Output, Exports Set Records

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LATEST REPORTS OF WESTERN GERMANY'S economic efforts indicate considerable industrial expansion despite continuing shortages. Industrial output figures for April recorded sizable gains in production with the index (excluding building, stimulants and food processing) climbing four points to 139 percent of 1936, a new postwar record.

Total exports in April reached a postwar peak of $275,000,000,* surpassing imports (by $15,000,000) for the first time since the war. Basic materials prices dropped 0.4 percent in April while industrial producer prices and consumer prices rose 1.8 percent and 1.5 percent respectively. Employment, well above last year's level, continued to gain, but at a slower rate.

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IN MARCH AND APRIL, the Western German economy continued the spring upward trend, but at a pace somewhat slower than the earlier pronounced rises recorded in March. The March industrial production index rose three points, April labor market developments already compared with June 1950, and the April increase in exports and decrease in imports brought the first positive balance of trade ($19,000,000) of the postwar era. The consumer price index, however, rose by three percent in March and another 1.5 percent in April, and raw material shortages were frequently reported in many industries. EPU trade again showed a surplus, but future policy to be adopted by the OEEC in regard to the German balance of payments has as yet not been determined.

Although the revision of the Prohibited and Limited Industries Agreement (PLI) was anticipated and was well received by industry, present and potential raw material shortages loomed to offset immediate industrial expansion and resumption of hitherto restricted production. Coal, steel sheets, metal scrap, non-ferrous metals and sulphur head the list of materials reported in short supply and affecting many industries, including iron and steel, electrical appliances, mechanical engineering, vehicle production, fine mechanics and optics.

The Schuman Plan was formally signed in April, but must be ratified within six months by the parliaments of each participating country before becoming effective. The Allied High Commission gave official non-disapproval of the Schuman Plan later in that month.

The Torquay trade and tariff negotiations have been completed, and announcement of concluded agreements was to have been made in May. Germany's accession to the General Agreement on Tariffs and Trade (GATT) might be considered the most important achievement of the Torquay conference. Most of the original GATT members had been unwilling to negotiate tariff concessions on products of which Germany was the main supplier, principally in the chemical field, until Germany herself could participate in the negotiations.

Of the many programs which have been forwarded to meet the problems of Western Germany's economy, all are in unanimous agreement on the necessity for finding immediate and adequate investment funds for the German basic material industries; on the necessity of export promotion, and on the urgency for stabilization of prices and wages. By the end of April, however, the exact methods to achieve these aims had not been defined clearly enough to consider drafting of a final program by the government.

Foreign Trade

The major trade developments in the first quarter of 1951 were the maintenance of total exports at a high level, the sharp decline from the previous quarter in the trade deficit with the EPU countries, and the drastic curtailment of trade with the Soviet bloc.

Western Germany's exports during the first quarter, including the Soviet Zone, reached $714,600,000, thus only slightly exceeding the preceding quarter and doubling the first quarter of 1950. Imports, however, decreased by 5.2 percent from $941,300,000 in the last quarter of 1950 to $892,800,000 in the first quarter of 1951 ($616,300,000 first quarter of 1950). Apparently Western Germany's restrictions on imports from the EPU area have not yet affected the import total. There were sufficient import licenses issued prior to the imposition of restrictions in February which remained available for use through March.

On a country of payments basis, the trade deficit with the EPU area in January-March 1951 was $113,200,000, compared with $170,300,000 in the previous quarter. This substantial amelioration was mostly produced by the rise in exports to the OEEC participating countries both sterling and non-sterling, and a decline of imports from the non-sterling OEEC countries from $469,200,000 in the fourth quarter of 1950 to $448,300,000 in January-March 1951.

Trade with the Soviet bloc was characterized by decreasing exports ($27,400,000 fourth quarter of 1950 to $20,100,000 first quarter of 1951) and sharply reduced imports ($32,500,000 fourth quarter of 1950 to $22,600,000 first quarter of 1951). The same trend in an even more drastic fashion was noted in trade with the Soviet Zone. Majors reasons for the sharp cut in interzonal trade in recent months have been the termination of the Frankfurt Agreement, the increasing efforts of the Federal Republic

* At official rate of 23.8 cents to the Deutsche mark, DM 1.155,462,000.
and East zone officials to scrutinize shipments to the other area, and retaliatory measures taken by the two trading partners.

Industry

The index of industrial production during March (excluding building, stimulants and food processing) rose by three points (up 1.7 percent) to 135 of the 1936 level, thus equaling the postwar high reached in November 1950. The per capita rate of production rose to approximately 108 percent of 1936 (about 91 percent of 1938). Industrial demand continued on the upgrade as the value of orders received by manufacturers rose seven percent in February, and sales increased nine percent. Total orders received in February averaged 22 percent higher than current sales, with investment goods orders averaging 135 percent of sales, production goods 121 percent and consumer goods 109 percent. Orders booked for investment goods reached a new postwar high in February of 237 percent of the 1949 monthly average.

