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Economic Developments in Austria:
July-November, 1964

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Economic Developments in Austria: July-November, 1964

Summary

Economic activity continued at a very high level in Austria during the period under review--although at a slightly slower pace than earlier in the year--under the influence of heavy inventory and capital investment expenditures and greater foreign demand.^{1/} In July-September, industrial production rose to a level 7 per cent over the third quarter of 1963, compared with a year-to-year gain of 9 per cent during the first half of the year. It is now estimated that real GNP will increase by between 5.5 and 6 per cent this year, considerably more than the 4.4 per cent increase registered in 1963.

Prices have dropped seasonally since mid-year, but conditions on the wage-price front have become more unsettled. Between July and October consumer prices fell by 2 per cent, but they were still 4.3 per cent higher than the October 1963 level. The wholesale price index, which is confined to raw materials, showed even larger year-to-year gains--5.6 per cent--almost entirely because of higher food prices. The fact that meat prices have risen by 25 per cent over the past year has been made a rallying point in the public clamor for price reductions and wage increases, and about 20 new wage claims are now pending before the Wage-Price Commission. On January 1, 200,000 building and construction workers will receive minimum wage increases of 14 per cent on the average,

^{1/} For a review of the preceding period, see "Recent Economic Developments in Austria: March-May 1964", June 12, 1964.

and rail and textile workers will also seek higher wages soon. Furthermore, labor market conditions have remained tight during the year.

As concern with inflation mounted in Austria, the government effected certain recommendations contained in the stabilization program submitted by the Advisory Council for Economic and Social Questions earlier this year. Action has been taken to:

1. Encourage imports by advancing the final stage in import liberalization under GATT from January 1, 1965 to October 1, 1964, and by reducing customs duties on about 90 groups of foodstuffs and consumer items;
2. Enlarge the supply of labor by liberalizing the quota system for immigrant workers; and
3. Eliminate inflationary pressures of government spending by planning a "neutral" budget for 1965--under which increased borrowing to cover a deficit on the ordinary budget will be matched by an approximately equal amount of debt retirement.

Monetary measures have been taken to absorb some of the liquidity created by the balance of payment surplus. Effective October 31:

1. Minimum reserve requirements on checking deposits were raised from 10 per cent to 11.5 per cent and on saving deposits from 8 per cent to 9.5 per cent for the larger Austrian banks; and
2. The existing credit ceiling (the maximum ratio of credit extended to selected liabilities) was reduced from 75 per

cent to 73 per cent at all institutions subject to the Credit Control Agreements.

In addition, in early September the large banks agreed not to repatriate Sch 1.7 billion (\$65.4) of their foreign assets for a period of six months.

Austria's relatively high balance of payments surplus was reduced somewhat in the first nine months of this year, due primarily to a larger trade deficit and greater credit extension to foreigners. But heavy spending by foreign tourists added \$46 million to official reserves in the June-September period, while the November sterling crisis produced an additional \$62 million. At the end of November official holdings totalled \$1,207 million as compared with \$1,143 million one year earlier.

Economic activity continues at high level

Rising aggregate demand continued to sustain Austrian business activity at a very high level during the period under review, although the pace of expansion was slightly slower than earlier in the year. Heavy inventory buying and capital investment expenditures--especially by producers of consumer goods--and greater foreign demand for goods and tourist services were the primary stimulants in the most recent phase of the expansion.

Industrial production in the third quarter was 7 per cent above the level reached during the comparable months of 1963--slightly less than the average 9 per cent year-to-year gain recorded during the first half of 1964. (See Table 1.) The output of capital goods continued to expand rapidly in the third quarter, and was up more than 10 per cent above

Table 1. Austria: Industrial Production^{1/}
(year-to-year percentage increases)

