

LEAGUE OF NATIONS

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II. A. ECONOMIC AND FINANCIAL

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Geneva, December 30th, 1933.

LEAGUE OF NATIONS

**FINANCIAL POSITION
OF HUNGARY IN THE FOURTH QUARTER OF 1933**

NINTH QUARTERLY REPORT

By Mr. Royall Tyler, the Representative in Hungary
of the Financial Committee.

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I. GENERAL.

I. INTRODUCTORY.

(1) For the first time in several years, it may be said, with budgetary results for November in hand, that these results in the main justify the estimates which Parliament voted before the beginning of the fiscal year (July 1st last).

(2) Total expenditure, budgetary and extra-budgetary, actual and deferred, has been 9 per cent less than in the first five months of the last fiscal year, and receipts, exclusive of borrowing, have been 6 per cent more.

(3) However, the position at present does not do more than to encourage the hope that the budgetary estimates for 1933-34 will be justified by final results. These estimates show a deficit, Administration and Undertakings together, of 76 million pengö. To this there will be added a further deficit, of perhaps 15 million pengö, incurred by the Boletta Fund, making some 90 million pengö in all.

(4) It is proposed to cover this deficit mainly by reborrowing the pengö deposited in respect of the non-transferred service of State debts, and for the rest by internal borrowing, thus adding to a floating debt which is already difficult to manage.

(5) Even without allowing for the new charges on the budget which will later arise out of the Agricultural Debt Relief measure, it is clear that the present level of expenditure exceeds the country's capacity. A determined effort to regain equilibrium has been made where the State Administration is concerned. Further considerable savings there can only be made gradually, by re-organisation. It is therefore all the more urgent to give the taxpayer some of the relief he so badly needs by enforcing, where the local authorities are concerned, no less drastic standards of economy than those applied by the State itself.

(6) The official foreign trade returns show an excess of exports over imports, for eleven months to November 30th last, of 68 million pengö, and an improvement in the balance, as compared with the same date last year, of 75 million pengö. It is to be feared that the calculations on which these figures are based do not sufficiently allow for the effects of the intricate procedure through which the developments of the last two years have forced importers and exporters to pass, and that the figures themselves may give a misleading impression as to the quantities of foreign exchange which the National Bank is acquiring or might acquire while the 1933 crop is being sold.

(7) The amount of readily exchangeable foreign currency at the free disposal of the National Bank has, in fact, not ceased to diminish.

(8) The National Bank has concluded an agreement with the Bank for International Settlements and other Central Banks concerned, consolidating for three years some 20 million dollars gold of credits granted to it in the summer of 1931.

(9) I am indebted to Mr. Henry J. Bruce, Adviser to the National Bank, for the data on which are based the sections of this report dealing with the Bank, exchange control and compensation agreements, and the clearing agreements.

2. STATE BUDGET.

(a) Budget of the Administration.

Results for the first five months of the fiscal year that began on July 1st, 1933, tend to confirm the estimates voted by Parliament. These were, for the Administration :

	Millions of pengö
Estimated expenditure	764.9
Estimated receipts	752.8
	<hr/>
Balance	— 12.1

and for the Undertakings :

Estimated expenditure, current and capital	408.3
Estimated receipts	344.2
	<hr/>
Balance	— 64.1

The total deficit is thus estimated at 76.2 million pengö. The budget provides for the service of the State's foreign debts, in pengö at the official rate. This amounts to some 50 million pengö, apart from the service of the Reconstruction Loan 1924. It is intended to reborrow : (a) from the Foreign Creditors' Fund, the pengö equivalent of this debt service, except where agreements reached with the creditors may render it unnecessary to make any deposit during the fiscal year in question, and (b) the pengö equivalent of the non-transferred part of the Reconstruction Loan service (see I, 2 (f) below). The remaining deficit will have to

be covered by internal borrowing, which has already been heavily resorted to in the past two years (I, 4, below).

Estimates, month by month, have been as follows for the Administration :

	October	November	July 1st to November 30th
	(Millions of pengö)		
Estimated budgetary expenditure	61.4	55.5	295.6
Estimated budgetary receipts	56.6	73.5	292.3
	<hr/>	<hr/>	<hr/>
Balance	- 4.7	+ 17.9	- 3.3
 Actual results (provisional) :			
Actual budgetary expenditure	61.8	53.3	281.4
Actual budgetary receipts	61.7	77.9	315.0
	<hr/>	<hr/>	<hr/>
Balance	-	+ 24.6	+ 33.6

If expenditure and receipts outside the budget are taken into consideration, and allowance is made for expenditure which, included in the preliminary monthly estimates and not yet effected, will normally take place by the end of the fiscal year, the position at November 30th, this year as compared with last, is seen to be as follows :

	July 1st to November 30th 1933	July 1st to November 30th 1932
	(Millions of pengö)	
<i>Expenditure :</i>		
Actual budgetary	281.4	293.2
Deferred budgetary, Administration .. .	14.2	29.1
Deferred budgetary, Undertakings .. .	—	5.7
Actual extra-budgetary	15.4	15.1
	<hr/>	<hr/>
	311.2	343.1
 <i>Receipts :</i>		
Actual budgetary	315.0	299.3
Refunds	3.6	1.9
Borrowings.. .. .	9.4	24.1
	<hr/>	<hr/>
	328.0	325.3
	<hr/>	<hr/>
Balance	+ 16.8	- 17.8

It should be added that, as the tax on house-rent, which in 1932 was levied quarterly, in August, November, February and May, is now levied monthly, this tax had produced half of its yearly yield at November 30th, 1932, whilst at November 30th this year it has produced five-twelfths. This circumstance makes the above comparison more favourable to 1933 by some 5 or 6 million pengö.

Expenditure, actual and virtual, has been some 32 million pengö lower in the period under review this year than last. Budgetary receipts have been 15.7 million pengö higher, and recourse has been had to borrowing to the extent of 9.4 million pengö, as against 24.1 million pengö at November 30th, 1932.

The fact that actual receipts during these five months have on the whole borne out the budget figures is noteworthy when it is remembered that, for the whole year 1932-33, receipts fell short of estimates by 97 million pengö, and for 1931-32 by 137 million pengö (revised estimates). Expenditure, allowance being made for deferred items, appears likely to be kept within the limits laid down by the budget. Financial equilibrium is not yet achieved, but real progress has been made towards it, and particularly towards accuracy in estimating receipts.

It cannot be exactly stated to what extent the improvement in the State's finances is due to this year's abundant harvest. It must be remembered that agricultural prices have been much lower this year than last. Also, the effect of the good harvest was little felt during the earlier part of the period under review. The improvement has been brought about in great part by the increases in taxation and cuts in expenditure introduced last February, and also by more energetic collection of taxes. It may perhaps be said that, although the available indications do not point to a marked improvement in fundamental economic conditions, they at any rate show that these conditions are no longer obviously deteriorating, as they did for a couple of years. Down to the end of the last fiscal year (June 30th, 1933), each month recorded a decrease in receipts as compared with the corresponding month of the previous year. Since July, each month has brought in a little more than it did in 1932.

The fact remains, however, that, after a serious attempt has been made to right the position, State expenditure, including the deficits incurred by the Railways and Ironworks, remains on too high a level for the fiscal capacity of the country : a level which cannot be maintained without danger. A Pensions Bill, reference to which has several times been made in these reports, is now being discussed by Parliament. The immediate economy resulting from this Bill, assuming that it is passed unaltered, is calculated to amount to some 5.5 million pengö and is mainly obtained by changes in the scale of rent allowances. This saving is small compared with this year's probable losses on the Boletta, to say nothing of the increases in expenditure which will result from the Agricultural Debts Decree (eighth report, pages 14-16). More promising, potentially, is the simplification of the procedure for retiring officials. If full advantage is taken of the new facilities provided by the Bill, and the Administrative

machine is re-adapted to present requirements, much may be achieved, given time and persistent determination. It is greatly in the national interest that the period of re-adaptation should be made as short as possible. The process cannot be successfully carried out unless the same standards of economy are imposed upon the local authorities and upon all enterprises which, being supported wholly or in part out of public funds, weigh just as surely on the taxpayer as do the administrative charges and which have in many cases managed to escape the same degree of scrutiny as has been brought to bear on the Administration itself. The artificial raising of prices of this or that commodity, resulting to some extent in a redistribution of the national income, also tends to diminish the amount of revenue which can be collected by the existing fiscal mechanism and thus to impede financial recovery.

(b) *State Undertakings.*

Provisional results for the four months to October 31st are available. For all the eight undertakings together, last year's figures compare with this year's as follows :

	July 1st to October 31st	
	1933	1932
	(Millions of pengö)	
Actual expenditure, current	118.4	115.8
Actual receipts, current	119.1	119.4 ¹
Balance, current items	+ 0.7	+ 3.6
Capital expenditure	4.6	4.5
Balance, all items	- 3.9	- 0.9

The comparison between the two years is not in reality unfavourable to 1933. Last year at October 31st authorised expenditure had been deferred to an amount of 4.5 million pengö, whilst at the same date this year none had been deferred. There has also been some reduction of floating debt, as may be seen by comparing the figures at September 30th, 1932 (fourth report, page 8), with those for the same date 1933 (eighth report, page 8).

Treasury advances had been made, at October 31st, this year and last :

	1933	1932
	(Millions of pengö)	
To the State Railways	5.5	9.5
To the Ironworks	7.2	4.3
Total	12.7	13.8
Refunds to the Treasury	3.6	1.9

Results for the chief individual undertakings :

	Railways		Post, Telegraph, Telephone		Ironworks	
	1933	1932	1933	1932	1933	1932
	(Millions of pengö)					
Current expenditure	77.2	76.7	23.9	23.4	10.9	8.7
Current receipts ..	75.2	75.6 ²	31.8	32.1	5.1	4.6
Balance, current items	- 2.0	- 1.1	+ 7.9	+ 8.6	- 5.8	- 4.1
Capital expenditure..	3.4	1.7	1.4	2.7	—	—
Balance, all items	- 5.4	- 2.8	+ 6.5	+ 5.8	- 5.8	- 4.1

September and October witnessed an appreciable increase in the traffic of the Railways, unaccompanied by a corresponding increase in receipts. In Hungary, as elsewhere, preferential rates prevent the Railways from receiving the full benefit of increases in traffic. However, there has been a very slight increase in receipts also, whereas last year these months showed a considerable falling off as compared with the year before.

In the case of the Post, Telegraph and Telephone, the traffic and receipts are still on a slightly lower level than in the corresponding months last year, the rate of decline being much less marked than it was from 1931 to 1932.

(c) *Situation of the Treasury.*

(1) New borrowings during the five months to November 30th amount to 9.4 million pengö this year as against 24.1 million pengö at the same date last year. The Boletta Fund

¹ The figure of 120.2 million pengö given in my fifth report was provisional.
² The figure of 76.3 million pengö given in my fifth report was provisional.

surplus has been reduced by 6.7 million pengö in October and November. At November 30th it stands at 1.8 million pengö. The Treasury position has been as follows :

	September 30th, 1933	October 31st, 1933	November 30th, 1933
(Thousands of pengö)			
<i>Receipts :</i>			
Balance at the beginning of the month ..	55,122	62,904	59,701
Budget account	58,166	61,792	77,901
Repayment of advances	1,000	1,506	—
Loan account	1,822	1,833	1,789
Surplus of the Boletta Fund	2,183	—	—
Total	118,293	128,035	139,391
<i>Expenditure :</i>			
Budget account	53,532	61,853	53,265
Funded investments (Law II, 1933)	307	565	101
Advances	1,550	4,570	1,061
Deficit of the Boletta Fund	—	1,346	5,403
Balance at the end of the month	62,904	59,701	79,561
Total	118,293	128,035	139,391

(2) *Administrative Claims and Liabilities.*—The autumn, with a good harvest, has brought some decrease in tax arrears, which declined from 310 million pengö at August 31st to 292 million pengö at September 30th. However, they have increased by 26 million pengö since September 30th, 1932.

