

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Division of International Finance

REVIEW OF FOREIGN DEVELOPMENTS

December 2, 1966

Carl H. Stem

20 pages

Recent Economic Developments in Austria:
December 1965 - November 1966

This paper reflects the personal opinion of the author and must not be interpreted as representing the opinion of the Board of Governors. It was prepared primarily for internal circulation within the Federal Reserve System, and must not be cited, quoted, or reprinted without permission.

Recent Economic Developments in Austria,
December 1965-November 1966

Summary

The Austrian economy continued to operate at a high level during 1966, but its rate of expansion slowed down during the year.^{1/} Seasonally-adjusted industrial production grew very little after the first quarter. (See Table.) Real GNP advanced at an annual rate of 6 per cent in the January-March period but fell to 4.5 per cent in the second and 3 per cent in the third quarters. For the year as a whole, GNP is expected to rise between 4 per cent and 5 per cent, and a 4 per cent growth rate is predicted for 1967.

Overall domestic demand--especially consumption--has remained strong throughout most of the year, but imports have been getting an increasing share of domestic sales. Export demand has given the economy little thrust. (See Table.) These factors combined to produce only a limited expansion of overall industrial output and very disappointing performance in some industrial sectors, especially in the investment goods industries.

Government investment, which has been more expansionary this past year than private investment, is being designed to strengthen demand for domestic investment goods and to encourage a pick-up in sagging private

^{1/} For an earlier review of economic developments in Austria, see "Recent Economic Developments in Austria, June-November 1965," dated December 3, 1965.

Austria: Selected Economic Indicators

	1965		1966		
	<u>III</u>	<u>IV</u>	<u>I</u>	<u>II</u>	<u>III</u>
Industrial Production (Seasonally adjusted; 1960=100)	125.8	125.4	127.7	128.7	127.9 ^{1/}
Consumer Prices ^{2/} (1960=100)	123	122	122	124	124
Wholesale Prices ^{3/} (1960=100)	118	118	116	117	116
Hourly Wage Rates ^{4/} (1960=100)	141	141	141	141	150
Foreign Trade: (Seasonally adjusted; mill. \$)					
Imports, c.i.f.	179	189	192	198	194 ^{1/}
Exports, f.o.b.	<u>138</u>	<u>138</u>	<u>138</u>	<u>138</u>	<u>142^{1/}</u>
	- 41	- 51	- 54	- 60	- 52
Official Reserves: (End of period; mill. \$)					
Gold	700	700	700	700	701
Foreign exchange	<u>567</u>	<u>539</u>	<u>453</u>	<u>474</u>	<u>524</u>
Total	1,267	1,239	1,153	1,174	1,225

^{1/} July-August average.

^{2/} Urban worker's family expenditure pattern.

^{3/} Crude food and raw materials.

^{4/} Vienna region minimum industrial rates net of tax and social insurance and excluding family allowances.

investment. The proposed Federal budget for 1967, which increases overall government expenditures roughly 11 per cent, plans a 30 per cent increase in investment expenditures. These demands will be concentrated in the light and heavy electrical equipment industries and transport equipment.

Price increases have been moderate so far this year because of generally falling food prices--the consumer price index has risen only 1.6 per cent, compared with 6 per cent in the first nine months of 1965. Wage rates, on the other hand, have risen swiftly, aggravated by extremely tight labor market conditions, and a new nation-wide round of wage increases seems to be getting under way. (See Table.) Higher wages, sharply reduced food subsidies and higher utility and service fees proposed in the 1967 budget are expected to put renewed pressures on the cost of living.

Because of a sharply deteriorating trade balance, Austria's balance of payments deficit was \$60 million in the first half of 1966, compared with a slight surplus in the year-earlier period. This international payments drain has been a major factor behind tightening conditions in Austrian credit markets. Credit expansion has slowed from the 1965 pace as has the increase in money supply and overall deposit growth. In order to offset the squeeze on their resources, banks and other credit institutions sharply increased their borrowings at the Austrian National Bank and from foreign banks. The National Bank, on the other hand, has continued its tight monetary policy in view of the current upward trend in prices and wages. In June, it raised the rate it charges on advances against collateral in order to discourage further borrowing. However, in order to avoid a

year-end liquidity squeeze, the National Bank did reduce minimum reserve requirements for all institutions by 2 percentage points for November and December only.