<u>Period</u>	<u>Industrial Groups</u>			
	<u>Total</u>	<u>Mining and Primary Materials</u>	<u>Capital Goods</u>	<u>Consumer Goods</u>
<u>1962</u>				
IV	+ 2.7	+ 2.2	- 0.6	+ 4.1
<u>1963</u>				
I	+ 1.6	+ 1.3	- 5.8	+ 6.1
II	+ 5.2	+ 2.1	+ 0.8	+10.5
III	+ 4.4	+ 4.8	0.0	+ 9.0
IV	+ 7.0	+ 9.4	+ 4.6	+ 8.2
<u>1964</u>				
I	+ 9.8	+19.4	+ 7.8	+ 8.0
II	+ 8.1	+14.9	+ 9.2	+ 4.9
III	+ 7.0	+ 4.6	+10.1	+ 5.3
April	+ 7.6	+13.6	+ 8.7	+ 4.3
May	+13.9	+26.7	+15.6	+ 9.8
June	+ 2.2	- 0.5	+ 2.8	+ 0.6
July	+10.0	+ 6.6	+11.7	+ 9.7
August	+ 6.0	+ 5.0	+ 9.7	+ 2.7
Sept.	+ 5.1	+ 2.2	+ 9.0	+ 3.4
Jan.-Sept. 1964	+ 7.9	+12.1	+ 8.9	+ 5.6
Jan.-Sept. 1963	+ 3.2	+ 2.8	- 1.6	+ 7.1

1/ Adjusted for working days.

Source: Oesterreichische Nationalbank, Mitteilungen.

July-September 1963. However, the output of primary materials moderated as mining production slackened from its unusually brisk January-June pace. The year-to-year increase in the production of consumer goods was only 5.3 per cent for the third quarter of 1964 compared to an average of 6.5 per cent for the first half of this year.

Austria's economy expanded at an especially rapid rate in the first half of the year. According to data recently released, real gross national product (GNP) rose by 6.5 per cent over January-June 1963, a rate of growth that gives a somewhat exaggerated image of the current upswing since it involves comparison with the unusually depressed economic activity due to severe weather in the winter of 1963. The rate of growth of GNP in the last half of 1964 is likely to be lower even though the business upswing has gained momentum as the year has progressed. It is now estimated that real GNP will increase by between 5.5 and 6.0 per cent for 1964 as a whole, as compared with increases of 4.4 in 1963 and 1.5 per cent in 1962.

Labor shortage more pronounced as productivity registers sharp growth

This fall unemployment increased very little above year-earlier levels, but through October the ratio of unemployed to the labor force remained at what is considered a structurally minimum rate--2 per cent--because of a small increase in the labor force. (Job openings continued very high, however. (See Table 2.)

The current build-up in Austrian economic activity has kept labor reserves very slim, and it continues to create severe manpower bottlenecks in certain areas--particularly in construction. The small

reduction in the unemployment ratio during the first ten months of the year gives some indication of the magnitude of pressures in the labor market. Vacancies per unemployed workers also jumped significantly during the period. (See Table 2.) In fact, domestic labor resources are strained to such an extent that the authorities have recently liberalized the foreign worker quotas, which accounted almost entirely for the increase this year in the Austrian labor force.

Austrian industry, however, has increased production this year in spite of the lack of workers. Industrial productivity increased 6.6 per cent during the first nine months of 1964 compared with 3.6 per cent and 1.6 per cent in the comparable periods of 1963 and 1962. (See Table 3.) The rise in output per worker was particularly pronounced in the iron and steel industry--11 per cent in the first half of the year as against a drop of 3 per cent in the comparable period of 1963. However, the potential for further improvements in industrial productivity has narrowed considerably in recent years. According to a periodic survey conducted by the Austrian Institute for Economic Research, the number of enterprises able to expand output without adding to their labor force has declined since the summer of 1963. At the end of July 1963, 74 per cent of the enterprises interviewed reported production could be increased without additional plant and labor. By July 1964, this percentage had dropped to 33 per cent.