No figures are available for commitments more recent than those, as at September 30th, given in my eighth report.

(d) *Debt Position.*

There is no complete statement of the floating debt more recent than that for September 30th published in my eighth report. New borrowings, in October and November, are shown in the Treasury situation figures in (c) above.

(e) *Boletta Fund.*

Refunds to exporters of the bounty on wheat known as the Boletta, paid to the grower by the buyer at the rate of 3 pengö per quintal, are calculated to involve the fund in a deficit of some 15 million pengö by the end of the fiscal year. No provision has been made in the budget to meet this loss.

(f) *Reconstruction Loan 1924 and Assigned Revenues.*

The Hungarian Government has made transfers to the 1924 Loan Trustees, month by month, in execution of the programme it undertook, in a communiqué issued July 15th last (seventh report, page 9), to use its best efforts to carry out.

Pledged Revenues.

	1933				1932					
	Customs	Tobacco	Sugar	Salt	Total	Customs	Tobacco	Sugar	Salt	Total
First quarter	8.3	27.8	12.1	4.7	52.9	6.8	28.6	13.3	4.8	53.5
October	3.1	8.5	3.7	1.5	16.8	3.2	8.6	4.0	1.3	17.0
November	3.3	8.0	3.7	1.5	16.5	2.8	8.3	2.8	1.2	15.2

(Millions of pengö)

In November, Customs receipts were again higher than for the same month in the preceding year.

3. BUDGETS OF LOCAL AUTHORITIES.

The final decision has not yet been reached as to the City of Budapest's budget for 1934. It was mentioned in my eighth report that the municipal authorities had prepared estimates leaving a deficit of 10 million pengö, which they proposed to meet by borrowing. These estimates, however, are subject to the approval of the Ministers of the Interior and Finance. The other local authorities' budgets for the coming year are not yet available.

4. STATE BORROWING.

The only change of importance to be made, in respect of State borrowing in October and November, in the figures published on pages 9 and 10 of my eighth report, is an addition of 5.3 million pengö to the Treasury bills representing borrowed proceeds of Reconstruction

Loan pledged revenues. The borrowings from these pledged revenues amounted, at November 30th last, to 9 million pengő, and total State borrowings in 1932 and 1933 (up to November 30th) to 164.8 million pengő.

5. MONETARY AND FINANCIAL.

(a) *Position of the National Bank.*

An agreement has been reached between the National Bank, on the one hand, and the Bank for International Settlements and the Central Banks concerned, on the other, by which the credits granted to the National Bank in the summer of 1931, and which have been renewed since then from three months to three months, are consolidated for three years from October 18th, 1933. The original amount of these credits was roughly 25.5 million dollars gold, and the interest on them, since the end of 1933, has been 5 per cent on all but 5 million dollars, on which it was 4 per cent. The bills held as collateral for these credits will now be once more at the free disposal of the National Bank, with the exception of bills serving as cover for one credit of roughly 20 million pengő. The National Bank of Hungary, on its part, agrees to apply in reduction of the outstanding credits, as a special amortisation, (a) a sum equivalent to 2 million pengő and which is not included in its reserves, and (b) 18 million pengő of gold which has hitherto figured in the reserves, this being done in instalments over two and a-half years. After payment of an instalment falling due immediately after the conclusion of the agreement, the outstanding total of the credits is the equivalent of 139 million pengő, or roughly 24.4 million dollars gold, of which 20 million pengő correspond to the credit which remains in its previous form, leaving 119 million pengő. With regard to this latter amount, the National Bank will hand over bills to the creditor banks, on which it will pay 1 per cent interest and an annual 2 per cent amortisation. No interest or amortisation is to be paid on the 18 million pengő gold applied to special amortisation. The question of these credits will have to be examined once more on expiration of the period of three years for which the agreement applies.

The National Bank's return, as at November 30th last, shows the effects of the above arrangement. Discounts increased from 471 million pengő at the end of October to 601 million pengő, bills which had formerly been held as cover for the credits having returned to the National Bank and now being included in its portfolio. A new item, "Cash Certificates", shows the amount of the credits which have been consolidated for three years. The metal reserve has decreased by roughly the amount of gold set aside for amortisation of the credits. Part of the gold has already been applied for this purpose, the rest being included in "Other Assets", the increase in which item contributes to reduce the total of "Other Liabilities" as shown in Appendix II.

Note circulation, at November 30th, shows a slight decrease as compared with the same date last year. The figure at which it stands, 340.9 million pengő, contrasts with 601 million pengő discounts. The percentage of cover, as a result of the decrease in the metal reserve, has decreased to 25 per cent, which is one point above the minimum required by the statutes as recently modified.

(b) *Foreign Exchange Control.*

Comparison of the figures given in Appendix III, 1, in this report and previous ones, shows that the foreign exchange sales and purchases transacted or recorded by the National Bank are increasing. There was an increase for the first nine months of 1933 as compared with last year, and for eleven months to November 30th the rate of increase is greater than for the nine. Especially striking, in view of the fact that total sales exceeded total purchases by 4 million pengő, is the increase in allotments for imports: from 110 million pengő for eleven months of 1932 to 154 million pengő for the same period this year. Taken alone, these figures might convey the impression that the National Bank had greatly increased allotments for imports out of its own freely available exchange. This is not the case, however. It will be seen from figures given below that the increase is elsewhere, and chiefly in imports passing through the international exchange clearing procedure, where the application of the exchange derived from Hungarian exports is determined beforehand by an agreement between the Hungarian Government and another Government, part being absorbed by current imports and part going to the reduction of old merchandise debts. The increase in import allotments out of the National Bank's own holdings, for eleven months this year compared with last, is only 2 million pengő.

Another remarkable fact, given the continued deterioration of the National Bank's foreign exchange position, is that the Hungarian Statistical Office's import and export figures show a favourable balance of 68 million pengő for eleven months this year, whereas for the same period last year there was an excess of imports of 7 million pengő. Though it be remembered that some three-quarters of Hungary's foreign trade goes through the clearings and that individual compensations, "additional exports" and exports against pengő are increasing, it may come as a shock, when an improvement of 75 million pengő has just been noted in the visible foreign trade balance, to find that there has been, for the same period, a decrease of 20 million pengő in the amount of freely available foreign exchange acquired by the National Bank. It is suggested in II, 2, "Trade", below, that these figures do not correctly express the balance of Hungary's visible foreign trade. The National Bank's possibilities where foreign exchange is concerned may better be judged from the following figures.

Export exchange received or recorded by the National Bank, for eleven months this year and last, has been as follows :

	First eleven months 1933	1932	Difference for 1933
	(Millions of pengö)		
1. Export exchange received by the National Bank ..	193	147	+ 46
(Thereof through clearings)	136	85	+ 51
2. Compensations, individual, general and occasional	60	49	+ 11
3. Export against pengö	32	4	+ 28
Total of 1, 2 and 3	285	200	+ 85

The increase in exchange not at the disposal of the National Bank has been 51 (clearings) + 11 (compensations) + 28 (export against pengö) = 90 million pengö—i.e., though there has been an increase of 85 million pengö in the export exchange received and recorded, exchange freely available to the National Bank has been 5 million pengö less this year than last.

On the import side, the comparison is :

	First eleven months 1933	1932	Difference for 1933
	(Millions of pengö)		
1. Import exchange allotted by the National Bank ..	154	110	+ 44
(Thereof through clearings)	113	71	+ 42
2. Import exchange allotted out of applicants' own holdings	—	3	— 3
3. Compensations, individual, general and occasional	60	49	+ 11
Total of 1, 2 and 3	214	162	+ 52

The increase from last year to this is made up as to 42 million pengö by increases in imports settled through the international clearings, and as to 11 million pengö by individual compensations. The increase in import allotments out of the National Bank's own freely available exchange is only 2 million pengö, as mentioned above.

The foreign exchange dealings recorded by the National Bank, of whatever nature, may be summarised as follows :

I. <i>Incomings:</i>		First eleven months 1933	1932	Difference for 1933
		(Millions of pengö)		
1. Foreign exchange non-available or for specific destination :				
(a) Exports through clearings		136	85	+ 51
(b) Compensation		60	49	+ 11
(c) Exports against pengö		32	4	+ 28
Total of 1		228	138	+ 90
2. Freely available foreign exchange receipts :				
(a) Export exchange		57	62	— 5
(b) Exchange receipts from other sources (State, obligatory declaration, etc.)		16	28	— 12
Total of 2		73	90	— 17
3. Purchases by authorised banks		5	8	— 3
Total of 1, 2 and 3—i.e., total foreign exchange receipts recorded by the National Bank		306	236	+ 70

An increase of 70 million pengö in total foreign exchange incomings is offset by an increase of 90 million pengö in exports giving no exchange to the National Bank, whose freely available exchange receipts have thus decreased by 20 million pengö—i.e., 5 million pengö in exchange from exports and 15 million pengö in exchange from other sources. Moreover, for the purposes of this calculation, "freely available exchange" includes amounts in currencies which cannot, in fact, be freely used for exchange purposes.

II. <i>Outgoings:</i>		First eleven months 1933	1932	Difference for 1933
		(Millions of pengö)		
1. Foreign exchange allotments out of non-available exchange :				
(a) Through the clearings		113	71	+ 42
(b) Through compensations		60	49	+ 11
Total of 1		173	120	+ 53

	First eleven months 1933	1932	Difference for 1933
	(Millions of pengö)		
2. Foreign exchange allotments out of free incomings (including limited availability currencies):			
(a) For imports:			
Out of National Bank's holdings	41	39	+ 2
Out of applicants' own holdings	—	3	— 3
Total of (a)	41	42	— 1
(b) For other purposes:			
For debt service	19	20	— 1
To the State	18	26	— 8
To others	21	25	— 4
Total of (b)	58	71	— 13
Total of 2	99	113	— 14
3. Sales by authorised banks	5	8	— 3
Grand total of 1, 2 and 3 ..	277	241	+ 36

The total of sales, this year, has increased by 36 million pengö, but the increase in import exchange allotted through international clearings and compensations amounts to 53 million pengö. Allotments for other purposes than export have decreased by 13 million pengö, this total consisting of the following items: sales for debt service, — 1 million pengö; for the State, — 8 million pengö; to others, — 4 million pengö.

The compensation scheme put into operation a year ago, under which exporters of certain articles receive a premium in pengö over and above the equivalent at the official rate of the foreign currency which they surrender to the National Bank, and importers pay a surcharge for the foreign exchange allotted to them, has an increasing turnover. For ten months to September 30th, exports under it amounted to 25 million pengö at an average premium of 13.4 per cent, and imports to 21.8 million pengö at an average surcharge of 16.9 per cent. For eleven months to October 31st, exports have risen to 30.6 million pengö at an average premium of 13.7 per cent, and imports to 25.4 at an average surcharge of 17.3 per cent.

Enough time has not yet elapsed since the Pengö Transfer Agreement described in my last report went into force to supply a satisfactory basis for estimating its results.

