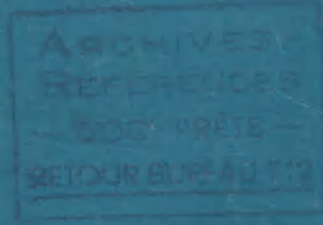


18

ECONOMIC SURVEYS BY THE OECD



GERMANY

I . 2 . B . 2 .

JANUARY 1963

ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

PARIS

GERMANY

BASIC STATISTICS

THE LAND

Area, 1961 (thousand km ²)	248
Agricultural area (thousand km ²)	142
Forests (thousand km ²)	71

Major cities, June 1961	Million inhabitants
Berlin (West)	2.2
Hamburg	1.8
Munich	1.1
Cologne	0.8
Essen	0.7
Dusseldorf	0.7
Frankfurt	0.7

THE PEOPLE

Population 1961	54,015,000
No. of inhabitants per km ²	218
Net natural increase in population (annual average 1959-1961)	366,000
— per 1,000 inhabitants	6.9

Net immigration (annual average 1959-1961)	335,000
Labour force, total 1961	25,720,000
Labour force in industry, 1961	12,560,000

PRODUCTION

G.N.P. 1961 (billions of DM)	310.4
G.N.P. per head 1961 (U.S. \$)	1,437
Gross fixed investment (average 1959-1961) :	
— per cent of G.N.P.	24
— per head (U.S. \$)	300

Origin of G.D.P., 1961 (per cent):	
Agriculture, forestry, fishery	6
Industry (incl. construction)	55
Services	40
Home food production as a percentage of total food availability (average 1956-1957)	69

THE GOVERNMENT

Public consumption 1961 (per cent of G.N.P.)	14
General government current revenue 1960 (per cent of G.N.P.)	37
Public debt, 1960 (ratio to general government revenue)	63

Composition of Federal Parliament 1963:	
Christian Democrats	242 seats
Social Democrats	190 —
Free Democrats	67 —
Last election: 17th September 1961	
Next election: 1965.	

LIVING STANDARDS

Calories per head, per day 1960-1961 (1)	2,955
Consumption of energy per head, 1959 (O.E.E.C. average = 100)	140
Steel consumption per head, 1959 (O.E.E.C. average = 100)	185
Industrial production per head, 1959 (O.E.E.C. average = 100)	144
Average hourly earnings of male industrial workers, May 1962 (DM)	3.51

No. of passenger cars in use, end 1961 (per 1,000 inhabitants)	97
No. of telephones 1960 (per 1,000 inhabitants) (1)	104
No. of radio sets, 1960 (per 1,000 inhabitants) (1)	301
No. of television sets, 1960 (per 1,000 inhabitants) (1)	80
Public expenditure on education per head, 1959 (U.S. \$)	37

FOREIGN TRADE

Exports:	
Exports of goods and services as per cent of G.N.P. (average 1959-1961)	25
Main exports, 1961 (per cent of total merchandise exports) (1):	
Agricultural products	2
Raw materials	4
Semi-manufactured goods	10
Finished manufactures	83
— End products	64
— Other	19

Imports:	
Imports of goods and services as per cent of G.N.P. (average 1959-1961)	22
Main imports, 1961 (per cent of total merchandise imports) (1):	
Agricultural products	26
Raw materials	21
Semi-manufactured goods	17
Finished manufactures	35
— End products	22
— Other	14

THE CURRENCY

Monetary unit: Deutsche Mark.

Currency units per U.S. dollar: 4.00

(1) Including West Berlin.

Note: Figures include the Saar from July 1959 onwards, but exclude West Berlin, unless otherwise stated.

ECONOMIC SURVEYS BY THE OECD

GERMANY

1963

ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

The Organisation for Economic Co-operation and Development was set up under a Convention signed in Paris on 14th December 1960 by the Member countries of the Organisation for European Economic Co-operation and by Canada and the United States. This Convention provides that the O.E.C.D. shall promote policies designed :

- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;*
- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development;*
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.*

The legal personality possessed by the Organisation for European Economic Co-operation continues in the O.E.C.D., which came into being on 30th September 1961.

The Members of O.E.C.D. are: Austria, Belgium, Canada, Denmark, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

This document was approved
by the Economic and Development Review Committee
in December 1962

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GERMANY

INTRODUCTION

1. There have been two basic changes in Germany's economic position in the recent past. First, the absorption of unemployment, shifts in the age structure of the population and the cessation of the influx of refugees from the Soviet occupied zone of Germany have put an end to the period of exceptionally favourable labour supply conditions. Second, the revaluation of the DM and the pressure on German wages have brought costs and prices better into line with those prevailing abroad. These developments are already beginning to be reflected in the balance of payments; they also have important implications for Germany's domestic economic policy. Part I of the present report reviews the major changes in the labour supply and cost position, and their effects on the balance of payments. Part II assesses the implications of the new conditions for growth and financial stability and stresses the need for the evolution of an incomes policy and a more flexible budgetary policy. Part III discusses short term economic prospects and policy requirements.

I. MAJOR DEVELOPMENTS

Labour supply

2. The elastic labour supply was a key element in the rapid and stable expansion of the German economy in the 1950's. Employment rose by as much as 2.2 per cent a year, far faster than in other industrialised countries, with a continuous inflow of labour from the Soviet occupied zone of Germany and declining unemployment. The influx from the Soviet occupied zone virtually stopped in the summer of 1961 and unemployment has been reduced to an annual average of less than 1 per cent.

3. The disappearance of these two sources of employment, which together supplied about a quarter of a million persons a year during the second half of the 1950's, is unlikely to be offset by other factors. The German labour force is expected to decline slightly over the coming five years, as a result of a slight fall in the number of young people leaving school and a rise in withdrawals due to retirement. The tendency

for women to enter paid employment has increased moderately in recent years, but a further rise in activity rates of women can affect the overall picture only marginally. The prospects for increasing the inflow of labour from other countries are uncertain. Although unemployment in Southern Europe is still high, it is very unlikely that Germany would be able to attract foreign workers at anything like the rate needed to counter-balance the disappearance of the other two main sources of labour supply (0.4 million a year). And such an offset is equally difficult to envisage in qualitative terms. Quite apart from language problems and difficulties of adaptation, the bulk of foreign labour seeking employment in Germany is unskilled. Much of the labour that came from the Soviet occupied zone of Germany, in contrast, was highly skilled. The same is true also of the labour employed through the absorption of unemployment in recent years.

Table 1. LABOUR SUPPLY

(thousands)

	1955-1959 (Annual average)	1960	1961	1962
Change in non-agricultural employment.....	525	670	590	..
Inflow of labour from the Soviet occupied zone of Germany and Berlin ...	153	150	125	..
Inflow of foreign labour ..	20	110	195	160
Reduction of unemployment	114	240	80	20
Outflow from agriculture..	116	205	200	..
School leavers	718	577	677	700
Unemployment	935 ¹⁾	240	160	140
Employment in agriculture	4,285 ¹⁾	3,615	3,415	} 26,000
Employment outside agri- culture	18,945 ¹⁾	21,715	22,306	

1) 1955

SOURCE : Statistisches Jahrbuch für die Bundesrepublik Deutschland; Report of the Deutsche Bundesbank for the year 1961; Official estimates.

4. Non-agricultural employment is likely to continue to benefit from the movement of labour out of agriculture, although a considerable reduction in agricultural employment has already taken place in the past decade. By 1962 the share of the labour force occupied in agriculture had fallen to 13 per cent (1952: 22 per cent) or to 3.3 million, of which 0.5 million were hired workers. Any

very substantial increase in the present rate of movement out of agriculture (150,000 to 200,000 a year) would therefore seem unlikely. While in most other countries the gap between agricultural and industrial wages has tended to widen in postwar years, in Germany the gap has remained more or less unchanged.

5. The labour shortage has been exacerbated by a reduction of the work week. In the first half of 1962 the average number of hours worked in industry was nearly 3 per cent lower than a year earlier. There is reason to expect that the tendency towards a shorter work week will be rather less marked in the near future. Available statistics on work hours, which may not be a perfect indicator of inter-country differences, suggest that work hours in Germany are somewhat shorter today than those prevailing in other countries.

The competitive position

6. Costs and prices have risen faster in Germany than in most other industrialised countries in the last couple of years. The extent of this realignment cannot however be measured with any great precision. Such price and cost indices as exist are not very suitable for inter-country comparisons, since coverage and weights vary from country to country.

7. The revaluation of the DM by 5 per cent in 1961 led to an immediate increase of dollar costs in Germany relative to those prevailing abroad. Moreover, average wages per employee, including fringe benefits, rose by nearly 10 per cent both in 1960 and 1961. The steep upward trend continued in the first half of 1962, but appears to have slowed down somewhat since then. Although productivity also rose fast over most of this period, unit labour costs have increased more than in most industrialised countries.

8. The rise in costs resulting from higher wages and the revaluation has to some extent been absorbed by a reduction of profit margins. Corporate savings fell by some 15 per cent in 1961. They had risen rather fast in earlier years, leaving scope for some adjustment in the distribution of income. Even in the second half of the 1950's, when the gap between the rise in profits and labour income may have been less wide than in previous years, corporate savings rose by nearly 9 per cent a year, compared with a 7 per cent increase in average earnings of dependent labour.

