9	8,214.7	53,282.1	4,290.2	115,952.4	17,718.9	17,778.5	6,779.8	11,640.3 ³⁶⁾		
1964 Jan.	339,487.6	11,814.7	10,196.2	32,130.9	19,040.7	8,663.3	30,793.8	327.3	8,276.7	53,464.5	4,194.7	117,510.1	17,857.3	17,942.4	6,620.6	10,850.6		
Feb.	344,081.1	12,649.6	11,021.2	34,083.2	19,268.6	8,382.7	31,059.7	320.0	8,280.0	53,935.7	4,046.9	116,732.6	17,973.1	19,641.2	6,640.9	11,066.9		

Liabilities

End of year or month	Deposits					Borrowed funds		Own acceptances in circulation	Bonds in circulation ³⁾	Loans taken for long periods (4 years and over)		Loans on a trust basis		Capital funds including reserves (Art. 10, Banking Law)	Remaining liabilities	Endorsement liabilities on rediscounted bills ⁴⁾	
	Deposits of non-banks				Deposits of credit institutions	Non-banks	Banks			Non-banks	Banks	Non-banks	Banks				
	Total	Sight deposits	Time deposits	Savings deposits													
1949	13,759.1	8,573.9	2,108.8	3,076.4	1,493.1	1,492.3	1,864.7	1,230.1	711.6			394.3	830.7		2,327.4		
1950	17,981.6 ⁵⁾	9,657.6	4,213.3	3,076.4	1,915.9	302.0	1,858.2	1,851.7	1,809.9	2,651.1	2,501.6	554.8	173.9	1,148.4	2,766.4	3,635.8	
1951	22,532.9	11,601.5	5,843.7	5,087.7	2,917.2	583.1	1,679.1	1,174.7	2,537.7	4,324.2	3,419.1	1,017.2	274.3	1,509.0	3,408.6	5,345.7	
1952	28,084.9	12,446.1	8,057.5	7,581.3	4,871.8	832.0	1,896.6	715.8	3,361.9	6,821.8	4,047.8	1,662.2	665.7	2,049.4	4,000.8	5,379.6	
1953	35,336.3	13,521.4	10,268.4	11,546.5	6,532.3	1,094.8	2,170.4	542.9	5,024.8	8,663.9	4,906.6	2,399.4	930.4	2,623.5	4,475.7	4,351.2	
1954	43,333.5	15,991.7	10,117.2	17,224.6	9,067.9	934.7	2,401.4	478.8	8,698.3	10,042.0	5,725.0	4,488.8	1,668.1	3,055.2	5,366.6	4,655.8	
1955	49,297.8	17,769.0	10,155.3	21,373.5	9,695.5	1,074.7	2,741.1	582.3	11,755.4	11,998.1	6,585.9	7,247.0	2,502.8	3,806.1	6,504.3	6,186.2	
1956	55,679.3	19,378.3	12,025.4	24,275.6	11,166.9	1,586.6	3,090.7	453.4	13,498.0	13,803.9	6,872.7	9,133.1 ⁶⁾	3,161.6	4,572.7	7,270.8	4,625.1	
1957	66,768.8	21,795.3	15,582.9	29,388.3	16,031.2	1,635.9	3,447.0	340.9	15,629.3	15,245.6	7,891.6	9,954.0 ⁷⁾	3,810.9	5,732.9	8,226.7	3,761.7	
1958	78,054.9	25,305.1	16,647.6	36,102.2	19,245.5	1,433.8	2,999.6	267.0	19,983.6	16,168.1 ⁸⁾	8,802.0	10,363.0 ⁹⁾	4,371.1	6,813.6	8,786.9	2,576.8	
1959 ¹⁰⁾	91,171.7 ¹¹⁾	28,457.4 ¹²⁾	18,445.9	44,268.4	20,716.4	1,545.8 ¹³⁾	3,323.2	536.7	25,890.7	16,710.0	9,514.7	11,393.1 ¹⁴⁾	4,986.9	8,168.1	10,095.6	2,705.4	
1959 ¹⁵⁾	92,826.6 ¹⁶⁾	29,075.6 ¹⁷⁾	18,712.4	45,038.6	21,143.4	1,554.6 ¹⁸⁾	3,365.5	536.8	26,116.7	17,211.6	9,684.8	11,452.5 ¹⁹⁾	4,994.3	8,256.7	10,281.9	2,580.0	
1960	104,051.3	31,244.3	19,693.5	53,113.5	22,683.3	2,210.3	4,623.8	635.0	29,627.2	18,606.0	11,200.1	12,321.7 ²⁰⁾	5,583.3	9,652.6	11,877.3	3,218.9	
1961	118,344.1 ²¹⁾	36,489.4 ²²⁾	21,430.3 ²³⁾	60,424.4	29,150.2	2,313.8 ²⁴⁾	5,995.0	585.6	35,591.9	21,821.5 ²⁵⁾	13,182.4	13,945.7 ²⁶⁾	6,383.3	12,186.5	11,999.4 ²⁷⁾	3,759.5	
1962 ²⁸⁾	132,880.2	40,037.1	23,137.8	69,705.3	30,316.9	2,494.2	5,875.8	629.1	42,154.0	23,984.7	14,597.0	15,554.0	6,833.6 ²⁹⁾	13,829.4	12,895.7	4,903.6	
1962 ³⁰⁾	133,080.9	40,064.2	23,142.8	69,873.9	30,316.9	2,494.8	5,886.7	629.4	42,154.0	23,984.7	14,607.9	15,555.4	6,843.2 ³¹⁾	13,834.0	12,901.5	4,901.1	
1963 Jan.	131,195.7	36,005.4	23,720.0	71,470.3	30,566.9	2,556.8	5,597.9	662.9	43,555.1	24,153.2	14,676.4	15,473.8	6,921.9	13,993.1	12,507.6	3,878.3	
Feb.	132,802.5	36,088.2	23,993.9	72,720.4	32,916.4	2,446.3	5,473.1	620.8	44,097.8	24,311.8	14,761.2	15,522.4	6,933.4	14,140.6	12,568.9	3,582.7	
March	131,862.2	34,993.5	23,351.2	73,517.5	30,538.3	2,468.8	5,538.6	650.5	44,752.3	24,178.8	14,968.5	15,624.3	6,979.2	14,321.3	12,905.0	5,606.2	
April	133,753.7	36,125.6	23,609.7	74,018.4	30,370.9	2,525.4	5,605.8	637.1	45,185.6	24,361.1	15,240.0	15,678.3	6,960.6	14,490.2	13,081.9	4,591.5	
May	135,426.8	36,817.6	24,120.1	74,489.1	30,984.7	2,518.2	5,561.3	645.1	45,956.0	24,571.2	15,487.9	15,738.5	7,041.7	14,642.6	13,152.1	5,376.1	
June	135,723.6	37,357.0	23,355.2	75,011.4	30,481.6	2,554.4	5,872.3	658.2									

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

(1) Central Bank Lending to Non-Banks *)