(c) *Foreign Debts.*

Including payments and disbursements effected in October and November, the following table shows the position, as at November 30th, of the Foreign Creditors' Fund, into which the Transfer Suspension Decree requires the untransferred service of foreign debts to be paid:

(i) *Payments to the Fund and out of the Fund.*

	State loans	Municipal and other public loans	Other loans	Total
	(Millions of pengö)			
1. Payments to the Fund:				
(a) In cash	16.2	55.2	77.8	149.2
(b) In Treasury bills	25.6	—	—	25.6
Total	41.8	55.2	77.8	174.8
2. Payments out of the Fund:				
(a) Coupons and bonds redeemed	3.9	21.2	51.3	76.4
(b) Refunded to debtor because not subject to Transfer Moratorium ..	4.5	—	—	4.5
Total	8.4	21.2	51.3	80.9
3. Interest paid on the Fund:				
(a) By National Bank	0.1	1.0	1.07	2.17
(b) By the State Treasury	—	—	0.12	0.12
(c) By the issuing banks	—	—	0.18	0.18
(d) By State Railways	—	—	0.05	0.05
Total	0.1	1.0	1.42	2.52
4. Balance held:				
(a) In cash (originally)	7.9	35.0	27.9	70.8
(b) In Treasury bills	25.6	—	—	25.6
Total	33.5	35.0	27.9	96.4

(ii) <i>Present Position of the Fund.</i>		Millions of pengö
Balance held by the Fund :		
(a) In cash originally		70.8
(b) In Treasury bills		25.6
	Total	96.4
Thereof investments (out of cash) :		
(a) Loan to State for productive investments (secured by Treasury bills of same amounts)		10.5
(b) Loan to State Railways (secured by bills)		8.0
(c) Deposits with issuing banks (under Farmer Debt-Relief Decree)		1.7
	Total	20.2
Net amount at present held in cash		50.6

(iii) *Arrears to the Fund.*¹

State loans	Other loans (Millions of pengö)	Total
9.32	18.43	27.75

Out of the arrears to the Fund, the arrears on State debts amounted to 9.32 million pengö and consisted of the following items :

1933 :

	Thousands of pengö
July :	
4% Gold Rente	2,267
4½% 1913 Rente	76
4½% 1914 Rente	387
4% 1910 Rente	84
Austro-Hungarian State Railway	114
French Clearing	135
6% French Francs Treasury Bonds	1,255
6½% French Francs Treasury Bonds	876
6% Belgian Treasury Bonds	35
	5,229
September :	
Austro-Hungarian State Railway	584
Danube-Save-Adriatic Railway	948
	1,532
October :	
4% Gold Rente	1,875
4½% 1913 Rente	76
4½% 1914 Rente	387
4% 1910 Rente	84
French clearing	135
	2,557
Total	9,318

The Government intends to deposit Treasury Bills in respect of these arrears before December 31st.

It will be observed that the amount outstanding of the Loan out of the Foreign Creditors' Fund to the State Railways decreased from September 30th to November 30th by 1 million pengö, this loan being in course of repayment at a monthly rate of 0.5 million pengö.

The amounts deposited, under the Standstill Agreement, in pengö with the National Bank of Hungary to cover interest and commission on short-term banking debts, not satisfied in foreign exchange, totalled on November 30th, 1933, 29.3 million pengö, out of which 220 millions had been paid to creditors accepting such payments in satisfaction. The balance held by the National Bank thus amounts to 7.3 million pengö. The amounts deposited under the same agreement for capital repayments in pengö with the National Bank of Hungary totalled on November 30th, 1933, 9.8 million pengö, out of which 7.6 millions had been disposed of by creditors, so that the balance held by the National Bank totalled 2.2 million pengö.

(d) *Recent Legislation.*

A Bill has been introduced into Parliament and has now become law, modifying two articles of the National Bank's statutes. These modifications had previously been approved by an extraordinary meeting of the Bank.

¹ Allowing for £ and \$ depreciation.

The first sentence of Article 50 of the statutes, which precluded the State from borrowing from the Bank, has been so changed as to permit the advance of 100 million pengő required in connection with the agricultural debts relief measure described in my eighth report. The authorisation thus given applies to this single occasion and the advance is not to exceed 100 million pengő. The rate of interest and scale of amortisation are to be agreed between the Finance Minister and the Bank.

The second modification arises out of agreement, mentioned in (a) above, consolidating for three years the credits granted in the summer of 1931 to the National Bank by the Bank for International Settlements and certain other Central Banks. It affects Article 85, which required the National Bank to have, as from 1934, a minimum cover of 28 per cent for its note circulation, instead of the 24 per cent laid down for the five years ending in 1934. The article, as modified, extends the 24 per cent period for four years—*i.e.*, until 1938—after which the minimum cover is to be 28 per cent for five years, and thereafter 33½ per cent.

II. ECONOMIC SITUATION.

I. GENERAL.

There has been an abundant cereal harvest this year in Hungary. Although prices have been very low and have shown no tendency to improve, the increase in the volume of goods in circulation has at least arrested the deterioration that had continued for so long. It cannot yet be said with confidence that there is a definite improvement in economic conditions. The insolvency statistics continue to show a slow decrease in the numbers of failures and of protested bills and in the amounts involved—a sign of stagnation rather than of revival. Creditors find that in many cases there is nothing to be gained by taking action against their debtors.

2. TRADE.

The Hungarian Statistical Office's export and import figures show a considerable increase in the value of exports and a startling improvement in the visible trade balance :

	Eleven months to November 30th		Difference for 1933
	1933	1932	
	(Millions of pengő)		
Exports	355	295	+ 60
Imports	287	302	— 15
Balance	+ 68	— 7	+ 75

It will have been noticed, in the section on Foreign Exchange Control, that this improvement of 75 million pengő in the visible trade balance has been accompanied by a deterioration in the National Bank's export and import exchange position. It may also be observed that, while the import figures show a decrease in value of 15 million pengő in 1933, there has been an increase of 73 million pengő in the import exchange the allotment of which is recorded by the National Bank.

It is not to be expected that there should be agreement, month by month, between the figures showing the values of imports and exports, on the one hand, and those giving the foreign exchange operations executed or recorded by the National Bank, on the other. However, the case here is that, over eleven months, the export and import figures indicate a sharply improving tendency, and are contradicted by the National Bank's foreign exchange figures.

In normal circumstances, the Statistical Office's method of valuing exports and imports—*i.e.*, exports at the sale price f.o.b. Hungarian frontier, and imports at the purchase price c.i.f. Hungarian frontier—may produce satisfactory results. In present circumstances, several new factors have to be taken into consideration if the calculation is to be of value. An increasing portion of Hungarian exports is being sold against pengő. Here the goods are valued for the purposes of the foreign trade statistics at the inland price, although the foreign exchange obtained for the same goods, calculated at the official rate, is the equivalent in pengő of a smaller sum. Here alone the difference is a considerable one and is rapidly increasing. Moreover, the prices at which certain exports, wheat for instance, are valued appear to be unduly high, given the basis of calculation.

In the circumstances, it is impossible to say what the real improvement in Hungary's visible foreign trade balance may be. Nor is it easy to estimate how much profit Hungary will derive from her stocks of agrarian produce available for export. There appears to have been this season, including the 1933 harvest, an exportable surplus of from 10 to 11 million quintals of wheat and some 5 million quintals of rye. Exports during the five months to November 30th may be estimated at 3.4 million quintals wheat and 0.8 million quintals rye. Prices have shown no improvement since my last report; in fact, they have rather weakened. The Budapest wheat quotation, which has been between 7 and 8 pengő for months past, does not hold for the country outside the capital, where sales take place at much lower rates. Indeed, it is clear that, with a price of 3.12 gulden at Rotterdam, Hungarian wheat has to be offered, if it is to be sold there, at well under the equivalent of the Budapest quotation, say 7.50 pengő.

which at the official rate would be 3.23 gulden, no allowance being made for carriage and other charges.

The increase in movement of goods brought about by the harvest has benefited the State Railways, where the traffic and receipts, after a long period of decline, have taken a timid turn for the better, a tendency which has not yet begun to show in Post, Telegraph and Telephone.

State Railways.

	Ton-kilometres		Receipts	
	1932	1933	1932	1933
	(Millions)		(Millions of pengő)	
August	155.8	151.9	19.8	18.6
September	184.0	183.9	19.6	19.3
October	211.3	230.9	20.3	20.6

Post, Telegraph and Telephone.

	Registered letters			Parcels			Receipts		
	(Millions)			(Millions)			(Millions of pengő)		
	1931	1932	1933	1931	1932	1933	1931	1932	1933
August ..	0.9	0.7	0.7	0.7	0.7	0.7	8.7	8.0	7.8
September	0.9	0.7	0.6	0.8	0.7	0.7	9.0	8.0	7.7
October ..	1.0	0.8	0.7	0.9	0.8	0.8	9.5	8.2	7.9

Statistics illustrating the consumption of staple articles over the last three years are suggestive. Between 1930 and 1931, there seems to have been a general decline, except in the special case of artificial silk. From 1931 to 1932, cotton and woollen goods began to increase slightly, and from 1932 to 1933 more markedly. Jute goods also began to increase. Sugar, milk and beer continued to fall.

	1930 to 1931	1931 to 1932	1932 to 1933
	First ten months	First nine months	First nine months
	Percentages of decrease (—) or increase (+)		
Sugar	— 4.1	— 10.3	— 6.6
Milk (Budapest only)	— 5.7	— 7.6	— 13.8
Beer	— 7.1	— 15.5	— 26.2
Artificial silk	+ 35.0	— 17.8	+ 47.2
Silk		— 60.8	— 20.0
Cotton goods	— 22.0	+ 5.6	+ 36.3
Woollen goods	— 29.0	+ 3.4	+ 34.0
Jute goods	— 45.3	— 6.3	+ 2.2

When all due allowance has been made for their relative accuracy, these figures, followed over several years, are indicative of a trend. When the crisis began, consumption decreased all along the line. After a time, people were obliged to start buying textiles again, and these purchases have increased latterly, although the indices show that the prices of industrial goods have declined relatively little. Consumption of sugar, milk and beer, the prices of which are controlled and have not decreased, has continued to fall. Potatoes have recently been added to the list of price-controlled articles of food, and a decrease in consumption will doubtless follow.

The latest price indices show that there is still no improvement where the disparity between the agricultural and industrial groups is concerned: the agrarian shears are wider open than ever. The Hungarian consumer is being asked to pay too much for industrial goods, with the result that he buys as little as he can. In order to buy that minimum, he is obliged to restrict his consumption of other goods. In these circumstances, any attempt artificially to maintain the retail price of this or that agricultural commodity will only further aggravate the difficulties created by the rigidity of industrial prices.

3. PRODUCTION.

The Hungarian Economic Research Institute's index of industrial production, by quantities, shows an increase for the third quarter of the year in 1933 as compared with 1932, but still a decrease as compared with 1931:

Third quarter of:	Index of industrial production by quantities (1927 = 100)	Output of iron (thousands of tons)	Output of coal (hundred thousands of quintals)	Value of pawned objects sold at auction (in percentage of total loans)
1931	91.8	42	162.7	7.3
1932	74.4	13	160.0	3.2
1933	89.1	23	156.3	2.9

4. PRICES.

There is no real improvement in agricultural prices :

	Wheat (per 100 kg.)	Live cattle (middling quality) (per kg.)	Calves (per kg.)	Pigs (per kg.)
	Pengö	Pengö	Pengö	Pengö
April	14.33	0.44	0.72	0.94
July	9.92	0.52	0.72	0.79
October	7.75	0.52	0.85	0.74
November	7.78	0.46	0.84	0.78

The Economic Research Institute has prepared new price indices : July 30th, 1931 = 100. They compare as follows, for October, with the former indices : 1925-1927 = 100.