Monthly coal production for April continued at a high level — with daily average output at 394,481 metric tons and total production at 10,019,861 tons, including 157,845 tons produced in five Sunday shifts. Factors believed largely responsible for this sustained rate of production are inter-agreements for extra shift pay and increased employment since Jan. 1 by 5,500 underground workers (1,700 face workers) and 4,000 surface workers. During the first half of April, 1,231 underground and 4,268 surface workers were added to the mine books. There has been only little improvement in output per manshift during the last year, as it stood at 1.40 metric tons in March 1950; 1.46 tons in February 1951; 1.45 tons in March 1951, and remained approximately the same in April.

Second quarter of 1951 consumption and deliveries of coal should about balance (estimated by US Element of Combined Coal Control Group — Federal Government’s original allocations program estimated at 2,000,000 tons less), assuming that 22,000,000 tons are available and that industrial production will continue at its present rate. The danger lies in the low stockpile position of the economy and there was little hope of improving this position substantially in the second quarter. During the winter months (October 1950 to April 1951) industrial and public utility coal stocks dropped by some 2,000,000 tons. The present stock positions are better than anticipated one month ago, but are, nevertheless, at very low levels. On April 1, the railways had a seven days surplus on hand, power plants 12 days, gas plants seven days, iron and steel seven days, and other industry 11 days.

Restrictions, Limitations Removed

On April 3, 1951, the Allied High Commissioners signed the Agreement on Industrial Controls to replace the Prohibited and Limited Industries Agreement (PLI) of April 1949, and thereby facilitated the production in Germany of items and materials for the common defense of the West. Under the new agreement, the limitations and restrictions hitherto in force concerning the size and speed or tonnage of merchant ships built or otherwise acquired by Germany, primary aluminum, synthetic ammonia, chlorine, styrene and certain types of machine tools are removed. In addition, the High Commission will authorize production of crude steel outside the limit of 11,100,000 tons per annum where such production will help provide steel for the common defense effort. The prohibition on the production of synthetic oil and rubber is removed and the restrictions upon the capacity of these and of the ball and roller bearing industries are now modified. Control is retained, but in a modified form, over the production of electronic valves.

It is the desire of the Allied High Commission to promote technological progress and modernization of production which will tend to reduce costs and promote economies in raw materials, power and fuel. Consequently, in those few industries where a limitation of capacity is maintained, the High Commission will authorize the substitution of more efficient equipment, the rearrangement of machinery and the introduction of new processes or other technical changes which may involve a minor increase in the capacity of factory or equipment.

In authorizing the rehabilitation of plants (including the installation of new equipment) and the utilization of new processes for the production of synthetic rubber and synthetic oil from coal and coke, the High Commission will grant licenses only to the extent that solid fuel exports are not affected. Nevertheless, the application outstanding for the use of the Ruhr area plants at Bergkamen, Viktor, Scholven and Ruhroel will be granted promptly.

While a license is no longer required to manufacture certain machine tools listed under the PLI agreement, the High Commission does require that a system of declaration of manufacture by the producer (indicating the intended destination of each machine) and of reporting quantities of such machines in Germany shall be effected.

It is much too early to report on the effects of the new agreement even though the affected industries had anticipated certain revisions.

In Bavaria and in the upper Rhine district, melting snow in the Alps and heavy rains provided water for an all-time record hydroelectric power production. This increased hydro production has enabled the chemical industry in Bavaria to continue to operate without restriction, and has provided power for present requirements of the aluminum industry. Also in Bavaria, the first unit in the lowest step of the Schuchsee project of Waldshut, which was completed recently with counterpart funds, will add 35,000 KWH yearly to the available storage capacity in Western Germany.

An estimated 2,750,000,000 KWH of electricity were used during the month, or 31 percent more than in April 1950 — a record increase in consumption. Gas consumption also increased.

Low stocks and short falls in coal deliveries are still a matter of considerable concern to the power companies. Since consumption of both electricity and gas is well above expectations, there is an immediate need for additional facilities and stocking of coal to meet next winter’s demand.

Labor

The estimated number of employed wage and salary earners in the Federal Republic increased by 150,000 to about 14,400,000 at the end of April 1951, thus equaling the October 1950 postwar peak. Employment in non-manufacturing service establishments, in manufacturing, and in mining achieved a new peacetime high sparked primarily by the producer goods industries. Building activity, the principal factor in the April employment
increase, was accelerated particularly in the three major agricultural-refugee states. By the end of March, these states had still not recovered much of their loss in building employment. Already in April estimated employment in building and construction had almost reached the June 1950 level. Employment also rose in trade and commerce and in agriculture.

Registered unemployment in the Federal Republic has shown a steady downward movement since mid-January, with a sharp drop of 120,000 during April reducing the total to 1,446,000. In terms of the wage and salary earning labor force, unemployment dropped to 9.1 percent from 9.9 percent in March 1951.

