Exports Again Exceed Imports

By A. J. CEFARATTI
Chief, Analytical Reports Branch, Program Division
Office of Economic Affairs, HICOG

Industrial output suffered its first decisive drop in June after steady month to month increases had carried the index of production from the winter low of 127 percent of the 1936 level to a postwar record of 139 in April. While May production held at 138 percent, production in June fell three points to 135 percent. Most of this decline was accounted for in the consumer goods index, which dropped by another three percent.

Preliminary Western German foreign trade figures for June show that, once more, total exports ($297,000,000) exceeded imports ($225,000,000) — a trade surplus equal to the surpluses for April and May combined.

Although labor developments by mid-July registered a favorable 4,000 decrease in the number of unemployed and an additional 35,000 employed, this was the smallest two-week decline in unemployment since the downward trend began in mid-January. This slower rate of decline in unemployment is accounted for largely by the slackening in consumer goods production and by the fact that the number of workers employed for new building and construction just offsets the number of those released from completed jobs.

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Expectations that May industrial production would slacken below earlier spring output were confirmed by a one point drop in the May index. Raw material shortages, especially of coal and steel scrap, continue to be reported, with little prospect of immediate betterment.

The second postwar monthly trade surplus was reported in May — exports were $23,000,000 over imports — as well as another European Payments Union (EPU) payments surplus for June. Registered unemployment again showed a decline, and the number of employed wage and salary earners rose to a new peacetime and possible all-time record. Labor persisted in its drive to realize demands for wage boosts as the consumer price index rose 1.4 percent in May and another 1.3 percent in June to reach 167 percent of the 1938 level.

Discussions concerning ratification of the Schuman Plan continued within the Federal Republic. The Bundestag (upper house), in debating the Schuman Plan on June 27, gave general approval of the Plan, but passed a resolution requiring that, prior to ratification, there be a definite commitment by the Allied High Commission to end the International Authority of the Ruhr (IAR), the Allied Steel and Coal Control Groups, the control rights of the Military Security Board (MSB) over coal and steel, and the limitations on steel production and capacity, as soon as the Schuman Plan agencies became operative in these fields.

During June further progress was made for Germany's participation in international organizations. The Federal Republic's applications for membership in both the International Labor Organization (ILO) and the International Telecommunications Union (ITU) were approved by majority votes of the respective administrative councils.

Foreign Trade

May exports from Western Germany remained at the postwar record level of the previous month, imports declined slightly, and the second postwar monthly export surplus was recorded in May — $23,000,000 compared to $18,000,000 in April.

Area breakdown of the $273,000,000 May total export shows increased shipments to the Western Hemisphere, the non-participating sterling countries and Yugoslavia and Finland. Exports of $21,800,000 to the United States, $35,600,000 to the other Western Hemisphere areas, and $14,000,000 to the non-OECC sterling area are postwar peak figures. The record high of $9,100,000 to Yugoslavia and Finland, non-Soviet Bloc Eastern countries, resulted from the recently augmented Western German deliveries of finished products to Yugoslavia. Exports to the non-sterling OEEC countries declined considerably from $162,900,000 in April to $149,000,000 in May. Sterling OEEC countries (UK, Ireland and Iceland) accounted for $24,300,000 of the total May exports, a slight increase over April. Deliveries to the Soviet Bloc in May were $4,500,000, or 25 percent below April, and, significantly, at the lowest level for any month since July 1949.

Imports in May totaled $250,000,000. The restrictions on licensing imports from the EPU area were continued, and there was an apparent switchback to the old trend of procurement of dollar imports from the Western Hemisphere rather than from the OEEC countries. OEEC-origin imports fell $21,500,000 (18 percent) to $97,500,000 in May 1951, the lowest figure since May 1950. Imports from the Western Hemisphere increased $14,900,000 (18 percent) to $98,300,000, the highest figure since October 1949, and imports from the US alone totaled $60,700,000 in May. Imports from the non-OECC sterling countries within the EPU also rose from $24,900,000 in April to $27,600,000 in May, but this deviation from the general trend (EPU area to Western Hemisphere procurement) probably is accounted for by the longer delivery time from the non-OECC sterling countries to Western Germany.