October 1933 :	1925-1927 = 100	July 30th, 1931 = 100
General wholesale index	58.7	81.3
Agrarian produce	46.5	68.3
Industrial articles	79.5	92.9
Imported articles	62.3	73.2
Exported articles	44.7	54.2

It will be noticed that foreign articles, which are practically all industrial, have declined much more in price than have internal industrial articles, and that the decline in exported articles has been heaviest of all.

5. STOCK EXCHANGE.

The Stock Exchange index prepared by the Economic Research Institute (1927 = 100) stood at 39.3 on July 13th, 1931, when the Bourse was closed, at 31.7 at September 30th last and at 28.9 at November 30th.

6. BANKING, COMMERCIAL AND PRIVATE.

The Finance Minister, in the course of a speech in Parliament on the Agricultural Debt Relief measure, on November 29th, indicated that the reduction of interest, to which the State was to contribute in the initial stage, would later fall entirely on the banks, which would consequently have to set about reducing their overhead. A reduction of some 20 to 25 per cent in these charges, involving perhaps a reduction of one-third in the number of banks would be required. It was expected that the banks would make proposals to this end by the coming spring. Otherwise the Government would have to take the matter in hand.

7. COMMERCIAL POLICY.

Efforts have been made from time to time to modify the international exchange clearing agreements which Hungary has had to conclude with most of the countries constituting her markets, in such a way as to avoid forcing imports into Hungary, regardless of whether they are needed or not, and to avoid the piling-up of arrears of merchandise debts. In the case of certain countries, these efforts have met with some success.

However, broadly speaking, it is becoming more and more difficult for Hungary to sell her produce abroad at a profit. Her former markets being to a great extent closed to her, she is obliged to go farther afield, and, in the pursuit of sound foreign currency, to sell on distant markets at rates that are in reality unremunerative.

Appendix I.

**MONTHLY (QUARTERLY) RESULTS FOR THE YEAR 1933-34 COMPARED WITH
THE RESULTS FOR THE YEAR 1932-33.**

	Financial year July-September		October		November	
	1932-33	1933-34	1932	1933	1932	1933
	(Millions of pengö)					
A. ADMINISTRATION.						
<i>Receipts.</i>						
Direct taxes	47.6	53.3	14.1	18.0	39.3	35.9
Customs duties	6.8	8.3	3.2	3.1	2.8	3.3
Excise duties	22.1	21.9	7.3	7.7	6.1	7.5
Turnover tax	22.5	23.9	7.9	8.6	8.4	8.8
Dues	22.1	24.2	6.7	9.4	7.3	8.4
Tobacco Monopoly	28.6	27.8	8.6	8.5	8.3	8.0
Salt Monopoly (gross)	6.2	6.1	2.0	2.1	2.0	2.2
Saccharine and lotteries	0.4	0.4	0.5	0.5	0.01	—
Administrative receipts	10.6	9.5	3.6	3.9	3.5	3.7
Total receipts	166.9	175.3	53.9	61.8	77.6	77.9
<i>Expenditure.</i>						
Army	24.9	18.2	10.2	7.5	11.2	
Foreign Affairs	2.1	2.1	1.1	1.2	0.6	
Justice	8.8	8.1	2.4	2.7	3.8	
Supreme organs of the State ¹	—	—	—	—	—	
Interior	24.4	25.9	8.6	9.7	11.1	
Agriculture	6.1	5.9	2.8	2.8	3.0	
Commerce	9.6	7.9	3.0	3.8	4.2	
Education	15.4	14.4	5.1	5.2	6.6	
Finance	20.8	19.0	5.9	5.8	7.3	
Smaller departments	2.4	2.6	0.5	1.2	1.3	
Subsidies to local authorities	13.0	12.2	3.9	4.6	4.7	
Pensions	31.5	35.7	8.0	12.2	15.9	
Charges under the Peace Treaty	—	—	—	—	—	
Debt service	3.6	14.2	0.2	5.1	8.1	
Investments	—	—	—	—	—	
Total expenditure	162.7	166.3	51.9	61.8	77.7	53.3
Balance	+ 4.2	+ 9.0	+ 2.0	—	— 0.1	+ 24.6
B. UNDERTAKINGS.						
<i>Receipts.</i>						
Post and Telegraph	23.9	23.9	8.2	7.9	7.9	
Railways	55.2	54.1	20.4	20.6	19.3	
Ironworks	3.5	4.1	1.1	0.9	0.9	
Other undertakings	5.6	5.4	1.5	1.5	1.6	
Total receipts	88.2	87.5	31.2	30.9	29.7	
<i>Expenditure.</i>						
Post and Telegraph	19.6	19.4	6.6	6.0	7.9	
Railways	58.7	60.3	19.7	20.4	26.6	
Ironworks	6.5	7.9	2.2	2.9	2.1	
Other undertakings	5.5	4.8	1.6	1.4	2.0	
Total expenditure	90.3	92.4	30.1	30.7	38.6	
Balance	— 2.1	— 4.9	+ 1.1	+ 0.2	— 8.9	

¹ Included in the item "Smaller departments".

Appendix II.

I. ECONOMIC INDICES.

(End of date given.)

		Third quarter	October	November
Index of industrial production ¹	1933	89.1	—	—
	1932	74.4	—	—
	1931	91.8	—	—
Output of coal ²	1933	153.6	71.9	—
	1932	160.0	73.2	—
	1931	162.7	76.0	—
Unemployment ³	1933	24.0	24.0	—
	1932	27.9	28.6	—
	1931	28.7	28.9	—
Prices : Sensitive	1933	76.8	78.6	—
	1932	77.3	76.6	—
	1931	81.2	84.7	—
Wholesale	1933	71	71	70
	1932	90	86	82
	1931	96	97	99
Retail	1933	98.43	98.43	98.42
	1932	106.12	106.01	105.90
	1931	109.50	109.42	109.30
Stock Exchange index ⁴	1933	78.1	73.8	71.5
	1932	97.9	84.8	84.9
	1931	104.5	—	—
		(Millions of pengö)		
Savings deposits at the Post Office Savings Bank and the twelve leading commercial banks	1933	522.8	520.8	523.7
	1932	499.4	489.9	497.0
	1931	580.9	563.6	535.7
Current accounts at the Post Office Savings Bank and the twelve leading commercial banks	1933	677.1	680.2	681.1
	1932	671.2	667.3	671.4
	1931	660.7	637.1	672.4
Total	1933	1,199.9	1,201.0	1,204.8
	1932	1,170.6	1,157.2	1,168.4
	1931	1,241.7	1,200.7	1,178.1
		Per cent	Per cent	Per cent
Official discount rates	1933	4½	4½	4½
	1932	5	4½	4½
	1931	8	8	8
Market discount rates : 3-month bills (maximum)	1933	7½-7½	7½-7½	7½-7½
	1932	7½-8½	7½-8	7½-8
	1931	—	—	—
3-month bills (minimum)	1933	5½-7½	5½-7½	5½-7½
	1932	6½-7½	6½-7½	7½-8
<i>Foreign Trade :</i>		(Millions of pengö)		
Imports	1933	78.4	32.7	32.2
	1932	75.1	27.1	30.3
	1931	125.5	41.1	34.9
Exports	1933	109.6	42.3	44.4
	1932	81.3	31.3	30.5
	1931	142.2	62.0	63.4
Difference	1933	+ 31.2	+ 9.6	+ 12.2
	1932	+ 6.3	+ 4.2	+ 0.2
	1931	+ 16.7	+ 20.9	+ 28.5

¹ The Institute for Economic Research only publishes quarterly indices (calculated on quantities).
² Coal output in hundreds of thousands of quintals.
³ Unemployed Social Democratic workmen (in thousands).
⁴ On July 13th, 1931, the Stock Exchange was closed. It was re-opened in September 1932. This index, prepared by the Statistical Office, is calculated on forty-four securities, 1926 = 100. The Economic Research Institute index (see Chapter II, 5 above) is calculated on fifty-nine securities, 1927 = 100.

2. NATIONAL BANK.

	December 31st		June 30th	September 30th	October 31st	November 30th
	(Millions of pengö)		(Millions of pengö)			
Note circulation	I932 352.7	I933	371.7	361.0	361.9	340.9
	I931 422.8	I932	389.4	372.2	410.4	347.8
Sight liabilities :						
Public	I932 41.7	I933	35.6	49.4	48.7	75.8
	I931 30.3	I932	23.2	46.1	26.6	49.6
Private.. . . .	I932 36.6	I933	37.4	29.1	28.0	25.0
	I931 95.8	I932	48.3	34.6	28.5	28.3
" Other liabilities " (net) ..	I932 176.7	I933	175.1	169.8	169.0	160.9
	I931 38.4	I932	108.6	138.5	151.7	167.0
Metal reserve as shown ..	I932 120.6	I933	121.0	109.1	112.6	97.9
	I931 125.2	I932	118.9	118.0	113.1	118.1
Thereof gold.. . . .	I932 96.6	I933	96.6	96.6	96.6	78.8
	I931 102.0	I932	96.5	96.5	96.5	96.6
Ratio of cover (percentage)	I932 31.8	I933	30.8	28.0	29.0	25.0
	I931 25.5	I932	29.2	29.4	27.4	31.6
Commercial bills discounted	I932 462.9 ³	I933	476.0 ³	476.9 ⁴	471.6 ⁵	601.1 ⁶
	I931 440.8	I932	431.6 ⁷	452.7 ⁸	480.3 ⁹	450.9 ¹⁰
Advances on securities ¹ ..	I932 9.5	I933	9.6	11.0	11.0	11.0
	I931 —	I932	3.4	6.0	9.0	9.0
Government debt	I932 52.4	I933	51.1	50.3	50.2	50.1
	I931 58.4	I932	53.3	52.5	52.4	52.4
Cash certificates ¹¹	I932 —	I933	—	—	—	119.7
	I931 —	I932	—	—	—	—

¹ Treasury bonds.

² Thereof Treasury bonds 23.8 million pengö.

•	..	..	25.3	..	..
•	..	..	30.3	..	..
•	..	..	31.0	..	..
•	..	..	31.4	..	..
•	..	..	20.1	..	..
•	..	..	22.0	..	..
•	..	..	23.8	..	..
•	..	..	23.8	..	..

¹¹ Issued in connection with the consolidation of the Bank for International Settlements and Central Banking credits.

Appendix III.

**I. FOREIGN EXCHANGE : SALES AND PURCHASES OF THE NATIONAL BANK
FOR ELEVEN MONTHS TO NOVEMBER 30TH, 1933.¹**

	1932	1933					
	First eleven months	First quarter	Second quarter	Third quarter	October	November	Total for eleven months
	(Millions of pengő)						
<i>Purchases :</i>							
(a) Export <i>Devisen</i> received	147.1	52.4	49.4	47.2	21.7	21.9	192.6
Thereof <i>Edeldevisen</i> ²	33.2%	41.6%	36.0%	32.5%	51.1%	40.6%	38.9%
(b) Under obligatory declaration ..	15.0	1.5	0.9	1.0	0.3	0.4	4.1
(c) From the State ..	8.4	2.5	1.3	0.8	0.3	0.1	5.0
(d) From others ..	5.7	1.1	2.6	2.0	0.4	0.5	6.6
	176.2	57.5	54.2	51.0	22.7	22.9	208.3
Excess of sales ..	5.2	—	—	10.5	—	5.9	4.0
<i>Sales :</i>							
(a) For loan service ..	22.5	2.9	3.3	3.7	0.8	8.4	19.1
(b) For imports ..	109.7	44.2	34.0	44.4	14.6	17.0	154.2
(c) To State	26.5	4.0	4.7	4.9	2.3	2.0	17.9
(d) To others	22.7	4.1	5.6	8.5	1.5	1.4	21.1
	181.4	55.2	47.6	61.5	19.2	28.8	212.3
Excess of purchases	—	2.3	6.6	—	3.5	—	—

¹ Revised figures.

