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High Foreign Trade Surpluses in September

In September unexpectedly high export surpluses could be registered. Showing a value of goods of DM 11.7 bn exports were 11 p.c. above the previous year's corresponding month. Since imports amounted to DM 9.78 bn, the foreign trade surplus reached DM 1.92 bn and was thus this year's highest monthly surplus surpassing the preceding year's corresponding balance by about DM 500 mn. The first nine months of this year show the following result: The Federal Republic exported by 11 p.c. more than in the previous year and the growth rate of imports was also 11 p.c. Thus it may be anticipated already now that the foreign trade surplus—in the first nine months it amounted to DM 11.5 bn vis-à-vis DM 10.6 bn in the previous year's corresponding period—in 1971 will not be smaller than in the preceding year.

Veba: Increase in Production and Turnover

According to data published by Veba, Düsseldorf, the concern's external turnover increased by 12.5 p.c. to DM 6.46 bn from January to September 1971. Production turnovers with a surplus of 13.5 p.c. to DM 3.5 bn and services with a growth rate of 11.4 p.c. to DM 2.9 bn contributed to this result. In the production sector the branches glass (+17.5 p.c. to DM 295 mn) and energy including lignite (+16.4 p.c. to DM 1,899 mn) registered the highest growth rates, while the sector refineries and chemical products lagged behind overall developments with a growth by 7 p.c. to DM 1,239 mn. The increase in the service sector originates mainly from trade (+12.1 p.c. to DM 2,622 mn), while transports (+6.7 p.c. to DM 238 mn) advanced more slowly.

During the first nine months of 1971 Veba could increase its power production above average, particularly that of Kraftwerke Ruhr AG, after putting into operation new production units. Total power production rose by 17.1 p.c. to 25,589 mn kilowatt hours during this period. On the other hand, the production of lignite and lignite briquettes dropped steeply. The production performance of the refineries rose considerably in spite of the fact that the plants did not operate fully due to a strike. This is a result of the new

crude oil distilling plant in the Gelsenkirchen refinery as well as of commission processing. The crude oil input increased by 15.4 p.c. to 6.9 mn tons and particularly the production of medium distillates in the sector Veba-Chemie rose strongly.

Cooling of the Economic Climate Unavoidable

At a conference of the Frankfurt Chamber of Industry and Commerce the speaker of the Board of Directors of Deutsche Bank, Franz-Heinrich Ulrich, came to the conclusion that it is still too early for cyclical incentives. But nevertheless the Federal Government should make well-timed arrangements for a possible decline into a recession. It is also necessary that now the German Federal Bank should continue the relaxation of its restrictive policy by lowering its minimum reserves and the discount rate. Herr Ulrich stated that since September most German entrepreneurs have changed their minds and attitudes. At that time the international currency crisis broke out in addition to the cyclical cooling-off process in the domestic economy. With that the competitive position of the German export trade, particularly in America, continued to deteriorate. Internal surveys of Deutsche Bank with its customer-firms confirmed the fact that investments were reduced everywhere. Investments still made at present and new orders booked originate from former investment plans.

From 1972 on New Container Service between Japan and Europe

A full container service between Japan and Europe will be taken up by Ben Line Containers Ltd (BLC), Edinburgh, in January 1972. In the course of the years 1971/72 this service is to be extended to other East-Asian areas. The over 140 years old family-operated enterprise is a member of the Trio-Group, in which Japanese, British and German shipping companies, i.e. Mitsui O.S.K. NYK, OCL and Hapag-Lloyd are co-operating. All partners of this consortium are members of the Far East Freight Conference. The Trio-shipping companies disposing of 17 container ships will use the same terminals and operate their ships jointly.

A German shipyard received the order to build three container ships of 64,000 tdw and 317

meters length each. Two of them are to be supplied in 1972 and one in 1973. At a service speed of 26.5 knots they will be among the biggest, fastest and most modern container ships in the world. According to Ben Line each can load about 2,000 20-foot containers below deck. The orders for the containers were placed in Japan, Hong-kong and Britain.

Highest Financing Deficit for Investments

The enterprises (without the housing sector) reduced their net investments by 5.5 p.c. to DM 35.65 bn in the first half of 1971 vis-à-vis the previous year's corresponding period. Apart from a distribution surplus of DM 1.87 bn (which, however, is mainly at the disposal of public enterprises) only DM 7.82 bn undistributed profits could be used, so that a financing deficit of DM 25.97 bn remained. This deficit does not only surpass the preceding year's comparable level by 49 p.c., but it is also the hitherto highest deficit for one half-year, and with 73 p.c. amounts to almost three quarters of total investments.

Motor Vehicle Expansion Approaching Its End

According to Ifo-Institut für Wirtschaftsforschung (Institute for Economic Research), Munich, a lasting change in tendency seems to be approaching after the unexpectedly favourable business trend in the vehicle market up to the late summer. For 1972 the Institute anticipates a reduction in domestic and foreign sales by a total of 5 p.c. in real terms. Since the middle of the year the monthly number of new car licences (adjusted for seasonal variation) is declining and since then the situation of the motor vehicle retailers has deteriorated rapidly. Most traders report smaller turnovers than a year ago and the manufacturers complain about a noticeable reduction of orders in hand. The duration of production secured by orders dropped from 3.8 months to 2.7 months by March 1971. The declining demand for commercial vehicles could already be noticed in September 1971 vis-à-vis September 1970, for production had fallen by 12.6 p.c. during that period. From January to September 1971 the total number of commercial vehicles produced has dropped by 3.5 p.c. Some manufacturers have already been forced to introduce short-time work.

The economy's declining propensity to invest will also become noticeable in car sales. Private car buyers will be more cautious, as is also apprehended in other sectors of the economy. This tendency is even more strengthened by generally higher car prices and maintenance costs. In addition the average useful life of cars is growing longer and the total number of cars will increase only slowly.

Electro- mobile Tested by Volks- wagenwerk AG

At first a transport vehicle is to be tested which battery-driven will have a operational range of 50 to 100 kilometers. This vehicle is planned for transports in conglomeration areas, its highest speed will be about 75 km/hours. It will be possible to exchange the driving battery rapidly and effortless at special battery-replacement stations, so that the operation range of the vehicle can be extended considerably.

This concept is to be tested with a gradually increasing number of electromobiles. To begin with 10 to 20 vehicles are provided for. If this test is successful, from about 1974 on in a second stage further experiences are to be gained with about 200 vehicles. After that it might be possible to continue this development on an even broader basis.

Soviet Bank Estab- lished in the FRG

After efforts lasting for almost ten years a Soviet bank has now been established in the Federal Republic. Though Ost-West Handelsbank AG, Frankfurt, will handle banking operations of all kinds, it will above all carry through the financing of foreign trade transactions between Western and Eastern states. Cautious remarks made by the Managing Board—for the time being a Russian and a German member—seem to indicate that in certain cases a Hermes credit insurance might be renounced. Moreover, the opening towards the "capitalistic" credit system extends so far that a close cooperation with the German banks is provided for. Here the Bank für Gemeinwirtschaft (BfG) could play a dominating role. The head of BfG, Walter Hesselbach, has promised his full support already for the first organisational phase.

Electromobiles for certain purposes will in future be developed and tested by Volkswagenwerk AG and Rheinisch-Westfälische Elektrizitätswerke AG (RWE).