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The balance of goods and services

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still meet the requirements of the potential buyer who wishes to obtain a general view of the market as quickly as possible?

ANSWER: To enable potential buyers to inform themselves quickly and at the same time thoroughly of what the market has to offer the various branches must be strictly separated. A seriously interested visitor, whose inspection has been facilitated in this manner, will be able to form relatively quickly an impression of the most up-to-date techniques available and of the latest products and processes in his respective field. At the same time he will gather complete information about related areas of work, as this is an international fair representing different branches and their peak performances. What finally makes for closer business relations is the lively contact between exhibiting firms—within their own branch as well as from one branch to another.

QUESTION: In your own display which kinds of products will you concentrate on?

ANSWER: The wide range of the production program of AEG-TELE-

FUNKEN demands that the products on display are assembled into groups which are self-contained, appeal to the customer and which convey an impressive picture of the firm's technical potentialities. Items figuring notably on our exhibition program for 1968 are: Installations and equipment in the field of energy production and distribution; motors, low-tension switch gear, measuring and regulation techniques, illustrated by a display of components; further: transmitting and receiving techniques as well as directional radio and carrier-frequency techniques. All sections will have one policy in common: to stress again and again the firm's readiness and ability to make essential contributions to the solution of customers' problems as well as to the rationalisation and automation of production processes.

QUESTION: The Hanover Fair has repeatedly been called the business barometer of the Federal Republic. A rise is expected for this spring. Is the fair likely to confirm this expectation?

ANSWER: When the Federal Minister of Economics, Schiller,

opened last year's Hanover Fair he described it as "the fair of anticipated recovery". He called upon entrepreneurs to overcome their mood of depression and to regain confidence for their part, seeing that the state for its part had given fresh impulses to the economy. But it was not until the autumn of 1967 that the forces making for greater buoyancy in the economy were slowly and hesitatingly beginning to gain the upper hand. Industry has witnessed appreciable increases in orders and turnover during the fourth quarter of 1967, when output rose by leaps and bounds. This upward trend continued into the first few months of 1968. At the same time the impression has been gaining ground that the reversal of the economic trend in the Federal Republic is no longer solely due to economic intervention by the Federal Government but also to the forces released by the economy itself. What is therefore expected of the Hanover Fair of 1968 is an answer to the question of whether the way is now clear to an accelerated expansion supported by the economy's own strength.

FOREIGN TRADE

The Balance of Goods and Services

by Helmut Stodieck, Hamburg

For the most part of 1967, imports and exports developed in opposite directions, with the result that the trade balance showed a record surplus of DM 16,900 million, that is twice the surplus of 1966. It was mainly owing to this unusually large surplus that the contribution of the external trade (the balance of goods and services within the framework of the national income accounting) rose in 1967 to DM 16,200 million, i.e. to a figure which is even two and a half times that of the preceding year (DM 6,200 million). As a result, the contribution of the external trade to the gross national product increased from 1.4 per cent in 1966 to 3.4 per cent—a figure which has not been recorded since 1959. Measured against the targets set by the Federal Government, which recommends a contribution of one per cent as being desirable in the interests of a balanced economy, last

year's percentage is decidedly too high, for it means that the population of the Federal Republic used up 3.4 per cent less of the national product than was available. On the other hand, this imbalance led to no corresponding net increase in the currency reserves because it was to a great extent offset by exports of money and capital. From the point of view of the economic trend the anticyclical effect of the contribution of the external trade was particularly remarkable. There is no doubt that without the big expansion in foreign demand there would have been a falling off, not only in the actual, but also in the nominal national product, which in 1967 had been stagnating. Towards the end of last year, the trade balance was beginning to show signs of a changing trend, for, while exports continued to rise, imports increased at a clearly accelerated pace. If allowance

is made for seasonal fluctuations, the foreign trade statistics show a narrowing of the gap between exports and imports.