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 ¹⁾					Länder					"Direct lending" ²⁾	Credits granted to insurance companies and building and loan associations ³⁾		
					Total	Treasury bills and non-interest-bearing Treasury bonds	Cash advances	Credit to Fed. Govt. for participation in international institutions	Securities	Total	Treasury bills and non-interest-bearing Treasury bonds	Cash advances	Advances on securities	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
1951 "	1,166.5	299.1	1,036.6	169.2	839.4	553.3	—	—	286.1	—	—	196.0	28.0	168.0	—	1.2	69.3	60.6
1952 "	750.0	380.4	603.4	233.8	538.2	355.2	—	183.0	—	64.8	—	64.8	14.4	50.4	—	0.4	85.6	61.0
1953 "	622.5	369.1	478.4	225.0	430.4	203.1	—	183.0	44.3	47.6	6.0	41.6	—	—	—	0.4	108.4	35.7
1954 "	734.3	601.9	605.4	473.0	522.7	100.4	—	390.7	31.6	61.2	0.4	60.8	—	—	—	21.5	109.9	19.0
1955 "	1,011.2	749.8	891.0	629.6	652.1	247.3	—	390.7	14.1	205.8	—	180.4	25.4	33.1	—	—	103.5	16.7
1956 "	813.0	639.3	715.0	541.3	564.5	119.9	—	390.8	53.8	101.8	—	101.8	—	—	—	48.7	88.7	9.3
1957 "	808.6	480.4	802.8	474.6	719.0	153.7	—	390.8	174.5	83.8	—	83.8	—	—	—	—	88.7	3.6
1958 "	1,094.4	748.7	1,094.0	748.3	1,024.9	100.0	17.5	661.7	245.7	69.1	—	69.1	—	—	—	—	—	—
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	—	—	—	—	—	—	—	—	0.4
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	—	—	—	—	—	—	—	—	0.0
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 "	3,012.2	2,894.8	3,012.2	2,894.8	3,012.2	—	739.1	2,155.7	117.4	—	—	—	—	—	—	—	—	—
1963 March	2,253.0	2,164.4	2,253.0	2,164.4	2,253.0	—	—	2,164.4	88.6	—	—	—	—	—	—	—	—	—
June	2,270.0	2,184.4	2,270.0	2,184.4	2,270.0	—	—	2,184.4	85.6	—	—	—	—	—	—	—	—	—
Sep.	2,372.7	2,268.2	2,372.7	2,268.2	2,368.7	30.0	—	2,264.2	74.5	4.0	—	—	4.0	—	—	—	—	—
Dec.	4,235.2	4,043.5	4,235.2	4,043.5	4,218.6	125.1	1,732.7	2,294.2	66.6	16.6	—	—	16.6	—	—	—	—	—
1964 Jan.	2,810.4	2,704.2	2,810.4	2,704.2	2,810.4	70.0	410.0	2,294.2	36.2	—	—	—	—	—	—	—	—	—
Feb.	2,894.2	2,832.5	2,894.2	2,832.5	2,894.2	30.0	461.3	2,371.2	31.7	—	—	—	—	—	—	—	—	—
March	2,763.8	2,679.7	2,763.8	2,679.7	2,759.3	53.5	—	2,675.2	30.6	4.5	—	—	4.5	—	—	—	—	—

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

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

(2) Central Bank Deposits of Non-Banks *)

Millions of DM

End of month	Deposits of non-banks total		Public authorities ¹⁾				Agencies of former occupying powers ⁵⁾	Other German depositors ⁷⁾
	including amounts temporarily employed in equalisation claims ²⁾	excluding	Federal Government (without Special Funds), Länder and Equalisation of Burdens Authorities	Credit balances from special transactions ³⁾	E.R.P. Special Fund ⁴⁾	Other public authorities ⁶⁾		
1949 Dec.	1,641.3	1,236.5	634.6	—	—	323.5	470.0	213.2
1950 "	3,693.3	3,446.0	594.3	—	—	396.7	907.6	829.7
1951 "	3,997.3	2,990.0	1,191.8	—	965.0	223.0	997.3	272.4
1952 "	3,957.8	2,194.1	1,906.1	—	1,312.8	207.2	753.4	265.2
1953 "	4,935.3	1,704.2	3,181.4	—	825.9	373.2	639.3	244.7
1954 "	6,266.5	1,529.9	4,684.7	—	496.7	400.6	523.4	305.0
1955 "	7,003.5	3,420.7	5,949.7	—	352.8	274.3	265.5	241.8
1956 "	7,682.3	4,459.3	6,711.8	—	272.2	339.8	143.8	294.4
1957 "	—	5,097.3	4,017.1	—	192.5	431.4	140.6	340.4
1958 "	—	4,968.2	3,614.0	—	167.8	610.3	46.8	335.9
1959 "	—	2,260.8	1,161.3	—	361.2	677.3	—	221.8
1960 "	—	3,659.2	2,683.2	1.7	200.4	636.3	—	218.2
1961 March	6,409.3	—	5,026.3	8.2	119.8	872.8	—	222.5
June	7,616.7	—	5,366.7	501.4	—	778.7	—	245.2
Sep.	6,309.4	—	5,337.1	45.4	—	298.6	—	246.5
Dec.	4,985.8	—	3,733.2	48.4	—	599.5	—	252.4
1962 March	6,326.8	—	5,490.4	2.8	—	330.6	—	231.9
June	6,306.2	—	5,464.5	12.9	—	252.5	—	261.8
Sep.	7,016.7	—	5,362.0	1.7	—	1,012.8	—	270.7
Dec.	4,563.2	—	3,604.6	0.2	—	513.4	—	278.7
1963 Jan.	5,133.5	—	3,942.3	7.7	—	532.8	—	244.6
Feb.	4,701.2	—	3,398.9	0.3	—	644.4	—	250.5
March	7,128.1	—	5,370.1	7.9	—	—	—	248.9
April	5,868.3	—	4,996.1	7.9	—	278.3	—	265.8
May	5,094.1	—	4,079.4	9.0	—	453.7	—	261.7
June	7,493.8	—	5,785.7	8.8	—	1,132.7	—	284.0
July	5,883.5	—	4,298.5	7.8	—	765.8	—	255.3
Aug.	4,630.4	—	3,414.0	0.9	—	310.4	—	264.3
Sep.	6,628.3	—	4,820.3	7.7	—	893.0	—	269.4
Oct.	4,925.4	—	3,628.1	7.6	—	620.5	—	256.4
Nov.	4,041.1	—	2,950.5	1.9	—	477.3	—	284.0
Dec.	4,399.9	—	3,021.6	0.5	—	945.4	—	272.8
1964 Jan.	4,030.8	—	2,953.4	0.4	—	203.8	—	256.7
Feb.	3,722.3	—	2,453.4	0.1	—	397.6	—	257.9
March	6,090.2	—	4,204.9	9.3	—	1,067.0	—	292.5

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

¹⁾ Including amounts temporarily employed in equalisation claims. — ²⁾ 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. — ³⁾ Accounts kept in connection with the development aid loan and the partial denationalisation of the Volkswagen Works; excluding however the amounts employed in money-market paper. — ⁴⁾ Until 31 July 1957 "counterpart funds" only. — ⁵⁾ 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. — ⁶⁾ From January 1959 onwards included in "foreign business". — ⁷⁾ 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*)

Millions of DM

End of month	Lending ¹⁾				De- posits ^{2) 3)}
	Total	Discount credits	Advances on securities	Equalisation claims purchased	
1949 Dec.	3,807.2	3,226.2	338.2	242.8	1,277.1
1950 "	5,201.9	4,235.4	360.6	605.9	1,887.7
1951 "	5,717.5	4,757.2	290.8	669.5	2,675.0
1952 "	4,128.4	3,389.0	253.5	485.9	2,992.6
1953 "	3,351.1	2,739.1	245.2	366.8	3,286.9
1954 "	3,339.0	2,837.7	265.1	236.2	4,005.9
1955 "	4,683.0	4,130.9	340.5	211.6	4,502.2
1956 "	3,127.1	2,723.7	220.7	182.7	5,258.5
1957 "	1,676.6	1,463.0	52.8	160.8	7,108.9
1958 "	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 "	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 March	3,122.7	2,972.8	101.9	48.0	9,149.3
June	3,652.8	3,304.9	299.9	48.0	10,061.9
Sep.	2,418.0	2,328.5	41.8	47.7	10,009.4
Dec.	2,097.9	1,890.2	207.7	—	13,606.5
1964 Jan.	1,691.7	1,667.4	24.3	—	10,266.6
Feb.	1,346.9	1,323.0	23.9	—	10,867.9
March	3,145.1	2,941.8	203.3	—	10,872.3

*) From July 1959 onwards including Saarland credit institutions.
¹⁾ Excluding cash advances to the Reconstruction Loan Corporation; including foreign bills and export drafts purchased, but excluding money-market paper purchased in the open market. — ²⁾ Including Central Bank deposits of Postal Cheque and Postal Savings Bank offices. — ³⁾ 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*)

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 ³⁾	
		Total	among which: Mobilisation paper ^{1) 2)}	Total	among which: Money-market paper ²⁾
1958 Dec.	7,207.3	6,167.1	4,300.2	1,040.2	481.2
1959 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	390.6
Dec.	7,211.6	5,056.1	3,372.2	2,155.5	353.2
1963 March	8,660.2	5,548.3	3,924.4	3,111.9	303.1
June	8,566.7	5,096.0	3,313.1	3,470.7	284.2
Sep.	8,624.8	5,011.6	3,280.1	3,613.2	317.4
Dec.	8,490.8	5,942.4	4,159.9	2,548.4	577.4

*) From 1959 onwards including Saarland credit institutions.
¹⁾ I. e., Federal Treasury bills and non-interest-bearing Treasury bonds resulting from exchange for a corresponding partial amount of the Bundesbank's equalisation claim. — ²⁾ The holdings of special mobilisation paper series "L" ("Blessing Milliarde") were included at the time when the prohibition on sale was lifted (August 1961). — ³⁾ Excluding money-market investments of Reconstruction Loan Corporation from proceeds of the development aid loan.