9. As a result of the decline in profit margins German prices have risen rather less than might have been expected. However, expressed in dollars, the increase was bigger than in other countries. Export prices in dollars seem to have been increased by the full amount of the exchange rate adjustment.

Prices of German goods in the German market have also risen while those of foreign goods have remained below the level ruling prior to the revaluation.

Table 2. INCOME DISTRIBUTION 1955-1961

	1961 (Million DM)	1955-60 ¹⁾ (Annual Compound rate)	1960	1961
			(Per cent change from previous year)	
Compensation of employees ..	150.1	9.9	12.3	12.3
of which : Employers' social security contributions	16.4	12.8	12.6	10.1
Income from self-employment, property and entrepreneur- ship	70.7	8.6	12.4	5.7
Corporate savings	5.1	8.8	11.3	-15.6
Direct corporate taxes	9.9	10.6	15.6	12.7
Government income from pro- perty and entrepreneurship	6.3	7.5	10.8	10.0
Less : interest on public debt	1.6	7.0	5.2	-1.2
National Income	240.4	9.4	12.5	9.6
Average compensation per employee		7.0	8.8	10.0

1) Excluding the Saar.

SOURCE : Wirtschaft und Statistik.

Table 3. PRICES IN THE GERMAN MARKET

(Indices, 1960 = 100)

	INVESTMENT GOODS		CONSUMER GOODS	
	DOMESTIC	FOREIGN	DOMESTIC	FOREIGN
1961	•			
1st quarter	102.2	100.4	102.0	98.7
2nd quarter	102.6	97.9	101.9	96.6
3rd quarter	103.7	98.1	102.5	97.1
4th quarter	104.4	98.4	103.4	97.3
1962				
1st quarter	105.9	99.8	104.2	96.8
2nd quarter	107.9	100.2	104.9	97.5
July/August	108.3	98.5	105.1	97.6

SOURCE : Wirtschaft und Statistik.

Diagram 1
LABOUR COSTS IN MANUFACTURING
1958 = 100

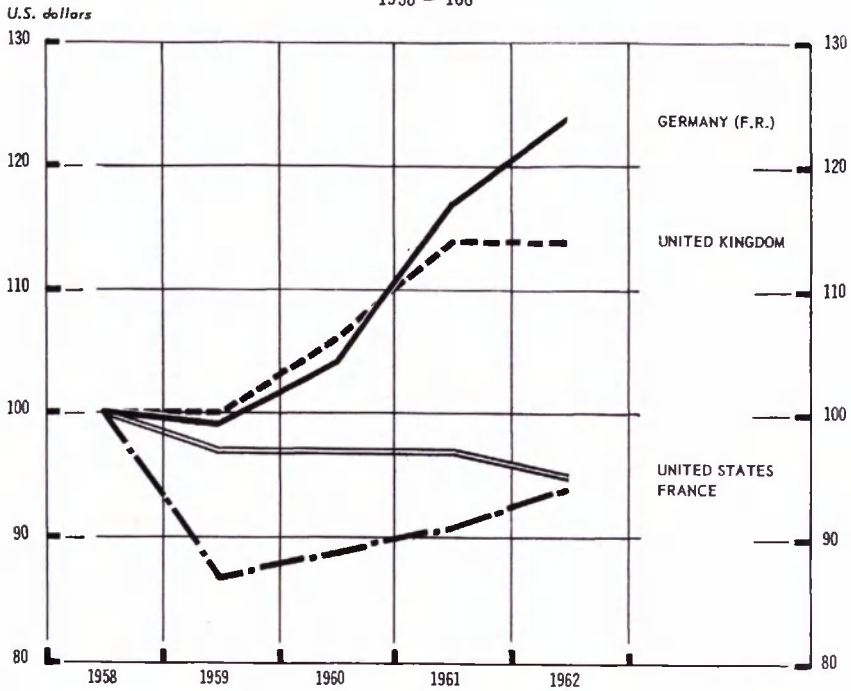
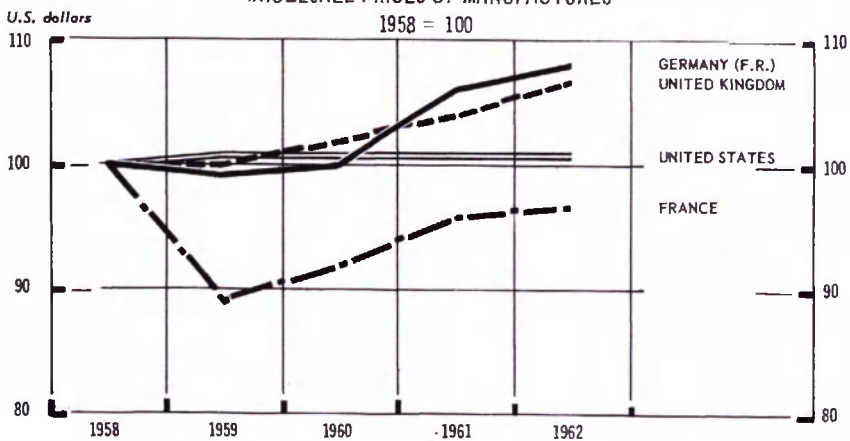


Diagram 2
WHOLESALE PRICES OF MANUFACTURES
1958 = 100



Source : O.E.C.D. General Statistics and Secretariat estimates.

10. Although, as already noted, the relative rise in German costs and prices is difficult to measure, there is little indication that the increase to date has endangered the balance of payments. Some realignment of German costs and prices with those prevailing abroad was indeed inevitable given the disequilibrium in the German balance of payments situation. The price rise, however, conflicted with the goals of internal economic policy, and it is obvious that a persistent relative increase in German costs and prices in the long run would have adverse effects on the balance of payments. It must therefore be an important policy objective to bring the development of labour incomes in the future more into line with the growth of productivity.

Balance of payments

11. The external account has been changing markedly since the early part of 1961. The basic balance, excluding short-term capital and extraordinary transactions, showed a deficit of about \$ 0.2 billion in the first nine months of 1962, compared with a surplus of \$ 0.7 billion in the corresponding period of last year. The trade surplus has fallen sharply and the deficit on private invisibles has risen. There has also been a decline in private long-term capital imports, while public long-term capital exports have remained more or less unchanged. But in the course of 1962, certain important temporary factors tended to exaggerate the change in the underlying position. While there is little doubt that some fundamental changes have taken place, it is difficult to assess the full extent to which the disequilibrium of earlier years has been corrected.

12. The decline in the trade surplus in the first half of 1962 was to a great extent caused by temporary factors. A large proportion of the \$ 800 million increase in imports between the first halves of 1961 and 1962 can be ascribed to the change in customs' practices and abnormally large food imports; the latter resulted from the poor harvest in 1961 and from expectations that prices of imports from non-E.E.C. countries would rise, following the introduction, last July, of E.E.C. market regulations for agricultural products. To some extent, however, the sharp rise in agricultural imports was offset by the fact that purchases from E.E.C. countries were relatively low in anticipation of the tariff reductions within the Common Market that took place on the same date. In these conditions the underlying trend of the trade balance is difficult to discern, but it would appear that the trade surplus, adjusted for temporary influences, has fallen.

13. This change in the situation is no doubt related to the rise in German costs, which has been felt most strongly on the import side. It is perhaps not surprising that foreign suppliers should have increased their share of the German market in 1961, when the economy was expanding rapidly and domestic resources were under considerable pressure. But the relative shift

Table 4. BALANCE OF PAYMENTS

(U.S. \$ Billion)

	1959	1960	1961 ¹⁾	JANUARY- SEPTEMBER	
				1961 ¹⁾	1962
Trade Balance f.o.b./c.i.f. ...	1.27	1.24	1.63	1.31	0.63
Services, net	0.39	0.52	-0.04	-0.00	-0.17
of which :					
Military receipts	0.91	0.94	0.94	0.70	0.78
Balance of goods and services ..	1.66	1.76	1.59	1.31	0.46
Transfer payments, net	-0.69	-0.68	-0.86	-0.61	-0.67
Current balance	0.97	1.08	0.73	0.70	-0.21
Long-term capital, net (excluding special transactions)	-0.62	-0.04	-0.07	0.04	0.01
of which :					
Private	-0.27	0.23	0.21	0.20	0.18
Public	-0.35	-0.27	-0.28	-0.16	-0.17
Basic balance of payments	0.35	1.04	0.66	0.74	-0.20
Short-term capital, net (excluding special transactions)	-0.52	0.51	0.12	-0.35	-0.31
of which :					
Private	-0.28	0.69	0.10	-0.37	-0.17
Public	-0.24	-0.18	0.02	0.02	-0.14
Errors and omissions	-0.01	0.42	0.05	0.20	0.27
Special capital transactions, net	-0.34	-0.06	-1.33	-1.28	0.10
of which :					
Prepayment of public debt ...	-0.21	-	-0.78	-0.78	-
Credits granted by the Bundes- bank to I.B.R.D.	-	-0.02	-0.22	-0.10	-
IMF transactions	-0.13	-0.04	-0.33	-0.40	0.10
Net change in Bundesbank's gold and foreign exchange reserves	-0.52	1.91	-0.50	-0.69	-0.14
of which :					
Change in gold and liquid foreign assets	-0.10	2.20	-0.21	-0.31	-0.07

