Production Slump Ends

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The slackening of industrial output from the record level of this spring ended abruptly in September when the index of industrial production increased six points to 135 percent of the 1936 level. From the postwar high of 139 percent reached in April and May the index has shown a downward trend through the summer months, primarily due to a sharp cut in consumer goods output. The September rise, however, is a general one, with increased output in investment goods, and especially in consumer goods.

Total foreign trade in September reached a new postwar high, but showed a deficit trade balance — $50,000,000* — for the first time since March. Imports totaled $375,000,000, with a record monthly increase of $88,000,000 accounted for by increased imports of wheat and cotton, and the use of outstanding licenses for imports of finished goods from OEEC countries before the effective date of the new tariff on Oct. 1, 1951.

* DM 119,000,000 at official rate of 25.8 cents to the Deutsche Mark.

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To $287,000,000. Of these, $36,000,000 were financed through ERP or GARIOA funds, resulting in a positive commercial balance of $63,000,000.

Despite one more working day than in July, August exports showed a two percent decrease from the previous month — mainly the result of a drop in deliveries of finished goods. This break in the hitherto steady upward movement of exports may be, in part, a reflection of production bottlenecks in Germany as the export decreases are principally in those categories which have been the mainstays of export expansion, and which, at the same time, are most severely affected by internal shortages.

Total imports in August increased only slightly, although some differences were noted within the geographic and commodity trade patterns. Imports from the EPU area in August — $174,000,000 (c.i.f.) — attained for the first time a figure approaching the $170,000,000 (f.o.b.) monthly level set by the OEEC. Imports from the dollar area remained almost unchanged, although foreign aid financed imports dropped. The difference was made up by further increases in free dollar imports.

The Federal Republic’s cumulative European Payment Union (EPU) accounting position improved by $45,000,000 at the end of September, reducing its cumulative deficit to $106,000,000.

Industry

The steady drop in hard coal production noted through the summer months continued during September, and plans for increased production have been proposed by both the mining union and management groups. More than half of the loss in daily output in the third quarter was due to the decrease in extra shift production.

Total hard coal production in September of 3,744,000 metric tons (MT) for the 25 working days registered a daily average of 372,672, dropping below the daily average for August (374,062) and July (376,588). There are some signs that the seasonal low has been reached as the daily output for the first week in September averaged less than 370,000 tons, but increased to 378,000 for the last week.

The measurable loss of production continued to increase in August and September 1951 (1st quarter: 6,030 tons; 2nd quarter: 8,463; July: 12,715; August: 14,909; and for 20 working days in September: 16,619).
For the first time since April, employment in the mines has increased. Of the 1,277 workers added in August, 1,153 were employed underground (including 639 face workers) and 124 on the surface. Preliminary reports for September show another slight increase.

More than half of the loss in daily hard coal output in the third quarter was due to the decrease in extra shift production. This extra shift output accounted for 17,000 tons per day in the first quarter, 11,000 tons per day in the second quarter, 5,000 tons per day in July and only 2,000 tons per day in August. The decreased extra shift production is more than seasonal. It is due also to the temporary ban on working extra shifts imposed by the state economics ministry of North Rhine-Westphalia in July.

In the first two weeks of September extra shift output both on normal workdays and on Sundays increased slightly, but the DKBL still hopes to realize its original forecasts of 10,000 to 15,000 tons per day in extra shift output in the fourth quarter. Total absenteeism showed another large increase in August standing at 19.2 percent compared to 18.1 percent in July.

Meetings of representatives of the Federal Government, the miners' union and coal management groups were held in September to discuss measures to increase coal output. Vice-Chancellor Bluener stated that an increase in output of hard coal to 410,000 tons per day is technically possible if there is improvement of certain psychological and political factors. He emphasized the need for better housing for miners, improvement of other social conditions and for maintaining stable consumers' prices.

DKBL reported that negotiations to establish a profit sharing system (Erfolgsanteilsystem) have begun, whereby the miners will benefit through savings brought about by increased efficiency. Studies are being made of the levels of operating costs related to increased efficiencies and the methods to interest miners in the plan.

Steel and Chemicals

Total August production of both pig iron and steel exceeded July levels and compared very favorably to the June peaks. September production showed a decline because of fewer working days, but the September daily average of 45,400 tons crude steel and 31,100 tons pig iron increased over the preceding two months.

The order book for rolled products and semi-finished steel on Aug. 1 was 8,729,872 MT, of which 856,434 tons were export bookings, little change from July.

August aluminium production of 8,112 tons was maintained at nearly the record high level of the previous month. Production of other principal non-ferrous metals also remained near previous month levels. The nickel production from Petsamo ores at the Norddeutsche Raffinerie, Hamburg, had to be stopped due to lack of coke. It is hoped this production can be resumed soon, because nickel together with electrolytic copper are the main short supply items in the non-ferrous metals.