(3) Borrowing by Banking Groups from Deutsche Bundesbank¹⁾

Millions of DM

Banking group	1962				1963			
	31 March	30 June	30 Sep.	31 Dec.	31 March	30 June	30 Sep.	31 Dec.
Commercial banks	1,499	1,477	1,599	2,072	2,498	3,013	1,790	1,619
of which:								
Big banks ²⁾	(668)	(488)	(706)	(1,003)	(1,161)	(1,216)	(548)	(448)
State, regional and local banks	(392)	(529)	(463)	(550)	(748)	(1,075)	(626)	(560)
Private bankers	(364)	(371)	(332)	(409)	(477)	(592)	(474)	(471)
Specialised commercial banks	(75)	(89)	(98)	(110)	(112)	(130)	(142)	(140)
Savings banks and central giro institutions	107	140	78	38	117	329	205	72
of which:								
Savings banks	(19)	(22)	(22)	(26)	(24)	(37)	(43)	(8)
Central giro institutions	(88)	(118)	(56)	(12)	(93)	(292)	(162)	(64)
Credit cooperatives and their central institutions	134	129	99	142	195	271	137	154
of which:								
Industrial	(75)	(63)	(64)	(49)	(83)	(175)	(64)	(57)
Agricultural	(59)	(66)	(35)	(93)	(112)	(96)	(73)	(97)
All other credit institutions	267	139	162	153	496	379	817	311
among which:								
Credit institutions with special functions	(257)	(130)	(150)	(139)	(488)	(372)	(804)	(302)
All banking groups ³⁾	2,007	1,885	1,938	2,405	3,306	3,992	2,949	2,156

¹⁾ Including Saarland. — ²⁾ Deutsche Bank AG, Dresdner Bank AG, Commerzbank AG, and their Berlin subsidiaries. — ³⁾ 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 data.

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		Non-interest-bearing Treasury bonds of Federal Government, Federal Railways and Federal Postal Administration				Storage Agency bills	
	running for		running for				running for	
	30 to 59 days	60 to 90 days	6 months	12 months	18 months	24 months	30 to 59 days	60 to 90 days
1960 Feb. 29	3 3/4	3 7/8	4 1/8	4 3/8	4 1/2	4 5/8	3 7/8	4
Mar. 3	3 7/8	4	4 1/4	4 1/2	4 5/8	4 3/4	4	4 1/8
June 3	4 3/4	4 7/8	5 1/8	5 1/4	5 3/8	5 1/2	4 7/8	5
Nov. 2	4 5/8	4 3/4	5	5 1/8	5 1/4	5 3/8	4 3/4	4 7/8
Nov. 3	4 3/8	4 1/2	4 3/4	4 7/8	5	5 1/8	4 1/2	4 5/8
Nov. 11	3 7/8	4	4 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 1/8	3 1/4	3 1/2	3 5/8	3 3/4	3 7/8	3 1/4	3 3/8
Feb. 9	3	3 1/8	3 3/8	3 1/2	3 3/8	3 3/4	3 1/8	3 1/4
Feb. 14	2 7/8	3	3 1/4	3 3/8	3 1/2	3 5/8	3	3 1/8
Mar. 3	2 3/4	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 3/4	2 3/8	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 1/8	2 5/8	3	3 1/8	3 3/8	3 1/2	2 5/8	2 3/4
1963 Nov. 25	2 1/2	2 5/8	3	3 1/8	3 1/4	3 3/8	2 5/8	2 3/4

(2) Swap Rates of Deutsche Bundesbank for Forward Transactions¹⁾

Applicable from ²⁾	Minimum and maximum periods (months)	Discount(-) premium(+) ³⁾ in % p. a.
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
	over 2 to 6	- 3/4
July 16	over 1 to 2	- 3/4
	over 2 to 6	- 1/2
Aug. 1	over 1 to 2	- 1
	over 2 to 6	- 3/4
Sep. 24	over 1 to 2	- 3/4
	over 2 to 6	- 1/2
1963 Jan. 7	over 1 to 2	- 1
	over 2 to 6	- 3/4
1964 March 10	3 to 6	- 1/2

¹⁾ Transactions in U.S. dollars with credit institutions for forward exchange covering of their money investments abroad. The fixing of swap rates does not necessarily mean that the Bundesbank currently concludes swaps at these rates; in fact the Bank may discontinue such operations for a time. As from 10 March 1964 swap transactions are concluded only for the acquisition of U.S.\$ Treasury bills. — ²⁾ Figures for the period from 1958 to 1960 will be found in the Report for the Year 1962. — ³⁾ 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 Rates¹⁾ in Frankfurt (Main), by Months
in % per annum

Month	Day-to-day money ²⁾	One-month loans ²⁾	Three-month loans ²⁾	Note: Central Bank discount rate
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 5/8	3
Nov.	2 — 3 1/8	2 3/4 — 3	4 1/4 — 4 1/2	3
Dec.	3 — 4 ³⁾	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
March	3 — 4	3 1/4 — 3 1/2	3 3/8 — 3 3/4	3
April	2 3/8 — 3 3/4	3 1/4 — 3 1/2	3 1/2 — 3 3/4	3
May	2 1/4 — 3 5/8	3 1/8 — 3 1/2	3 3/8 — 3 3/4	3
June	3 — 4 3/4	3 5/8 — 3 3/4	3 3/4 — 4	3
July	2 1/2 — 4 3/8	3 1/4 — 3 7/8	3 3/4 — 4 1/4	3
Aug.	2 1/4 — 3 5/8	3 1/8 — 3 5/8	3 3/4 — 4	3
Sep.	2 — 3 7/8	3 3/8 — 3 1/2	3 5/8 — 3 7/8	3
Oct.	2 — 3 3/4	3 — 3 3/8	5 — 5 1/4	3
Nov.	2 3/8 — 3 1/8	2 3/4 — 3 1/4	4 7/8 — 5 1/8	3
Dec.	2 3/8 — 3 1/8 ⁴⁾	5 1/4 — 5 1/2	4 7/8 — 5 1/4	3
1964 Jan.	2 1/8 — 3 1/4	2 7/8 — 3 1/4	3 1/4 — 3 1/2	3
Feb.	2 1/4 — 3 1/8	3 — 3 1/4	3 1/4 — 3 3/8	3
March	2 3/4 — 4	3 1/8 — 3 3/8	3 3/8 — 3 5/8	3

¹⁾ Money-market rates are not fixed or quoted officially. The rates here published have been ascertained from Frankfurt banks. They may be considered to be representative. — ²⁾ Lowest and highest rate quoted during month. — ³⁾ Money at the end of the month 5 1/2 to 6%. — ⁴⁾ Money at the end of the month 5 to 5 1/2%.