² The percentages given in this table of *Edeldevisen* to total export exchange received do not include exchange which the National Bank of Hungary has been credited with by the National Bank of Austria in respect of sales of grain in Austria. If this exchange is included, the *Edeldevisen* percentages are as follows : First quarter, 42.3 per cent ; second quarter, 38.9 per cent ; third quarter, 35.5 per cent ; October, 53.0 per cent ; November, 42.9 per cent ; Total January to November 1933, 41.1 per cent. Total January to November 1932, 38.8 per cent.

2. FOREIGN EXCHANGE CONTROL.

	Actual exports	Exports notified	Percentage of exports notified to actual exports	Export Devisen received	Percentage of Devisen received to exports notified	Percentage of Devisen received to actual exports	Actual imports	Import Devisen allotted	Percentage of Devisen allotted to actual imports	
(Millions of pengő)										
1931 :										
October	62.0	40.5	65.3	15.7	38.8	25.3	41.1	5.3	12.9	
November	62.9	30.8	49.0	15.0	48.7	23.8	35.3	8.0	22.7	
December	43.1	20.8	48.3	14.3	68.7	33.2	41.8	7.9	18.9	
1932 :										
January	23.8	13.7	57.6	15.0	109.5	63.0	27.8	10.2	36.7	
February	23.3	14.4	61.8	15.2	105.6	65.2	26.1	10.9	41.8	
March	25.1	16.3	64.9	12.6	77.3	50.2	31.1	9.4	30.2	
April	26.7	20.1	75.3	14.0	69.6	52.4	26.2	9.4	35.9	
May	25.7	17.6	68.5	12.5	71.0	48.6	28.2	10.9	38.6	
June	27.1	19.3	71.2	14.6	75.6	53.9	29.8	10.0	33.6	
July	22.9	14.1	61.6	12.0	85.1	52.4	23.7	9.6	40.5	
August	25.6	14.6	57.0	10.7	73.3	41.8	25.2	8.5	33.7	
September	32.9	17.0	51.7	11.6	68.2	35.3	26.2	7.9	30.2	
October	32.1	24.8	77.3	14.4	58.1	44.9	27.5	13.4	48.7	
November	31.7	20.0	63.1	14.4	72.0	45.4	30.8	9.5	30.8	
December	36.0	24.3	67.5	17.4	71.6	48.3	34.0	13.1	38.5	
1933 :										
January	23.3	17.1	73.4	14.9	87.1	63.9	22.4	13.0	58.0	
February	25.9	21.2	81.9	19.3	91.0	74.5	21.6	14.9	69.0	
March	29.4	21.9	74.5	18.2	83.1	61.9	26.1	16.3	62.5	
April	23.2	14.8	63.8	17.7	119.6	76.3	22.8	11.2	49.1	
May	28.2	22.6	80.1	16.6	73.5	58.9	25.5	12.4	48.6	
June	29.4	20.6	70.1	15.1	73.3	51.4	25.8	10.4	40.3	
July	30.1	18.9	62.8	14.6	77.2	48.5	25.3	14.5	57.3	
August	34.7	17.7	51.0	15.5	87.6	44.7	26.6	13.6	51.1	
September	44.2	29.4	66.5	17.1	58.2	38.7	26.4	16.3	61.7	
October	42.3	27.5	65.0	21.7	78.9	51.3	32.7	14.6	44.6	
November	44.4	34.3	77.2	21.9	63.8	49.3	32.2	17.0	52.8	

* Figures relating to exports and imports revised by the Hungarian Statistical Office.

2. FOREIGN EXCHANGE CONTROL.

	Actual exports	Exports notified	Percentage of exports notified to actual exports	Export <i>Devisen</i> received	Percentage of <i>Devisen</i> received to exports notified	Percentage of <i>Devisen</i> received to actual exports	Actual imports	Import <i>Devisen</i> allotted	Percentage of <i>Devisen</i> allotted to actual imports	
(Millions of pengö)										
1931 :										
October.. .. .	62.0	40.5	65.3	15.7	38.8	25.3	41.1	5.3	12.9	
November	62.9	30.8	49.0	15.0	48.7	23.8	35.3	8.0	22.7	
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March	25.1	16.3	64.9	12.6	77.3	50.2	31.1	9.4	30.2	
April	26.7	20.1	75.3	14.0	69.6	52.4	26.2	9.4	35.9	
May	25.7	17.6	68.5	12.5	71.0	48.6	28.2	10.9	38.6	
June	27.1	19.3	71.2	14.6	75.6	53.9	29.8	10.0	33.6	
July	22.9	14.1	61.6	12.0	85.1	52.4	23.7	9.6	40.5	
August	25.6	14.6	57.0	10.7	73.3	41.8	25.2	8.5	33.7	
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March	29.4	21.9	74.5	18.2	83.1	61.9	26.1	16.3	62.5	
April	23.2	14.8	63.8	17.7	119.6	76.3	22.8	11.2	49.1	
May	28.2	22.6	80.1	16.6	73.5	58.9	25.5	12.4	48.6	
June	29.4	20.6	70.1	15.1	73.3	51.4	25.8	10.4	40.3	
July	30.1	18.9	62.8	14.6	77.2	48.5	25.3	14.5	57.3	
August	34.7	17.7	51.0	15.5	87.6	44.7	26.6	13.6	51.1	
September	44.2	29.4	66.5	17.1	58.2	38.7	26.4	16.3	61.7	
October	42.3	27.5	65.0	21.7	78.9	51.3	32.7	14.6	44.6	
November	44.4	34.3	77.2	21.9	63.8	49.3	32.2	17.0	52.8	

* Figures relating to exports and imports revised by the Hungarian Statistical Office.

Geneva, December 30th, 1933.

LEAGUE OF NATIONS

TWENTY-NINTH REPORT
of the Commissioner of the League of Nations in Bulgaria
(Quarter from August 15th to November 15th, 1933.)

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GENERAL.

1. For the first time since the beginning of the world depression, a certain improvement is noticeable in the economic situation of Bulgaria. The domestic causes of this improvement are, in the main:

- (a) An excellent harvest, which in some cases constituted a record;
- (b) A fortunate adaptation of the foreign trade and exchange control policy of the National Bank to the needs of the country.

Needless to say, the progress to be noted in the rest of the world has had an essential influence on this country. It has enabled it, in particular, to improve its openings for trade in certain foreign markets.

2. We regret that we are obliged to emphasise clearly that the improvement cannot in any way be attributed to Government action. On the contrary, in all fields of economic activity in which the effect of State control and domestic policy is particularly felt, the situation is gradually growing worse. We will mention as examples:

(a) The weakening of private credit, which is growing daily more serious owing to constant changes and delays in the drafting of the Bill for the Relief of Debtors. At the time of preparing the present report, this Bill already contains a number of disquieting provisions, and it may still be made more unsatisfactory;

(b) The manipulation of the cereal market by the Corn Export Directorate, which purchases at high prices, but cannot pay, and thus deprives the producer of one of the few opportunities he has of obtaining liquid resources;

(c) The present state of an industry artificially created and maintained, which, though flourishing when the depression was at its worst, is now showing signs of a decline;

(d) The most effective instrument for State interference in economic activity — the Agricultural Bank and the series of co-operative credit and other organisations working under its protection—is involved in ever-growing difficulties; the assets of these undertakings are becoming completely immobilised owing to investments made under the influence of considerations quite foreign to the normal rules of credit distribution.

3. Thanks to the efforts—insufficiently supported, alas—of the Minister of Finance, the budget results are relatively satisfactory and, so far, are an evident improvement on those of the previous financial year. The Treasury situation, although still difficult, is also more reassuring than at the beginning of last summer.

4. The service of the public foreign debt has been the subject of two agreements with the two most important groups of creditors. By these agreements, substantial reductions in the payments and transfers required by this service were allowed.

5. Bulgaria has lately suffered a severe loss in the person of M. Liaptchef, a former Prime Minister, who died on November 6th, 1933. Under André Liaptchef as Prime Minister, the Bulgarian Government in 1926, and again in 1928, began to collaborate with the Council and the Financial Committee of the League of Nations in the settlement of refugees, and afterwards in the monetary and financial reconstruction of the country.

6. The present report has been drawn up with the assistance of Professor Kōstner, Adviser to the National Bank of Bulgaria.

I. BUDGET.

(Cf. Appendix I.)

(a) PROVISIONAL RESULTS OF THE FIRST SEVEN MONTHS OF THE FINANCIAL YEAR 1933-34.

These may be summed up as follows, when compared with the corresponding data for 1932-33:

<i>Revenue:</i>	1933-34	1932-33
	(In millions of leva.)	
State budget	2,931	2,814
Railways and Harbours	720	735
	3,651	3,549
<i>Expenditure:</i>		
State budget	2,293	2,556
Railways and Harbours	436	392
Payment orders outstanding	1,303	1,483
	4,032	4,431
Provisional deficit	381	882

The results of this same period in the two years are somewhat similar, if it be noted that, for 1933-34, about 300 millions of expenditure relating to the non-transferred service of the foreign debt do not appear in the above data, the necessary credits not having been provided in the original budget, but only in a supplementary budget issued on December 12th, 1933.

This notwithstanding, the fact remains that the real provisional deficit on October 31st, 1933—about 680 millions—is 200 millions less than the corresponding figure for 1932.

The total revenue has declined by only about 56 millions from one year to the next, if account be taken of the fact that, on October 31st, 1933, the annuity due from the autonomous railway budget has already been credited to the general budget, and also 39 millions due to the abolition of General Councils of Departments and coming from former departmental resources.

This result has been attained in spite of a heavy fall in Customs revenue (—212 millions = — 38 per cent), due to a reduction in imports, insufficiently compensated for by the raising of tariffs under the Law on the Consolidation of State Revenue (see our previous report). It is to be attributed essentially to an improvement in the collection of direct taxes (+ 18 per cent), except the land tax (cf. Appendix I (a) and (b)); of the excise (+ 5.5 per cent); of dues, including certain excise duties (+ 8 per cent); and, above all, of revenue in respect of past financial years (+ 64 millions = + 54 per cent). Although much smaller than was expected, these increases are the by no means negligible results of the five fiscal laws voted between February and May 1933 (cf. our previous report, pages 4 and 5), and of the beginning of the overhaul of financial administration, in particular at Sofia and certain important centres.

It is also to be noted that 160 millions appear as receipts in the chapter "Miscellaneous Revenue" in respect of the return of available funds, as compared with 117 millions for the whole financial year 1932-33.

If account be taken of the early payment of the railway annuity and of the new burdens falling on the State owing to the abolition of departmental councils, and if the non-transferred service of the foreign debt be again included, the total expenditure appears to be about 250 millions less than for the same period of the previous financial year. Nevertheless, as only a small number of the fundamental measures capable of securing vast economies have been put into force, and as the law on the reform of education is still only a draft, it may be taken as certain that some expenditure has merely been postponed owing to the lack of funds in the Treasury, and will appear between now and the end of the financial year. It is none the less true that constant pressure by the Minister of Finance has secured a series of fragmentary but by no means negligible economies. On the other hand, the partial blocking of public revenue for the purpose of a preferential payment to officials has had the effect of reducing the funds available for paying for supplies and driving out of the field all candidates for a great many contracts.

(b) EXECUTION OF THE PLAN OF FINANCIAL RECONSTRUCTION OF MAY 1933.