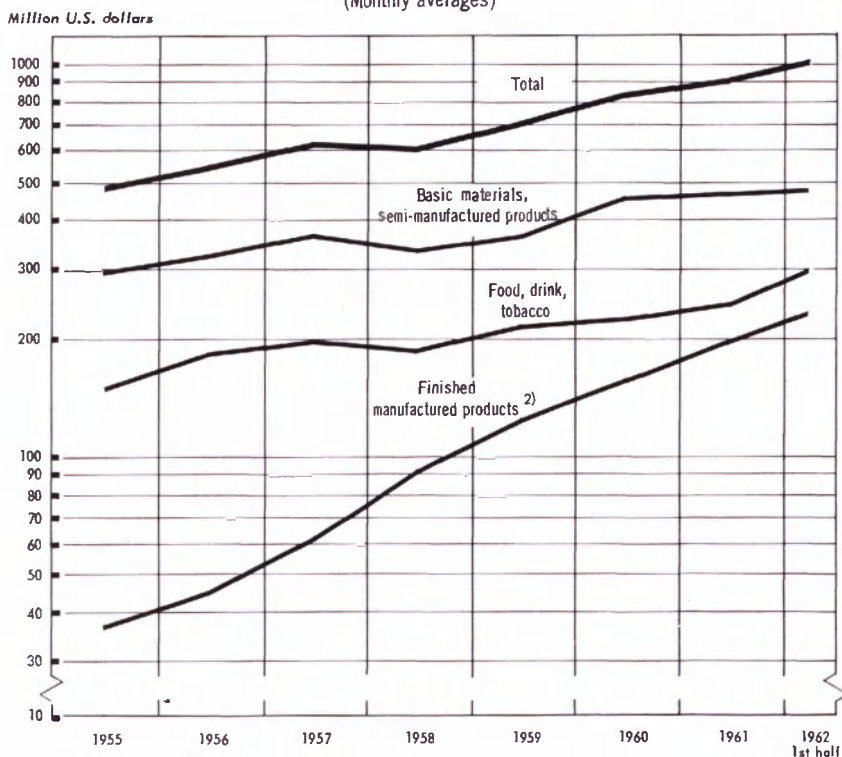
1) First quarter valued at old exchange rate .

SOURCE : Deutsche Bundesbank.

to foreign suppliers was very big, and continued in 1962, when activity in Germany was rising more slowly and excess demand fell.

14. The main reason for the sharp decline in the growth of exports in 1961 was the unfavourable development of the export earnings of primary producing countries and the slow-down in the expansion in industrial countries' trade. Germany increased her share in Western Europe's exports in 1961, and there is no evidence that she has been losing ground to other industrial exporters since then, whether in Europe, North America, or in third countries. So far, the change in international cost and price structures has not meant therefore, that Germany's share in the value of exports of European O.E.C.D. countries has declined, but only that it has stopped increasing.

Diagram 3
IMPORTS ¹⁾
(Monthly averages)



1) Beginning July 1959, includes Saar.

2) Excluding food manufactures.

Source : Wirtschaft und Statistik.

In volume terms, however, German exports have been lagging behind those of other European O.E.C.D. countries combined since the autumn of 1961.

Table 5. SALES IN THE GERMAN MARKET

(Percentage change from the corresponding period of previous year)

	1961	1962		
		1st QTR	2nd QTR	3rd QTR
Capital goods				
Domestic suppliers ¹⁾	13.5	7.9	6.8	8.4
Foreign suppliers ²⁾	24.1	27.3	9.3	19.8
Consumer goods, excluding food				
Domestic suppliers ¹⁾	7.4	5.5	8.9	6.7
Foreign suppliers ²⁾	12.6	20.1	9.8	15.3

1) Turnover according to statistics on orders received.

2) Imports according to foreign trade statistics.

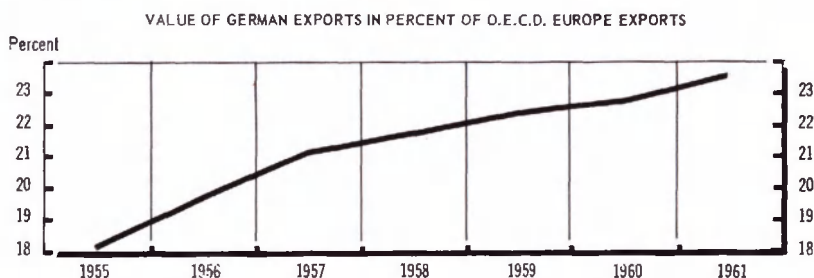
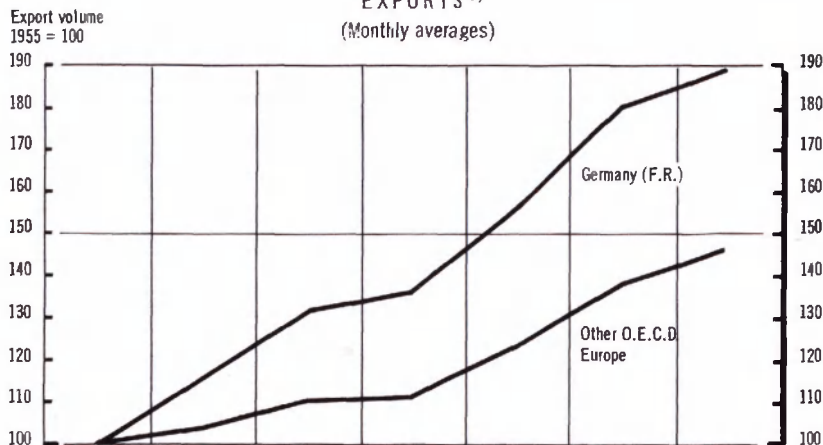
SOURCE : Die Wirtschaftliche Lage in der Bundesrepublik Deutschland, B.M.W., Bonn.

Table 6. SHARE OF GERMANY IN EXPORTS BY EUROPEAN O.E.C.D. COUNTRIES

	1955	1960	1961	FIRST HALF 1962
Total	18.2	22.8	23.6	23.2
of which to :				
O.E.C.D. Europe	21.7	25.4	26.0	25.5
North America	15.4	20.2	20.3	19.7
Third countries	13.9	19.7	20.5	19.9

SOURCE : General Statistics, O.E.C.D.

Diagram 4
EXPORTS ¹⁾
(Monthly averages)



1) Beginning July 1959, includes Saar.

Source : O.E.C.D. General Statistics.

15. The changed labour supply situation contributed directly to the reversal of the balance of payments since the increased inflow of foreign labour led to larger payments on account of repatriated foreign worker earnings. Such payments may have gone up by more than \$ 0.1 billion a year in the last two years. The higher deficit on private invisible transactions also reflects the progressive growth of tourist expenditure abroad and rising net payments on investment income. The persistent tendency for foreign capital to move into Germany is due to a further slight rise in direct investment and foreign purchases of high-yielding fixed interest securities. Foreign investment in German shares has tended to decline because of the fall of share prices and the more moderate capital appreciation to be expected in the future.

16. Since the underlying trend of the external account has been obscured by a number of temporary factors, the short-term prospects for the balance of payments are difficult to assess. The 1962 harvest was good and it is reasonable to expect a

decline in imports from the very high level of the first half of 1962. The weakening of the investment boom was already clearly reflected in imports in the first eight months of 1962. Imports of machinery and equipment rose by less than 20 per cent during that period as against 30 per cent in the two previous years. There is little reason under present conditions to expect any sharp acceleration in the growth of those imports. Imports of consumer manufactures may continue to grow rather fast, but these account for only about one fifth of total imports. Unless the relative rise in German costs continues, the development of German exports would depend largely on the factors determining the exports of other industrial countries and should rise in step with the expansion of world trade in manufactures.

17. The German authorities have committed themselves to purchases of military equipment abroad to help to offset foreign military expenditure in Germany. These purchases may increase sufficiently to prevent a rise in the trade surplus. The deficit on invisibles is likely to continue rising, although at a slower pace than in the last two years. Net payments resulting from foreign travel and the repatriation of foreign worker earnings will probably go up less fast than in the recent past. Net payments on investment income may slow down in the longer run. The private capital inflow may well remain high, but would seem unlikely to rise very substantially; the change in profits and growth expectations has no doubt made Germany relatively less attractive to investors than in earlier years. There may be some increase in public aid disbursements, but if larger foreign aid were to lead to an increase in German exports the effect on the balance of payments would be small.

18. Although it is difficult to make any hard-and-fast forecast for the foreign balance, it is highly unlikely that Germany, in the near future, will be running overall surpluses of a magnitude that would jeopardise the international payments situation. The possibility of a deficit cannot be excluded, but this should not be a cause for concern in the near future. The external reserves are very large and some re-distribution would seem desirable from the point of view of international payments.