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

Week	Lowest rate	Highest rate
1963 Sep. 1 — 7	2 5/8	3
8 — 15	2	2 5/8
16 — 23	2 5/8	3 3/8
24 — 30	3 1/8	3 7/8
Oct. 1 — 7	3 1/4	3 3/4
8 — 15	2 1/2	3 1/4
16 — 23	2 5/8	2 7/8
24 — 31	2	2 7/8
Nov. 1 — 7	2 1/2	3 1/8
8 — 15	2 3/8	2 5/8
16 — 23	2 3/8	3 1/8
24 — 30	2 1/2	3 1/8
Dec. 1 — 7	2 7/8	3 1/8
8 — 15	2 3/8	2 7/8
16 — 23	2 3/4	3
24 — 30	2	2 7/8
End of December	5	5 1/2
1964 Jan. 1 — 7	2 1/2	2 7/8
8 — 15	2 1/8	2 1/2
16 — 23	2 1/4	3 1/4
24 — 31	2 1/8	3
Feb. 1 — 7	2 5/8	3
8 — 15	2 5/8	3
16 — 23	3	3 1/8
24 — 29	2 1/4	3 1/8
Mar. 1 — 7	2 7/8	3 3/8
8 — 15	2 3/4	3 3/4
16 — 23	3	3 7/8
24 — 31	3 3/4	4

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

(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 ¹⁾ , items amounting to			
			Approved credits ¹⁾	Overdrafts		DM 20,000 or above	DM 5,000 to under DM 20,000	DM 1,000 to under DM 5,000	less than DM 1,000
1948 July 1	5	6	9	10 1/2	8	6 1/2	7	7 1/2	8
Sep. 1			9 1/2	11	8 1/2 — 9 1/2	7	7 1/2	8	8 1/2
Dec. 15			9	10 1/2	8	6 1/2	7 1/2	8	8
1949 May 27	4 1/2	5 1/2	9	10	8 1/2 — 9 1/2 ²⁾	6	6 1/2	7	7 1/2 ⁴⁾
July 14	4	5	8 1/2	10	7 1/2	6	6 1/2	7	7 1/2
1950 Oct. 27	6	7	10 1/2	12	9 1/2	8	8 1/2	9	9
1952 May 29	5	6	9 1/2	11	8 1/2	7	7 1/2	8	8
Aug. 21	4 1/2	5 1/2	9	10 1/2	8	6 1/2	7	7 1/2	8
1953 Jan. 8	4	5	8 1/2	10	7 1/2	6	6 1/2	7	7 1/2
June 11	3 1/2	4 1/2	8	9 1/2	7	5 1/2	6	6 1/2	6 1/2
1954 May 20	3	4	8	9 1/2	6 1/2	5	5 1/2	6	6
July 1			7 3/4	9 1/4					
1955 Aug. 4	3 1/2	4 1/2	8	9 1/2	7	5 1/2	6	6 1/2	6 1/2
1956 Mar. 8	4 1/2	5 1/2	9	10 1/2	8	6 1/2	7	7 1/2	7 1/2
May 19	5 1/2	6 1/2	10	11 1/2	9	7 1/2	8	8 1/2	8 1/2
Sep. 6	5	6	9 1/2	11	8 1/2	7	7 1/2	8	8
1957 Jan. 11	4 1/2	5 1/2	9	10 1/2	8	6 1/2	7	7 1/2	7 1/2
Sep. 19	4	5	8 1/2	10	7 1/2	6	6 1/2	7	7
1958 Jan. 17	3 1/2	4 1/2	8	9 1/2	7	5 1/2	6	6 1/2	6 1/2
June 27	3	4	7 3/4	9 1/4	6 1/2	5	5 1/2	6	6
July 21			7 1/4	9					
1959 Jan. 10	2 3/4	3 3/4	7 1/4	8 3/4	6 1/4	4 3/4	5 1/4	5 3/4	5 3/4
Sep. 4	3	4	7 1/2	9	6 1/2	5	5 1/2	6	6
Oct. 23	4	5	8 1/2	10	7 1/2	6	6 1/2	7	7
1960 June 3	5	6	9 1/2	11	8 1/2	7	7 1/2	8	8
Nov. 11	4	5	8 1/2	10	7 1/2	6	6 1/2	7	7
1961 Jan. 20	3 1/2	4 1/2	8	9 1/2	7	5 1/2	6	6 1/2	6 1/2
May 5	3	4	7 1/2	9	6 1/2	5	5 1/2	6	6

*) 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 Länder equal rates apply. They are to be understood as including credit, acceptance, or discount commissions, but excluding turnover commission. — ¹⁾ Apart from cases where lower rates are allowed, the total interest rate computed corresponds to the actual charges for credit only if the approved credit is fully taken. If it is availed of only partially the charges for the approved credit are below the rate quoted, whereas the charges for the credit taken may exceed this rate. According to Art. 12 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		Saving deposits			Monies at notice ¹⁾ of				Monies placed for fixed periods ¹⁾ of				Postal savings deposits
	on accounts free of commission	on accounts subject to commission	with legal period of notice	with agreed period of notice of		1 month to less than 3 months	3 months to less than 6 months	6 months to less than 12 months ²⁾	12 months and over ²⁾	30 to 89 days	90 to 179 days	180 to 359 days	360 days and over	
1948 Sep. 1	1	2	2 1/2	3	4	2 1/4	2 3/4	3	3 3/4	2 1/4	2 3/4	3	3 3/4	2 ³⁾
1949 Sep. 1	1	1 1/2	2 1/2	3	4	2 1/4	2 1/2	2 7/8	3 3/4	2 1/4	2 1/2	2 3/4	3 1/8	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 1/8	2 1/4
Dec. 1	1	1 1/2	3	3 1/2	4 1/2	3 1/2	3 3/8	4 3/8	4 3/4	3 1/2	3 3/8	4 1/4	4 5/8	2 1/4 ⁴⁾
1952 Sep. 1	1	1 1/2	3	3 1/2	4 1/2	3	3 3/8	3 7/8	4 1/4	3 1/2	3 3/8	4 1/4	4 5/8	2 1/4
1953 Feb. 1	1	1 1/2	3	3 1/2	4 1/2	2 1/2	2 7/8	3 3/8	3 3/4	2 1/2	2 7/8	3 1/4	3 5/8	2 3/4
July 1	3/4	1 1/4	3	3 1/2	4 1/2	2 1/4	2 5/8	3 1/8	3 1/2	2 1/4	2 5/8	3 1/4	3 5/8	2 3/4
1954 July 1	3/2	1	3	3 1/4	4	2	2 5/8	2 7/8	3 1/4	2	2 5/8	3 1/4	3 5/8	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 5/8	2 3/4
1956 Mar. 16	1	1 1/2	3	4	5	3 3/8	3 3/4	4 1/4	4 1/4	3 3/8	3 3/4	4 1/4	4 5/8	2 3/4
May 19	1 1/2	2	3 1/2	4 1/2	5 1/2	4 1/4	4 3/4	5 1/4	5 1/2	4 1/4	4 3/4	5 1/4	5 1/2	2 3/4 ⁵⁾
Oct. 1	1 1/4	1 3/4	3 1/2	4 1/2	5 1/2	4 1/4	4 3/4	5 1/4	5 1/2	4 1/4	4 3/4	5 1/4	5 1/2	3 1/4 ⁶⁾
1957 Feb. 1	1	1 1/2	3 1/2	4 1/2	5 1/2	3 3/4	4 1/4	4 3/4	5 1/4	3 3/4	4 1/4	4 3/4	5 1/4	3 1/4 ⁷⁾
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 3/4	3 3/4	4 1/4	4 1/4	5 1/4	3 1/4
1958 Feb. 10	3/2	1	3 1/4	4	5	2 7/8	3	3 3/4	4 1/2	2 7/8	3	3 3/4	4 1/8	3 1/4
July 21	3/2	1	3	3 1/4	4 1/4	2 5/8	2 3/4	3	3 3/4	2 3/4	2 3/4	3	3 3/8	3
Nov. 20	1/2	1	3	3 1/4 ⁷⁾	4 ⁷⁾	2	2 1/2	2 3/4	3 1/2	2	2 1/2	2 3/4	3 1/2	3
1959 Feb. 1	3/8	3/4	3	3 1/4	4	1 1/2	2	2 1/2	3 1/4	1 1/2	2	2 1/2	3 1/4	3
Nov. 20	1/2	1	3	3 1/4	4	2 1/4	2 3/4	3 1/4	4	2 1/4	2 3/4	3 1/4	4	3
1960 Jan. 1	1/2	1	3 1/2	3 3/4	4 1/2	2 1/4	2 3/4	3 1/4	4	2 1/4	2 3/4	3 1/4	4	3 1/2
July 1	1	1 1/2	4	4 1/2	5 1/4	3	3 1/2	4	4 3/4	3	3 1/2	4	4 3/4	4
Dec. 15	3/2	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	3/2	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
Feb. 15	3/2	1	4	4 1/4	4 3/4	2 1/4	2 3/4	3 1/4	4	2 1/4	2 3/4	3 1/4	4	4
Apr. 1	3/2	1	4	4 1/4	4 3/4	2 1/4	2 3/4	3 1/4	4	2 1/4	2 3/4	3 1/4	4	4
June 10	3/8	3/4	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
July 1	3/8	3/4	3 1/2	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 1/4

