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GERMAN PRISM

Oil Consumption 1967 Fully Covered In spite of the Near East Crisis

In spite of the political and military events in the Near East, the oil industry has, in 1967, solved its tasks of supplying the West German economy. The German demand last year amounted to 98.1 million tons, or 4.2 million tons (4.5 per cent) more than the year before. According to Esso, Hamburg, the German domestic market absorbed 81.9 million tons of oil products in 1967 against 78.5 million tons the previous year. Added to this were 5.2 (4.8) million tons self-use in refineries, one (1.1) million tons used by the armed forces as well as 3.3 (3.9) million tons for bulk-bunkering and 6.7 (5.6) million tons for export. Petrol (gasoline) consumption showed the highest growth rate in 1967, by 6.1 per cent to 12.2 million tons. Consumption of diesel oils and light fuel oils went up by 4.1 per cent, from 34.5 to 35.9 million tons; in the case of heavy fuel oil, consumption increased by only 0.2 to 20.1 million tons. In order to meet the demand, 72.7 million tons of crude oil were imported which was 7.4 per cent more than in 1966. As a result of wars and boycotts in the Near East, Libya's share fell from 38.9 to 28.3 per cent, but supplies from the Persian Gulf went up from 38.1 to 43.1 per cent. In spite of the complicated supply situation, West German stocks of crude oil and refinery products could be increased by almost twenty per cent from 10.6 to 12.7 million tons.

Preparations of a New Finance Basis of the Shipbuilding Export Industry

Towards the turn of the year the President of the Association of German Shipyards expressed the German shipbuilding industry's hope that it would soon succeed in solving the problems of shipbuilding finance that still jeopardise its competitive strength today. In this connection, the Association pointed at the finance basis for the exporting side of the shipbuilding industry made available early in 1967 by the Federal German Government, securing so-called follow-up orders. The Federal Government at present prepares a new 3-year programme intended to secure the finance during the building stages for ship deliveries during the 'seventies. Besides, the Federal Government has earmarked investment credits meant to enable the shipbuilding industry to keep pace with the rapid progress of shipbuilding techniques and the investments in other countries. Deliveries of German shipyards were in 1967, at 1.3 million GRT, higher than the year before. The size of new orders received

was equally good (1.5 million GRT against a mere 540,000 GRT in 1966). Employment is thus secure for 1968, and at most shipyards also beyond this year. Nonetheless, Germany's share in world shipbuilding has not improved. For orders and completions it is still about eight per cent against 15 per cent a few years ago.

In 1968 Price Increases of at least 2 Per Cent Must Be Expected

The considerable slowdown of demand in 1967—the year of recession—did not remain without impacts on the price development. Measured to data for the first 11 months, producer prices for industrial products were about 1 per cent lower in 1967 than the preceding year. Besides price losses of the primary and producer goods industries with -2.6 per cent exceeded the average, whereas prices of the consumer goods industry fell comparatively slightly (-0.6 per cent).

No doubt, in 1967, the decline in prices for industrially produced goods was favoured by the development of costs in industry. Granted, world trade prices for industrial raw materials—according to the raw material index of the Hamburg Institute for International Economics—have only negligibly decreased below the preceding year's level. But the reduction of expenses for wages and salaries in industry was with -4.6 per cent—against the reduction of net production (-2.4 per cent)—so considerable that the wage and salary costs per produced unit have shown a distinctly downward trend since the second quarter of 1967.

With 1.5 per cent the growth rate of consumer prices reached the lowest level since 1960, although housing rents rose by 7 per cent and prices for luxuries by at least 3 per cent. Prices of foodstuffs, however, stagnated approximately on the preceding year's level, especially those of seasonal foodstuffs being forced down, as the extraordinary good harvest and the growing supply of animal products met an only slightly increased available income of private households.

For 1968 stronger price increases must be anticipated again. In view of the not too strong growth forces, it is questionable, whether in the course of a revival of business trends producer prices of industrial manufactures will already rise, too. Further increases in rents, the adaption to the added value tax, and the increase of its rate planned for July 1, 1968, will, however, make consumer prices rise. Added to this

also agricultural products will presumably become dearer, so that for 1968 price increases of at least 2 per cent must be expected.