The control ordinance of May 4, 1951, for the distribution and use of non-ferrous metals is now showing some effects, as the supply of metals is generally used considerably. Still in very tight supply, however, are nickel and electrolytic copper, with pure aluminum, copper and zinc somewhat easier, and remelted aluminum — and particularly brass — in abundant supply.

The August production index for the chemical industry at 137 percent of the 1936 level was up 1.3 percent after a seven point drop in July. Following the production index high of 147 percent in April, this is the first change in the declining production trend in four months.

The coal allocation for the chemical industry for September has been 150,000 tons of hard coal or 41.8 percent of normal requirements, as compared with 50 percent in the previous month. The chemical industry continues to make up its shortage on coal by barter deals and free dollar purchases while the increasing use of other fuels such as sludge and fuel oil persists.

Restrictions in production of certain chemicals were relaxed by the Allied High Commission in April. The chlorine production increased from 20,320 tons in April to 23,800 tons in September, and a further 30—40 percent production increase is expected by the end of this year when the necessary equipment is delivered. Synthetic rubber production was to be started in October or November at a rate of 600 tons per month.

At present, the phosphate industry operates at 75 percent of its capacity. The four firms which ceased production in July and August due to lack of rock phosphate were able to resume operations with the arrival of North African and Florida imports.

There is no indication of a change for the better in the shortages of metallurgical coke and of scrap. The improved August production of pig iron and steel over July and the third quarter gain over the second quarter, contrary to earlier German predictions, appears to be due to increased utilization of US coal.

The question of scrap exports has been resolved by the United States and the United Kingdom with the Federal Government. The troublesome problem, however, continues to be scrap availability which, in turn, depends on increased coal output on hand in the iron and steel industry on July 31 amounted to 314,500 MT as compared to 335,400 on June 30, 1951.

While detailed data are not available, the recent Federal Republic and Soviet Zone trade agreement will be of assistance in supplying raw materials to the consumer industries in both Western Germany and Western Berlin.

Traffic Developments and Electricity

During the first half of September, traffic demands on the railways remained at the August level. They started to increase sharply around Sept. 15, and daily car loadings reached the 1951 record figure of 63,100. This is only 1,000 cars below the postwar peak of October 1950, so a new record will probably be set this year.

Although freight car shortages began to develop, about 97 percent of total demands still could be met. The Bundesbahn intends to order, build and put to work about 10,000 freight train cars during the next year. This program will fill about two-thirds of the remaining gap in orders in German heavy industry.

Power consumption for the month of September was estimated at 2,995,000,000 kilowatt hours, which is 18.7 percent more than consumed in September 1950.

The coal situation for the power utilities has improved slightly, but in view of the increased demand for power, these stocks are considered insufficient. As the tentative allocation for the fourth quarter is exactly the allocation for the same quarter of last year, increased demands for power were not considered in making this allocation. If additional coal is not forthcoming, it will be necessary to apply restrictions totaling about 65,000,000 kWh per week during the winter months. This question is still under consideration in Bonn, however, and there is considerable pressure to increase the fourth quarter coal allocation for the power industry.

Finance

Although the Bank Deutscher Laender authorities did not change their restrictive credit policy, short-term commercial credits to the private sector of the economy continued to rise in July, increasing by DM 246,000,000 compared with DM 278,000,000 increase in June. The reasons for this expansion are believed to be still the same as in the previous month: the extensive use of export credits which are exempted from the general restrictions on short-term credits and the growth of import cash deposits by some DM 73,000,000, which apparently are financed to a large extent by additional
short-term credits. Medium and long-term credits to the private sector also continued their increase of the previous months, rising by DM 261,000,000, as compared to a DM 313,000,000 increase in June.

Cash figures or direct estimates of the federal and Laender (states) receipts and expenditures are not yet available for the month of July. However, the movements of indebtedness, coinage credits and cash balances indicate that the federal cash deficit was DM 252,000,000 compared to DM 176,000,000 in June.

The foreign account surplus was more than the cause of a net release of funds during the month. The commercial balance of payments reflected in the accounts of the Bank Deutscher Laender showed a surplus of DM 328,000,000, but payments to counterpart funds by importers amounted to DM 168,000,000. Moreover, cash deposits made by applicants for import licenses in accordance with the 25 percent import license deposit requirement increased by DM 73,000,000. The combination of these three elements led to the net release of funds on foreign account by about DM 87,000,000.

Labor

Registered unemployment has continued to decline, but since June the downward trend has slackened as employment increases in the outdoor occupations have gradually contracted. The September unemployment figure of 1,234,979 registered the smallest monthly decline (—24,332) since the seasonal turning point in January—51, but approximates the 1950 low point of 1,230,000 in October. The rate of unemployment to total wage and salary earning labor force stood at 7.7 percent as compared with 8.2 percent on Sept. 30, 1950.