The reversion to purchasing from the Western Hemisphere concurrent with restrictions on import licensing from the EPU area is in direct conflict with the principle of ECA aid. Furthermore, it comes at a time when additional demands on US and other Western Hemisphere markets can only add to the difficulties of rearmament in the United States.

The commodity breakdown reveals almost no change in individual export commodity groups. Food and agricultural products imports rose to $107,200,000 while deliveries of industrial goods totalled only $142,500,000, the lowest level since September 1950. Although imports of finished industrial goods were at the lowest figure in 15 months and those of semi-finished items at the lowest figure since July 1950, a continuing decline of industrial raw materials imports (7.9 percent in May)

* DM 96,638,850 at the official rate of 23.8 cents to the Deutsche mark.
could create a serious handicap for internal German production and future exports. In June the accounting surplus with EPU amounted to $46,800,000 ($81,200,000 in May), which reduced the cumulative deficit to $272,762,000. This includes a semi-annual interest payment to the EPU of $2,551,000. An increase in the issuance of import licenses and in the use of licenses previously issued has caused a decline in the monthly surplus.

**Industry**

The index of industrial production declined by one point to 138 percent of 1936, but the decline on an unrounded basis was only 0.2 percent. May industrial activity did not quite meet the postwar record reached in April, breaking the usual seasonal pattern of increases during late spring and early summer.

The index of investment goods production rose by three percent to 143 percent of 1936. Within this group the highest rates of increase were in industries connected with building — sawmills, woodworking and steel construction. Other industries within this group showed more moderate rates of increase, but few declines. During the month the index of general production goods declined by two percent, led by a seasonal decline in electric power production, and a 1.8 percent decline in hard coal mining, which can be attributed to absenteeism and a seasonal increase in vacations.

The index of consumer goods production declined by five percent. This slackening of output seems due almost entirely to a drop in consumer demand. Anticipation of price decline following the raw material price drops on the world market and contraction of purchasing power are possible explanations for this drop in consumer demand.

**Coal and Electricity**

Preliminary figures show that total hard coal production for June of 10,039,000 metric tons (May: 9,373,000 MT; April: 10,023,000 MT) exceeded the two preceding months, but the daily average of 382,062 MT was below that of May (388,000 MT) and April (396,000 MT). This loss is attributable to a combination of many factors: loss of labor, lack of equipment, breakdown of equipment, geological faults, many mine accidents, unexcused absenteeism and short strikes. Coal stocks remain at a low level.

The mines lost 600 underground workers in May, of whom 489 were face workers. There was an increase of 149 surface workers, but the net loss was 311 workers. In June there was a continued loss of face and other underground workers and also a slight drop in surface workers. As a result of the labor force changes and increase in absenteeism, the total number of shifts worked dropped in May and the normal shifts lost were about 18 percent of the total shifts possible compared to 15 percent in April. A general strike in the industry threatened early in June was averted at the end of the month by a compromise pay boost. (See labor section, below.)

Although the May production index of electricity showed a seasonal decline of 4.5 percent below April, there was a 20 percent increase over May 1950.

Excellent water conditions together with continued increase of power imports meet all demands for electric power in the Federal Republic without restrictions which might have resulted from the current coal shortage. In fact, favorable hydro conditions permitted savings in coal. Water from rains and melting snow is rapidly filling the storage basins, Schluchsee, Vorarlberg and Walchensee.

The electric utility units are disturbed about their position for the coming winter, because of low coal allocations and recurring short deliveries. There has been a slow increase in coal stock but the low allocation proposed for the third quarter of 1951 will not permit the maintenance of normal production to meet increased power consumption and simultaneously provide adequate stock piling for the coming winter.

Low coal stocks and short deliveries continued to hamper normal operations of the gas plants. The overall stock figure still remains at approximately 11 days’ supply. However, some plants have coal sufficient for only two days’ operation. There has been some improvement in deliveries of coal allocated and shortening of delivery time but the allocations to gas plants are still considered to be lower than they should be for safe operation.

The stocks at the end of May were reported to be 400,000 tons of gasoline and 250,000 tons of diesel oil. The consumption in May 1951 was estimated at 130,000 tons of gasoline and 120,000 tons of diesel oil. It is reported that these stocks are higher than were estimated and consumption was lower than expected. Therefore, the Federal Government expected to proceed without restrictions or rationing during July and August. German crude oil production in May was reported at 112,230 tons, a record for indigenous production. Serious arguments continue between the oil industry and the Ministry of Economics on one side and the finance ministry on the other concerning the fixed custom duties on crude oil. The application of preferential duties has been refused by the finance ministry. A final decision will probably have to be made at Cabinet level.