II. ECONOMIC POLICY PROBLEMS

19. The new situation creates new problems, for long-term as well as short-term economic policy. The changed labour supply conditions have important implications for future growth prospects. Not only is growth unlikely to be as fast as in the past, but it may be difficult to achieve as high a rate of growth in per caput terms. The slower increase in the ratio of working to total population will, *ceteris paribus*, entail a slower expansion in G.N.P. per head of total population. Internal and external economies of scale will be less important and the flexibility and adaptability of the economy will not be the same as under conditions of rapidly rising employment. Finally, there will be less

of a stimulus to investment. In the past, Germany had the lowest capital-output ratio and the steepest rise in employment of the industrial O.E.C.D. countries. But output also grew relatively rapidly in Germany, even after taking account of the rate of growth both in employment and investment.

20. The changed relative cost position of Germany will mean less rapidly rising export demand and a slower growth of activity in export industries. Investment will receive less of a stimulus from the export sector, directly and indirectly. In the past the growth of exports eliminated the need, from the point of view of the balance of payments, of measures of restraint which hampered growth. But, in the longer run, this might cease to be the case.

21. The implications for growth of the two basic changes in Germany's position will be particularly noticeable inasmuch as the other exceptionally favourable factors, which supported Germany's outstanding growth performance in the past, have now largely ceased to operate. Her plant and equipment may still be rather more up to date and efficient than elsewhere, but other O.E.C.D. countries have been catching up, and Germany cannot expect this factor to play as important a role in the future as in past. The scope for technical progress is still no doubt large and the changed labour supply conditions will stimulate shifts to labour saving techniques. But the situation today is essentially different from that of the 1950's when there was a large scale adoption of technical innovations accumulated during the war and early postwar period. The various other forces, of an economic, political and psychological nature, which help to explain the rapid growth of Germany, may also have largely spent themselves by now.

22. The changed growth prospects of the German economy affect policy requirements in many fields. The need to facilitate movement of labour from low to high productivity sectors and shifts in the occupational structure in response to the development of demand should not be overlooked when decisions are taken on policies in the agricultural and other fields. For example, some Member countries have found that lower support prices for agricultural products have contributed to such shifts and thereby to higher overall productivity and income. Labour market policies will have an important role to play to facilitate a more efficient use of scarce labour resources and efforts to do away with obstacles to regional labour mobility will need to be intensified. Training and retraining facilities to promote mobility between industries and jobs may need to be enlarged. There may be scope for reconsidering policies and practices which hamper a fuller participation of women in the work force and cause retirement at an age when people may still be willing and fit to remain in paid employment. It may be necessary to prepare the ground for changes in the government's budget called for by the fact that private consumption will have a bigger role to play than in the past, when investment and exports were the main dynamic forces behind the growth of the German eco-

nomy. Finally, the recent changes in income distribution and the reduced scope for self finance of investment, may require institutional modifications designed to enlarge the capital market.

23. The new situation creates problems also for demand management policy. Demand was strong throughout the 1950's and, except possibly in 1958, there was no need to reinforce existing policies, which aimed in particular at the encouragement of investment demand. The building and construction industry was under strong pressure in certain periods, but the need for general measures of demand restraint was not clearly felt until the later years of the decade. The existence of ample labour resources meant that the pressure on costs and prices was less pronounced than in most other countries. And the continuous rapid expansion of exports made it possible for home demand to rise fast without endangering the balance of payments.

24. Thus, throughout the greater part of the 1950's, policy was concentrated on encouraging the market forces of competition to provide an atmosphere in which expansion could be combined with monetary stability. Efforts to influence demand relied largely on monetary instruments, such as open market operations and changes in the bank rate, rediscount ceilings and minimum reserve requirements. Fiscal policy was not used deliberately to ease inflationary pressures or to counteract slackening tendencies in demand, but largely consisted of balancing the budget through varying the rate of government spending. The fact that expenditure was lower in relation to revenue in the boom years of the mid 1950's than in 1958 and 1962 - years of exceptionally slack growth in the economy - was due to factors unrelated to economic policy; large cash surpluses accumulated during the mid-1950's because the appropriations made for rearmament could not be fully utilised.

25. The conditions prevailing at the end of the decade, and particularly in 1960 and 1961, with unemployment very low and considerable pressure on domestic resources, demonstrated clearly the need for a more diversified stabilisation policy. Exclusive reliance on monetary policy failed to restrain excessive demand and had very undesirable effects on international capital movements. The experience of these years underlined the need for a more active use of fiscal policy, or selective measures, to influence domestic demand. And like many Member countries, Germany has been finding that demand management needs to be supplemented by an incomes policy, if price stability and a high level of activity are to be reconciled.

26. In the longer run, under the conditions now beginning to prevail, an adequate growth of demand cannot be taken for granted. Recent developments suggest that exports are becoming a less dynamic factor than in the past, and investment demand is weakening. Private consumption has been buoyant because of sharply rising wages. But the shift in income distribution will not continue endlessly and when it comes to an end, the rise in

private consumption will slow down. At that moment, measures to stimulate the economy may well be required. The experience of other countries shows that easy monetary conditions alone are not always sufficient to bring about the desired expansion of aggregate demand; in slack conditions fiscal policy is likely to be the more effective instrument because of its direct impact on private incomes.

Fiscal policy

27. It thus seems likely that Germany, like most other Member countries, is going to require a more active and flexible use of the Central government budget as an instrument of stabilisation policy from now on.

28. An essential prerequisite, if the budget is to be used in this way, is that the concepts employed should allow the economic significance of budget operations to be assessed. In Germany as in many other countries, the traditional layout of the government account is based on concepts and classifications which are scarcely relevant for purposes of economic analysis. Some progress has already been made in budget presentation in Germany. Accounts drawn up with reference to a classification based on functional or economic criteria have been included in the budget documents for some time. But it is important for policy making that a classification fully integrated with the national accounts should be available to, and properly understood by, those who decide on taxation and expenditure appropriations.

29. The concepts and classifications used in the traditional budget may hamper effective policy if the classification is rigid and preconceived ideas are held as to the balancing of specific accounts. In Germany the obligation to balance Federal Government receipts and expenditure is laid down by law. The law prescribes that borrowing by the Federal Government should be restricted to meet extraordinary needs, and as a rule only expenditure for "werbende Zwecke" (investment with a yield sufficient to pay off the loan). But in practice extraordinary, or loan financed, expenditure has a very flexible coverage. The practical importance of the rule concerning the balancing of the federal budget is also limited by the fact that the Government may refrain from fully spending voted appropriations. Furthermore, the Bundestag can decide to set aside reserves for use in later years. The latter provision, which could constitute an important tool in anti-cyclical policy has not as yet been used, however.

30. The federal system of Germany no doubt, complicates the task of an active budgetary policy. The share of general government receipts and expenditure in the hands of the central authorities is smaller than in other Member countries except Switzerland and the Länder and communes in Germany enjoy a higher degree of autonomy than accorded to local government authorities

elsewhere in the O.E.C.D. area. Moreover, changes in personal and corporate income taxes, the proceeds from which are shared between the Federal Government and the Länder, can be undertaken only with the consent of the latter. The Bundestag is however, authorised in certain circumstances, to vote additional income taxation for the federal budget without leave of the Länder, but it has not as yet availed itself of this authority. The system of central-local sharing for personal and corporate income taxes means that action by the legislature on Government proposals for changes in such taxes will normally be secured only with considerable delay and can in principle be vetoed by the Länder. Although there are constitutional limitations, it would be desirable to modify the present arrangements with a view to facilitate a more flexible budgetary policy.

Table 7. CENTRAL GOVERNMENT EXPENDITURE
IN SELECTED COUNTRIES IN 1960

(In per cent of gross national product)

	TOTAL	CURRENT EXPEN- DITURE	CAPITAL FORMA- TION	TRANSFERS ¹⁾
Germany	13.6	4.5	0.5	8.8
Norway	16.9	7.5	1.2	8.2
Italy	18.5	8.2	0.6	9.6
United States.....	18.7	10.5	0.4	7.8
France	20.0	10.6	0.5	9.0
Netherlands	20.0	6.8	1.2	12.0
United Kingdom	24.3	11.1	0.4	12.8
Sweden	25.1	8.9	3.0	13.2

1) Current and capital transfers, subsidies and interest on the public debt.

SOURCE : Country submissions to the O.E.C.D.

31. In Germany, as in many other countries, the slowness of fiscal procedures and the uncertainties of short-term forecasting restrict the use of budgetary policy as an anti-cyclical weapon. To facilitate adjustments of fiscal policy to changing circumstances, the central governments of some countries have been given stand-by authority to make temporary changes in taxes or expenditure. In the United Kingdom, for example, indirect taxes can be reduced or increased by 10 per cent by administrative order. In Austria, the Government is authorised to change certain types of investment expenditure for anti-cyclical purposes. In the United States, the Administration has requested authority for temporary contra-cyclical reductions in personal income taxes and for a stand-by public works programme. In

Germany, Federal Government action without prior consent of the Parliament in the field of taxation is restricted to raising depreciation allowances. The latitude is somewhat bigger in respect of expenditure. The Federal authorities are allowed to withhold voted appropriations, as already pointed out, and the Minister of Finance is authorised to exceed budgeted appropriations to meet unforeseen and indispensable expenditure. It would be desirable if the latter provision could be interpreted with a view to anti-cyclical policy requirements. The further elaboration of multi-annual programmes for public investment and public aid to private investment could also contribute to rendering budgetary policy more effective, particularly if wide discretionary powers were granted the Federal authorities with regard to the timing of the implementation of such programmes.