Official reserves have reflected very modestly the large foreign payments deficit this year. At the end of October, holdings of gold and foreign exchange totaled \$1,211, only slightly below the December 1965 level. (See Table.) During the year, gold holdings increased only \$1 million to \$701 million and are not expected to increase further as long as the balance of payments is in deficit.

Economic activity at high level but growth rate slows

Overall economic activity in Austria continued at a high level during the first nine months of 1966. After business registered a brief period of intenser activity in the early spring, however, economic expansion lost momentum. Real economic growth spurted to an annual rate of 6 per cent in the first quarter but fell to 4.5 per cent in the second and 3 per cent in the third quarter. For the year as a whole, real GNP is expected to grow between 4 per cent and 5 per cent, significantly up from the 3 per cent increase in 1965. But the 1965 figure was held down by the heavy damage to agricultural harvests and the extensive slow-down in industrial output caused by severe flooding in the spring and summer of 1965.

The pace of growth of domestic demand does not appear to have slackened during the course of the year; but, since imports are taking an increasing share of domestic sales, industrial output has not felt the full stimulus of this demand. In addition, export sales have shown very

little growth. As a result, the rate of growth of overall industrial production has been reduced and the performance in some industrial sectors has been disappointing, with a growing margin of unutilized capacity. The output of intermediate manufactures and semi-finished goods--important items among Austrian exports--is showing a very laggard growth rate, and the production of investment goods has actually decreased since the spring. (See Table 1.)

Output in mining, oil and most basic metals industries has developed at a very slow pace since earlier in the year, indicative of lagging export demand. On the other hand, output of chemicals, paper and wood products, and processed foods has grown unusually rapidly, pointing up the divergent trends existent in the Austrian economy.

Private consumption continues the uptrend which got underway in early spring, stimulated by rising real income. Seasonally-adjusted retail sales increased roughly 6 per cent between December 1965 and May 1966 (the latest month for which data are available). Demand was particularly strong for durable consumer goods, especially household furnishings, and clothing.

Private investment expenditures are a less expansionary demand element than consumption; however, government expenditures continue to add to investment activity. The proposed 1967 Federal budget, which plans an increase in overall government expenditures of roughly 11 per cent, includes increased appropriations for over-due structural reorganization in certain industrial sectors: in light and heavy electrical industries,

Table 1. Austria: Industrial Production
(1960=100; seasonally adjusted)

<u>Period</u>	<u>Total</u>	<u>Final Manufactures</u>		<u>Intermediate Manufactures</u>
		<u>Consumer goods</u>	<u>Investment goods</u>	
<u>1964</u>	120.2	123.5	111.8	109.6
<u>1965</u>	124.7	129.2	115.0	107.8
III	125.8	129.3	116.0	108.4
IV	125.4	129.3	114.8	108.1
<u>1966</u>				
I	127.7	130.3	118.8	108.2
II	128.7	134.2	117.8	106.5
July	131.2	140.0	113.6	113.7
August	124.6	125.6	113.3	111.0

Source: OECD, Main Economic Indicators.

in the railroad carrier industry and in the construction of roads and bridges. Because these sectors have considerable unutilized capacity available, these expenditures should have only minimal inflationary effects and yet will give an added impetus to industrial activity.

Labor market conditions continue acutely tight

The labor market in Austria became increasingly tighter during 1966 even though the business advance tended to level out. The unemployment ratio in the third quarter was 1.6 per cent, slightly below the second quarter's 1.9 per cent; for the January-September period, the 1966 average was significantly below that for 1965. (See Table 2.) The large number

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

	1965		1966		Monthly Averages	
	II	III	II	III	Jan. -- Sept.	
					1965	1966
Labor force (millions)	2.44	2.48	2.45	2.47	2.45	2.45
Employment (millions)	2.39	2.43	2.40	2.43	2.38	2.39
Unemployment (thousands)	52.9	50.7	47.3	39.2	74.3	63.7
Unemployment as per cent of labor force	2.2	2.1	1.9	1.6	3.00	2.60
Vacancies (thousands)	75.5	77.4	78.1	77.7	69.1	73.1
Vacancies as per cent of unemployed	143	153	165	198	93.0	114.8

Source: Oesterreichische Nationalbank, Mitteilungen.

of registered job vacancies attests to the high level of current business activity and the increasing demand for labor. In the third quarter, when the demand for labor usually hits a seasonal peak, registered job vacancies were almost double the number of unemployed in the country.

The size of the labor force has held virtually steady this year. In fact, in the third quarter, the number of registered employed was actually below the same quarter last year. This was in large part attributable to the introduction of the ninth year of compulsory schooling and the sharp cutback in the inflow of new apprentices to the labor market.

