Employment at All-Time High

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DURING JULY INDUSTRIAL PRODUCTION again fell off, as it had in June, declining to 132 percent of the 1936 level, seven points (five percent) below the postwar high of 139 reached in both April and May. Normal summer influences were a factor in the decline; lack of coal was a brake on the expansion of heavy industry; lack of funds and high prices restricted activity to lower levels than had been expected earlier; the speculative factors which had pushed economic activity up so sharply after Korea seemed to be losing part of their force. Demand for industrial production tapered off somewhat, and in the consumer goods area had dropped decidedly. Retail sales were rather slow and, in the face of buyer resistance, prices were easing for the first time since the Korean war began.

In other ways, the economy at midyear showed a very favorable picture — with exports at a record of $315,000,000* in July ($31,000,000 more than imports), with employment at an all-time high of $14,800,000 at the end of July, and with harvest prospects giving full promise of another bumper year.

EXPORTS FROM WESTERN GERMANY in June increased to $297,000,000, the highest level since the war, and preliminary figures for July show an even higher total — $315,000,000. Imports rose slightly to $255,000,000 in June and to $284,000,000 (preliminary figure) in July — still below the record levels of last fall and winter. July was the fourth month in a row in which exports exceeded imports in value. This trade surplus amounted to $18,000,000 in April, $23,000,000 in May, $42,000,000 in June, and $31,000,000 (preliminary figure) in July. Foreign aid imports (financed by ECA and GARIOA) totaled $45,000,000 in June, and the trade surplus excluding foreign aid exceeded $87,000,000.

A breakdown of the $297,000,000 total exports for June by area shows exports to the Western Hemisphere, including the United States, remained stable. Exports to the Western Hemisphere as a whole were $55,000,000 in June as against $57,000,000 in May; exports to the United States were $21,000,000 in June as against $22,000,000 in May. The increase in total exports was due mostly to the recovery of exports to non-sterling OEEC countries, which rose to $165,000,000 after a considerable dip in May. Exports to sterling-participating countries (UK, Ireland and Iceland) also increased slightly over May to $26,500,000. Exports to the non-OEEC sterling area increased from the May figure of $14,000,000 to a postwar peak of $16,000,000. Exports to Finland and Yugoslavia rose from $9,100,000 in May to $10,200,000 in June. Deliveries to the Soviet bloc, after reaching their lowest point in May for any month since July 1949, rose again to approximately $5,000,000.

The June export increase was almost entirely in finished products, which amounted to $224,000,000 (75 percent of total exports). Total imports for June were $255,000,000, up slightly from the $250,000,000 recorded in May. Restrictions on licensing of purchases from the European Payments Union (EPU) area were continued, and imports from the OEEC participating countries remained relatively low — $104,000,000 in June as against May's $97,000,000. Imports from non-sterling OEEC countries rose to $86,000,000 in June from $76,000,000 in May. Imports from sterling OEEC countries showed a decline from $21,000,000 in May to $17,000,000 in June. Imports from the Western Hemisphere fell from the figure of $98,000,000 to $92,000,000; June imports from the United States fell from $61,000,000 in May to $54,000,000. Imports from the non-participating sterling area fell from $27,600,000 to $24,700,000.

Industrial raw material imports continued to decline by eight percent in May and by four percent in June. The Federal Republic's position with the EPU was again bettered by a July accounting surplus of $71,000,000, reducing the cumulative deficit to $202,000,000.

Industry

Industrial production has continued to drop from the peak reached in April 1951. The federal index of industrial production (excluding food processing, stimulants and building) declined to 135 percent of the 1936 level in June as against 139 in May and April. Preliminary data indicate a further decline in July. The largest June production declines were in shoes (down 19 percent), sawmills and woodworking (down 13 percent), leather production (down eight percent), vehicles (down eight percent), ceramics (down seven percent), optical and precision instruments (down seven percent), miscellaneous metal goods (down seven percent) and chemicals (down five percent).

Although the production index went down in June, 14 of the industry groups making up the index showed increases — the largest being aluminum production (up 11 percent), oil production (four percent), crude oil (three percent), non-ferrous ore mining, machinery, hollow glass and paper production, all up three percent. The down trend in production

* DM 1,323,529,400 at the official rate of 23.8 cents to the Deutsche mark.