*) 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 Länder equal rates apply. — ¹⁾ For larger amounts deposited (DM 50,000.— or more and DM 1 million or more, respectively) higher rates of interest were paid between 1 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 Placing¹⁾ of Fixed-interest-bearing Securities and Shares

Nominal value in millions of DM

Period	Fixed-interest-bearing securities									Shares ²⁾	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					
during year											
1954	2,238.8	1,001.4	64.9	791.5	590.2	4.2	—	4,691.0 ³⁾	—	453.0	5,144.0
1955	1,381.7	1,026.1	257.7	432.0	583.2	0.0	—	3,680.7 ³⁾	—	1,554.8	5,235.5
1956	1,038.2	616.1	14.2	563.7	332.0	0.0	—	2,564.2 ³⁾	—	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	901.2	319.6	2,141.2 ⁴⁾	100.0	12.0	9,620.8 ⁴⁾	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
1963	4,070.8	3,397.6	1,342.4	1,552.5	5,092.0	969.2	160.0	16,584.5	1,528.7	1,015.7	17,600.2
during month											
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
April	252.4	377.9	47.3	100.0	626.2	158.5	—	1,562.3	113.4	30.4	1,592.7
May	279.7	303.4	63.4	150.0	418.7	59.6	—	1,274.8	137.6	40.1	1,314.9
June	288.0	240.2	28.1	15.0	311.2	108.8	—	991.3	71.8	42.7	1,034.0
July	443.7	264.2	156.2	342.5	466.6	19.3	—	1,692.5	167.6	104.8	1,797.3
Aug.	308.8	198.6	194.9	—	416.0	26.1	—	1,144.4	57.9	124.7	1,269.1
Sep.	249.2	269.4	111.6	158.5	102.6	37.0	—	928.3	69.8	54.7	983.0
Oct.	400.4	248.6	162.0	1.5	549.6	98.8	—	1,460.9	225.9	132.7	1,593.6
Nov.	353.1	289.0	11.9	25.0	678.8	54.5	—	1,412.3	4.8	37.6	1,449.9
Dec.	489.8	243.4	121.2	330.0	50.0	69.6	60.0	1,364.0	147.5	75.0	1,439.0
1964 Jan.	628.8	834.3	290.3	60.0	880.0	188.4	100.0	2,981.8	630.3	203.1	3,184.9
Feb.	277.3	358.8	213.7	100.0	270.0	63.5	—	1,283.3	151.5	56.9	1,340.2

¹⁾ 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 Saarland. The amounts issued (since 1948) until then in the aforementioned territories have been included in the annual figures for 1954 and 1959, respectively. — ²⁾ Share issues under the Law on Capital Increase out of Company Reserves . . . dated 23 December 1959 ("bonus shares") are not included in the figures. — ³⁾ Including placing with Investment Assistance creditors: 1954, DM 388.8 million; 1955, DM 587.9 million; 1956, DM 1.2 million. — ⁴⁾ 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 Securities¹⁾, and Change in the Holdings of Repurchased Issues

Nominal value in millions of DM

Period	Post-Currency-Reform issues									Pre-Currency-Reform issues	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					
Redemption											
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
1963	349.2	806.3	447.8	1,209.3	1,507.5	38.8	52.9	4,411.8	1,192.0	91.3	4,503.1
Net placing²⁾											
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	—	—	—
1958	1,558.5	2,237.2	328.5	1,549.9	1,742.9	1.6	92.0	7,510.6	102.0	— 46.5	3,410.8
1959	2,818.5	2,140.5	720.7	612.9	1,937.0	— 3.0	344.6	8,571.2	1,295.2	408.3	7,918.9
1960	2,227.4	943.4	365.1	— 376.4	1,182.2	— 0.6	44.8	4,385.9	568.5	291.1	8,862.3
1961	3,302.2	1,864.0	567.4	100.5	2,048.0	94.3	12.0	7,988.4	278.8	100.5	4,486.4
1962	3,639.3	1,770.4	665.5	591.6	2,466.3	397.5	96.5	9,627.1	422.3	85.5	8,073.9
1963	3,721.6	2,591.3	894.6	343.2	3,584.4	930.4	107.1	12,172.7	336.7	39.1	9,666.2
Change in the holdings of repurchased issues											
increase (+), decrease (—)											
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	— 12.7	+ 6.8	+ 0.7	+ 28.8	—	—	+ 41.0	—	— 20.5	+ 20.5
1963	+ 15.9	+ 23.3	+ 21.8	— 8.0	— 44.2	+ 10.7	—	+ 19.5	—	— 8.5	+ 11.0

¹⁾ From 1954 onwards including Berlin (West), from 1959 including Saarland. The amounts issued (since 1948) until then in the aforementioned territories have been included in the annual figures for 1954 and 1959, respectively. — ²⁾ Gross placing less redemption; the minus sign indicates an excess of redemption over the amount newly placed during the period under report (or, in the case of pre-Currency-Reform issues, the amount recognised under the Securities Validation Law or other indemnification laws).

(3) *Placing of Securities¹⁾: Nominal Values, Issue Values and Average Issue Prices²⁾*