This summer, only 6,000 apprentices registered as jobseekers, compared with up to 36,000 in the past few summers.

Although the foreign labor contingent in Austria is quite small--roughly two per cent of the labor force--an increased number of foreign workers was admitted this year. The foreign worker quota was enlarged to 65,000 for 1966, up nearly 30 per cent from 1965, but tight labor markets abroad prevented hiring the full quota. However, in September roughly 75 per cent of the quota was filled and the total of foreign workers in Austria was up over 50 per cent from September 1965.

Price increases moderate while wage rates rise sharply

Overall consumer prices have risen only moderately so far in 1966, but increases are expected to accelerate in the winter if price changes currently before the Price-Wage Commission are allowed to take effect. Between December 1965 and September (1966), the consumer price index published by the Austrian Institute for Economic Research rose only 1.6 per cent, compared with roughly 6 per cent in the same period last year. (See Table 3.) Better harvests have been reflected in generally decreasing food prices since April; this easing, however, has been more than offset by rises in non-food prices. Between December 1965 and this September, the non-food component of the retail price index rose over 4 per cent.

The whole range of retail prices is expected to come under intensified pressure this winter. First, sharp wage increases for bakery and dairy workers and over 270,000 employees of the retail trades are expected to result in higher prices. Second, the drastic reduction in milk and bread subsidies proposed in the 1967 Federal Budget will lead

Table 3. Austria: Selected Wages and Price Indices
(1960=100, month or monthly average)

<u>Date</u>	<u>Consumer Prices^{1/}</u>			<u>Wholesale Prices^{2/}</u>	<u>Hourly Wage Rates^{3/}</u>
	<u>Total</u>	<u>Non-food</u>	<u>Food</u>		
1963 Year	111	110	112	106	117.9
1964 Year	115	114	116	112	123.9
1965 Year	121	117	124	116	137.0
IV	122	118	125	118	141.2
1966 I	122	119	125	116	141.1
II	124	120	128	117	141.1
July	124	121	128	116	146.1
August	123	122	125	116	150.8
September	124	123	124	117	151.3

1/ Urban worker's family expenditure pattern.

2/ Crude food and raw materials.

3/ Vienna region minimum industrial rates net of tax and social insurance and excluding family allowances.

Source: OECD, Main Economic Indicators.

to increased prices for dairy and bakery products; it is estimated that the price of milk will be increased roughly 30 per cent by the withdrawal of the subsidy. Lastly, postal and telephone fees are to be raised up to 30 per cent in connection with rate changes proposed in the new budget, and municipal transport rates in Vienna are to be increased 66 per cent. These and other pending increases in communal fees are expected to end the current relative "stability" of the consumer price index.

Wholesale prices have remained virtually unchanged from their fourth quarter (1965) levels. This has been mainly due to falling prices in international commodity markets and to much better 1966 harvests in Austria.

Wage rates, on the other hand, have risen swiftly so far this year, and a new round of wage demands seems to be getting under way. Minimum hourly wage rates in the Vienna region rose 7 per cent between December 1965 and September this year. (See Table 3.) Workers in the bakery industry and related trades were conceded a 12 per cent raise, and the Price-Wage Commission has recently given the green light to negotiations in a whole host of industries, including leather and shoes, laundry and cleaning, woodworking and clothing. Labor experts fear that recent demands of white and blue collar workers in commerce, usually raised before the Christmas season during the past few years, may mark the beginning of a new round of nation-wide wage increases even before the current one has run its course. Postal workers, granted a raise only last year, announced new wage demands a few weeks ago, and the demands of some groups now under consideration may well be increased in the course of negotiation.

Such sharp wage increases are particularly dangerous for the competitiveness of Austrian industry--both at home and abroad--in light of current low productivity gains. Industrial productivity, hampered by last year's flood disasters, rose only 3.8 per cent in 1965 and is not expected to rise more than 3.5 per cent this year because of the slowing pace of industrial expansion. This is sharply lower than some of the wage increases

being granted, which range upward to 12 per cent, and means that considerable price effects may develop from current wage increases.

Federal budget: government investment spending raised 30 per cent

The Federal government's budget for 1967 is intended to stimulate economic growth in three ways: 1) through greater public investment and more rational employment of investment resources, 2) through increasing public consumption, and 3) through so-called "growth legislation" to encourage both investment by private and state-owned companies and long-term savings. Projected expenditures of an investment nature total Sch 9.7 billion or roughly 30 per cent more than in 1966. Major expenditures are planned for postal and telephone services, railways and roads, and residential construction.