This review is based on contributions submitted by reports officers in the Office of Economic Affairs and the Office of Labor Affairs, HICOG.
Steel and Railways

The following table contains aggregate statistics for production during the first half of 1951, final figures for each month of the second quarter 1951, and preliminary July production figures:

<table>
<thead>
<tr>
<th>1951 Production</th>
<th>January-June</th>
<th>Thousand Metric Tons</th>
</tr>
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<tbody>
<tr>
<td>Pig Iron</td>
<td>5,031.1</td>
<td>865.6 920.0 944.8 918.1</td>
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<tr>
<td>Daily Average</td>
<td>28.8 28.7 31.5 28.8</td>
<td></td>
</tr>
<tr>
<td>Working Days</td>
<td>30 30 30 30</td>
<td></td>
</tr>
<tr>
<td>Coke Steel</td>
<td>6,442.4</td>
<td>5,121.3 1,121.3 1,187.4 1,158.9</td>
</tr>
<tr>
<td>Daily Average</td>
<td>44.8 46.7 45.7 44.5</td>
<td></td>
</tr>
<tr>
<td>Working Days</td>
<td>25 24 26 28</td>
<td></td>
</tr>
<tr>
<td>Hot Rolled Products</td>
<td>4,433.3</td>
<td>784.2 744.0 813.4 801.3</td>
</tr>
<tr>
<td>Daily Average</td>
<td>31.4 31.0 31.3 30.8</td>
<td></td>
</tr>
<tr>
<td>Working Days</td>
<td>25 24 26 28</td>
<td></td>
</tr>
</tbody>
</table>

In addition to short supplies of coal (which have caused cutbacks in production), shortages of sulphur, phosphorus, casein, kogas, phenol, potassium permanganate and bichromate continue to be felt. During 1951, the chemical industry will probably ship 9,500 tons of naphthalene to the United States. Although this important raw material for defense production is in short supply in Germany as well as in the United States, the chemical industry has agreed to maintain its output of naphthalene and ship 25 percent of its production to the United States. Also of importance to US defense efforts is the recently completed barter deal of 25,000 tons of German benzol for 62,000 tons of 90 octane gasoline to be delivered by early fall.

The rail traffic situation in July showed no significant change compared with June. Daily freight car demands were 57,000 cars, 99.5 percent of which the Bundesbahn (state railroad system) met with a park of 248,000 cars. Traffic demands were three percent higher than last year, with 80 percent of the increase due to larger coal traffic.

The Bundesbahn law on the reorganization of the federal railways was accepted in final reading by the Bundesrat (lower house of parliament) July 6, 1951, but was subsequently rejected by the Bundesrat (upper house). The Bundesrat holds that control by the Federal Government over Bundesbahn operations would be too extensive and that of the railway board of directors would be too restricted. The SPD (Social Democratic Party) and the unions are also demanding that labor have 50 percent representation on the railroad board of directors instead of the 25 percent provided by the present draft law.

Prices

The index of basic-materials prices in June remained at the May level (245 percent of 1936) but was up 24 percent over the same month last year. The industrial component declined by 1.1 percent to 278 percent of 1938. Sharpest declines in individual prices were reported for domestic wool (down 22 percent) and imported wool (down 16 percent). The largest increases were in copper (up 13 percent), sulphuric acid (up 13 percent), lime (up 13 percent) and domestic flax (up 9 percent). The agricultural component rose by 2.6 percent from 191 to 196 percent of the 1938 level.

The index of industrial producer prices declined during June by 0.5 percent from 223 to 222 percent of 1938. The index of consumer prices rose during June by 1.3 percent from 185 to 187 percent of the 1938 level. The increase in food (2.9 percent) is mainly due to the seasonal rise in prices of fruits and vegetables (up 13 percent) and potatoes (up nine percent). Clothing prices showed the first decrease (0.2 percent) in almost a year.

Finance

Short term commercial credits to the private sector of the economy increased in June by DM 278,000,000 compared with an increase of only DM 25,000,000 in May. The reasons for this expansion are to be found in the...
extensive use of export credits which are exempted from the general restrictions on short term credits and in the growth of import cash deposits by some DM 92,000,000 which apparently are financed almost automatically by additional credit extensions. Medium and long term credits continued their increase and rose by DM 313,000,000 as compared with DM 220,000,000 in May.

A direct estimate of the federal and states' receipts and expenditures is not yet available for June. The movements of indebtedness, cash balances and coinage credits indicate that the federal cash deficit was DM 176,000,000 compared with DM 128,000,000 in May, and DM 184,000,000 in April. Estimates indicate that the states' surplus for the month was approximately DM 175,000,000 — and therefore the public budget had no net effect on the money supply in private hands.

The combined effect of all public agencies on the money supply was to withdraw funds from private circulation.

During July a German delegation met in London with the Tripartite Commission on German debts and certain creditor representatives for preliminary discussions on the settlement of the German prewar debts. Further meeting is scheduled for late fall.

The federal law of accession to GATT (the General Agreement on Tariffs and Trade) was passed by the Bundestag on July 18th. The Federal Government was scheduled to sign the protocol of accession in New York on Sept. 1. The tariff concessions granted at Torquay will become effective Oct. 1.