Prices down seasonally but pressure for higher wages continues

Seasonal price reductions since mid-year have narrowed year-to-year price increases but they have not generated confidence in prospects

Table 2. Austria: Labor Market Data
(end-of-month figures)

	1963			1964			Monthly Averages	
	Aug.	Sept.	Oct.	Aug.	Sept.	Oct.	Jan.-Oct.	
Labor force (millions)	2.45	2.44	2.44	2.47	2.46	2.46	<u>1963</u> 2.42	<u>1964</u> 2.43
Employment (millions)	2.40	2.40	2.39	2.42	2.42	2.41	2.34	2.36
Unemployment (thousands)	49.2	42.5	48.3	49.0	42.6	49.3	78.1	72.6
Unemployment as per cent of labor force	2.0	1.7	2.0	2.0	1.7	2.0	3.2	3.0
Vacancies (thousands)	66.2	61.2	56.1	71.2	64.5	58.5	58.2	62.5
Vacancies as per cent of unemployed	135	144	116	145	141	119	74.5	86.1

Source: Oesterreichische Nationalbank, Mitteilungen.

Table 3. Austria: Industrial Production, Employment and Productivity
(percentage change from previous year or like period of previous year)

	1961	1962	1963	First nine months		
				1962	1963	1964
Production	+4.6	+2.3	+4.2	+2.9	+3.2	+7.9
Employment	+2.7	+1.1	-1.4	+1.3	-0.4	+1.3
Productivity	+1.9	+1.3	+5.2	+1.6	+3.6	+6.6

Source: Monatsberichte des Oesterreichische Institutes Fuer Wirtschaftsforschung and Oesterreichische Nationalbank, Mitteilungen.

for any longer-term let-up in upward price pressures. Since July the consumer price index published by the Austrian Institute for Economic Research has fallen 2 per cent, reducing the differential over year-ago figures from 5.4 per cent in July to 4.3 per cent in October. (See Table 4.) This movement was due primarily to the sharp weakening in late summer and fall of certain food prices, such as fruit and potatoes, which offset the price increase of most other items. Although wholesale prices have also recently moved lower, the fall was moderated by increases in the prices of major foods and raw materials. As a result, the year-to-year jump in wholesale prices is greater than that for consumer prices.

The impact of upward price pressures, especially as reflected in sharply rising food prices, is making it more and more likely that wages will begin to move up after remaining relatively stable for 1-1/2 years. Because basic food products in Austria are subject to strict import and marketing controls any increase in food prices immediately becomes a political issue. Thus, the rise of 25 per cent in meat prices over the past year has been used to dramatize the current situation, with demonstrations and short-warning strikes serving to mobilize public opinion against governmental pricing and supply policies and in support of wage increases.

So far, no major wage rate increases have been put into effect although 200,000 building and construction workers will be given minimum wage increases of about 14 per cent on January 1. About 20 new wage claims are currently pending before the Wage-Price Commission, the most important of which is a petition for higher wages from 250,000 workers in the distributive trades. Railroad and textile workers, two other important groups, will also reportedly seek higher wages soon.

Table 4. Austria: Selected Wages and Price Indices
(1958 = 100, month or monthly averages)

<u>Date</u>	<u>Consumer Prices</u>	<u>Wholesale Prices</u>	<u>Net Wage Rates</u> ^{1/}
1962 Year	111.4	109.7	125.5
1963 Year	114.4	107.9	132.9
I	113.0	106.9	127.3
II	115.2	109.4	130.4
III	114.3	105.6	134.1
IV	114.9	109.5	139.3
1964 I	117.0	111.4	139.1
II	119.7	113.3	139.1
III	119.9	115.0	139.1
March	117.0	111.8	139.1
June	120.7	117.3	139.1
July	121.3	115.1	139.1
August	119.2	115.6	139.1
Sept.	119.1	113.4	139.1
Oct.	118.8	115.6	139.1

^{1/} Male workers, industry and handicraft in Viennese region only.

Source: Oesterreichische Nationalbank, Mitteilungen.

Increased bank liquidity prompts restrictive credit measures

Although the tempo of business activity produced a constantly rising demand for new credit, heavy foreign currency receipts from tourist spending and borrowing abroad sharply increased the liquidity of the Austrian credit system in the second and third quarters. (See Table 5.) By the end of October bank cash reserves were 20 per cent higher than at the end of March, and cash liquidity had climbed to 11.4 per cent of total deposits, compared with 8.2 per cent during the 1959-60 boom. Total deposits with financial institutions were up Sch 6.5 billion from the end of the first quarter and at the close of October stood 16 per cent above year-earlier levels. Savings account deposits grew more rapidly than usual, reflecting in part the relative slow-down in consumer spending.