Total expenditures--both investment and ordinary--will rise by 11 per cent while overall revenues will increase only 10 per cent. The resulting overall deficit of Sch 3.6 billion will be financed entirely through foreign bond issues; flotations on the domestic capital market will be designed to take care only of redemptions. Thus, the budget will have no direct effect on domestic credit availabilities although the foreign capital inflow may add to the money supply.

The 1967 budget has been worked out on the basis of long-range financial considerations. The selective spending proposed in vital areas is designed to provide the Austrian economy with an added stimulus to demand to maintain economic growth at 4 per cent

a year with only minimum inflationary impetus. Because increased utility and transport rates and reduced agricultural subsidies are expected to contribute significantly to higher wage demands, however, the government will be hard-put to minimize this inflationary impact of the budget.

Credit expansion moderates as financial liquidity tightens

In spite of strong demand for new loans, increasingly tighter financial conditions in Austria, resulting mainly from an enlarged balance of payments deficit, have slowed the tempo of credit expansion and are exerting a restraining effect on economic expansion. In the first nine months of 1966, new loans granted by banks and other credit institutions rose slightly over 11 per cent, compared with 13 per cent in the same period of 1965. (See Table 4.) Commercial banks and provincial mortgage banks have granted a considerably lower volume of new credits so far this year than in 1965, but savings banks and agricultural and industrial credit cooperatives have expanded their loans much more rapidly, primarily in response to the demand for building credit.

Deposit growth--as well as money supply--has also slowed from last year's pace in response to the lower rate of credit extension and the international payments drain. The volume of new non-bank deposits increased only Sch 8 billion between the end of 1965 and September 1966, compared with a Sch 10 billion increase in the same period of 1965. (See Table 4.)

Table 4. Austria: Selected Monetary Statistics
(billions Austrian schillings)

<u>End of period</u>	<u>Money supply</u> ^{1/}	<u>Total deposits of non-bank</u>	<u>Cash reserves of credit insts.</u> ^{2/}	<u>Net fgn. assets of credit insts.</u> ^{3/}	<u>Net official gold & fgn. exch. holdings</u> ^{4/}	<u>Loans out-standing</u>
<u>1965</u>						
I	47.5	94.24	11.49	1.31	30.48	81.58
II	50.2	96.18	10.82	.90	30.94	85.57
III	52.1	100.34	10.82	1.57	32.42	88.26
IV	51.9	103.17	11.37	-1.45	31.64	93.18
<u>1966</u>						
I	51.9	106.89	10.40	- .81	29.50	96.95
II	54.5	108.59	10.60	-1.85	30.13	101.04
July	55.6	109.58	12.04	-2.11	31.97	102.30
August	55.2	110.69	11.61	-1.05	31.52	102.43
September	55.4	111.03	12.38	-1.22	31.45	103.92

1/ Notes and currency outside banks, commercial bank sight liabilities (excluding interbank deposits), and minor liabilities of the Austrian National Bank to the private sector.

2/ Cash plus deposits with the Austrian National Bank.

3/ Credit institutions' holdings of liquid foreign assets minus liquid foreign claims against them.

4/ Austrian National Bank holdings of gold, foreign exchange and foreign notes less liabilities to foreign credit institutions.

Source: Oesterreichische National Bank, Mitteilungen.

Cash reserves of the credit institutions clearly reflect the severe liquidity pressures that the Austrian financial system has been under this year; in the first six months the credit system's cash and balances at the National Bank were down roughly Sch 800 million. Although they were increased temporarily in the third quarter by the inflow of foreign tourist receipts, cash reserves are expected to continue under pressure from the balance of payments deficit.

In order to offset tightening liquidity, banks and other credit institutions sharply increased their borrowings both at the Austrian National Bank and from foreign banks. At mid-October, the central bank's advances against collateral and rediscounts totaled Sch 3 billion, or five times more than in mid-October 1965. At the same time liabilities to foreign banks had climbed to Sch 7.4 billion from Sch 4.4 billion a year earlier, and the banks' combined foreign position at the end of September was a net liability position of Sch 1.22 billion, compared to a net asset position of Sch 1.57 billion a year earlier.

