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GERMAN PRISM

Imports from the East-bloc Rose by 22.3 per cent in the First Quarter

According to the Federal Ministry for Economic Affairs, West German imports from East-bloc countries with state monopoly trading amounted to DM 796.3 million in the first quarter of 1968 as against DM 651.3 million in the previous year's corresponding period. In the first three months of 1968, German exports to these countries achieved a value of DM 1,064.7 million (first quarter of 1967: 1,046.9 million). With that, in the first quarter of 1968, imports from East-bloc countries increased by 22.3 per cent, exports to these states rose by 1.7 per cent. The share of imports from the East in total imports amounted to 4.2 per cent, the share of exports to these countries in total exports was 4.6 per cent. However, in the opinion of the Federal Ministry for Economic Affairs, this partial result does not yet admit of final conclusions with regard to the further development in the current year.

Hanover-Fair Supported Confident Mood of Entrepreneurs

The cautious optimism with which industrial exhibitors went to the Hanover-Fair this year has been replaced by a somewhat more confident mood thanks to the large number of German and foreign visitors. A noticeable stimulation of business transactions could be observed not only in the capital goods industry but also as regards producers of consumer goods. Although different opinions were held in individual branches, on an average the result was judged to be between satisfactory and good. In this connection it has to be considered that at the Hanover-Fair business contracts proper are generally less important than the making of new contacts and the subsequent orders hoped for. Only the volume of these orders permits of final conclusions regarding the development of private investments and with that the stability of the cyclical upsurge which has set in.

Industrial quarters first of all keep pointing to the cost problem. Since new and widely spread investments can only be anticipated if the earning power of enterprises is improving constantly, industry in its arrangements takes labour costs into account. In-

dustry's comments on future business trends are somewhat more cautious than those of the Federal Minister for Economic Affairs.

Number of Air Passengers on German Airports Rose by 11 per cent

The local volume of air passengers accruing on all German commercial airports increased in the first quarter of 1968 as compared with the corresponding period of 1967 by 11 per cent to about 3.9 million air passengers (1st quarter of 1967: 3.51 million). Including transit traffic which rose by 4 per cent, 4.12 (3.73) million air passengers were totally registered in the first quarter. According to a further statement published by the Association of German Airports (ADV), Frankfurt airport took the first place with approx. 1.35 million air passengers, followed by the airports of Berlin with 682,425, Munich with 457,170, Düsseldorf with 456,098, and Hamburg with 442,933 air passengers in the first quarter of 1968.

The upward movement of the last months of 1967 continued also for air transportation. The accrual of local air transports showed an increase by 28.6 per cent to 76,111 (59,184) tons. Including transit traffic, total air transport amounted to 90,079 (71,094) tons in the first quarter of 1968.

In 1967 Every Second Motor Vehicle Was a Volkswagen

Among the West German enterprises Volkswagen Works again had the highest turnover also in 1967. Its annual turnover amounted to DM 9,335 million (1966: DM 9,998 million) and its annual production was 1,339,823 vehicles (1966: 1,650,487). The combine earned a yearly profit of DM 319 million.

Volkswagen Works' share in the 1967 total of 2.48 million motor vehicles produced in the Federal Republic amounted to 48.4 per cent. Overseas—in Brazil and Australia—the output reached 138,503 (1966: 106,730) Volkswagen in 1967. At the same time, in 1967, the 13 millionth Volkswagen left the assembly line in Volkswagen Works. Together with Auto Union GmbH, last year the factory exported a total of 832,195

(1966: 978,776) vehicles. With a share of 56.9 per cent in total motor vehicle exports of the German automotive industry, Volkswagen Works again was the world's biggest exporter of motor vehicles. As already for many years, the United States was the import country number one also in 1967.

In the first quarter of the business year 1968 the whole concern achieved a world-wide sale of 431,000 vehicles. This means an increase by 35 per cent as compared with the first months of 1967, when cars did not sell readily.

Considerable Expansion of Export Financing

In the Federal Republic, the volume of export financing credits increased fivefold during the last three years. The Export Credit Company Ltd (AKA), sustained by a German banking syndicate

and the Federal Bank, has further extended the limit for promises to finance or to grant credits. In 1967 the credit terms for AKA credits improved considerably due to falls in the bank rate. The total of credit contracts concluded with AKA amounted to DM 4,300 million at the end of 1967. The total of promises to finance, including those being granted but not yet paid out, amounts to DM 5,500 million, of which 60 per cent went to developing countries and 25 per cent to East-bloc states. The regional emphasis of export financing has distinctly shifted towards Europe. Of the newly promised credits 55 per cent went to European countries, above all to the less developed nations. Asia received again 19 per cent, Africa's share declined to 10 per cent, and the Latin American share in promised credits dropped considerably from 43 per cent in 1963 to 11 per cent in 1967.

Recurrent Increase of Industrial Production

In the first months of the current year industrial production reflected the actual cyclical tendency but insufficiently. For, the noticeable decline in production occurring in January did not

justify any doubt in the further development of the cyclical upsurge. As a reaction on the exaggerated increase of industrial production in December last year, caused by specific influences, it was—on the contrary—hardly surprising. In February as well as in March industrial production increased more than usual at this season. In March it surpassed the previous year's corresponding level by approx. 9 per cent. In February the consumer goods industry adjusted for seasonal variation produced again somewhat more than in January. Sales to ultimate consumers were, however, still unsatisfactory. Even more pronounced was the production increase in the basic materials

industries and those manufacturing producer goods. Here in February the output adjusted for seasonal variation reached about the same level as in December 1967, the highest one obtained so far. Compared with the previous year's corresponding period, production surpassed last year's level by about 10 per cent. The production decline in the capital goods industry was also but temporary. Already in February the manufacture of electrical investment goods and the production of delivery-vans and trucks rose noticeably again.

Next months' industrial production will continue to be determined by the favourable development of incoming orders. After from December to January new orders booked decreased slightly due to the decline in orders from abroad, in February and March the increase of orders booked was higher than usual at this season. With that it became quite conspicuous that the cyclical upsurge was increasingly supported by domestic demand. As already in February, new orders booked in the capital goods industry had a particularly pronounced growth rate also in March. In the aggregate, incoming orders distinctly surpassed deliveries in the 1st quarter and thus orders in hand increased again and admit of expecting another increase of industrial production. The level of industrial production as reached in the first quarter would already guarantee a growth rate of fully 5 per cent on an annual average.

Foreign Trade Advisory Council Deliberates Trade and Monetary Policies

On May 7, on the occasion of the Hamburg "Overseas Day", the Foreign Trade Advisory Council of the Federal Ministry for Economic Affairs deliberated topical problems of trade and monetary policy under the chairmanship of the banker Dr Münchmeyer. The Federal Minister of Economics, Professor Schiller, was also present. In the Council's opinion, the risks threatening world trade due to possible protectionist measures introduced by the USA have to be taken very seriously owing to the world-wide chain reactions connected with them. The Advisory Council therefore supports very emphatically the suggestion made by the Ministry of Economics to contribute to the solution of US balance of payments problems in an expansive way, as e.g. by realising earlier and asymmetrically EEC tariff reductions vis-à-vis the USA, which have been agreed on in the Kennedy Round.

According to the Advisory Council it is indispensable—in the interest of a continuing expansive development of world trade as well as of the protection of domestic developments against external influences—to make the international monetary system more flexible. Just in view of the American balance of payments troubles, the instrument of special drawing rights should soon be made operative.