Credit institutions used the major part of the accruing funds to increase their lending--mainly in the form of current account advances. Between April and October new credit outstanding increased on the average by almost Sch 1 billion a month; the Sch 3.63 billion increase in the July-October period was more than double that of the same period last year. Banks also placed substantial amounts of funds abroad and in so doing kept the increase in cash liquidity at half last year's level. Net foreign assets of the credit system rose Sch 2.02 billion from the end of March to Sch 3.22 billion in October to reach their highest level since the liberalization of payments in late 1963 opened up foreign investing possibilities to the banks.

Despite a decrease in outstanding discountable Federal Government Treasury Bills, short-term funds potentially available to the banking system also rose during the period under review. The pick-up in export

Table 5. Austria: Selected Monetary Statistics
(billion Austrian schillings)

<u>End of Period</u>	<u>Cash Reserves of Credit Insts <u>1/</u></u>	<u>Note and Coin Circulation <u>2/</u></u>	<u>Net fgn. Assets of Credit Insts <u>3/</u></u>	<u>Net Official Gold & Fgn Exch Holdings <u>4/</u></u>	<u>Total Deposits of Nonbanks</u>	<u>Commercial Credit Out-standing</u>
<u>1963</u>						
June	9.45	25.12	-.79	27.87	72.93	63.90
July	10.82	25.73	-.58	29.47	74.53	64.66
August	11.37	26.00	-.08	30.35	75.47	64.86
Sept.	12.40	25.29	.72	30.54	76.50	64.93
Oct.	11.64	25.30	.92	29.96	76.64	65.30
<u>1964 I</u>						
June	10.56	25.04	1.20	29.82	81.92	69.00
July	11.83	26.76	1.51	30.03	83.41	71.95
August	11.76	28.10	2.27	30.83	84.67	73.54
Sept.	13.01	27.95	3.00	31.36	86.94	74.11
Oct.	13.23	27.12	3.38	30.99	88.41	74.79
Oct.	12.60	27.31	3.22	30.51	88.34	75.58

- 1/ Cash in schillings plus deposits with the Austrian Nationalbank and the Postal Savings Bank.
- 2/ Banknotes and coins outside Austrian Nationalbank.
- 3/ Credit institutions' holdings of liquid foreign assets minus liquid foreign claims against them.
- 4/ Austrian Nationalbank holdings of gold, foreign exchange and foreign notes less liabilities to foreign credit institutions.

Source: Oesterreichische Nationalbank, Mitteilungen.

activity produced larger holdings of commercial bills--exclusive of those guaranteed under the various export promotion schemes--eligible for discount at the central bank. In addition, other assets eligible as collateral for National Bank advances were up because ineligible 3-month Treasury Bills were funded into Treasury Certificates, which now run for three years and are accepted as collateral by the central bank. Larger foreign exchange assets also contributed to greater potential liquidity.

In order to reduce liquidity in the banking system and restrain credit expansion, in line with other stabilization efforts, effective October 31 the Austrian National Bank:

1. Raised minimum reserve ratios by one and one-half percentage points to 11.5 per cent for checking accounts and to 9.5 per cent for savings accounts, at institutions with deposits exceeding Sch 10 million. For smaller institutions a flat 7.5 per cent rate is now applicable. These higher reserve requirements sterilized about Sch 1.2 billion in reserves.
2. Reduced the existing credit ceiling (the ratio of loans to selected liabilities) from 75 to 73 per cent for all institutions subject to the Credit Control Agreements.
3. Concluded agreements in early September, under which a number of large banks agreed not to repatriate Sch 1.7 billion of their foreign assets for six months. The National Bank took responsibility for the exchange risk involved.

In addition, the National Bank's board has strongly urged public bodies and economic entities under government control to refrain from

foreign borrowing and to meet their financing requirements from the domestic market.