In view of the current upward trend in wages and prices the Austrian National Bank has continued its policy of monetary tightness and has acted to moderate the effects of the balance of payments deficit only at times of severe pressure on the financial system. In June (1966) the central bank raised the rate which it charges for loans against collateral by 1/2 per cent in an effort to discourage borrowings and encourage commercial banks to use funds accruing to them from the summer tourist inflow to reduce outstanding borrowings. Also, in August (1966) the central bank redeemed Sch 1 billion of money-market Treasury bills and encouraged the banks to

use the funds so made available to them to reduce their advances from it. However, in order to avoid a year-end liquidity squeeze and offset in part the foreign payments drain expected during the last two months of the year, the Austrian National Bank reduced minimum reserve requirements for the entire banking system by 2 percentage points for November and December only.

In addition to liquidity conditions, credit ceilings administered under the credit control agreements have also acted to restrain credit expansion in 1966. All credit institutions have been operating this year much closer to their credit ceilings than previously, and certain groups of institutions have been consistently over their ceilings for much of the year. In May and June, credit in excess of the ceilings increased sharply; to forestall the need for a disturbing sharp reduction, the central bank raised the percentages fixed for calculation of the credit ceilings by 5 points for central savings bank institutions and by 2 points for all other credit institutions.

Stringent monetary conditions have also carried over into the capital market where the volume of new issues so far this year is off 23 per cent from last year. With the autumn issue program fairly complete, the total volume of new issues this year may be a little over Sch 4 billion, compared with Sch 5.4 billion last year. Although a 6 per cent nominal rate for long-term issues has been maintained in the fall offerings, actual yields to maturity have risen. For example, the Federal Government's Sch 700 million 15-year bond issue in October was sold at 96 per cent to give a yield to maturity of 6.42 per cent. Conditions in the bond

market are expected to be marked by uncertainty during the winter, given the expected continuation of stringent credit conditions.

Balance of payments in large deficit

The Austrian balance of payments showed a deficit^{1/} of \$60 million in the first half of this year (the latest period for which data are available), continuing a tendency which has been underway since the third quarter of 1965. This compares with a slight surplus in the first half of 1965 and a deficit of \$82 million in the latter half of the year. (See Table 5.)

The chief reason for these large deficits lies in the increasing trade deficit which rose from \$240 million in the first six months of 1965 to \$355 million in the same period this year or by almost 50 per cent. Imports increased much faster than exports due to a growing competitive edge for some foreign goods against Austrian goods in domestic markets in addition to the purchase abroad of items not produced in Austria. Large increases in imports of special machinery not manufactured in Austria, transport equipment and other investment-type goods resulted from a step-up in investment spending in the early spring. Larger food imports, which were up over 36 per cent from January-June 1965, were doubtless accounted for by last year's very poor harvests and flood damage.

^{1/} Measured by a decrease in official reserves, increase in IMF drawing rights and increase in commercial banks' net liability positions vis-à-vis foreign banks.

Table 5. Austria: Balance of Payments, 1965-66
(in millions of U.S. dollars)

	1965			1966
	<u>I & II</u>	<u>III & IV</u>	<u>Year</u>	<u>I & II</u>
Goods and services				
Exports	757.2	842.8	1,600.0	812.8
Imports	<u>996.7</u>	<u>1,103.8</u>	<u>2,100.5</u>	<u>1,167.8</u>
Trade balance	-239.5	- 261.0	- 500.5	- 355.0
Travel balance	168.6	250.7	419.3	178.4
Other services balance	15.7	0.3	16.0	7.3
1. Total goods and services balance	<u>- 55.2</u>	<u>- 10.0</u>	<u>- 65.2</u>	<u>- 169.3</u>
2. Unilateral payments (net)	<u>32.1</u>	<u>21.3</u>	<u>53.4</u>	<u>34.2</u>
3. Long-term capital (net)	<u>- 9.2</u>			<u>- 32.8</u>
4. Short-term capital (net)	<u>10.0</u>	<u>- 70.7</u>	<u>- 69.9</u>	<u>30.8</u>
5. Errors and Omissions	<u>25.5</u>	<u>- 22.6</u>	<u>2.9</u>	<u>77.5</u>
Balance (1 to 5)	<u>3.2</u>	<u>- 82.0</u>	<u>- 78.8</u>	<u>- 59.7</u>
Financed by:				
Drawing rights on IMF (increase -)	0	0	0	- 25.9
Banks' net foreign position	- 39.0	110.7	71.7	32.0
Austrian National Bank (increase -)				
Special accounts	2.0	- 0.9	1.1	- 11.6
Foreign exchange	95.9	10.1	106.0	65.2
Gold	<u>- 62.1</u>	<u>- 37.9</u>	<u>- 100.0</u>	<u>0</u>
Total	- 3.2	82.0	78.8	59.7

Source: Oesterreichische National Bank, Mitteilungen.