Freight traffic demands on the Federal Railways (Bundesbahn) decreased slightly in June compared with May. At the same time, the average stock of serviceable freight cars showed a small increase to around 249,000 cars, largely due to increased repair output and continued stress on emergency repairs designed to keep freight cars in traffic even though overdue for periodic overhauls. As a result, no freight car shortages similar to those in March and April were experienced during June.

The 19 train paths to Berlin were still in full operation during June. This traffic has been moving on schedule during the last three months.

**Food and Agriculture**

Unseasonably wet and cool weather, particularly during the latter half of June, retarded the growth of crops, which are generally 10 to 14 days behind in development. The condition of fall-seeded grain is satisfactory, and, given two or three weeks of warm, dry weather, a good harvest may approximate last year’s yield.

The continued wet weather, however, has so far minimized damage to potatoes by the Colorado beetle. Harvesting of early potatoes began with generally good yields indicated. Late potato planting has been finished. Thinning and hoeing of beets and other root crops has almost been completed.

A brief period of sunshine at the beginning of June permitted a start on the hay harvest. Clover and alfalfa are stacked in the fields. Grass has not been harvested, but the stand is good. Local hail and thunderstorm damage was reported, especially in Bavaria. Data on frost-kill during the winter point to only small damage: less than 1.3 percent for grain and 3.4 percent for oil-crops.

**Labor**

Registered unemployment declined during June by 61,000, reducing the total number of jobless to 1,526,000 at the end of the month, or about the level prevailing in mid-September 1950. Unemployment declined to 8.3 percent of the wage and salary labor force as against 8.7 percent in May 1951 and 10 percent in June 1950.

The number of employed wage and salary earners rose by 120,000 during the month to 14,720,000 at the end of June, thus setting a new peaktime and probably all-time record. June 1951 employment, as disclosed by the quarterly census of the German public employment service, topped the 1950 high mark attained last October by 300,000, and the June 1950 level by close to 900,000.

The increase of 232,000 in the labor force during the second quarter closely matched the abnormally high expansion of 224,000 in the corresponding quarter of 1950. Most labor market newcomers, approximately 175,000,
were school-leavers placed in apprenticeships (estimated 160,000) or in their first jobs (15,000). The remaining 60,000 were adults previously resident in the Federal Republic or refugees and voluntary immigrants from the Soviet Zone and Berlin.

Of the total 473,000 increase in employment during the second quarter of 1951, building accounted for 37 percent (approximately 175,000 persons); manufacturing, 28 percent (133,000); trade, commerce, hotels and restaurants, 13 percent (68,000); agriculture and forestry, eight percent (39,000); mining, four percent (17,000); transportation and communication, two percent (10,000) and public and private services and domestic service, seven percent (31,000). This development would remarkably parallel that in the second quarter of 1950 with the exception that the addition to building employment in the second quarter of 1951 was lower.

The economy has well been able to absorb the increase in the wage and salary-earning labor force, which was once feared as a cause of additional unemployment. The rise in dependent employment of 675,000 between June 1950 and June 1951 was greater than the expansion of 600,000 in the labor force in the same period. As a result, unemployment was reduced by 215,000. Barring an early and severe winter, prospects of integrating the anticipated labor force increment of 650,000 to 700,000 are bright.

The union wage drive, avowedly designed to compensate for higher living costs, continued in June. A special congress of the German Trade Union Federation (DGB)* asked its member unions to continue their wage campaign until effective measures are taken to reduce prices to "an economically defensible level." During June, labor activities were focused on the mining unions' demands.

Wage negotiations between the German Coal Mining Management (DKBL) and the Mining Union broke down early in June, and a general strike was threatened by the union to enforce its wage demands. Miners asked for a 14 percent increase effective May 1, and DKBL and Federal Republic compromise proposals did not meet with union approval until late June. Representatives of the Mining Union and DKBL on June 28 agreed on a compromise 12 percent boost for all wage and salary earners, retroactive to May 1, 1951. This compromise proposal was approved at the special DKBL general meeting July 3, and a general strike was averted.