To complement these efforts, several other proposals that will absorb funds from Austrian financial markets are being developed. The finance ministry will soon begin converting part of the government's foreign debt into domestic debt; initially a Sch 125 million Swiss credit will be repaid and replaced with local funds. Under a law now in draft form, much of the government's debt to the central bank, currently Sch 4.7 billion, will be funded and transformed into open market paper. This will permit open market operations, a policy device heretofore not available to the monetary authorities. Finally, the finance ministry will pursue more strongly its efforts to reform the Austrian capital market and to adjust local money rates to the lower European levels in order to discourage the current high level of borrowing abroad.

New issue activity rises

According to recent estimates, over Sch 5 billion in new funds will have been raised in the long-term market by the end of the year, 40 per cent greater than the Sch 3.6 billion raised in 1963. Because more than two-thirds of this year's federal government borrowing, which is up more than Sch 1 billion over 1963, was completed early in the year, new borrowings in the last six-months will be about Sch 1.7 billion, slightly more than half the Sch 3.3 billion issued during the January-June period.

New bonds continue to carry the lower 6 per cent coupons, as established in the market last spring, but the yields to maturity are

substantially greater. For example, the October Federal Loan was issued to yield 6.34 per cent, while a recent Sch 100 million power company bond yielded 6.28 per cent to maturity. The lower rate, however, has induced the nationalized Austrian Electric Power Company to redeem prematurely a Sch 200 million loan which it floated in 1957 at 7 per cent, using part of the proceeds of a new Sch 300 million 6 per cent bond flotation.

Although recent official announcements have discouraged foreign borrowing by local governments, in late September the Municipality of Vienna obtained a DM 24 million ten-year credit from the Deutsche Bank, the largest German commercial bank, for financing public utility expansions.

Optimism created by brisk business activity and fears of continued inflation carried over into the Vienna securities market in September and pushed stock prices above the year's previous high. Turnover was up over 2-1/2 times over the August level, and the Austrian National Bank's industrial share index rose from a July low of 199 (1958 = 100) to 214 in September. Quotations have since risen slightly.

1965 budget reinforces stabilization effort

Although Austrian Finance Minister Schmitz admitted in his recent budget speech that a budget which would exert a dampening effect on wage-price pressures would be more appropriate under current cyclical conditions, heavy demands on federal resources have caused the government to adopt what is being labeled an "economically neutral" budget for 1965, under which the new borrowing necessitated by the Sch 3 billion deficit will be equally offset by the redemption of outstanding debt. Central government expenditures on both ordinary and extraordinary accounts are

planned to increase Sch 6.7 billion (\$257.7 million) over 1964 budget estimates, but the larger planned increase in revenues of Sch 7.6 billion (\$292.3 million) will produce a budget deficit almost Sch 900 million (\$34.6 million) below that of 1964. Total estimated expenditures in the 1965 budget are Sch 66.8 billion (\$2.57 billion) and revenues Sch 63.8 billion (\$2.45 billion), yielding a deficit of about Sch 3.0 billion (\$115.4 million).

Balance of payments surplus declines

Austria's relatively high balance of payments surplus, which is primarily responsible for the current high level of liquidity, was almost \$50 million lower in the second and third quarters combined than in the same period last year. Higher payments abroad on trade and capital accounts were primarily responsible for the reduction of the surplus in these quarters to \$141 million from \$189 million last year. For the first nine months of the year, the surplus was \$164 million, compared with \$197 million in January-September 1963. (See Table 6.)