Labor

Although employment in the Federal Republic at the end of July stood at a record level and total unemployment as well as the unemployment rate were significantly lower than a year ago, the current labor-market trend offers little promise of repeating the employment gains of the summer of 1950. On the one hand, the estimated number of wage and salary earners, which has been climbing steadily to ever new heights, is approximately 285,000 higher than in July 1950. Furthermore, registered unemployment of 1,292,000 is somewhat less than in mid-September 1950, while the proportion of jobless in the estimated wage and salary-earning labor force, eight percent, is close to the 1950 low of 7.9 percent attained last October.

On the other hand, the monthly decline of 34,000 in unemployment during July was the lowest since the seasonal turning point in January and only two-fifths of the decrease in July 1950. Most (30,000) of the July drop came during the latter half of the month, but this development does not point per se to a favorable change in trend, since unemployment normally tends to improve more in the latter half of a month.

Main factors behind the present course continue to be the steadily decreasing employment increment derived from new building activity and the failure of the consumer goods industries to recover from the setback in demand which has stopped them from extending employment during the first half year of 1951.

During July, the major employment increases appear to have come in trade and commerce, due partly to hirings for the summer clearance sales; the capital goods industries; building and construction, and from agriculture, where additional labor is being hired for the harvest season.

A crisis in relations between the DGB and the Federal Government has been eased at least temporarily by mutual willingness to discuss outstanding differences and expressions of desire for cooperation on both sides.

The uninterrupted wage drive which the DGB president reportedly attributed to the union demand for a more equitable distribution of national income rather than to higher consumer goods prices, extended during July to the metal industry in most states and to agriculture in general. Negotiations were still proceeding in the metal industry, where the union has requested pay boosts varying from nine to 15 percent. A more serious situation developed in agriculture at the height of the summer harvest. In the first week of August, strikes had begun in three states (with the one in Bavaria being halted as the dispute went to arbitration). Arbitration awards granted a "harvest supplement" in four other states, and similar settlements are expected elsewhere.

Agriculture

Prevailing warm, sunny weather in July — much needed because of the cool, wet spring — gave promise of a bumper grain crop for the third straight year. The federal ministry for food, agriculture and forestry forecasts a harvest of 5,700,000 metric tons of bread grains (1949:50; 5,950,000 tons; 1950:51; 5,800,000 tons) and 4,500,000 tons of fodder grains (1949:50; 4,270,000; 1950:51; 4,400,000 tons).

Harvesting of all types of grains was in progress in August. In many areas, ripening of the normally later summer grains (principally fodder grains) has coincided with that of winter wheat and rye, which were delayed by both late seeding and the cool spring. In some areas, harvesting was impeded by the flattening caused by thunderstorms in June. The stand of root crops is good. Early potatoes were, however, a disappointment, but prospects for fresh apples and pears and grapes are good. The first cutting of hay (clover, alfalfa, meadow grass) is reported to have been very large, although of poor quality. The development of the second growth is promising.

As of June 30, approximately 117,000 hectares of agricultural land in Western Germany had been turned over to settlement associations. This represents an increase of 52,000 hectares (more than 80 percent) over the status as of June 30, 1949, the last date for which comprehensive data for the federal area were assembled. The total area so far turned over to settlement associations is only a small part (16 percent) of the 730,000 hectares potentially available.

Not all of the new land is actually in the hands of settlers, since considerable time must be allowed for the construction of essential buildings and for land-improvement measures such as drainage, roads, clearing and reclamation. It is probable, however, that all of this land will actually be turned over to settlers and under cultivation by July 1952. Figures on the number of farm units involved are not yet available, but approximately 10,000 units, including full-time and part-time farms, seem to be a reasonable estimate.

Berlin

West Berlin's index of industrial production (excluding food and stimulants, building industry, and electric power and gas production), which is estimated from the value of manufacturers' current deliveries, remained at 40 percent of the 1936 level in June, the figure recorded for May. The index remained constant chiefly because two factors tended to offset each other. The index for the clothing industry declined from 59 to 40 for seasonal reasons. (The seasonal peak occurred in April when delivery values reached 85 percent of the 1936 level.) On the other hand, the index for the electrical industry rose by six points to 64 percent of 1936. Of 10 other major groups comprising the index, five showed increases of from one to six points; four groups showed decreases of between one and four points; and one group, optical and precision instruments, remained the same.

Registered industrial employment increased from 161,700 to 164,000, with more than half of this gain accounted for by hirings in the electrical field. The number of clothing workers remained constant, probably due to the fact that during periods of high seasonal activity clothing manufacturers normally employ a substantial number of home workers. Data on these workers are not reflected in industry employment figures reported by the Berlin Statistical Office.