The Federal Government has announced its intention to offset the wage increase by a "split market system" whereby coal output exceeding 380,000 tons daily would be sold above prevailing prices to certain domestic industries considered able to bear the higher cost. The DKBL has expressed the view that this arrangement would be seriously inadequate to meet increased costs.

Temporary wage and salary agreements for government employees were also concluded, and negotiations will be resumed for new wage agreements. In addition, the Railway Union and the Bundesbahn administration reached an agreement June 30 granting railway employees a cost-of-living supplement between April 1 and June 30, and raising hourly wages effective June 1 by 10 to 14 percent. Agreements were also concluded in June covering postal and telegraph employees.

Finance

Federal Government fiscal operations in April resulted in a deficit of DM 277,700,000 compared to a surplus of DM 124,600,000 in March. Expenditures of DM 1,438,700,000 were DM 552,100,000 higher than in the previous month. Only DM 85,000,000 of the increase in expenditures is accounted for increases in prices and related costs, which rose from DM 444,700,000 in March to DM 530,100,000 in April. Federal revenue of DM 1,161,000,000 was only DM 20,000,000 lower than in March. The decrease in receipts is not due to a decline in tax revenues, which, in fact, rose by DM 23,000,000 but to a reduction in the contributions of the states. The states have ceased payment of regular contributions (Interessenquote) because of the planned application of Article 106 of the Basic Law which authorizes the Federal Government to take over a part of the states' income and corporation tax receipts in lieu of the Interessenquote.

The final decision on the share to be taken by the Federal Government has not yet been made. For this reason the states made only small advances, DM 15,100,000, in April in addition of the share to be taken eventually by the Federal Government.

On July 1, 1951, several tax increases finally became effective. According to an estimate of the federal ministry of finance they will increase the annual revenue by DM 2,700,000,000 of which: (a) increase of turnover and transportation taxes from three to four percent is expected to yield DM 1,350,000,000; (b) amendment to the income and corporation tax law, eliminating several exemptions and deductions, and raising the corporate rate from 50 to 60 percent is expected to yield DM 1,000,000,000; (c) elimination of several customs exemptions is expected to yield DM 350,000,000. These estimates reportedly take into account losses resulting from new tax preferences to exporters which became effective on the same date.

Prices

The basic material price index declined two percent in May to 245 percent of 1938, the level reached in February 1951, but still nearly one-fourth higher than in May 1950. The industrial component declined by 2.8 percent to 281, and the agricultural component by 0.5 percent to 191.

The index of industrial producer prices remained stable at 222 percent of 1938. The index of consumer prices rose in May by 1.4 percent to 165 percent of 1938. In June this index rose another 1.3 percent to 167 with the exception of meats and stimulants which remained steady and a 0.2 percent decrease in the price of clothing, all components showed an increase.

Berlin

In May, the West Berlin index of industrial production* was 44 percent of 1936, a two point decrease below the March-April level. The decrease was accounted for chiefly by a seasonal decline in the clothing industry where the index fell from 65 in April to 59 in May, and by a decline from 61 to 58 in electrical engineering. The latter decrease was believed to be due to a monthly fluctuation on the completion of long-term orders rather than to a change in production trends. Four other industries also showed a one point decrease. Other production cutbacks in May were brought about by many holidays and one less working day than in April. On the other hand, the index figure for machine construction (machinery and machine tools) increased from 38 in April to 41 in May.

During the first half of June, total registered employment increased by approximately 1,600, reaching a total of more than 889,000. This represents the highest employment level since the summer of 1949. The gain in total employment during the first half of the month represented an increase in unsubsidized employment, as the number of workers under the GARIOA work-relief program declined slightly. The number of part-time workers in the economy also showed a further decrease.

The number of registered unemployed remained virtually unchanged at 286,500. In keeping with a trend which has been evident for some time, increases in employment came from increases in the total labor force. During the first two weeks of June, the labor force increased by more than 1,400. This was due, among other things, to the continued entry of large numbers of young people and housewives into the labor market.

* Excludes food and stimulants, building, and electric power and gas production. The index is estimated from the value of current deliveries and is not corrected for changes in inventories.

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