Period	Fixed-interest securities															Shares		
	among which:																	
	Total			Bonds of German issuers									Bonds of foreign issuers					
				Mortgage bonds ³⁾ and communal bonds			Industrial bonds			Loans of public authorities								
Nominal value	Issue value	Average issue price p. c.	Nominal value	Issue value	Average issue price p. c.	Nominal value	Issue value	Average issue price p. c.	Nominal value	Issue value	Average issue price p. c.	Nominal value	Issue value	Average issue price p. c.	Nominal value	Issue value	Average issue price p. c.	
DM million			DM million			DM million			DM million			DM million			DM million			
1957	4,204.5	4,058.9	96.5	2,286.3	2,186.5	95.6	931.1	909.7	97.7	690.9	675.9	97.8	21.0	21.0	100.0	1,631.7	1,676.2	102.7
1958	8,127.1	7,996.3	98.4	3,956.4	3,880.6	98.1	1,651.9	1,632.1	98.8	2,002.7	1,974.1	98.6	92.0	90.3	98.2	1,139.5	1,214.5	106.6
1959	10,048.1	9,903.7	98.6	5,413.7	5,349.6	98.8	918.7	901.7	98.1	2,540.2	2,495.9	98.3	344.6	342.9	99.5	1,383.0	1,851.2	137.2
1960	5,372.3	5,195.4	96.7	3,463.3	3,332.8	96.2	27.5	26.7	96.9	1,332.6	1,301.7	97.6	44.8	43.5	96.8	1,904.5	2,792.4	146.6
1961	9,620.8	9,491.4	98.7	6,146.8	6,052.2	98.5	319.6	315.5	98.7	2,141.2	2,124.1	99.2	12.0	11.4	95.0	2,192.4	3,295.7	150.3
1962	11,944.5	11,841.1	99.1	6,464.4	6,387.1	98.8	1,076.1	1,071.2	99.6	2,992.4	2,982.9	99.7	100.0	96.5	96.5	1,506.7	2,195.9	145.7
1963	16,584.5	16,498.6	99.5	7,468.4	7,431.7	99.5	1,552.5	1,541.4	99.3	5,092.0	5,078.2	99.7	160.0	157.9	98.7	1,015.7	1,318.8	129.9
1963 Jan.	2,231.7	2,219.0	99.4	857.0	850.7	99.3	117.4	116.3	99.1	765.5	762.9	99.7	—	—	—	104.1	110.4	106.0
Feb.	1,381.8	1,376.4	99.6	479.1	476.4	99.4	162.6	162.3	99.8	637.1	635.8	99.8	—	—	—	96.1	97.4	101.4
March	1,140.2	1,132.5	99.3	632.5	629.4	99.5	150.0	149.1	99.4	69.7	68.8	98.8	100.0	98.5	98.5	172.8	257.7	149.2
April	1,562.3	1,553.9	99.5	630.3	626.8	99.5	100.0	100.0	100.0	626.2	626.2	100.0	—	—	—	30.4	33.1	108.8
May	1,274.8	1,268.2	99.5	583.1	580.8	99.6	150.0	148.6	99.1	418.7	417.2	99.6	—	—	—	40.1	68.6	171.3
June	991.3	987.7	99.6	528.2	526.6	99.7	15.0	14.9	99.4	311.2	310.8	99.9	—	—	—	42.7	52.1	122.0
July	1,692.5	1,682.8	99.4	707.9	704.0	99.5	342.5	340.8	99.5	466.6	466.3	99.9	—	—	—	104.8	144.1	137.6
Aug.	1,144.4	1,138.7	99.5	507.4	503.6	99.3	—	—	—	416.0	415.8	100.0	—	—	—	124.7	137.9	110.6
Sep.	928.3	923.1	99.4	518.6	516.2	99.5	158.5	157.2	99.2	102.6	101.4	98.8	—	—	—	54.7	69.2	126.4
Oct.	1,460.9	1,454.5	99.6	649.0	646.7	99.6	1.5	1.5	100.0	549.6	546.5	99.4	—	—	—	132.7	194.5	146.6
Nov.	1,412.3	1,407.0	99.6	642.1	639.1	99.5	25.0	24.9	99.6	678.8	677.3	99.8	—	—	—	37.6	43.2	114.9
Dec.	1,364.0	1,354.8	99.3	733.2	731.4	99.8	330.0	325.7	98.7	50.0	49.3	98.6	60.0	59.4	99.0	75.0	110.6	147.5
1964 Jan.	2,981.8	2,960.8	99.3	1,463.1	1,457.0	99.6	60.0	60.0	100.0	880.0	872.2	99.1	100.0	99.7	99.7	203.1	288.4	142.0
Feb.	1,283.3	1,274.6	99.3	636.1	635.9	100.0	100.0	100.1	100.1	270.0	264.6	98.0	—	—	—	56.9	66.8	117.5

¹⁾ From 1959 onwards including Saarland figures. The annual figures for 1959 comprise the amounts issued from 1948 to 1959 by Saarland issuers. — ²⁾ Weighted average prices, computed from original figures which are reported in thousands of DM. — ³⁾ Including ship mortgage bonds.

(4) *Circulation of Investment Fund Units¹⁾ 2)*

Investment Company and Fund	Inventory value				Number of units issued ³⁾				Price per unit			
	1961	1962	1963	Feb. 1964	1961	1962	1963	Feb. 1964	1961 ³⁾	1962 ³⁾	1963 ³⁾	Feb. 1964 ⁴⁾
	Millions of DM				Thousands				DM			
Allfonds Gesellschaft für Investmentanl. mbH	87.0	90.1	114.4	124.5	2,120.0	2,735.8	3,436.4	3,592.9	42.60	34.20	34.60	35.71
Allfonds Allgemeine Deutsche Investment-GmbH	180.0	138.9	149.7	161.9	2,925.3	3,003.2	3,074.9	3,083.2	63.70	47.90	50.40	53.48
Adifonds Adiropa Adiverba Fondak Fondis Fondra Tresora	19.6	20.3	22.2	23.1	298.8	366.9	406.5	416.5	68.60	57.70	57.00	57.34
Anlage-Gesellschaft für Französische Aktienwerte mbH	—	—	16.4	18.0	—	—	331.6	340.7	—	—	51.10	53.96
Agefra-Fonds	263.2	202.0	214.7	227.6	5,256.0	5,327.7	5,419.0	5,443.1	52.00	39.30	40.90	42.95
Anlage-Gesellschaft mbH für englische und holländ. Aktienwerte	150.0	115.1	123.4	132.6	2,737.6	2,783.8	2,848.9	2,860.5	56.80	42.90	44.80	47.43
Anglo-Dutch-Fonds	65.1	64.9	78.9	87.4	616.5	718.3	858.6	910.1	109.50	93.60	95.00	98.74
Deutsche Ges. für Wertpapiersparen mbH	31.4	29.6	27.6	27.0	658.9	718.5	651.3	626.0	49.70	43.00	43.70	44.46
Akkumula Intervest Investa	17.7	18.1	20.1	20.8	304.2	372.0	375.2	373.6	60.50	50.70	55.70	57.47
Deutscher Investm.-Trust, Ges. für Wertpapieranlagen mbH	94.2	88.2	95.2	96.9	921.8	991.0	1,015.4	1,011.8	106.80	92.80	97.50	99.31
Concentra Industria Thesaurus Transatlanta	645.4	530.1	603.8	662.0	8,735.3	9,367.2	10,046.9	10,193.3	76.70	58.70	62.30	66.45
Deutsche Kapitalanl.-GmbH	499.7	389.3	438.3	460.4	11,323.0	11,849.7	12,730.1	13,226.6	45.90	34.00	35.60	36.74
Arideka Dekafonds I	154.7	116.4	122.1	124.3	1,840.0	1,815.0	1,806.5	1,811.5	87.40	66.30	70.00	71.78
Europa und Übersee Kapitalanlage-GmbH	208.0	157.0	160.3	168.8	4,157.1	3,931.1	3,596.3	3,543.6	52.00	41.30	46.10	48.68
Atlantic-Fonds Europafonds I	89.0	77.5	78.4	77.0	1,580.8	1,629.8	1,567.4	1,566.2	59.20	49.60	52.40	52.25
Internationale Kapitalanlageges. mbH Brauerer-Fonds	—	35.5	35.5	35.5	—	792.8	751.5	738.7	—	46.90	49.50	50.21
Union-Investment-GmbH Unifonds Usafonds	182.9	169.4	237.3	291.0	4,556.2	5,639.7	7,707.4	8,832.1	42.20	31.60	32.40	34.31
Total ⁵⁾	3,109.2	2,621.2	2,921.8	3,125.5								

¹⁾ Companies falling under the Law on Investment Companies, of 16 April 1957 (Federal Law Gazette I, p. 378), with the exception of one fund whose unit certificates are reserved to a specified group of persons. — ²⁾ During the period under report splitting has taken place at the following ratios in the case of: Allfonds 1 : 2 on 14 July 1961; Adiropa 1 : 1 on 29 May 1961; Fondak 1 : 2 on 29 May 1961; Agefra 1 : 2 on 10 May 1961; Concentra 1 : 2 on 15 Feb. 1961; Europafonds I 1 : 1 on 7 March 1961. — ³⁾ Position at end of year or month indicated. — ⁴⁾ Average during month. — ⁵⁾ Details may not add to totals because of rounding.