Incomes policy

32. An increasing number of governments in recent years have concluded that, under conditions of full employment, management of the general level of demand will often need to be supplemented by specific measures to influence, more directly, the determination of incomes and prices. The development of an incomes policy encounters many economic, political and social difficulties. And the approach of each country must be shaped in the light of national institutions and traditions, which differ widely. But all the governments active in this field are agreed that the difficulty of maintaining price stability needs to be regarded as a challenge to devise new policies, rather than as an argument for holding down the level of activity. The latter, in modern conditions, may turn out to be largely self-defeating.

33. In most countries incomes policy has taken the form of government guidance as to the scope for non-inflationary increases in wages and other incomes, and various types of efforts are being pursued to make the guidance effective. In Germany, guidance for wage adjustments was given as early as January 1960 in the Memorandum on Wage and Price Movements, which the Deutsche Bundesbank prepared at the request of the Chancellor. The Memorandum estimated that productivity would only rise by 3.5 per cent and warned against large wage demands which, if was maintained, would be reflected in higher consumer prices. The B.D.A. (German Federation of Employers' Associations) supported the report as a first step towards achievement of a wages policy, and pointed out that compensation for cost of living increases in addition to compensation for productivity gains would have inflationary consequences. The B.D.A. also stressed that, if standard rates had lagged behind productivity in the past, this could not be remedied. The Trade Unions, on the other hand, felt that wage adjustments should not be geared to productivity but should permit labour to increase its share in the national income and that the question of wage control could not be considered in isolation from price control.

34. This initiative of the authorities was followed, in the summer of 1962, by the submission to the Bundestag of a bill to establish an independent expert commission consisting of leading theoretical and practical economists. The purpose of the commission would be to report annually, or more frequently, on the overall economic situation with a view to assessing whether income developments are in line with the growth of overall production and supplies. The commission would report to the Government which would submit both its own and the experts' view to the Bundestag and the public. Pending the setting up of this commission, the Chancellor has instructed the Ministry of Economics to undertake a survey of the economy in 1963 for the purpose of establishing guiding lines to be followed by all groups of income receivers.

35. The degree of refinement and detail in which the Government contemplates that such guiding lines should be set is not known. But recent discussions on this subject inside the O.E.C.D. between the countries active in this field suggest that the following points should be borne in mind when policies are being evolved : *

- i) The scope for non-inflationary increases in wages and salaries is ultimately determined by the trend rate of productivity increase. Exceptions may be appropriate in certain circumstances, for example to meet a balance of payments crisis, or where changes in fundamental economic conditions make possible or require changes in the distribution of income between wages and salaries and profits; but if guidance is to be effective, it must be comprehensible, and complexity and frequent change are the enemies of comprehension.
- ii) The increase of productivity in a particular industry does not provide an adequate yardstick for wage increases in that industry. These should be determined mainly in the light of the overall rate of productivity increase, the need to promote an efficient distribution of the labour force and the need for equity in the treatment of different groups of workers.
- iii) Guidance on wages and salaries needs to be incorporated into a general incomes policy. This raises difficult problems, but experience indicates that these problems cannot be ignored if the policy is to be successful.
- iv) Since governments are committed to the maintenance and smooth functioning of free economic institutions and the maximum degree of freedom for wage and price decisions, a successful policy in this field

* "Policies for Price Stability", O.E.C.D., 1962.

must derive its ultimate sanction from the understanding and cooperation of all those concerned. It follows that labour and management should be associated with the elaboration of guidance for incomes, and that the government should do all it can to secure public agreement that what it is proposing is both necessary and fair.

- v) Policies with regard to incomes need to be supplemented by the active promotion of competitive conditions in order to ensure that cost reductions are passed on to the consumer.

III. SHORT TERM PROSPECTS

36. With regard to the major demand components, public consumption, measured in constant prices, rose even faster in 1962 than in 1961. The growth of private consumption slowed down somewhat, while the rate of increase in exports of goods and services, which had fallen considerably in 1961, was maintained. The main factor in the slower expansion of overall demand in 1962 was therefore investment. The results for the first half of 1962 were influenced by the poor weather in the early months which hampered building and construction activity. In the second and third quarters, building activity expanded fairly rapidly. Investment in machinery and equipment, which accounts for one half of total fixed capital formation, grew much less rapidly in 1962 than in 1961.

37. Industrial production was running some 5 per cent above the 1961 level in the summer and the autumn of 1962. This was roughly in line with the performance in 1961 but low by comparison with earlier years. The growth was fairly rapid in consumer goods industries. In the capital goods sector it slowed down sharply. The divergent trends in capital goods and consumer goods industries also emerge clearly from statistics on orders. Last September order books in the capital goods industries were distinctly lower than a year earlier, although they still corresponded to nearly five months' output. In durable consumer goods industries, on the other hand, where unfilled orders amounted to two and a half months' production, the position was somewhat better than last year. New orders as a proportion of current sales have tended to fall since the middle of last year. The decline was more marked in orders from the home market than in export orders.

38. The changed labour supply conditions and the shortening of work hours no doubt narrowed the scope for expansion of the German economy in 1962. The employment situation was very tight; and there is as yet no tendency for the sizeable gap between vacancies and the number of unemployed to diminish. The pressure on resources was particularly pronounced in the building and construction sector and resulted in a steep

increase in building costs. But it seems unlikely that supply conditions are alone responsible for the marked slowdown in the pace of overall growth, or for the relatively poor performance of certain sectors. The slower expansion of activity in the capital goods' industry, for example, must be attributed in part to demand factors, in the home as well as the export market.

Table 8. USES OF RESOURCES 1955-1962
(Percentage change in volume)

	1955-1960 ¹⁾ (Compound rate)	1960 ¹⁾	1961	1962
		(Change from corresponding period of previous year)		
Gross national product ...	6.2	8.6	5.3	4.0
Imports	14.6	16.9	8.4	11.5
Total resources	7.7	10.4	6.0	5.5
Exports	12.7	13.2	3.6	4.0
Private consumption	6.5	7.2	7.3	6.5
Public consumption	6.0	7.6	7.2	10.0
Gross fixed capital formation	7.0	11.8	10.1	5.0
of which :				
Machinery and equipment	6.9	16.1	11.7	5.0
Building and construction	7.2	7.2	8.3	4.5
Changes in stocks ²⁾	(+0.3)	(+3.1)	(-2.6)	(-1.0)

1) Excluding the Saar.

2) Stocks increased throughout the period and the data show changes in stock accumulation,

SOURCE : Wirtschaft und Statistik; Statistisches Jahrbuch and Secretariat's estimates for the year 1962.

39. The gross national product probably rose somewhat faster in the second than in the first half of 1962. But it may not have gone up by more than 4 per cent over the year as a whole - the lowest yearly increase in Germany's postwar experience, 1958 apart. There is no evidence pointing to an acceleration of growth in 1963. The government forecast for that year is in fact based on a 3.5 per cent increase in gross national product, which corresponds to the expected increase in labour

Diagram 5
INDUSTRIAL PRODUCTION AND VALUE OF NEW ORDERS IN MANUFACTURING
(Seasonally adjusted monthly averages)
1958 = 100

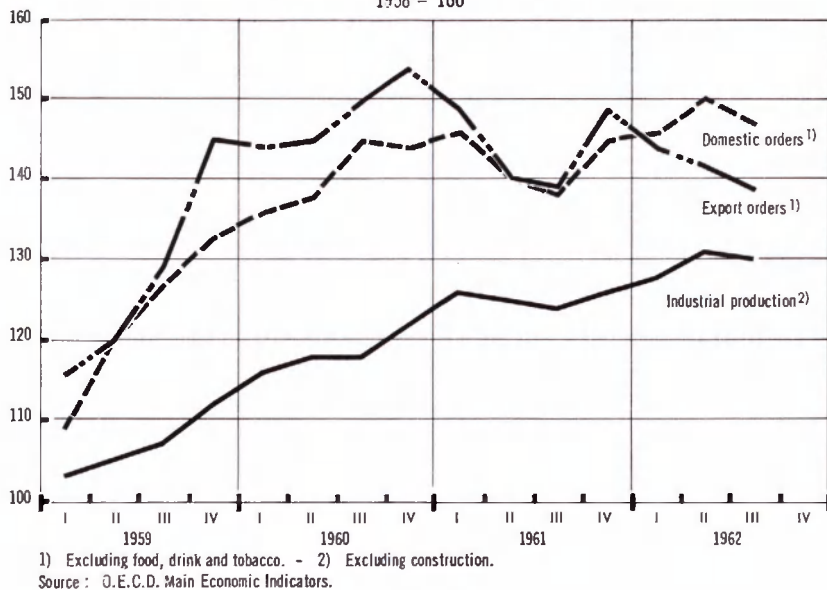
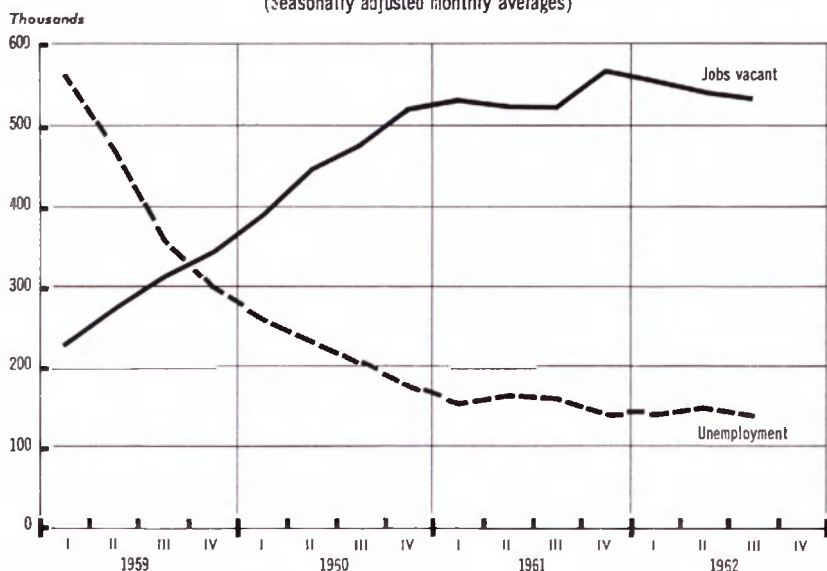


