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## Savings encouragement or the way of least resistance

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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

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been reached on improved property formation through an expansion of savings encouragement. Small incomes are favoured most, while with growing income the benefit decreases gradually. This saving promotion programme concentrates above all on building loan agreements and agreements for saving by specified instalments. Moreover, for 1969 the introduction of a new long-term form of saving—the Federal Savings Certificate—is provided for. The expenses of this promotion measure are to be borne by the Treasury.

### **Government Agreements on German Financial Aid to India**

given by the Federal Government within the India-Consortium—of a total of DM 250 mn as aid for the Indian financial planning year 1968/69. They are particularly providing for a goods credit for urgent civilian imports including fertiliser imports from the Federal Republic, which are to support the Indian Government in its policy of import liberalisation and higher foodstuffs production. Furthermore, the Federal Government intends to grant loans to development banks, earmarked for the promotion of small and medium-scale enterprises, and credits for the financing of projects. For the first time Western Germany participates, within the framework of the total aid of DM 250 mn, in the debt-service aid measures of the World Bank's India-Consortium. This it does by granting DM 110 mn through the postponement of payable redemptions, interest facilities and untied aid in products. The agreements are to be signed at New Delhi.

### **Federal Republic Advanced to Second Place in Development Aid**

of OECD, that annually calculates the development aid contributions of its 16 member states in their proportion to their national income. The members are Canada, the USA, Japan, Australia, Scandinavia, and the West European nations. In 1967 Western Germany paid 1.25 per cent of its national income (DM 4,600 mn) to countries of the third world. France ranks first with 1.64 per cent.

In 1966 Western Germany still lagged behind France, the Netherlands, Italy, Belgium, Britain, and Portugal, although it ranked before countries such as the USA, Australia, Japan, and Canada. From 1966 to 1967 the German contributions were raised from 0.81 to 1.25 per cent of the national income. This high increase is to be attributed above all to the private sector, including export credits with a term of more than one year insured with HERMES. In absolute terms the Federal Republic's contributions hitherto ranked

fourth behind the USA, France and Britain. In 1967 Western Germany advanced to the third place and with its net contributions (aids less return flows) it surpasses Britain's performance by about DM 720 mn for the first time.

From 1950 to 1967, Western Germany contributed a total of no less than DM 36,200 mn to development aid, of which sum total DM 20,900 mn came from public funds and DM 15,300 mn from private sources.

### **German Industrial Exhibition at Berlin with New Accents in 1968**

major standard performances of Berlin's exhibition programme, is organised under the device "Quality through Research and Development". Under the chosen motto science and industry will show the results of their cooperation.

The following industrial groups will display their products: motor vehicles, electronics, radio and TV, chemical works, plastics processing industries, iron and steel, copper industry, optics and fine mechanics, mechanical engineering and apparatus construction, machine tool manufacture, wood processing, and the packing industry. For the first time the number of exhibitors will be higher than 1,000. International participation in the German Industrial Exhibition at Berlin will be as numerous as ever.

Connected with the Industrial Exhibition will be again the import exhibition "Partners of Progress", which displays goods from more than 50 countries in Africa, Asia and Latin America.

### **Again More Than One Million Foreign Labourers in Western Germany**

According to this survey the number of foreign persons employed in Western Germany rose by 64,400 to 1,014,900 in the 2nd quarter of 1968. However, in spite of this further increase in foreign labour the number of foreigners working in Germany at present is still by 8,900 lower than a year ago.

Among the 1,014,900 foreign persons employed in the Federal Republic at the end of June, 1968, there were 287,500 Italians, 139,400 Turks, 136,200 Greeks, 111,900 Spaniards, 99,800 Yugoslavs, and 18,700 Portuguese. The number of Italians, Turks, Yugoslavs and Portuguese was already above, that of Greeks and Spaniards, however, below the preceding year's corresponding figure. Almost one third of all foreign labourers working at present in Western Germany are females.

After an interval in the past year, the 18th German Industrial Exhibition at Berlin, lasting from September 27 to October 6, 1968, will have another tenor this time. This exhibition, belonging to the

In the Federal Republic more than 1 mn foreign labourers are employed. This figure is revealed by the newest survey of the Federal Institution for Labour Exchanges and Unemployment Insurance.