(5) *Capital Accruing¹⁾ at the Investment Funds*

Period	Capital accruing DM mn
1956	109.7
1957	182.8
1958	500.5
1959	465.7
1960	340.1
1961	229.5
1962	224.2
1963	192.6
1961 Jan.	31.2
Feb.	13.9
March	15.8
April	10.5
May	19.3
June	19.5
July	20.3
Aug.	0.7
Sep.	4.5
Oct.	15.1
Nov.	59.9
Dec.	20.2
1962 Jan.	59.0
Feb.	37.5
March	15.3
April	16.8
May	4.4
June	13.5
July	15.5
Aug.	12.7
Sep.	6.4
Oct.	7.0
Nov.	24.0
Dec.	20.9
1963 Jan.	16.5
Feb.	12.2
March	9.5
April	13.4
May	10.5
June	9.2
July	26.0
Aug.	16.2
Sep.	12.6
Oct.	14.6
Nov.	22.8
Dec.	29.1
1964 Jan.	41.6
Feb.	36.2

¹⁾ Calculated from changes in circulation of units and in monthly-average unit price of each Fund.

VII. Foreign Trade and the Balance of Payments

(1) Balance of Payments of the Federal Republic of Germany 1957 to 1963 *) (in millions of DM)

Item	1957	1958	1959	1960	1961	1962	1963 ^{P)}
A. Balance of Current Items and Capital Movements							
I. Current items							
(1) Transactions in goods and services							
(a) Goods							
Exports (f.o.b.) ¹⁾	35,831	36,849	41,025	47,849	50,870	52,878	58,324
Imports (f.o.b.) ¹⁾	28,509	29,380	33,141	39,574	41,207	46,471	48,960
Merchandising trade: Sales	1,771	1,285	1,886	2,536	2,460	2,580	2,815
Purchases	1,697	1,249	2,018	2,231	2,325	2,542	2,784
Net transactions in goods	+ 7,396	+ 7,505	+ 7,752	+ 8,580	+ 9,798	+ 6,445	+ 9,395
(b) Services							
Receipts from services rendered to foreign military agencies	2,519	3,598	3,956	4,100	3,824	4,300	4,284
Other receipts	6,721	6,591	6,844	7,931	8,047	8,852	9,482
Expenditure	8,999	9,864	11,407	12,993	15,221	17,809	18,563
Net services	+ 241	+ 325	- 607	- 962	- 3,350	- 4,657	- 4,797
Net transactions in goods and services	+ 7,637	+ 7,830	+ 7,145	+ 7,618	+ 6,448	+ 1,788	+ 4,598
(2) Transfer payments (outflow: -, inflow: +)²⁾							
(a) Private							
Inflow	79	92	93	96	72	67	77
Outflow	443	406	390	481	549	620	617
Balance	- 364	- 314	- 297	- 385	- 477	- 533	- 540
(b) Official							
Inflow	78	81	88	177	102	29	31
Outflow:							
Indemnification	1,396	1,405	1,738	2,259	2,745	2,715	2,514
Other	150	212	1,066	541	559	766	577
Balance	- 1,468	- 1,536	- 2,716	- 2,623	- 3,202	- 3,452	- 3,060
Net transfer payments	- 1,832	- 1,850	- 3,013	- 3,008	- 3,679	- 4,005	- 3,600
Net balance of current items (1 + 2)	+ 5,805	+ 5,980	+ 4,132	+ 4,610	+ 2,769	- 2,217	+ 998
II. Capital transactions (outflow: -, inflow: +)³⁾							
(1) Long-term capital³⁾							
(a) German capital investments abroad							
New investment							
Private: Purchase of foreign securities	- 104	- 383	- 2,033	- 1,724	- 1,213	- 1,570	- 1,197
Other new investment	- 663	- 969	- 774	- 890	- 1,208	- 1,183	- 1,038
Official: Payments to international organisations	- 321	- 126	- 2,351	- 202	- 892	- 71	- 31
Other new investment	- 23	- 448	- 524	- 780	- 1,231	- 1,157	- 1,173
Disinvestment							
Private: Sale of foreign securities	+ 23	+ 104	+ 569	+ 1,009	+ 1,006	+ 844	+ 726
Other disinvestment	+ 73	+ 106	+ 216	+ 170	+ 308	+ 569	+ 419
Official	- 2	- 26	- 1	+ 57	+ 219	+ 339	+ 234
Net capital investments (increase: -)	- 81	- 279	- 1,464	- 715	- 207	- 726	- 471
Other net capital investments	- 590	- 863	- 558	- 720	- 900	- 614	- 619
Official	- 321	- 548	- 2,875	- 925	- 1,904	- 889	- 970
Total	- 992	- 1,690	- 4,897	- 2,360	- 3,011	- 2,229	- 2,060
(b) Foreigners' capital investments in the Federal Republic							
New investment							
Private: Purchase of domestic securities	+ 1,358	+ 1,803	+ 2,528	+ 4,349	+ 4,507	+ 3,496	+ 4,739
Other new investment	+ 678	+ 609	+ 973	+ 1,106	+ 1,345	+ 1,834	+ 2,053
Official	- 587	- 1,211	- 2,059	- 2,275	- 2,762	- 1,974	- 1,880
Disinvestment							
Private: Sale of domestic securities	- 539	- 577	- 572	- 753	- 1,132	- 872	- 642
Other disinvestment	- 541	- 502	- 517	- 314	- 92	- 90	- 65
Official: Prepayment of debts resulting from post-war economic aid	- 541	- 502	- 517	- 314	- 92	- 90	- 65
Other disinvestment	- 541	- 502	- 517	- 314	- 92	- 90	- 65
Net capital investments (increase: +)	+ 771	+ 592	+ 469	+ 2,074	+ 1,745	+ 1,522	+ 2,859
Other net capital investments	+ 139	+ 32	+ 401	+ 353	+ 213	+ 962	+ 1,411
Official	- 541	- 502	- 1,420	- 314	- 3,217	- 90	- 65
Total	+ 369	+ 122	- 550	+ 2,113	- 1,259	+ 2,394	+ 4,205
Net long-term capital transactions (a + b)	- 623	- 1,568	- 5,447	- 247	- 4,270	+ 165	+ 2,145
(2) Short-term capital							
(a) Private							
Net German capital investments abroad (increase: -)							
Banks other than Bundesbank ⁴⁾	- 606	- 599	- 1,315	+ 1,103	- 1,558	- 175	- 129
Non-banks	- 34	- 48	- 106	- 82	- 307	+ 151	- 8
Total	- 640	- 647	- 1,421	+ 1,021	- 1,865	- 24	- 137
Net foreign capital investments in the Federal Republic (increase: +)							
Banks other than Bundesbank ⁴⁾	+ 581	+ 135	+ 280	+ 1,151	+ 1,294	+ 28	+ 833
Non-banks	+ 56	+ 45	+ 52	+ 737	+ 910	+ 268	+ 29
Total	+ 637	+ 90	+ 228	+ 1,888	+ 2,204	+ 296	+ 862
Balance							
(b) Official							
Transactions with International Monetary Fund							
Other payments	- 1,810	+ 184	+ 994	- 788	+ 116	+ 114	- 319
Total	- 1,810	+ 87	+ 398	- 957	- 1,206	+ 594	- 458
Net short-term capital transactions (a + b)	- 1,813	- 824	- 795	+ 1,952	- 867	+ 866	+ 267
Net total of capital transactions (1 + 2)	- 2,436	- 2,392	- 6,242	+ 1,705	- 5,137	+ 1,031	+ 2,412
Net Balance of Current Items and Capital Movements (I + II)	+ 3,369	+ 3,588	- 2,110	+ 6,315	- 2,368	- 1,186	+ 3,410
B. Movement of Gold and Exchange (change in net monetary reserves of Deutsche Bundesbank ⁵⁾ ⁶⁾)							
I. Change in gold holdings (increase: -)							
II. Change in assets and liabilities							
(1) Assets (increase: -)							
+ 1,248	- 2,436	+ 2,439	- 6,624	+ 4,800	+ 595	- 1,797	- 117
+ 525	- 341	- 243	+ 19	- 91	+ 19	- 117	- 117
(2) Liabilities (increase: +)							
- 723	- 2,777	+ 2,196	- 6,605	+ 4,709	+ 614	- 1,914	- 1,914
Net balance of changes in assets and liabilities	- 5,122	- 3,188	+ 2,204	- 8,007	+ 1,928	+ 552	- 2,572
Net Movement of Gold and Exchange (surplus: -, deficit: +) (I + II)	- 5,122	- 3,188	+ 2,204	- 8,007	+ 1,928	+ 552	- 2,572
C. Net Errors and Omissions (ascertained as residue)⁷⁾							
	+ 1,753	- 400	- 94	+ 1,692	+ 440	+ 634	- 838