Diagram 6
UNEMPLOYMENT AND JOBS VACANT ¹⁾
(Seasonally adjusted monthly averages)



productivity. Any increase in employment is expected to be more than offset by a further tendency towards shorter work hours.

40. Private consumption may rise somewhat less rapidly in 1963 than in 1962. The pressure on wages, although still strong, has tended to moderate and this tendency will probably continue in 1963. Such information as is available on the Federal budget for 1963 suggests that public consumption will remain the most dynamic element of demand, but it will expand much less vigorously than last year. Efforts are also being made to avoid an excessive expansion of investment in construction by public authorities. The Federal budget, and probably also the Länder budgets, will, however, continue to have an expansionary effect in 1963. Residential construction should remain high, although Federal support for house building is likely to be lower than in 1962. Business fixed investment and inventory demand are the most uncertain elements in the present situation. There is no evidence pointing to marked changes, whether up or down in these categories of demand in 1963. The possible change in net exports is unlikely to be so large as to influence total output very much.

41. The measures recently taken by the Federal Government and the weakening of demand pressure in major sectors of the economy can be expected to bring a moderation of the price rise. Nevertheless, price stability cannot be considered as secured for 1963. It would however, appear inappropriate to enact measures of general demand restraint to cope with such price pressure as may persist. There is still substantial excess demand in the building sector and further measures in this field may prove necessary. Such measures should be prepared before the expiration in mid-1963 of the law restricting new licensing of certain types of building.* Insofar as price increases should occur in sectors other than building, it can be assumed that they will mainly reflect further cost advances. The possibility that costs will remain under pressure and the need to safeguard Germany's international competitive position in the long run underline the need for further efforts to elaborate a wage policy in conformity with the general development of incomes.

42. Although stabilisation of costs and prices remains one of the main problems of German economic policy at present, the possibility that there may be need for measures to stimulate demand in the course of 1963 cannot be excluded. The prevailing uncertainty with regard to business fixed investment in particular, calls for action to secure greater flexibility of policy.

* Apart from more expensive detached housing, the law concerns buildings in which more than one third of the surface is to be used for offices, shops, entertainment facilities, hotels and restaurants.

Table 9. THE FEDERAL BUDGET

(DM Billion)

	1960 ¹⁾		1961		1962	1963
	ESTIMATES	ACTUAL	ESTIMATES	ACTUAL	ESTIMATES ²⁾	GOVERNMENT PROPOSAL
1. Expenditure (excluding offsetting items)	40.3	41.7	44.7	44.8	51.4	55.0
of which :						
Defense	11.3 ³⁾	11.3 ³⁾	12.4	13.3	16.4	18.4
Social expenditure	13.4	12.9	14.3	13.9	14.6	14.8
Investment (including loans)	6.1	6.0	6.2	5.5	6.7	.
of which :						
Housing	2.2	2.3	2.0	1.9	1.9	.
Agriculture	0.8	0.7	1.0	1.0	1.1	.
2. Revenue	38.4	40.9	43.1	44.5	49.5	53.2
of which :						
Taxes and customs duties	36.0	37.7	41.1	41.7	45.9	50.2
Contribution of the Länder	-	-	-	-	1.1	-
3. Balance (2-1)	-1.9	-0.8	-1.6	-0.3	-1.9	-1.9
Less :						
Redemption of internal debts	0.1	0.3	0.1	0.7	0.3	0.4
Covering of previous years' deficits	-	-	0.2	0.2	0.2	-
Statistical error	0.1	.	0.3	.	.
4. Overall deficit (-)/surplus (+)	-1.8	-0.4	-1.3	+0.9	-1.4	-1.5
5. Net foreign payments	3.8	3.5	4.9	3.5 ⁴⁾	4.3 ⁵⁾	5.2
6. Internal surplus (4+5)	2.0	3.1	3.6	4.4	2.9	3.7

1) The period 1st April to 31st December at annual rates.

2) Excluding the supplementary budget submitted to the Bundestag in the autumn of 1962.

3) Before deduction of refunds from the guarantee account for armament imports.

4) Excluding payments to the IMF and development aid financed through the sale of Volkswagen shares and subscription by German industry to a development aid loan. Payments abroad under these items totalled about DM 3 billion.

5) Excluding armament imports effected through industry.

SOURCE : Ministry of Finance.

STATISTICAL ANNEX

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Table I. GROSS NATIONAL PRODUCT

DM billion

	PRIX COURANTS					1954 PRICES				
	1959 ¹⁾	1960 ¹⁾	1960	1961	1962	1959 ¹⁾	1960 ¹⁾	1960	1961	1962
Private consumption	144.2	157.4	160.5	176.8	192.5	129.7	139.0	141.8	152.2	162.0
Public consumption	33.6	37.8	38.4	43.7	49.5	28.5	30.6	31.1	33.4	37.0
Gross fixed asset formation	57.1	66.4	67.7	77.9	86.0	49.7	55.6	56.7	62.4	65.5
Change in stocks	4.6	7.9	8.0	5.3	4.5	4.3	7.4	7.5	4.9	4.0
Net transactions in goods and services	8.5	8.2	7.8	6.8	3.5	4.4	2.9	2.3	-0.7	-6.0
Gross national product	247.9	277.7	282.4	310.4	336.0	216.5	235.5	239.4	252.2	262.5
Net income to abroad	0.5	0.3	0.4	1.0	1.0	0.5	0.2	0.4	0.8	1.0
Gross domestic product	248.4	278.0	282.8	311.4	337.0	217.0	235.7	239.8	253.0	263.5
Agriculture, forestry, fisheries	16.9	17.5	17.6	17.9		15.0	15.7	15.8	15.9	
Manufacturing, mining, construction	131.5	149.5	152.6	170.2		118.1	130.3	132.9	141.9	
Transport and commerce	50.9	56.0	56.9	60.5		44.6	48.5	49.3	51.5	
Services	49.2	54.9	55.8	62.8		39.3	41.1	41.8	43.7	

1) Excluding the Saar.

SOURCE : Wirtschaft und Statistik and Secretariat's estimates for the year 1962.

Table II. NATIONAL INCOME

	DM BILLION				PERCENTAGE DISTRIBUTION			
	1959 ¹⁾	1960 ¹⁾	1960	1961	1959 ¹⁾	1960 ¹⁾	1960	1961
Compensation of employees	116.7	131.1	133.6	150.1	60.9	60.8	60.9	62.4
of which :								
Employers' contribution to social security	13.0	14.6	14.9	16.4	6.8	6.8	6.8	6.8
Income from self-employment property and entrepreneurship ²⁾	58.7	66.0	66.9	70.7	30.6	30.6	30.5	29.4
Corporate saving	5.3	5.9	6.0	5.1	2.8	2.7	2.7	2.1
Direct corporate taxes	7.5	8.7	8.8	9.9	3.9	4.0	4.0	4.1
Government income from property and entrepreneurship	5.1	5.7	5.7	6.3	2.7	2.6	2.6	2.6
Less : Interest on public debt	1.5	1.6	1.6	1.6	0.8	0.7	0.7	0.7
National income	191.8	215.7	219.4	240.4	100.0	100.0	100.0	100.0

1) Excluding the Saar .

2) Net of interest on consumers' debt .

SOURCE : Wirtschaft und Statistik .