Higher tourist income, which climbed to record levels during the past season, more than compensated for rising merchandise payments, and actually pushed the surplus on goods and services in the second and third quarters to \$96 million--\$8 million above the figure for this six-month period in 1963. Net receipts from travel account were up 22 per cent from April-September levels of 1963 as Austrian summer resorts were virtually inundated by foreign vacationers. This was one of the sharpest increases in net tourist receipts ever experienced by the country, and it raised the travel receipt cover of the trade deficit from 114 per

Table 6. Austria: Balance of Payments, 1963-64
(in millions of U.S. dollars)

	1963				1964	
	Year	I	II-III	IV	I	II-III
Goods and Services						
Exports	1,334.8	300.8	671.7	362.3	324.9	724.9
Imports	1,675.6	404.0	830.7	440.9	433.9	916.8
Trade Balance	-340.8	-103.2	-159.0	-78.6	-109.0	-191.9
Travel Balance	313.7	52.9	226.3	34.5	67.2	272.0
Other Services						
Balance	<u>32.8</u>	<u>8.6</u>	<u>21.3</u>	<u>2.9</u>	<u>15.8</u>	<u>16.3</u>
Total Goods and Services Balance	<u>+5.7</u>	<u>-41.7</u>	<u>88.6</u>	<u>-41.2</u>	<u>-26.0</u>	<u>96.4</u>
Unilateral payments (net)	<u>11.8</u>	<u>2.5</u>	<u>7.3</u>	<u>2.0</u>	<u>6.1</u>	<u>31.8</u>
Capital Transactions						
Receipts	284.1	57.3	167.6	59.2	78.1	143.5
Payments	155.0	38.8	68.2	48.0	45.2	111.2
Balance	<u>129.1</u>	<u>18.5</u>	<u>99.4</u>	<u>11.2</u>	<u>32.9</u>	<u>32.3</u>
Errors and Omissions	<u>22.2</u>	<u>28.4</u>	<u>-6.3</u>	<u>0.1</u>	<u>9.8</u>	<u>-19.4</u>
Surplus (+) or Deficit (-)	<u>168.8</u>	<u>7.6</u>	<u>189.0</u>	<u>-27.9</u>	<u>22.8</u>	<u>141.1</u>
Financed by:						
Drawing rights on IMF (increase -)	-11.0	--	--	-11.0	-10.0	-5.0
Miscellaneous Capital (net) 1/	-20.8	-17.8	-51.0	48.1	-41.8	-85.1
Austrian National Bank (increase -)						
Foreign exchange	-54.3	40.3	-117.8	23.2	62.0	-28.0
Gold	-82.7	-30.1	-20.2	-32.4	-33.0	-23.0
Total	<u>-168.8</u>	<u>-7.6</u>	<u>189.0</u>	<u>+27.9</u>	<u>-22.8</u>	<u>-141.1</u>

1/ Includes sums in the process of clearing plus foreign exchange assets of Austrian credit institutions minus freely useable schilling assets of foreigners.

2/ Preliminary.

Source: Oesterrichische Nationalbank, Mitteilungen; IMF, International Financial Statistics.

cent for the first three quarters of 1963 to 121 per cent for the same period of 1964, even though the trade deficit was larger. (See Table 6.)

Austria's capital account balance, which has been a very large positive item in its payments surplus for several years, actually turned negative in the third quarter. Taking the second and third quarters together, however, there was a \$32 million inflow on capital account, but this was sharply down from \$99 million in 1963. (See Table 6.) For the first time totals in the capital accounts are actually reflecting the structural changes that have been taking place within the accounts over the past nine months. The principle reasons for the decrease in the capital inflow are the build-up of foreign exchange investments on the part of the banking system, the high number of export promotion credits granted, and the frequent use by Eastern bloc countries of the interim loan facilities available to them.

A larger proportion than usual of Austria's overall balance of payments surplus of \$141 million in the second and third quarters was reflected in changes in the foreign exchange assets of the banking system. Increased foreign exchange assets of the commercial banks accounted for \$81 million, or 60 per cent of the surplus, as compared with 27 per cent in the same period of 1963 and 12 per cent for 1963 as a whole. Until recently Austria was receiving more credit from abroad than it was giving and, although borrowing from abroad is still large, Austria has now begun to extend more credits to foreigners. Capital payments grew by \$11.2 million in the second and third quarters of 1964, compared with an increase of \$68.2 million in the same period one year ago.