As regards the necessary legislative or administrative sanction, nothing further has been done during the quarter under consideration. In particular, the extension of the Finance Minister's preliminary check upon expenditure on the Pernik Mine has not been possible, and it does not appear that the necessary Bill is being drafted; the Bill for granting a Status to Officials of the Financial Administrations, which passed its first reading before June 30th, 1933, is still in suspense; the chief of the higher authority for the supervision of the assessment and collection of taxes, to whom circumstances offered an important rôle, has not yet been appointed.

As regards the actual execution of the plan, the above provisional results show that a certain effort has been made towards balancing the budget. Nevertheless, the Finance Minister's preliminary check, as provided for in the Budget Act, still meets with too much resistance from extravagant administrations, and, if it were better received, would secure more substantial economies. It is further to be hoped that the same system may be extended, in law and in fact, to expenditure out of the autonomous railway budget. The system of preferential payment for officials' salaries and reduction of arrears has continued to work quite satisfactorily, and has yielded appreciable, though smaller, results as regards pensions.

In short, the budgetary situation, although far from being sound, is one of the few aspects of the general situation which do not inspire too immediate anxiety. This result must in a large measure be attributed to the personal efforts of the Minister of Finance, who, if he were better supported and enabled to carry out a comprehensive plan prepared by himself, would certainly bring about a more marked recovery.

(c) TREASURY SITUATION.

(Cf. Appendix I (d).)

The net Treasury deficit, estimated as usual by comparing the funds available in the Treasury with the total of unsettled but incurred expenditure, was, on October 31st, 1,011 millions, as against 1,493 on the previous July 31st. This reduction is due partly to the effective improvement in the budget situation throughout that period; but partly also to the fact that, for lack of resources, certain effective expenditure has not yet been incurred. This is certainly the case, to our knowledge, as regards debts contracted by the State for the Cereals Directorate (see below), exceeding 300 millions, and expenditure on material for the financial year 1932-33, which was

outstanding on June 30th last. As regards this latter, a law of November 30th, partly in harmony with the intentions expressed by the Government to the Financial Committee in May 1933, does indeed provide for the issue of an amount not exceeding 200 millions of 6% Treasury bonds, but lays down that this method of payment shall apply only to part of the sums due, the balance being paid in cash. The result is an additional mortgage on the Treasury amounting to 100 millions at least.

On October 31st, 1933, the net uncovered deficit of 1,011 millions relates to arrears due to officials, which are definitely diminishing (less than two months in arrear), the quarterly amount in respect of pensions due on October 1st, but actually payable at the end of the quarter, and about 300 millions due to other State creditors. The situation thus seems to be temporarily stabilised and, failing the unforeseen, free from immediate danger.

During the quarter under consideration, the Government issued the full additional amount of 300 million Treasury bonds rediscountable by the National Bank, granted to it by a report (document C.268.1933.II.A) of the Financial Committee to the Council. The Special Committee provided for in that report has been consulted regularly. The National Bank was obliged to consent to rediscount the whole of the bonds so issued.

(d) CEREALS DIRECTORATE.

The position with regard to the transactions of the Directorate was provisionally as follows at the end of October 1933:

	Millions of leva	
Purchases (158,000 tons)	380	
Overhead charges, transport, etc., approximately	50	
	—	430
Sales	112	
Stocks (including the portion for sale to public administrations, etc.)	160	
Present provisional loss	158	
	—	430

The Government considers that this loss—which is likely to increase—will be covered by the yield of the bread and flour taxes.

	Millions of leva
These taxes yielded, between July 1st, 1932, and October 31st, 1933 (average for the last three months = 14)	180
which was devoted to:	

The amortisation of the balance of the tax bonds issued during previous harvests and not paid to the Revenue Authorities	153	
Costs of collection, commissions, etc.	3	
Payments to various municipalities	1	
Advances to the Directorate	23	
	—	180

It has therefore, up to the present, only been possible to devote 23 millions of this yield to the object for which it is intended by the Government. Moreover, as regards the future, it is already earmarked: (a) for repayments by the State to the communes and other public bodies in respect of their share of the taxes collected in bonds during the last few years, which repayments amount at present to at least 150 millions and cannot be waived without rendering still worse the already precarious position of the bodies concerned; (b) for the sinking fund in respect of the advances accorded to the Directorate by the Agricultural Bank, which at present amount to 184 millions.

To sum up:

1. The Directorate, which is entirely without working funds, has, since the beginning of the present year, only been functioning with the help of the credit accorded to it by its agents—private persons or co-operative societies—the producers of wheat themselves and the Agricultural Bank.
2. Its transactions so far show a net loss of about 1 lev on each kilogramme of wheat purchased; the total volume of its purchases in respect of the 1933 harvest might, if the necessary resources could be procured, amount to about 200,000 tons.
3. The resources regarded as necessary to cover these losses must in fact be used for other purposes, which have hitherto practically exhausted them.
4. It is literally impossible for the Treasury to contemplate making the slightest effort to help the Directorate, while the present position of the Agricultural Bank would, on the contrary, justify a demand for the repayment of its advances.

In the circumstances, people are once more wondering how the Government can hope to maintain this body, and also whether this system is really to the interests of the wheat-producer, who has in many cases been unable to obtain payment for his deliveries and is inevitably suffering from the tying-up of money belonging to the co-operative societies and to the Agricultural Bank.

II. PUBLIC DEBT.

Two agreements have been concluded relating to the service of the foreign debt of the State. The first of these agreements, which was concluded with the League Loans Committee (London), concerns the service of the 1926 7% Loans for the Settlement of Refugees and the 1928 7½% Stabilisation Loan. It is composed of two texts, published on August 24th and November 24th, 1933, and providing for:

(a) During the period May 15th, 1933, to April 15th, 1934, inclusive, the transfer of 25 per cent of the interest and the handing-over to the Commissioner of the League of Nations of Treasury bonds bearing interest at 2 per cent for the balance of the service;

(b) Provision in the 1934-35 budget for the total amount of credits necessary for the full service and the regularisation of the current budget in the same sense;

(c) The reduction to 2 per cent of the rate of interest payable on the Treasury bonds which represent the untransferred part of the service and have been subscribed or renewed since January 1st, 1933;

(d) During the period April 15th, 1932, to April 15th, 1934, the redemption by the Government of the untransferred portion of the service against payment, and the transfer of 10 per cent of the sums involved, to be effected in four half-yearly payments during 1934 and 1935.

The second arrangement concluded with the representatives of the committees for the protection of the British, French and Dutch holders of Bulgarian loans issued before 1914 was published on November 28th, 1933, and lays down conditions substantially identical with the above—viz.:

(a) Extension, until April 14th, 1934, inclusive, of the system involving the transfer of 25 per cent of the interest provided for in the Convention of December 11th, 1926, for the period April 1st, 1930, to April 1st, 1933, and payment to the Commissioner of the League of Nations of the untransferred balance, to be invested in Treasury bonds;

(b) and (c) as (b) and (c) above (1926 and 1928 loans);

(d) as (d) above, for the period April 1st, 1932, to April 14th, 1934, inclusive.

The two agreements have been applied in an identical manner: provision was made for the additional credits required for the re-establishment of the complete service of the whole of the foreign debt, in the current budget by the law of November 30th, 1933. The sums not transferred between April-May 1933 and November 30th, 1933, in respect of the service of the two groups of loans mentioned above, had been previously delivered to the Commissioner in the form of Treasury bonds bearing interest at 2 per cent, except in the case of the service of the 1892 6% Loan and the 1909 4½% Loan, now being regularised. The untransferred balances of amounts due on dates subsequent to November 30th, 1933, were paid in cash to the "untransferred service" account. The interest on the Treasury bonds subscribed or renewed since January 1st, 1933, was reduced from 6 to 2 per cent, the portion remaining in the hands of the creditors being transferred to the "untransferred service" account at the same time as the interest on transactions prior to January 1st, 1933, and the balance reverting to the Treasury. The "consignment of interest" account was thus balanced.

The Bulgarian Government is endeavouring to obtain similar facilities from the holders of certificates of other State loans and certain loans guaranteed by the State.

In the circumstances, the "untransferred service" account now stands as follows:

Loans	Untransferred service and interest on Treasury bonds (In millions of leva.)	Investments in Treasury bonds
A. 1926 7% and 1928 7½% secured loans	406.7	404.6
B. 1902 5%, 1904 5% and 1907 4½% secured loans	251.7	235.8
C. Unsecured loans	56.4	55.3
D. Loans guaranteed by the State	16.1	—
	730.9	695.7

The maturity of all the bonds thus subscribed or renewed is now fixed for February 15th, 1934.

III. CURRENCY, CREDIT AND ECONOMIC SITUATION.

(a) NATIONAL BANK.

Commercial loans and advances show, during the quarter under review, a slight seasonal increase of 88 millions, while rediscounted Treasury bonds have increased by 220 millions. The total discounts and advances amounted at November 15th to 1,199 millions, the highest level

reached since March 1930. This increase in invested funds is counterbalanced by an increase in the note-circulation (192 millions) and in silver divisional coinage (106 millions).

Bank deposits fell by 397 millions, owing exclusively to transfers from one account to another: the mass of deposits kept by the National Bank increased by 61 millions. The total circulation increased by nearly 300 millions. The following figures give an idea of the variations of this amount during the last three years:

	November 15th, 1931	November 15th, 1932	August 15th, 1933	November 15th, 1933
	(In millions of leva)			
Banknotes	3,176.4	2,702.3	2,602.1	2,793.8
Divisional coinage.	762.9	911.3	851.9	957.4
Total circulation	3,939.3	3,613.6	3,454.0	3,751.2

The continued increase in the circulation of silver coins of 20, 50, and 100 leva, due to the withdrawal of the corresponding notes, exhausted the reserve of those coins. As the notes cease to be legal tender after December 31st, 1933 (Article 8 of the Stabilisation Law of 1928), 200 millions worth of them will have to be withdrawn from circulation. As the Bank had only 68 millions in the corresponding silver coins in reserve, it was compelled, in accordance with the law, to ask the Government to mint. The issue contemplated will amount to 400 million leva.

(b) FOREIGN EXCHANGE.

The foreign trade balance during the quarter under review, which shows a surplus, affected the foreign exchange position of the Bank. During that period, the net foreign exchange reserves of the Bank of Issue increased from 33 to 117 millions—the first quarterly increase recorded for years. This result was due to the systematic restrictions imposed on imports and all other expenditure in foreign currencies, and to the maintenance of exports at the 1932 level by the intensification of the clearing agreement and “compensation” system. The reduction in the transfers required for the service of the foreign debt also contributed towards that improvement.

Appendix II (c) shows the increasingly important part played by clearing agreements in foreign trade, which is reflected, in the case of the National Bank, in an increase in blocked foreign currency. In October, three-quarters of the foreign currency purchased and two-thirds of the amount sold passed through blocked accounts.

The commercial indebtedness of the country to foreign countries, as shown by the volume of extended foreign drafts registered by the National Bank, is steadily falling. Between April 1st and November 1st, 1933, it fell by more than one-third (from 1,095.7 to 705.0 millions). This considerable reduction is not due exclusively to the fall in the value of the dollar, but also to actual payments.

(c) FOREIGN TRADE.