Table III. EMPLOYMENT

	THOUSAND			PERCENTAGE CHANGE FROM PREVIOUS YEAR		
	1959	1960	1961	1959	1960	1961
Agriculture, forestry, fishing :						
Self-employed	1,205	1,175	1,120	- 1.2	- 2.5	- 4.7
Unpaid family workers	2,020	1,895	1,800	- 5.2	- 6.2	- 5.0
Wage and salary earners	595	545	495	- 5.6	- 8.4	- 9.2
Total	3,820	3,615	3,415	- 4.0	- 5.4	- 5.5
Manufacturing, mining, construction, public utilities :						
Self-employed	830	830	830	- 1.8	- 0.0	0
Unpaid family workers	235	240	250	6.8	2.1	4.2
Wage and salary earners	10,825	11,165	11,480	1.5	3.1	2.8
Total	11,890	12,235	12,560	1.4	2.9	2.7
Commerce and Transport :						
Self-employed	830	820	810	2.5	- 1.2	- 1.2
Unpaid family workers	255	265	295	4.1	- 3.9	11.3
Wage and salary earners	3,785	3,965	4,100	1.9	4.8	3.4
Total	4,870	5,050	5,205	2.1	3.7	3.1
Other Services :						
Self-employed	415	415	430	1.2	0.0	3.6
Unpaid family workers	145	160	195	7.4	10.3	21.9
Wage and salary earners	3,725	3,855	3,915	4.6	4.3	1.6
Total	4,285	4,430	4,540	4.4	3.4	2.5
All sectors :						
Self-employed	3,280	3,240	3,190	- 0.2	- 1.2	- 1.6
Unpaid family workers	2,655	2,560	2,540	- 2.7	- 3.6	- 0.8
Wage and salary earners	18,930	19,530	19,990	1.9	3.2	2.4
Total	24,865	25,330	25,720	1.1	1.9	1.5
Labour force	25,345	25,570	25,880	0.3	0.9	1.2
Registered unemployed	480	240	160	-29.9	-50.0	-33.3
Unemployment ratio	1.9	0.9	0.6			
Population	52,670	53,231	54,015	1.1	1.1	1.5

SOURCE : Wirtschaft und Statistik.

Table IV. OUTPUT, ORDERS AND EMPLOYMENT IN INDUSTRY

	1959	1960	1961	1961				1962		
				1st QTR.	2nd QTR.	3rd QTR.	4th QTR.	1st QTR.	2nd QTR.	3rd QTR.
Output (Seasonally adjusted index 1953 = 100)										
Total, excluding construction ¹⁾	162	180	190	191	190	188	192	195	199	198
Output per working day (percentage change from previous year)										
Total, including construction ¹⁾	7.4	10.5	5.6	9.0	6.7	3.6	4.2	1.7	4.9	5.4
Mining	-3.0	2.7	2.7	1.4	2.8	2.1	4.8	1.9	2.1	1.5
Basic materials	12.7	14.0	5.8	9.0	6.4	2.9	3.3	1.3	6.5	8.9
Capital goods, including consumer durables	8.0	15.2	8.3	13.6	10.3	4.8	4.4	1.1	1.3	3.4
Food, drink and tobacco	2.7	3.0	4.2	5.3	3.0	5.1	4.0	1.9	6.4	3.9
Other consumer goods	6.0	7.8	4.3	6.9	5.0	1.8	4.0	3.1	5.2	5.2
Construction	16.1	4.2	8.1	16.3	5.7	6.2	7.1	-8.4	7.6	7.7
Energy	7.4	9.5	5.8	8.0	6.1	3.1	7.2	5.2	8.7	8.5
New Orders (in per cent of current sales)										
Total manufacturing, excluding food, drink and tobacco ¹⁾	109	108	101	105	103	97	99	101	103	97
Home market	108	107	100	103	102	96	99	101	104	98
Export market	112	114	104	110	105	99	102	102	99	96
Order books (in per cent of monthly production) ²⁾										
Investment goods	400	530	570	550	590	540	570	560	570	460
of which :										
Machinery	460	740	720	760	780	720	720	740	690	590
Vehicles	470	470	510	490	470	500	510	510	510	480
Consumer goods, excluding food, etc.	320	310	260	260	280	280	260	240	240	240
of which :										
Textiles	410	400	310	320	320	340	310	290	290	290
Furniture	110	110	100	100	100	120	90	100	100	120
Employment, and hours worked										
Employment (millions) ³⁾	7.48	7.78	8.00	7.93	8.02	8.04	8.02	7.99	8.05	8.06
of which :										
Wage earners	6.10	6.31	6.44	6.40	6.46	6.46	6.42	6.38	6.41	6.41
Total hours worked by wage earners (monthly averages in billions) ³⁾	1.05	1.08	1.08	1.09	1.08	1.06	1.09	1.05	1.04	1.03
Paid weekly hours per male worker ⁴⁾	46.3	46.3	46.2	45.9	46.4	46.3	46.4	45.4	45.7	45.6

1) Excluding the Saar.

3) Manufacturing and mining only.

2) Last month of period.

4) Industry, including construction.

SOURCE: Main Economic Indicators, O.E.C.D.; Die Wirtschaftliche Lage in der Bundesrepublik Deutschland, B.M.W., Bonn; WWI Mitteilungen; Wirtschaft und Statistik.

Table V. WAGES, COSTS AND PRICES

(Indices 1958 = 100)

	1959	1960	1961	1961				1962		
				1st QTR.	2nd QTR.	3rd QTR.	4th QTR.	1st QTR.	2nd QTR.	3rd QTR.
Wage rates in manufacturing and mining	103.7	110.9	120.1	116.7	118.0	121.6	124.0	130.2	131.7	133.6
Gross hourly wages in manufacturing and mining	105.3	115.2	127.4	122.5	125.2	129.0	132.7	137.9	140.9	143.3
Wage drift (Wages/wages rates)	101.5	103.9	106.1	105.0	106.1	106.1	107.0	106.0	107.0	107.3
Output per man-hour in manufacturing and mining	108.4	117.0	122.7	119.0	120.9	122.8	127.2	125.3	129.7	132.9
Wage costs per unit of output (Wages/output)	97.1	98.5	103.8	102.9	103.6	105.0	104.3	110.1	108.6	107.8
Industrial producer prices	99.1	100.4	101.9	101.7	101.7	101.8	102.2	102.6	103.1	103.1
Wholesale prices of basic materials	100.5	100.5	100.2	100.4	100.7	100.0	100.5	100.4	100.1	99.7
Agricultural producer prices ¹⁾	102.9	97.8	102.4	97.2	99.3	101.8	103.3	104.3	107.6	103.7
Building costs (residential building)	105.3	113.2	121.8	117.3	118.9	125.0	126.0	127.4	132.4	132.7
Import prices	97.5	98.2	94.5	96.4	94.7	92.5	93.4	93.8	94.6	92.5
of which :										
Manufactured end-products	98.2	98.2	95.7	97.3	94.9	95.3	95.2	95.7	96.2	96.0
Export prices	99.2	100.5	100.3	101.0	100.1	100.0	100.1	100.3	100.6	100.7
of which :										
Manufactured end-products	99.3	100.5	102.5	102.2	102.0	102.5	103.0	103.8	104.6	104.9
Cost of living	101.0	102.4	105.0	103.8	104.8	105.5	105.9	107.6	109.3	109.1
of which :										
Food	101.7	102.4	103.6	102.0	103.8	104.6	104.1	106.8	110.4	108.6
Rent	102.4	108.4	118.0	116.5	117.5	118.6	119.4	120.2	121.0	121.8
Household goods	98.7	98.6	101.1	100.3	100.4	101.2	102.5	103.3	103.2	103.8
Clothing	99.7	101.5	104.0	103.3	103.9	104.1	104.8	106.0	106.8	107.2

1) Farm years 1967/68 = 100.

SOURCE : Wirtschaft und Statistik; Statistisches Jahrbuch für die B.R.D.; Industrie und Handwerk, Reihe 2.