Employment reached a new postwar high of 14,884,522 at the end of September, which is a quarterly increase of 164,000 as compared with the 450,000 increase for the third quarter of 1950. In addition, the total labor force appears to have increased only 73,000 — by far the smallest quarterly increase since currency reform — but may indicate normalization of labor force growth.

The upward trend in trade and commerce was resumed after temporary slackening in July when the unemployment data reflected the end-quarter dismissals of salaried employees in June.

Management-union acceptance of a mediation proposal ended the four-week-old work stoppage in the Hesse metal industry, the longest and largest strike in postwar Germany. The walkout, which was marked by considerable bitterness on both sides and which had been considered a test of strength by union and employers, transcended in importance the confines of Hesse. The union had announced that any gains achieved in this strike would be used to fulfill wage demands in the metal industry in other areas. Shortly thereafter, 700,000 metalworkers in North Rhine-Westphalia achieved wage increases in an award which cannot be terminated before Sept. 30, 1952, probably the longest-period wage agreement in West Germany.

Food and Agriculture

During September, the availability of all foods in the Federal Republic was sufficient to meet requirements and maintain satisfactory reserves. In the case of bread grains, beginning stocks rose above expectations.

The supply of sugar also remains satisfactory, even though it is estimated that September beginning stocks declined to approximately 100,000 MT and will further decline to about 44,000 MT by the end of the month. Imports, however, are arriving regularly, and sugar from the new crop became available in October.

The action taken by the Federal Ministry in May and June with respect to increasing imports of fats and oils had a very important effect on their supply position during September. As a result of increased imports, stocks reported as of the beginning of September totaled approximately 115,000 MT.

Preliminary official grain production estimates indicate a bumper crop of 11,000,000 MT. This is about eight percent above the very good crops of the two preceding years (about 10,200,000 MT each). Bread grain production is estimated at 6,100,000 (up about five percent over last year) and feed grain at 4,900,000 MT (up 15 percent). The biggest production increase was in wheat — more than 300,000 MT, mainly reflecting increased yields. Rye production dropped 38,000 MT (good yields but reduced area). This year’s excellent grain yields are due mainly to the favorable weather conditions plus increased use of fertilizer and good seed.

Total oilseed production is estimated at about 86,500 MT (preliminary), compared to 83,751 in 1950. Total production of potatoes is expected to be 24,000,000 to 25,000,000 MT, about 3,000,000 under last year’s bumper crop. Sugar beet area is up some 16 percent over 1950 and total sugar production is forecast at about 960,000 MT white sugar, compared with 915,000 MT last year. Wine is expected to be 75 percent of last year’s bumper production of 3,237,000 hectoliters.* In contrast, an excellent hop crop of 12,000 MT (compared to 9,500 MT in 1950) is expected.

Berlin

The total value of industrial deliveries** in West Berlin was DM 212,800,000 for August, according to preliminary data furnished by the Senate’s Statistical Office. In July, with one less working day than August, deliveries totaled DM 191,600,000. The city’s index of industrial production, which is estimated from the value of manufacturers’ current deliveries, rose from 41 percent of 1936 levels to 42 percent. The number of hours worked in industry was 23,400,000 — approximately the same daily rate as in July. The total of hours worked was reduced in both months by vacations.

** Excluding building and electric power and gas production.

Registered industrial employment in August amounted to approximately 168,000 — with a relatively small gain as compared with the previous month. However, these statistics do not include a large number of subcontractors and home workers employed on a seasonal basis by clothing manufacturers. In view of the high level of activity in the clothing industry, it is estimated that between 15,000 and 20,000 home workers are now employed.

Total registered employment (including self-employed and family helpers) in all sectors of the economy amounted to 906,000 as of the middle of September. This total figure also includes some 45,000 workers employed under the GARIOA Work Relief Program. Registered unemployment was approximately 235,000, or 24 percent of the labor force. The most important development during the first half of September was the elimination from the registered labor force of several thousand persons who, for a number of reasons, are no longer willing or able to work and are not actively seeking employment.

It is believed that the rescreening of the labor rolls now being carried out by the Berlin Labor Office will result in the elimination of perhaps 40,000 persons whose continued registration is artificially inflating the unemployment rolls.

Concurrently with cost rises, the volume of total activity has fallen off substantially, and it is likely that the building season which ended last month will prove to have been the poorest since the blockade. Employment of building workers on both public and private construction projects has fallen off sharply — the total was 52,000 in July 1951, as against 65,000 in July 1950. On private building projects alone, the decline in employment has been 23 percent as compared with July 1950.

* At 3.78 liters to the gallon, approximately 85,035,000 gallons.