Exports revive but imports continue at high levels

Exports, which have been lagging behind other factors in the current Austrian upswing, showed renewed life in the third quarter but the trade deficit narrowed only slightly because imports continued at high levels. (See Table 7.) In the third quarter seasonally adjusted exports were almost 14 per cent above July-September levels in 1963, compared with a year-to-year increase of 7 per cent in the first six months. Chemical products and semi-finished and finished goods were the leading export items. Imports in the third quarter were also 14 per cent above comparable 1963 levels, accounting for the relatively unchanged trade deficit in this three-month period. Larger imports were stimulated by renewed inventory build-up and capital investment, inducing foreign purchases of finished and semi-finished items and machinery and equipment.

During the first three quarters, export trade has been much less stimulative than in earlier phases of expansion. In the January-September period, exports increased only 9 per cent over 1963, compared with a 10 per cent rise in imports, resulting in a 15 per cent higher trade deficit. The main reason for the relatively more laggard export performance is the shift in emphasis from basic materials to manufactured products. In earlier expansionary periods increased export volume was accompanied by rising market prices for basic materials which resulted in a considerable increase in earnings for exporting industries. However, manufactured goods, currently the fastest rising component of export trade, are not favored by similar price trends.

Table 7. Austria: Foreign Trade
(seasonally adjusted, in millions
of U.S. dollars, month or monthly average)

	1963				1964							
	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>I</u>	<u>II</u>	<u>III</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sept.</u>	<u>Oct.</u>
Imports, c.i.f.	135	141	140	141	145	155	159	163	152	155	a/170	a/159
Exports, f.o.b.	106	110	111	115	115	116	126	119	118	131	a/130	a/128
Balance	-29	-31	-29	-26	-30	-39	-33	-44	-34	-24	a/-40	a/-31

a/ Preliminary figures.

Source: OECD, Main Economic Indicators.

Table 8. Austria: Official Gold and Foreign Exchange Reserves
(end of month, million U.S. dollars)

	1963	1964							
	<u>Dec.</u>	<u>Jan.</u>	<u>Mar.</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>
Gold	536	542	563	586	587	587	587	587	587
Foreign Exchange	655	604	593	576	608	630	621	604	620
Total	1,191	1,146	1,156	1,162	1,195	1,217	1,208	1,191	1,207
Change	+136 (for yr.)	-45	+10	+8	+33	+22	-9	-17	+16
Gold as % of Reserves	45	47	49	50	49	48	49	49	49
Exchange rate (Par value: U.S. 3.846¢/schilling)	3.869	3.870	3.868	3.869	3.871	3.872	3.871	3.870	3.869

Source: Oesterreichische Nationalbank, Wochenausweise.

In order to encourage export expansion and give Austrian firms the same export credit aid as available under current international practice, the government inaugurated an extensively reformed export promotion scheme in late September. The new regulations:

- (1) Extend the government guarantee program to re-exports of foreign products obtained in payment for prior shipments of Austrian goods.
- (2) Extend the guarantee program to foreign activities of Austrian firms abroad not entailing the actual export of Austrian commodities; and
- (3) Increase the ceiling on export risk guarantees the government is allowed to assume from Sch 2 billion to Sch 3 billion. This is in addition to the Sch 1.5 billion ceiling on trade bills which the government is allowed to guarantee.

In line with recent stabilization efforts, the final stage of import liberalization was stepped up from January 1, 1965 to October 1, 1964, and custom duties on about 90 groups of agricultural and industrial items were reduced by between 15 and 20 per cent on the average. All imports from GATT countries (except Cuba, Czechoslovakia and Japan) are free of quantitative restrictions except several classes of "hard core" items which will remain limited for some time in order to protect domestic production. Similar liberalization for a wider range of agricultural items is currently under negotiation.

Official reserves up due to sterling crisis

From the end of September until the sterling crisis in late November, the Austrian National Bank's holdings of gold and foreign exchange declined seasonally under the influence of the customary fourth quarter balance of payments deficit. (See Table 8.) Holdings had risen during the spring and summer by \$52 million due to a heavy tourist demand for Austrian schillings but by the third week of November had fallen \$63 million below the September 30 level. During the final week of November, however, foreign exchange holdings jumped \$62 million--probably reflecting the sterling crisis--erasing almost all the previous decline.