*) 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. - ¹⁾ 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. - ²⁾ Transactions are classified as "Private" or "Official" according to the sector to which the German party engaged in the transaction belongs. - ³⁾ Cf. footnote ⁵⁾. - ⁴⁾ For 1961 including statistical change of assets and liabilities in foreign currency due to the DM revaluation. - ⁵⁾ Excluding the transactions of the Deutsche Bundesbank - taken into account under official long-term capital transactions - which mainly relate to purchase or sale of the I.B.R.D. bonds and I.B.R.D. notes contained in the item "Securities" of the Bundesbank Return. - ⁶⁾ For 1961 disregarding the decrease by DM 1,419 million, due to the DM revaluation, in the Deutsche Bundesbank's monetary reserves. - ⁷⁾ This residual item, ascertained as difference between the net movement of gold and exchange and the net balance of current items and capital movements, 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^o)¹) (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 ²)					Foreign liabilities ³)	Note: Foreign assets of Deutsche Bundesbank not included in the monetary reserves ⁴)
		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. ⁵))	I.B.R.D. debt certificates ⁴)	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	26,165	14,654	11,511	2,453	1,039	1,352	—	62	337	1,112
1962	27,729	25,786	14,716	11,070	2,299	897	1,352	—	50	356	1,100
1963	30,301	28,409	15,374	13,035	2,131	751	1,352	—	28	239	1,105
1961 March ^{5 a)}	31,724	28,512	12,723	15,789	3,497	1,744	1,400	265	88	285	372
1961 March ^{5 b)}	30,305	27,155	12,117	15,038	3,434	1,742	1,352	252	88	284	364
1961 June	31,421	28,329	12,969	15,360	3,417	1,731	1,352	252	82	325	364
1961 Sep.	29,529	27,378	14,053	13,325	3,142	1,718	1,352	—	72	991	414
1961 Dec.	27,534	25,746	14,576	11,170	2,477	1,055	1,352	—	70	689	632
1962 March	28,281	26,165	14,654	11,511	2,453	1,039	1,352	—	62	337	1,112
1962 June	26,226	24,354	14,665	9,689	2,437	1,026	1,352	—	59	565	1,112
1962 Sep.	26,993	24,932	14,667	10,265	2,422	1,013	1,352	—	57	361	1,112
1962 Dec.	27,726	25,891	14,673	11,218	2,318	913	1,352	—	53	483	1,112
1963 March	27,729	25,786	14,716	11,070	2,299	897	1,352	—	50	356	1,100
1963 June	27,633	25,785	14,995	10,790	2,281	884	1,352	—	44	433	1,100
1963 Sep.	28,633	26,794	15,013	11,781	2,263	872	1,352	—	39	424	1,127
1963 Dec.	29,328	27,481	15,044	12,437	2,150	764	1,352	—	34	303	1,105
1964 Jan.	30,301	28,409	15,374	13,035	2,131	751	1,352	—	28	239	1,105
1964 Feb.	29,942	28,055	15,375	12,680	2,131	751	1,352	—	28	244	1,104
1964 March	30,685	28,833	15,397	13,436	2,130	750	1,352	—	28	278	1,104
1964 March	30,309	28,467	15,813	12,654	2,115	740	1,352	—	23	273	1,104

^o) 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). — ¹) 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. — ²) 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. — ³) Not taking into account the latest E.P.U. settlement in each case. — ⁴) Excluding the claims on I.B.R.D. mentioned in footnote ⁵), which are included in the Bundesbank Return in the item "Securities" and in the balance of payments in official long-term capital transactions. — ⁵) Mainly claims on I.B.R.D.; cf. footnote ⁴). — ⁶) Row a) valued at parity rate prior to, row b) after, DM revaluation.

(3) Short-term Assets and Liabilities of the Banks^o) in relation to Foreign Countries^{*})¹)²) (in millions of DM)

Position at end of year or month	Balance of assets and liabilities	Assets						Liabilities						
		Total	Balances with foreign banks		Money-market paper		Short-term lending	Total	Non-residents' deposits, by depositor groups					Short-term borrowing
			Balances payable on demand	Time balances	Excluding investments of Reconstruction Loan Corporation	Investments of Reconstruction Loan Corporation ³)			Total	Banks ⁴)	Non-banks		International organisations ⁵)	
1955	- 1,397	524	312	7	1	—	204	1,921	1,473	730	—	622	121	448
1956	- 2,309	715	362	13	4	—	336	3,024	2,114	1,197	—	733	184	910
1957	- 2,285	1,320	307	20	448	—	545	3,605	2,650	1,580	—	914	156	955
1958	- 1,551	1,919	431	128	481	—	879	3,470	2,893	1,702	77	1,075	116	577
1959	- 272	3,471	754	543	1,246	—	928	3,743	3,410	1,924	140	1,095	175	333
1960 ²)	- 2,526	2,368	526	410	379	—	1,053	4,894	3,641	1,796	99	1,348	189	1,253
1961	- 2,262	3,926	651	906	578	643	1,148	6,188	3,985	2,044	141	1,419	211	2,203
1962	- 2,121	4,095	1,022	780	353	371	1,569	6,216	3,932	1,723	111	1,743	196	2,284
1963	- 2,808	4,208	1,116	855	578	264	1,395	7,016	4,792	2,323	149	2,041	141	2,224
1961 March ³)	- 628	4,431	574	1,493	422	677	1,265	5,059	3,501	1,828	112	1,197	149	1,538
1961 June	- 22	5,982	625	3,077	282	801	1,197	6,004	3,836	1,981	97	1,372	161	2,168
1961 Sep.	- 73	5,760	637	2,597	438	817	1,271	5,833	3,497	1,715	115	1,213	217	2,336
1961 Dec.	- 2,262	3,926	651	906	578	643	1,148	6,188	3,985	2,044	141	1,419	211	2,203
1962 March	+ 1,100	6,566	811	3,221	525	627	1,382	5,466	3,580	1,753	116	1,320	225	1,886
1962 June	- 33	5,535	668	2,330	502	610	1,425	5,568	3,682	1,718	113	1,469	271	1,886
1962 Sep.	- 1,017	4,685	664	1,825	391	398	1,407	5,702	3,600	1,632	111	1,496	208	2,102
1962 Dec.	- 2,121	4,095	1,022	780	353	371	1,569	6,216	3,932	1,723	111	1,743	196	2,284
1963 March	- 580	4,988	983	1,826	302	306	1,571	5,568	3,670	1,664	91	1,540	195	1,898
1963 June	- 678	5,344	1,211	1,976	284	170	1,703	6,022	4,106	2,023	79	1,659	140	1,916
1963 Sep.	- 592	5,413	1,177	2,119	317	276	1,524	6,005	3,862	1,813	97	1,656	155	2,143
1963 Dec.	- 2,808	4,208	1,116	855	578	264	1,395	7,016	4,792	2,323	149	2,041	141	2,224
1964 Jan.	- 1,130	5,170	1,110	1,793	554	232	1,481	6,300	4,260	2,109	120	1,749	145	2,040
1964 Feb.	- 1,325	5,008	1,173	1,702	424	190	1,519	6,333	4,383	2,197	122	1,775	149	1,950

^o) Other than Bundesbank. — ^{*}) 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. — ¹) 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. — ²) Assets and liabilities in foreign currency are valued according to the parity rate prevailing at the end of the period indicated. — ³) Only investment, in U.S. Treasury bills out of the Bundesbank's holdings, of funds provided for development assistance. — ⁴) Including foreign central banks. — ⁵) International Bank for Reconstruction and Development, European Investment Bank, and Bank for International Settlements. — ⁶) Cf. footnote ³). — ⁷) Excluding those international organisations which are recorded under "Banks"; cf. footnote ⁴).