Development of the German Import and Export Traffic via the Port of Hamburg

The flow of the Federal Republic's foreign trade via Hamburg's sea- and airport last year had the value of DM 22.9 billion which was 0.9 per cent less than in 1966. The decrease of the volume of the German import (-5.1 per cent) was unmistakably felt in the Port of Hamburg (-5.9 per cent). According to Hamburg City Authorities, the Port of Hamburg at the same time participated to a lesser degree in the strong increase of Germany's export (by 8.5 per cent) than other transit centres for the export (the handling of export consignments in Hamburg went up by only 4.2 per cent). Accordingly, Hamburg's share in executing transports concerning Germany's import and export experienced a setback from 15.1 per cent in 1966 to 14.7 per cent last year. In fact the turnover in the Port of Hamburg, having reached a record in 1966, suffered a downward trend by approximately the same quantity by which the turnover had increased the year before. In all, the turnover declined by some 5.9 per cent (roughly 2.2 million tons) to 35.3 million tons. This setback is foremostly due to the lower turnover in bulk goods.

Post-War Record of Export Surpluses Hardly Reflected in Currency Reserves

The export surpluses of the Federal Republic of Germany reached the new record-high of about 17 billion DM in 1967. Thanks to the dynamics and the flexibility of the export industries, German exports increased more than world trade. A deciding influence, however, on the foreign trade result came from the development of imports. The Federal Minister for Economic Affairs, Professor Schiller, characterised the situation of the balance of current transactions as an import deficit. He said that the cause of the extraordinary surplus formation was an inadequate home demand during a phase of recession. In this situation, the foreign trade had an anti-cyclical effect and was thus a pillar of the economic trend at home without, however, counterbalancing the strong trend of a gap in domestic demand. The Minister pointed out that a nation with world-wide trade, like Germany, must not and should not look upon its foreign trade relations merely from the point of view of their influence on the domestic economy. To the contrary, there are, he continued, responsibilities towards its partners and there is the obligation to contribute towards a balanced world economic development. But looking upon the last year as a whole, the great surplus of the balance of cur-

rent transactions has hardly been reflected in the currency reserves. The balance of payments is expected to be more or less even. Minister Schiller thus concludes that no disturbances of international monetary conditions stemmed from German foreign trade. He mentioned that this was largely the consequence of high net capital outflow. Welcome as these capital transactions may be from the point of view of an international monetary equilibrium, there would only be a sound external equilibrium if imports and exports of goods and services were brought into a better relationship. Higher imports could, in the present economic situation, only be expected to come from a fresh domestic upswing.

Germany's Steel Production 1968 is Estimated at 38.4 Million Tons

In its forecast of the steel market in the EEC the Commission of the European Communities comes to the conclusion that 1968 will bring a moderate increase of steel production and a stable price level. However, the available capacities will exceed actual production by far. The former will reach about 115.8 million tons by the end of 1968, whereas production will rise to 94 million tons only. Crude steel production in the Federal Republic of Germany is estimated at approximately 38.4 million tons in 1968 against an estimated 36.8 million tons in 1967. Among the EEC-countries the Federal Republic is thus again an easy leader in front of France with its expected production of 20.6 million tons in 1968. Capacities available in Germany would allow for a production even of 49.7 million tons. This comparison of capacities and anticipated actual production shows a capacity utilisation of 77.3 per cent. Overall, 1968 promises a—at least quantitatively—favourable course for the iron and steel industry in the EEC. It can safely be assumed that steel consumption in Germany will gradually improve, whilst in the other EEC-countries the development of steel consumption will still be more or less moderate.

Coal Production will Amount to about 112 Million Tons in 1968

According to an estimate of "Statistics of German Coal Mining" coal production in Germany will amount to about 112 million tons in 1967. These are some 14 million tons less than in the previous year. Stocks of coal and coke at pithead could, during 1967, be reduced to 19.9 million tons. The quantity of coal sold, having amounted to 117.9 million tons in 1966, is estimated at 112.5 million tons in 1967. The number of workers employed in German coal mining has been reduced by a further 40,300 men since the beginning of 1967. At the end of last year the total number of workers employed in coal mining in the Federal Republic of Germany was 246,700.