October was the seventh consecutive month showing a favourable trade balance. The surplus of exports over imports for the first ten months of the year amounted to 425 millions, as against a deficit of 266 millions for the corresponding period of 1932. The fall in exports, still very pronounced during the first quarter, ceased towards the end of March, since when the export figures generally compare favourably with those for last year, the total for the period April to October being 1,754 millions, as against 1,765 millions in 1932. At the same time, imports steadily fell, until, in August, they amounted to scarcely half of the amount for August 1932, the total for the first ten months being more than 1,000 millions less than for the corresponding period of 1932. In spite of these restrictions, the country rarely suffered from a lack of raw materials and endeavoured to be self-supporting. In certain cases, however, such as that of textiles, the lack of imported raw materials was felt, although considerable reserves had been accumulated before the present restrictions and the increase in tariffs. The fruit export season which has just terminated was extremely satisfactory, the grapes exported amounting to 2,012 wagon-loads (133 million leva), as against 1,252 wagon-loads in 1932. Of the considerable surplus of cereals available for export, the Wheat Office sold to foreign countries 60,000 tons only, at prices varying from 1.40 to 1.45 lev per kilogramme.

(d) BANKS.

The cash position of the private banks continued to deteriorate during the third quarter of the current year, the consequences of the law temporarily prohibiting forced auctions being clearly seen from the balance-sheets. The total discounted bills and advances increased during the period in question by nearly 30 millions, while the “contested accounts” increased by 27 millions, making 57 millions in all, a sum roughly equivalent to the interest normally accumulated during the quarter in respect of immobilised funds of the banks. The banks thus seem to have been prevented from obtaining any effective reimbursement. At the same time, they had to meet

withdrawals of deposits amounting to 94 millions. The position was still strained after the end of September—the date of the last statistics.

The same phenomena were observed in the two large State banks (the Agricultural Bank and the Central Co-operative Bank), which increased their bill-holdings and at the same time suffered withdrawals. Their cash balances thus fell to an ever-increasing extent, and the continual postponement of the Bill for the Relief of Debtors and the interminable discussions to which it has given rise do not augur well for the future.

IV. AGRICULTURE.

Our last report contained preliminary figures for the wheat harvest. The final results with regard to the production of cereals in general confirmed the fact that they exceeded the quantities produced last year, with the exception of rice and maize (10.4 as against 10.5 million quintals), and amounted to 35.9 million quintals as against 32.4 millions in 1932. No final figures are yet available in the case of industrial plants, but 22 million kilogrammes of tobacco are expected, as against 17.2 millions last year; the quality seems satisfactory. The cotton crop was gravely endangered by a rather cold summer, although the area under cultivation was nearly trebled on the Government's promise to purchase at fixed prices the quantities offered for sale.

The oleiferous products harvest was abundant, while potatoes and grapes reached record figures.

In the present circumstances, the results of the harvest expressed in terms of value seem to be of secondary importance. The main fact is that the peasant population can consume more than last year and will in any case have surpluses for sale.

V. GENERAL INFORMATION.

The excellent results of the agricultural year were reflected in an increased volume of river, sea and railway traffic (goods and passengers) and in an increase in exports. On the other hand, there are unfortunately evidences of a decline in industrial activity; the output and sales of the Pernik Mine were much lower than last year, although there was an improvement in September and October; the number of hands employed in industrial concerns fell by more than 15,000 since September 1932; the principal fall occurring in the tobacco industry (11,000). It should be added, however, that the official data vary so much from one month to another that it is difficult to draw definite conclusions from them. The building industry, for instance, employed, according to the statistics, 2,696 operatives in September 1933, as against 6,671 in September 1932, whereas it is generally held that the industry increased its activity during the year.

It should be noted incidentally that the excessive development of building during the last three years entailed financial difficulties for a large number of new co-operative societies. The symptoms of this latent crisis are emphasised by a Bill before Parliament for the relief of these owners.

The level of prices has been more or less stationary for the last three months, a certain downward trend being observed in the case of articles for export. The difference between the prices of exported products and those of imported products was nearly 100 per cent (imported products = 72.7 per cent and exported products = 36.6 per cent), as against 80 per cent during the corresponding period of 1932. The index-numbers of retail prices, recently calculated by the statistical services of the National Bank, oscillated, during the first ten months of the year, round 62 per cent (1929 = 100), whereas those of wholesale prices varied during the same period between 52 and 55 per cent, and those for internal consumption were approximately 63 per cent.

VI. SETTLEMENT OF BULGARIAN REFUGEES.

(a) POSITION OF THE SPECIAL ACCOUNT OF THE 1926 LOAN AS AT OCTOBER 31ST, 1933.

	Leva
Net yield	1,614,296,149
Of which was given to the Directorate for the Settlement of Refugees . . .	<u>1,600,824,302</u>
Balance in deposit with the National Bank	13,471,847

(b) YIELD OF THE ASSIGNED REVENUES.

(In millions of leva.)

Chapter of the budget	Receipts			One-twelfth of the budget estimates
	August	September	October	
15. Excise duty on alcohol, etc.	7.8	3.7	2.5	5
16. Excise duty on salt, etc.	38	51.6	35.7	30
21. Sale of matches	7.5	7.5	7.4	7.9
Total	<u>53.3</u>	<u>62.8</u>	<u>45.6</u>	<u>42.9</u>

These receipts, amounting to 161.7 millions, represent an appreciable advance over those for the last two quarters (149.2 millions and 124.6 millions).

Payments by refugees for refund of the cost of settlement amounted to:

(Leva)

	- August	September	October	Previous payments	October 31st, 1933
Interest	29,749	41,931	85,455	3,435,977	3,593,112
Amortisation and Land Tax	32,038	26,191	27,844	15,435,156	15,521,229
Total	61,787	68,122	113,299	18,871,133	19,114,341

These repayments (243,208 leva) are considerably above those for the previous quarter, but are still below those for earlier quarters. The Bill authorising certain refugees to effect part of these payments by transferring bonds of the 1923 6% issue will probably be discussed during the present winter, and its adoption will allow of a subsequent improvement in the repayments concerned.

(c) EMPLOYMENT OF THE LOAN.

On the commitments contracted by the Directorate, 7.8 million leva remained to be paid on October 31st. The available balance of the proceeds of the loan amounts, regard being had to the funds held by the Administration, to 15.1 millions, or a possibility of fresh commitments amounting to 7.4 millions. In agreement with the Directorate, 6 millions have been earmarked from this balance to constitute the loan's contribution to the construction by the Ministry of Agriculture of two pumping-stations on the Karaboaz and Messemvria Ponds, near which settlements of refugees are established. Save for a balance of 1.4 millions, the proceeds of the Loan are thus committed to the full.

VII. 1928 7½% STABILISATION LOAN.

(a) POSITION OF THE LOAN ACCOUNT AS AT OCTOBER 31ST, 1933.

	Leva
Net yield	3,370,065,553
Of which was given to the Administrations	3,362,427,028
	<hr/>
Balance on deposit with the National Bank	7,638,525

(b) YIELD OF ASSIGNED REVENUE (CUSTOMS).

(In millions of leva.)			
August	September	October	One-twelfth of the Budget estimates
44.5	51.5	52.3	74.5

or 148.3 millions for the quarter, as against 149.7 for the previous quarter and 227.3 for the corresponding quarter of the previous year. For the first seven months of the fiscal year, this revenue amounted to only 346.3 millions, as against 558.6 for the same period of 1932-33—a fall of 38 per cent.

(c) EMPLOYMENT OF THE LOAN.

	Leva	Leva
1. Railways and Harbours.		
The total assigned to this head amounted to		672,300,000
all expended up to October 31st, 1933.		
Balance to be paid		8,671,969
Funds held by the Administration	6,065,176	
Balance to be obtained from the proceeds of the Loan	2,606,793	
		<hr/>
		8,671,969
2. Roads and Bridges		
The total assigned to this heading amounted to		182,031,732
Expenditure incurred up to October 31st, 1933		180,576,177
		<hr/>
Amount still available		1,455,555
Balance to be paid on commitments		5,950,000
		<hr/>
Outstanding commitments and expenditure		7,405,555
Funds held by the Administration	2,373,823	
Balance to be obtained from the proceeds of the Loan	5,031,732	
		<hr/>
		7,405,555

As regards the head "Roads and Bridges", the amount still available is reserved for repayments of deductions imposed on contractors. In the case of both heads, therefore, the proceeds of the Loan have been committed almost to the full.

Appendix I.

(a) COMPARATIVE RESULTS OF THE FIRST SEVEN MONTHS OF THE FINANCIAL YEARS 1932-33 AND 1933-34.

(In millions of leva.)

	Annual data (recapitulation)			Results April-November	
	1931-32 Results	1932-33 Results	1933-34 Estimates	1932-33	1933-34
REVENUE.					
A. State Budget.					
Direct taxes.	489.5	392.3	424.1	240.5	284.7
Indirect taxes.	1,253.8	1,229.1	1,323	752.6	795.4
Customs duties	959.6	883	894	558.6	346.3
Other duties.	563.2	508.8	804	296.7	320.5
Fines and confiscations.	57.8	51.1	58	26.7	37.6
Railway annuity.	103	125.1	118.6		118.6
Posts, Telegraphs and Tele- phones	293.7	267.1	276	171.3	163
State domains and capital.	279.6	330.2	346.5	189	126.2
Contributions of communes to- wards teachers' salaries	340.4	294.9	300	220.4	212.6
Miscellaneous revenue	654.7	450.6	477	240.1	344.1
Revenue from closed financial years	202.5	203.2	200	118.2	181.8
Total	5,197.8	4,735.4	5,221.2	2,814.1	2,930.8
B. Railways and Harbours	1,238.5	1,120.7	1,550.5	735.2	719.8
Grand total.	6,436.3	5,856.1	6,771.7	3,549.3	3,650.6
EXPENDITURE.					
A. State Budget.					
Head of State.	64.5	77	63.1	42.1	35.8
Public Debt.	2,155.9	1,919.5	1,440	1,244.1	1,053
Audit Office.	22.6	17.3	15.6	7.9	6
Foreign Affairs and Public Wor- ship	134	98.3	94.5	38.2	45.1
Bulgarian Orthodox Church	46.3	43.6	43.9	18.6	17.9
Interior.	259.8	235.2	243.7	84.1	80.5
Public Health.	114.7	108.1	181.9	33.3	32.7
Education	852.1	867.8	821.5	304.6	295.1
Finance.	177.4	170.5	174.9	64.2	52
Justice	205.4	182.3	189.3	75.1	61.7
War	1,010.1	831.9	959.6	316.7	327.3
Commerce	96.6	88.3	92.8	31.6	31.3
Agriculture and Domains	237.4	237.4	293.2	76.8	80.3
Public Works and Compulsory Labour.	274.9	229.9	318.5	75.5	77.6
General Directorate of Railways and Harbours	47.3	41.3	50.2	13.6	12.4
Posts, Telegraphs and Tele- phones	206.7	192.7	202.7	67.9	70.6
Aviation	29.9	29.4	35.8	9.7	10.5
Extraordinary and supplement- ary budgets	167.2	98	—	51.7	2.7
Total	6,102.8	5,468.5	5,221.2	2,555.7	2,292.5
B. Railways and Harbours	1,264.1	1,138.6	1,373.1	392	435.8
C. Payment orders in suspense.	—	268.2	—	1,482.9	1,303.4
Grand total.	7,366.9	6,875.3	6,594.3	4,430.6	4,031.7
Budget deficit.	930.7	1,019.2	—	881.3	381.1

(b) DETAILED AND COMPARATIVE STATEMENT OF THE RECOVERY OF DIRECT TAXES AS AT OCTOBER 31ST, 1933, ON THE FINANCIAL YEAR 1933-34.

(In millions of leva.)