Table VI. MONEY AND BANKING

DM billions

	1960	1961	1961				1962		
			1st QTR.	2nd QTR.	3rd QTR.	4th QTR.	1st QTR.	2nd QTR.	3rd QTR.
Interest rates (per cent, end of period):									
Discount rate	4	3	3.5	3	3	3	3	3	3
Day-to-day money 1)	4.31	3.06	3.38	2.56	2.94	3.06	3.13	3.31	3.06
Yield on bonds 2)	6.2	6.1	6.0	5.5	6.0	6.1	6.0	6.1	6.1
Money circulation and external reserves (end of period):									
Note and coin circulation, total	21,840	24,488	22,656	23,242	24,073	24,488	24,759	25,250	25,744
Sight deposits of German non-banks	33,684	40,243	33,998	37,192	37,014	40,243	37,821	39,967	41,578
Bundesbank gold holdings and freely usable foreign assets	28,295	26,166	28,329	27,378	25,746	26,166	24,354	24,932	25,891
of which: gold	12,479	14,654	12,969	14,053	14,576	14,654	14,665	14,667	14,673
Credit Institutions' Lendings to and Deposits from non-banks (end of period):									
Lendings, total	137,959	161,334	143,501	149,779	155,328	161,334	165,524	172,028	177,656
of which: to public authorities	20,837	24,457	22,008	22,837	23,454	24,457	25,161	25,820	26,761
to business and private customers	117,122	136,877	121,493	126,942	131,874	136,877	140,363	146,199	150,895
short-term	41,410	47,955	43,491	45,898	46,709	47,955	48,931	50,874	51,055
medium-term	12,451	14,689	12,790	13,687	14,178	14,689	14,685	15,720	16,829
long-term	64,098	98,690	87,220	90,194	94,442	98,690	101,908	105,435	109,771
Deposits, total	104,051	118,344	104,866	108,863	110,910	118,344	118,361	122,439	124,677
of which: from public authorities	15,873	18,637	15,889	17,165	17,685	18,637	18,810	19,662	19,836
from business and private customers	88,178	99,707	88,976	91,698	93,225	99,707	99,551	102,777	104,842
short-term	31,244	36,489	28,658	30,787	31,756	36,489	32,598	34,776	35,650
medium-term	19,694	21,430	20,641	21,338	21,250	21,430	22,164	22,662	22,591
long-term	53,114	60,424	55,567	56,738	57,904	60,424	63,599	65,001	66,436
Bank Liquidity									
Influx or efflux (-) of funds at banks due to changes in:									
Notes and coins in circulation	-1,684	-2,524	474	-641	-1,046	-1,311	739	-551	-529
Non-bank's net position with the Bundesbank	-4,823	-5,683	-2,814	-2,670	193	-392	-1,241	-470	-1,188
of which: Public Sector	-5,550	-6,748	-3,082	-2,911	-160	-595	-1,570	-645	-1,244
Foreign exchange transactions with the Bundesbank	10,748	5,575	2,164	2,210	49	1,152	-846	1,205	1,644
Open market operations of Bundesbank	-1,335	-45	-720	529	-506	652	728	-11	166
Other factors	298	221	144	139	-106	44	76	3	46
Net effect on bank liquidity of the above factors	3,204	-2,456	-752	-433	-1,416	145	-544	176	139
Change in the balance of credit institutions with the Bundesbank	4,001	-2,936	-957	-1,118	-1,056	195	-562	246	362
Compare: change in required minimum reserves	4,364	-3,361	-784	-1,053	-1,044	-480	40	367	152
Change in Bundesbank's lending to the banks	+797	-480	-205	-685	360	50	-18	70	223

1) Average of extreme rates in last month of period.

SOURCE: Monthly Report of the Deutsche Bundesbank.

2) Average yield of all fixed interest bearing long-term securities issued in the last month of period.

Table VII. MERCHANDISE TRADE OF GERMANY BY AREAS

U.S. \$ Million

U.S. \$ Million										
	TOTAL	O.E.C.D. COUNTRIES						THIRD COUNTRIES		
		TOTAL	IN EUROPE			IN NORTH AMERICA		EAST BLOC COUNTRIES	OTHER	
			E.E.C.	E.F.T.A.	OTHER	U.S.	CANADA		DEVELOPED	LESS DEVELOPED
Exports f.o.b.										
1959	9,810.24	6,773.52	2,733.72	2,646.12	350.88	910.56	132.24	442.92	607.68	1,986.12
1960	11,419.92	7,957.68	3,369.84	3,200.76	361.92	897.48	127.80	536.28	758.04	2,167.92
1961	12,687.00	9,044.04	4,025.52	3,591.36	424.68	870.00	132.48	506.76	834.72	2,301.48
1st quarter 1).....	2,973.96	2,088.87	947.16	823.38	94.14	195.42	28.74	131.04	197.97	556.08
2nd quarter	3,218.07	2,310.66	1,029.42	918.18	111.24	215.70	36.15	119.43	218.01	569.97
3rd quarter	3,154.23	2,254.71	992.13	902.73	107.43	221.10	31.32	121.02	207.27	571.23
4th quarter	3,340.80	2,389.74	1,056.81	947.04	111.84	237.72	36.33	135.21	211.26	604.59
1962										
1st quarter	3,154.29	2,311.86	1,096.17	867.51	109.92	212.31	25.95	122.37	200.79	519.27
2nd quarter	3,310.23	2,453.43	1,128.03	909.27	131.04	243.51	41.61	125.70	218.25	512.85
3rd quarter	3,259.59	2,417.91	1,088.43	928.32	132.36	234.75	34.05	122.94	200.28	518.46
Imports c.i.f.										
1959	8,371.32	5,601.36	2,461.44	1,767.12	277.92	929.76	165.12	391.68	417.36	1,960.92
1960	10,163.52	6,953.28	3,025.68	1,998.72	297.00	1,423.20	208.68	472.08	453.48	2,284.68
1961	10,940.40	7,629.84	3,427.56	2,112.72	345.00	1,509.84	234.72	451.56	512.76	2,346.24
1st quarter 1).....	2,485.26	1,707.84	747.18	465.33	82.98	364.20	48.10	105.12	103.62	568.68
2nd quarter	2,766.66	1,924.53	863.64	541.47	82.05	380.01	57.36	100.65	121.14	620.34
3rd quarter	2,693.25	1,868.46	891.15	517.35	64.26	343.29	52.41	111.24	139.77	573.78
4th quarter	2,995.20	2,129.01	925.62	588.54	115.74	422.34	76.77	134.61	148.38	583.20
1962										
1st quarter	2,986.44	2,054.97	937.80	558.72	98.67	403.47	56.31	123.69	141.18	666.60
2nd quarter	3,052.80	2,087.46	954.27	554.76	78.93	452.94	46.56	122.22	158.07	685.05
3rd quarter	2,976.00	2,085.03	991.08	559.65	61.65	425.79	46.86	123.99	150.15	616.83

1) Valued at old exchange rate.

SOURCE : Wirtschaft und Statistik.

Table VIII. MERCHANDISE TRADE BY COMMODITIES

(Monthly averages, U.S. \$ Million)

	1959	1960	1961	1961				1962		
				1st ¹⁾ QTR.	2nd QTR.	3rd QTR.	4th QTR.	1st QTR.	2nd QTR.	3rd QTR.
Exports, total	817.1	951.4	1,049.9	972.1	1,068.4	1,048.7	1,110.6	1,053.8	1,100.3	1,083.3
Food and live animals	20.0	21.7	22.2	21.1	21.8	22.6	23.3	23.3	24.5	21.5
Raw materials	39.1	43.3	44.8	43.8	45.3	43.3	46.8	47.6	47.4	50.3
Semi-manufactures	85.5	99.3	108.8	103.4	112.0	107.9	111.8	105.4	105.9	102.3
Finished manufactures	670.2	783.8	870.1	800.7	885.0	870.8	924.1	873.7	918.3	904.5
of which :										
End-products ²⁾	512.1	591.9	669.8	607.3	686.4	670.4	715.3	666.6	714.9	702.3
Other	158.1	191.9	200.3	193.4	198.6	200.4	208.8	207.1	203.4	202.2
Imports, total	710.7	847.6	914.0	819.8	926.1	905.3	1,004.8	1,002.5	1,022.3	1,002.6
Food and live animals	182.6	190.5	206.9	169.9	195.3	199.5	262.8	244.0	263.8	214.9
Drink and tobacco	30.5	32.6	34.0	28.1	34.9	31.3	41.7	44.0	43.8	36.4
Raw materials	153.8	183.8	187.1	186.1	197.2	184.8	180.5	187.3	185.2	184.3
Semi-manufactures	118.6	160.0	155.2	154.4	160.0	155.2	151.3	162.0	151.2	172.2
Finished manufactures	218.8	272.8	320.5	274.5	330.0	324.4	353.3	357.5	369.0	386.0
of which :										
End-products ²⁾	125.2	158.2	196.4	160.3	203.5	199.4	222.3	222.3	236.7	243.8
Other	93.6	114.6	124.1	114.2	126.5	125.0	131.0	135.2	132.3	142.2

1) Valued at the old exchange rate.

2) Consumer and investment goods.

SOURCE : Wirtschaft und Statistik.

Table IX. GENERAL GOVERNMENT REVENUE AND EXPENDITURE

(DM billion)

	1959 ¹⁾	1960 ¹⁾	1960	1961			1962
				YEAR	FIRST HALF	SECOND HALF	FIRST HALF
Direct taxes	21.6	26.2	26.4	31.9	14.8	17.1	17.1
Indirect taxes	34.9	38.3	38.9	43.3	20.7	22.6	22.4
Social insurance contributions	25.2	28.4	28.3	31.2	15.3	15.9	16.7
Income from property and entrepreneurship net of interest on public debt	3.6	4.0	4.0	4.3	2.1	2.2	2.1
Total revenue	85.3	96.9	97.6	110.7	52.9	57.8	58.3
Transfers	38.7	40.2	40.6	44.7	21.5	23.2	24.2
of which :							
to abroad	3.9	4.0	3.3	3.8	1.6	2.2	2.2
Public consumption	33.6	37.8	38.3	43.1	20.9	22.2	23.4
of which :							
Defense	7.8	9.4	9.4	10.8	5.1	5.7	6.3
Public investment, net ²⁾	6.8	8.0	8.2	9.7	4.3	5.4	5.1
Loans, change in deposits and cash surplus	6.2	10.9	10.5	12.9	6.1	6.8	5.6

1) Excluding the Saar.

2) Including acquisition of land.

SOURCE : Sonderhefte, Neue Folge Nr. 59 and Vierteljahrshefte zur Wirtschaftsforschung, Deutsches Institut für Wirtschaftsforschung.

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