The capital account was roughly in balance, as it was in the first half of 1965; a large outflow of long-term capital was offset by an almost equal inflow of short-term capital. The long-term capital outflow--the reverse of what for years was a traditional inflow of long-term capital--resulted from increased export promotion credits and loans granted by Austrian credit institutions to non-residents--mainly dollar loans to Eastern bloc countries--and larger Austrian purchases of foreign shares. The short-term capital inflow was the result of a greater volume of foreign credits--again mainly trade credits--being extended to domestic businesses.

The relatively large amount of errors and omissions--\$77.5 million--chiefly reflects the time-lag in the trade account between delivery and payments. The official statistics used in computing the balance of trade give figures for deliveries rather than for payments; when imports are rising as they are at present, the errors and omissions item in the payments accounts is increased.

Foreign trade deficit increases sharply

Austria's foreign trade deficit rose very sharply in the first two quarters of 1966 due to strong import demand. Imports exceeded exports during the January-June period by \$342 million (on the basis of seasonally adjusted data), compared with a deficit of \$276 million in the final half of 1965. Seasonally-adjusted imports grew at an annual rate of roughly 10 per cent between January and June this year, but more recent data indicate some slowing down in this rate of growth. (See Table 6.)

Table 6. Austria: Foreign Trade
(seasonally adjusted, in millions of U.S. dollars, month or monthly average)

	1965		1966			
	<u>III</u>	<u>IV</u>	<u>I</u>	<u>II</u>	<u>Jul.</u>	<u>Aug.</u>
Imports, c.i.f.	179	189	192	198	189	199
Exports, f.o.b.	<u>138</u>	<u>138</u>	<u>138</u>	<u>138</u>	<u>144</u>	<u>140</u>
Balance	-41	-51	-54	-60	-45	-59

Source: OECD, Main Economic Indicators.

Exports, on the other hand, showed no growth in the first half of the year, and only a small growth in the third quarter. Machinery exports rose only slightly whereas exports of vehicles actually declined. The reduction in food exports primarily reflects restrictions on the export of live cattle imposed to improve tight domestic supply situations and difficulties in exportation of cattle to Italy as a result of Common Market regulations.

To some extent, the slowdown of Austria's export growth reflects sales difficulties in the EEC. The recent adjustment in the EEC external tariff, which became effective July 1, 1966, worsened Austria's competitive position considerably. In July-August of this year, Austrian shipments to the Common Market were 5 per cent lower than in the same two months of 1965. Although a rather short period of two months may reflect erratic factors, it may also indicate the nature of emerging Austrian trade difficulties, which are being watched by the government with increasing apprehension.

However, the authorities supposedly do not intend to correct the situation by reintroducing quantitative restrictions or by increasing duties. Instead, they hope to encourage Austrian exports through various promotional schemes, especially through cheaper export credit.

Official gold and foreign exchange holdings unchanged

The large foreign payments deficits Austria has been running for the past year have been reflected in only moderate changes in official reserves; these deficits have resulted mostly in changes in commercial bank net foreign positions. At the end of September Austrian National Bank holdings of gold and foreign exchange totaled \$1,224 million, only slightly below the December 1965 level. (See Table 7.) However, by mid-November total official reserves were down to \$1,188, reflecting the continuing foreign exchange drain.

Austrian gold holdings increased by only \$1 million equivalent during the period under review. However, gold purchases in 1965 had pushed gold holdings to the \$700 million level with which the current year began and the gold ratio from 48 per cent to the 58 per cent level which it has averaged during the first nine months of 1966.

Table 7. Austria: Official Gold and Foreign Exchange Reserves
(end of month, million U.S. dollars)

	1964	1965	1966			
	Dec.	Dec.	Mar.	June	Sept.	Nov. 15
Gold	595	700	700	700	700	700
Foreign exchange	645	539	453	474	524	488
Total	1,240	1,239	1,153	1,174	1,224	1,188
Change	+ 49	- 1	- 86	+ 21	+ 50	- 36
	(for yr.)					
Gold as % of reserves	48.0	56.5	60.7	59.6	57.2	59.0

Source: Oesterreichische National Bank, Wochenausweise.