An amended version of the Federal Government bill concerning labor participation (co-determination) in the management of the mining industry and the severance of iron and steel-producing companies was enacted in April by the Federal Parliament. Passage of the measure was hailed "as a great success on the road toward social harmony" by the executive council of the Western German Trade Union Federation (DGB).

Organized labor continued the general wage drive as new collective agreements were negotiated without any major work stoppages. Approximately 1,000,000 building trades workers in the Federal Republic (excluding Bavaria, which is subject to a special agreement) were granted a pay increase of 9.5 percent effective April 25 with another boost of 3.5 percent due on July 15. The wage dispute was settled by arbitration, as has been customary in this industry since 1949.

Wage increases were also obtained in the Ruhr-berg-Baden metal industry, for Bremen shipyard workers, in the entire clothing industry, for farm labor in several states and in the Bavarian woodworking and the Hesse chemicals industries. The Mining Union announced that it will seek a 14 percent pay raise for wage earners and salaried employees in the hard coal mining industry. The current pay agreement expired on April 30.

Prices

During March the three major price indexes continued to rise, and at a more accelerated rate than in February. Even more spectacular was the increase of the three indexes during the first quarter of 1951, an increase which was greater for each index than during the last quarter of 1950 and, except for the basic materials price index, greater also than during the third quarter of 1950.

In March the index of industrial producer prices rose by 2.8 percent to 218 percent of 1938. The index of basic materials prices increased by 2.4 percent to 251 percent of 1938; the agricultural component rose by 1.6 percent and the industrial component by 6.3 percent. The index of consumer prices, which climbed by three percent to reach 161 percent of 1938 — the largest month-to-month gain since October 1949 — showed the highest jumps in food (up 5.1 percent); household goods (up 3.1 percent) and clothing (up 2.7 percent). Consumer prices are still rising although at a slower pace, and a one percent rise was expected in the April index.

Food and Agriculture

Since the new Federal measures to increase the bread-grain supply have been in effect only a short time, it is difficult to estimate any immediate results. Preliminary information indicates, however, that measures taken to encourage domestic deliveries and continue US shipments will achieve favorable results. Although bread rationing will not be necessary, the year end (June 30, 1951) stocks of bread-grains will be substantially below last year's stock level. During April, the Federal Government took additional steps to conserve grain supplies, and is also considering new legislation to force increased farm deliveries which would prevent the use of bread-grains as fodder and prohibit the creation of large farm stocks for speculation.

During April, the edible fats and oils supply position continued to deteriorate. Stocks had fallen, and largely as a result of the EPU payment crisis, trade-agreement imports in March declined from the monthly average of approximately 50,000 tons to 29,000 tons. To stretch available stocks, the oil and margarine industries agreed to make a substantial cut in production in April by 10,000 metric tons, and a reduction in May of 10,000 metric tons was planned. The Bank Deutscher Laender agreed to release by the end of April $25,000,000 for food purchases, $12,000,000 of which will be used in an "emergency program" for purchasing edible oils, mainly low-priced whale and fish oil from Norway.

Despite these measures, however, by June 30, 1951 stocks may be dangerously low — probably no higher than 40,000 tons. To reduce consumption somewhat and to enable importers to purchase higher-priced fats and oils from various trade agreement sources, the Federal Government is considering an immediate increase in the price of margarine.

Berlin

The value of deliveries of West Berlin industry (excluding construction and energy production) reached DM 208,500,000 ($49,023,000) in March, a post-blockade record. February total delivery value amounted to DM 186,000,000 ($44,268,000). The electrical, machinery and clothing industry branches registered the largest gains. A part of the increase was probably due to price rises. No reliable general price index exists for the city, but a new cost of living Index (1938 = 100) increased from 154.1 in February to 158.1 in March. This may give some indication of general price trends.

The index of industrial production (1938 = 100; excludes construction, energy production, food and food stimuliants) reached a new postwar record level as it rose from 46 to 50, the producers goods section from 45 to 49, and the consumer goods section from 50 to 56. These averages, based on deliveries, rather than physical output, have not been corrected for recent price increases.

Receipts of iron, steel and non-ferrous metal products, timber, paper and cardboard, and certain other categories of industrial raw materials continue to lag behind requirements. Although specific instances of shortages affecting plant output have been reported, the general situation appears to be no worse than in Western Germany.

Employment showed little net change during the first half of April. Unsubsidized employment increased by approximately 2,000 from March 31 to April 15. However, 5,000 fewer persons were given work under the GARIOA work relief program. As a result, total reported employment stood at 882,000, a decrease of just under 3,000 as compared with the end of March. The registered labor force also increased somewhat, so that total unemployment rose by approximately 6,500 during the first half of the month. Data on industrial employment are not yet available for April, but a slight increase was reported during March.

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