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FRG — Development Aid: Higher Imports of Finished Goods

The increase of direct supplies of finished goods from developing countries is proving that the Federal Republic of Germany is giving considerable attention to the internationally voiced demand for "Trade — not Aid". Totalling about DM 2.23 bn in 1971 the developing countries' share in the Federal Republic's total imports rose to 3.52 p.c. from 3.15 p.c. in 1970. Imports of finished products made up 3.22 p.c. of the FRG's total imports — after 2.88 p.c. in the preceding year. The FRG's exports of finished products to developing countries amounted to DM 14.76 bn or 1.27 p.c. of its total exports in 1971.

Every Tenth Owner-Occupied Home Prefabricated

On "Fertigbau 72" (Prefabricated Construction), taking place on the Frankfurt trade fair area, the growth rate of prefabricated construction in house-building was estimated at 30 p.c. vis-à-vis about 13 p.c. in conventional construction. In the remaining building sector the comparative figures were 27 and 4 p.c. Already in 1971 almost every tenth single-family home was constructed with prefabricated parts, and from 1968 to 1971 prices in prefabricated construction have risen at 29 p.c. considerably less than those of conventional construction which climbed by 37 p.c. during the same period. The "Fertigbau 72" in which 400 exhibitors from 13 countries participated, addresses itself mainly to building experts. Its emphasis is on industrial construction with standardised parts.

Siemens: Distinct Growth Rate of Profits

According to the Chairman of the Board of Managers of the electroconcern Siemens AG, Herr Plettner, new orders booked in domestic business have climbed by 5. p.c. during the first eight months of the business year. For the overall accounts this means an increase by DM 10.5 bn. For the whole year another increase of the already high backlog of orders by DM 1 bn is to be expected. In the meantime the turnover has come close to the volume of incoming orders. The turnover growth

rate of 14 p.c., reached until end of May, cannot, according to Herr Plettner, be anticipated for the whole year. Therefore the management sticks to its prognosis of a 10 p.c. turnover increase for 1971/72.

The rise in expenditure caused by growing costs and estimated at DM 500 mn, according to Herr Plettner, cannot be completely balanced by price increases. The productivity improvement, which can be noticed from a comparison of the turnover increase with the slight reduction of the working force by 1 p.c., will, together with the business expansion, bring about an improvement of profits. This change can be clearly noticed already for the first half of the year.

In the first six months the annual surplus prior to deduction of taxes has grown from DM 227 mn to DM 365 mn, net profits from DM 102 mn to DM 153 mn. Profits per share have risen modestly only from DM 10 to DM 10.20.

Second German Russian Agreement on Pipes and Natural Gas

The second agreement on the supply of German large-scale pipes to the Soviet Union and of Russian natural gas to the Federal Republic as well as on financing the supply of pipes by a long-term credit have been signed by the Soviet Minister of Foreign Trade, Patolitchev, and the former Federal Minister of Economics and Finance, Schiller.

The three agreements were signed by the representatives of the Working Group Mannesmann-Export AG/Thyssen Stahlunion-Export GmbH, of Ruhrgas AG, Deutsche Bank, Commerzbank, Dresdner Bank and Westdeutsche Landesbank as well as by the corresponding Soviet partners. Hereby much was made of the fact that these agreements would contribute to uniting different nations.

The conditions, however, of this credit contract, in which on the German side a consortium of 15 banks is involved, were remarked upon in passing only. Herr Christians, member of the management board of Deutsche Bank, compared the "credit for this triangular transaction" with a well-fitting suit made to measure, which cannot be copied by ready-made clothes. The credit institutes had to make great efforts in order to raise

the long term-credit of DM 1.2 bn. They succeeded in working out conditions in line with the market without government subsidies. But due to the long duration of the agreement (11 years) risks originating from the trend of interest rates could not be avoided. In future, too, business transactions of this kind would demand a high degree of understanding of the possibilities and necessities concerning the business partners involved.

The price of the pipes, which are to be supplied to Russia under the agreement (1.2 mn tons) was still under discussion even on the day before its signing. According to Herr Overbeck of Mannesmann, 1 mn tons of the total of 1.2 mn tons large-scale pipes contracted two-and-a-half years ago have so far been delivered, the rest of 200,000 tons will follow until the end of the year.

**Imports
of Coking
Coal
Demanded**

According to the President of the Central Association of German Chambers of Industry and Commerce, Otto Wolff von Amerongen, in his function as steel producer, the German foundries should get the opportunity of importing coking coals. The attempt of keeping alive old mining structures affects other industries. New deliberations are necessary, above all to give the German steel industry an option of importing foreign coal at favourable prices. It should be left at the discretion of the individual enterprises to what extent they would make use of this opportunity. There would not be an abrupt change because it is common knowledge that a sudden demand for foreign coking coal of e.g. 12 mn tons annually would push up its price level abroad, too.

**Cost of
Living Rising
Due to
Foodstuffs**

The phase of declining price increase rates ended for the time being due to the cost-of-living index rising by 5.4 p.c. in June 1972 vis-à-vis June 1971. The increase in the cost of living by 0.7 p.c. as compared with the previous month was mainly caused by foodstuffs prices rising by 1.7. p.c. within one month. The price increase was considerably less pronounced for services (+ 0.4 p.c.), industrial products (+ 0.2 p.c.) and rents (+ 0.2 p.c.). The prices of some foodstuffs were effected by strong seasonal influences, that, however, could not explain the steep rise in this year. The strongly rising prices

of agricultural products are mainly responsible for the general acceleration: On an average of the first five months of 1972 producer prices of farm products climbed by almost 11 p.c. If the cost-of-living index is calculated without foodstuffs, the increase in consumer prices is rather declining.

**Building and
Contracting
Already
Booming**

According to HWWA — Institut für Wirtschaftsforschung — Hamburg (The Hamburg Institute for International Economics) building activities — in view of a future demand expansion — will mainly depend on production capacities. The strong increases of incomes during the past years and the time and again confirmed anticipations of continuously increasing building prices should be decisive for future developments.

Since autumn 1971 the demand for industrial buildings has been stimulated surprisingly. Here, too, the rising trend will continue. Obviously the enterprises endeavour to order those buildings already now, that at a later stage will become necessary anyway for the adjustments of capacities. True, in the public sector the budget cuts, which are aimed at, might hamper a further increase in demand. But first it will have to be seen to what extent the Lands and communities will comply with the recommendations of the Financial Planning Council.

**Fusion of
VW and
Daimler-Benz
in Spain**

The Spanish subsidiaries of Daimler-Benz and Volkswagenwerk — Compañía Hispano Alemana de Productos Mercedes-Benz (Cispalsa) and Industria del Motor (Imosa) — have been merged into the new firm Compañía Hispano Alemana de Productos Mercedes-Benz y Volkswagen S.A. VW and Daimler-Benz hold participations of slightly more than 25 p.c. each in the new company. The remaining shares are owned about equally by the Public Spanish Industrial Institute and private shareholders. The amalgamation of industrial and commercial activities in Spain will, according to the opinion of the German automotive industry, enable an improved division of labour between the works Barcelona (up to now Cispalsa) and Vitoria (up to now Imosa). This way a considerably improved profitability of the production of light commercial cars and vehicles between 1 and 2½ tons is to be achieved.

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