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## Highest degree of price stability since 1959

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# GERMAN PRISM

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## Highest Degree of Price Stability since 1959

In June consumer prices have been rising slightly due to seasonal factors, while from January to May their increase by 0.1 per cent had only been a minor one. Producer prices even declined slightly. As measured by the development of living costs, the highest degree of price stability since 1959 has been reached in these months. At that time, 1959, just the same as in the current year, consumer prices proved to be extremely stable during the boom, while in the preceding phase of cyclical decline they first continued climbing. Price increases in certain sectors were opposed by compensatory price cuts in other fields. The rise of apartment rents was again particularly pronounced. From January to June they have been rising by 3.6 per cent. Prices of services and repairs, which rose most strongly in January, increased but slightly since then. To a large extent this development has been balanced by seasonal price reductions of fuels and by slightly declining prices of foodstuffs. On the whole in the first half of 1968 consumer prices surpassed those of a year ago by 1.2 per cent.

A downward trend is prevailing as regards producer prices of industrial manufactures. Only prices of capital goods remained unchanged. Prices of basic materials declined above average by -2.9 per cent. The increase of the added value tax rate from 10 to 11 per cent (or 5 to 5.5 per cent, respectively) from July 1 on will probably initiate but minor price rises. On the assumption that the tax increase will lead to a corresponding rise of gross prices demanded by enterprises, consumer prices may rise—arithmetically—by about 0.7 per cent. The actual effect should, however, be smaller, since many enterprises made allowance for this increase already at the beginning of the year, or a complete passing-on of the tax will not always be possible due to the market or the world trade situation.

## Mannesmann Constructing a Water Pipeline in Senegal

The water supply of Dakar, the capital of Senegal, is secured now after negotiations lasting for many years. Recently the government of Senegal and Mannesmann Export GmbH signed an agreement on the construction of a water pipeline. While the sector Thiès-Dakar has been put up for tender in the six EEC-states and is being financed by

the European Development Fund, Mannesmann is constructing the 200 km long sector from Lac du Guiers, a lake fed by the Senegal-river, as far as Thiès, where a large store-reservoir is being built. The order comprises the supply of a conduit in pipes with a diameter of 1020 mm and 916 mm, and their laying, in which a Senegalese syndicate will participate. The French firm Puech & Chabal, Paris, will prepare the water and make it drinkable. This will be financed by France. The engineering will be done by the German engineering firm Rhein-Ruhr. The total contract value of this German-French cooperation amounts to about DM 97 mn, the share of Mannesmann in this will be DM 76 mn.

The financing of this contract has been made possible by the generous aid of the Federal Government, that placed DM 25 mn as earmarked aid at the disposal of Senegal. The first construction work will probably start at the beginning of November, 1968, after the rains.

## Savings Encouragement or the Way of Least Resistance

After the economic recession has obviously been overcome the employed and their organisations make their demands more emphatically. Since in the present situation wage claims would hardly be appreciated by the public, one concentrates on other fields. Thus the German Trade Unions Federation demanded the extension of qualified management partition that so far has been valid for the shrinking sector of the coal, iron and steel industries alone. The appointment in equal numbers of employers and employed to the supervisory board, and participation of the employed in the executive board is planned for all those joint stock companies (excluding banks and insurance companies), that meet two out of three conditions: a staff of at least 2,000 employees, DM 75 mn balance sheet total or an annual turnover of DM 150 mn. True, this plan of the German Trade Unions Federation has hardly any more chances of realisation this year than it had 20 years ago. In view of the approaching general elections, Government and political parties seem prepared to make concessions only with regard to the less ticklish matter of property formation by the employed. Since their participation in earnings by means of wage increases, which have to be reinvested, and profit distribution on the level of one or more companies will hardly meet with the approval of the entrepreneurs involved, after long discussions an agreement has