The Latest Developments

The main reason for this change is the latest development in the field of imports. After seasonal fluctuations are eliminated (without however allowing for the goods required by the Federal Government) it becomes clear that the rise in imports, which set in hesitatingly in the middle of last year and continued throughout the autumn, gathered momentum towards the end of the year. The rates of change in comparison with the previous year, which up to and including October showed for the most part still a downward trend, since November have been recording plus values, reaching in January 1968 as high a level as 11.5 per cent. After eliminating seasonal factors one notices that imports of primary produce and semi-finished goods have risen most appreciably with finished goods lagging behind somewhat hesitatingly. Striking is the diverging trend for investment goods and consumer goods. From September/October to November/December imports of investment goods rose by roughly one third. This leap forward may be partly due to the entrepreneurs' desire to lay in stock before the higher tax on the turnover of imported goods (the Added Value Tax) comes into force. The movement of consumer goods is lagging behind the general trend—as happens often in the course of a trade cycle—and imports of this class of goods have up to now been stagnating. The trend for imports, downwards at first and then, towards the end of 1967, on the upgrade, was accentuated by a parallel development of import prices. Whereas the average annual price index for 1967 was 2.3 points below the 1966 level, it rose towards the end of the year to slightly above the corresponding level of the preceding year.

Exports, it is true, also increased towards the end of the year. After the falling-off in summer, and after appreciably recovering in the autumn they have shown a further rise in December. In the period from September/October to November/December particularly steep increases occurred in the exports of products made of iron, sheet-metal and other metals. Exports of basic industrial products and investment goods rose likewise, whereas the export of land vehicles rather tended to decline still further. It would seem that, apart from a few exceptions, the favourable tendency for exports to increase is continuing into the new year. Evidence of this is first of all the fact that the decline that took place from December to January was less than usual. The decrease amounted to 7.7 per cent, that is only half the average for 1961/66. Furthermore, the January figures for this year being 7 per cent in comparison to January 1966 provide grounds for expecting the upward trend to continue. This favourable development of the Federal Republic's export trade during the past

few months would appear to have been helped by the improvement in the economic situation in some countries which are important customers for German goods. It is not yet possible to say whether exports have also been stimulated by the decline in export prices—a decline which has been noticeable for some time.

Prospects for the Current Year

The tendency towards a narrowing gap between exports and imports, which became apparent towards the end of last year, is likely to continue this year. The volume of imports depends more than anything on the development of Germany's own internal economy. Important indications, such as the orders received by industry, point to a strongly sustained growth. It is therefore reasonable to reckon with an appreciable increase in industrial imports which are particularly susceptible to cyclical trends. But there may also be a rise in the import of commodities less susceptible to such influences as for instance for foodstuffs, for this year's harvest is hardly likely to be as good as last year's. Yet another factor operating in favour of greater imports is the need to replenish stocks which last year had been allowed to run down to a very low level because of uncertainties about the economic future and also for tax reasons.

Exports, however, should also continue to increase, though at a slower pace than during the last quarter of the previous year. German exports are likely to be stimulated by the expansionist trade policies pursued by some countries which are important customers for German goods. On the other hand, there is the tax on imported goods which is being planned in the United States, and this may prove an obstacle to German exports to that country. How German firms will react to the increased demand at home, whether they will maintain their efforts to sell as much as possible abroad although the need for it has ceased to exist, or whether they will once again concentrate on the home market cannot be foreseen. But as long as productive forces in the shape of men and material are freely available to satisfy the growing demand from customers at home and abroad, the business community is unlikely to lose interest in its foreign markets.

In view of the narrowing gap between exports and imports it is hardly to be expected that 1968 will witness a balance-of-trade surplus of the order of that of 1967. Moreover, there is no need to assume that the invisible items in the balance of payments will this year show a smaller deficit if for no other reasons than that the expected increase in imports will entail more freight charges and that higher incomes will stimulate travel abroad. Whether in these circumstances it is possible to reach an export surplus of DM 14,000 million—the target set by the Federal government in its annual forecast—must appear questionable.