	Estimates	Amounts recovered	Percentage	First seven months of 1932-33
TAXES.				
Land tax	30	12.8	43	12.8
Schedular taxes	200	128.8	64	97.6
Tax on total income	20	13.8	69	11.6
Corporation tax	30	20.6	69	15.1
Tax on buildings	15	9.2	61	7.9
Tax on ewes and she-goats	55	55.4	100	53.5
Tax on exemption from personal service	28	17.3	62	18
Military tax	21	13.4	64	10.3
Tax on successions	25	13.4	—	13.6
	424	284.7	67	240.4
Taxes from closed financial years	200	146.8	73	105.9

(c) MONTHLY RESULTS OF THE LAST THREE MONTHS.

(In millions of leva.)

	1933-34 One-twelfth of the budget voted	August		September		October				
		1932-33	1933-34		1932-33	1933-34		1932-33	1933-34	
			Month-ly budget	Results		Month-ly budget	Results		Month-ly budget	Results
REVENUE.										
A. State Budget:										
Direct taxes	35.3	22.7	40	26.5	18.3	40	24.6	43.3	52	59.5
Indirect taxes	110.2	107.9	165	119.3	117.6	165	123.1	116.3	165	113.1
Customs duties	74.5	73.1	45	44.5	78.3	55	51.5	75.9	50	52.3
Other duties	67	37.2	45	45.8	44.5	55	47.7	44.1	50	46.9
Fines and confisca- tions	4.8	3.6	5	4.2	3	5	5.4	4.5	5	8.8
Railway annuity	9.9	—	9.9	—	—	9.9	—	—	9.9	118.6
Posts, Telegraphs and Telephones	23	18.8	25	17.9	21	22	20.3	24	20	19.7
State domains and capital	28.9	20.7	24	13.7	16.3	28	15.6	27.4	22	11.6
Contributions of com- munes towards teachers' salaries	25	25	27	27.5	10	25	33	63	28	24
Miscellaneous revenue	39.8	21.4	39.1	19.5	19.9	30.1	32.7	20.9	24.1	43.7
Revenue from closed financial years	16.7	13	30	12	12.7	30	17.1	28.5	24	52.4
Total	435.1	343.4	410	330.9	341.6	410	371	447.9	400	550.6
B. Railways and Harbours										
Monthly grand total	129.2	115.1	90	112.1	117.3	92	137	137	90	141.6
Monthly grand total	564.3	458.5	500	443	458.9	502	508	584.9	490	692.2
EXPENDITURE.										
A. State Budget										
Monthly grand total	435.1	344.5	410	622.4	530.9	408	357.5	473.5	400	530.9
B. Railways and Harbours										
Monthly grand total	114.4	123.6	90	82.9	122.2	92	95.1	84.4	90	218.5
Total expenditure paid	549.5	468.1	500	705.3	653.1	500	452.6	557.9	490	749.4
Expenditure in sus- pense (increase or decrease during the month).	—	+10.9	—	-234	-37	—	+92	- 2.9	—	-254
Monthly grand total	549.5	479	500	471.3	616.1	500	544.6	555	490	395.4

(d) TREASURY SITUATION.

(In millions of leva.)

	First quarter 1933-34	July	August	September	October
Balance at the beginning of the month or quarter of the Treasury accounts with the National Bank	91.3	59.5	305.9	165.7	220.7
RECEIPTS.					
General budget	1,356.6 ¹	343.5	330.9	371	550.6
Railways and harbours	266.1 ¹	63	112.1	137	141.6
Extra-budgetary receipts	77.7 ¹	—	122.1	—	—
Additional issues of Treasury bonds	—	120	—	—	180
Special issues	56.3 ²	11	—	—	—
Total	1,848	597	871	673.7	1,092.9
EXPENDITURE.					
General budget	1,472.6 ¹	248.5	622.5	357.5	530.9
Railways and Harbours	290.6 ²	30.4	82.9	95.1	218.5
Expenditure from extra-budgetary receipts	25.3 ¹	12.2	—	0.4	51.3
Balance at the end of the month or quarter of the Treasury accounts with the National Bank	59.5	305.9	165.7	220.7	292.2
Total	1,848	597	871	673.7	1,092.9
Balance at the end of the month or quarter of payment orders in suspense, approximately	1,228	1,799	1,565	1,657	1,303
Approximate net deficit	1,168.5	1,493.1	1,399.3	1,436.3	1,010.8

¹ Financial years 1932-33 and 1933-34.
² Financial year 1932-33.

Appendix II.

CURRENCY, CREDIT AND ECONOMIC POSITION.

(a) POSITION OF THE NATIONAL BANK OF BULGARIA.

(In millions of leva.)

	November 15th, 1931	November 15th, 1932	August 15th, 1933	November 15th, 1933
<i>Assets.</i>				
Gold, coined or uncoined	1,510	1,517	1,521	1,522
Gold foreign exchange	258	84	57	116
Other foreign exchange	264	163	48	65
Divisional coins	478	329	389	283
Bill-holdings and commercial advances	557	387	313	401
Treasury bonds	331	536	578	798
State Debt	3,031	2,935	2,873	2,844
<i>Liabilities.</i>				
Capital paid up and reserve	1,684	1,691	1,693	1,710
Banknotes in circulation	3,176	2,702	2,602	2,794
Current and deposit accounts	1,375	1,494	1,611	1,672
Including bank deposits	(900)	(860)	(891)	(494)
Foreign exchange commitments	166	113	72	64
Cover percentage	35.20	35.47	35.76	35.25
Discount rate percentage	9½	8	8	8

(b) FOREIGN EXCHANGE: PURCHASES AND SALES BY THE NATIONAL BANK OF BULGARIA.

(In millions of leva.)

	Fourth quarter 1932	First quarter 1933	Second quarter 1933	Third quarter 1933	October
<i>Purchases.</i>					
Exports	630	332	443	477	261
Services and tourists	33	31	30	41	11
Receipts from investments abroad	7	5	4	4	1
Other receipts from private persons	44	10	10	10	11
State revenue from abroad	11	—	—	—	—
Return to the country of capital invested on long term abroad	—	—	1	—	—
Imports of foreign capital for long-term invest- ment.	27	21	7	15	7
Short-term foreign credits	9	8	4	28	4
Differences resulting from the revaluation of assets abroad	12	10	19	14	5
Miscellaneous	22	30	116	91	2
Deposits withdrawn from the Bulgarian National Bank	13	2	1	10	12
Total.	808	449	635	690	314
<i>Sales.</i>					
Imports	515	384	453	302	177
Services and tourists	43	9	10	12	4
Other expenditure of private persons	28	22	26	13	6
Interest and other payments on foreign invest- ments in Bulgaria	21	2	7	8	1
Payments by the State to foreign countries	151	82	78	55	19
Exports of capital	—	—	—	—	—
Reimbursement of short-term credits	26	1	5	11	12
Reimbursement of long-term credits and foreign capital	35	12	39	11	23
Differences resulting from the revaluation of assets abroad	5	5	6	7	4
Miscellaneous	12	16	34	206	6
Deposits made with the Bulgarian National Bank Total.	3	1	1	22	3
Total.	839	534	659	647	255

(c) FOREIGN EXCHANGE: QUARTERLY PURCHASES AND SALES.

I. Purchased.

(In millions of leva.)

Quarter	Blocked	Free	Total	Percentage blocked
1932: First	56.3	873.6	929.8	6.1
Second.	174.1	553.7	727.9	23.9
Third	149.2	420.1	569.3	26.2
Fourth.	270.3	457.2	727.5	37.3
1933: First.	220.8	219.7	440.4	50.1
Second.	369.8	229.3	599.1	61.7
Third	337.6	226.4	564.0	59.9
October	215.1	70.5	285.6	75.3
II. Sold.				
1932: First	20.7	1,000.3	1,021.1	2.0
Second.	128.3	602.5	730.8	17.6
Third	173.3	508.3	681.5	25.4
Fourth.	284.9	501.5	786.3	36.2
1933: First.	235.3	281.5	516.8	45.5
Second.	353.2	286.4	639.6	55.2
Third	334.2	204.0	538.1	62.1
October	152.3	77.6	229.9	66.2

(d) FOREIGN TRADE.

(In millions of leva.)

	Imports			Exports			Balance		
	1931	1932	1933	1931	1932	1933	1931	1932	1933
January	297	247	239	390	307	135	+ 93	+ 60	— 104
February	309	258	206	347	284	192	+ 38	+ 26	— 14
March	374	345	253	582	271	189	+ 208	— 74	— 64
April	451	337	211	684	322	363	+ 233	— 15	+ 152
May	507	373	180	746	292	277	+ 239	— 81	+ 97
June	483	274	150	359	208	231	— 124	— 66	+ 81
July	441	237	149	335	144	176	— 106	— 93	+ 27
August	396	275	134	376	192	150	— 20	— 83	+ 16
September	359	259	155	503	247	243	+ 144	— 12	+ 88
October	380	283	168	532	360	314	+ 152	+ 77	+ 146
November	352	295		692	336		+ 340	+ 41	
December	311	288		388	420		+ 77	+ 132	
Whole year	4,660	3,471		5,934	3,383		+ 1,274	— 88	
January-October	3,997	2,888	1,845	4,854	2,627	2,270	+ 857	— 261	+ 425

(e) FOREIGN TRADE AND MOVEMENT OF FOREIGN EXCHANGE.

(In millions of leva.)

Period	Exports according to statistics	Foreign exchange obtained from exports	Percentage	Imports according to statistics	Foreign exchange supplied for imports	Percentage
1931	5,934	4,190	71	4,660	3,590	77
1932	3,383	2,496	74	3,471	2,026	58
First quarter	862	742	86	850	641	75
Second quarter	822	636	77	984	432	44
Third quarter	583	488	84	771	438	57
Fourth quarter	1,116	630	56	866	515	59
1933: First quarter	516	332	64	698	384	55
Second quarter	871	443	51	541	453	84
Third quarter	569	477	84	438	302	70
October	314	261	83	168	177	105

(f) POSITION OF THE PRIVATE BANKS IN BULGARIA AS AT SEPTEMBER 30TH, 1932, JUNE 30TH, 1933, AND SEPTEMBER 30TH, 1933.

(In millions of leva.)

	September 1932	June 1933	September 1933
<i>Assets.</i>			
1. Cash and National Bank	536.7	408.9	361.1
2. Other banks	228.9	193.4	181.3
3. Discounted bills	1,489.8	1,195.3	1,231.4
4. Advances	2,388.9	2,219.6	2,212.3
5. Securities held	352.8	276.0	306.9
6. Investments	267.1	244.3	238.5
7. Premises and furniture	300.7	291.7	291.4
8. Contested accounts and protested bills	595.7	637.4	664.8
9. Miscellaneous	612.3	505.7	461.3
Balance	6,772.9	5,972.3	5,949.0

(f) POSITION OF THE PRIVATE BANKS IN BULGARIA AS AT SEPTEMBER 30TH, 1932, JUNE 30TH, 1933,
AND SEPTEMBER 30TH, 1933 (continued).

(In millions of leva.)

	September 1932	June 1933	September 1933
<i>Liabilities.</i>			
1. Capital	1,371.8	1,339.4	1,321.4
2. Savings deposits	1,591.9	1,421.4	1,375.2
3. Trade deposits	1,964.7	1,767.8	1,719.9
4. Other creditors	404.4	327.6	332.1
5. Banks	78.9	61.2	57.5
6. Rediscounts	303.3	272.7	302.5
7. Securities held	352.8	276.0	306.9
8. Branches	213.8	182.3	174.9
9. Miscellaneous	491.4	323.8	358.7
Balance	6,772.9	5,972.3	5,949.0
Percentage of cash to deposits	17.9	12.8	11.7
Percentage of contested accounts against advances and discounted bills	15.4	18.6	19.3

Appendix III.

GENERAL INFORMATION.

(a) RAILWAYS.

Monthly averages (January-October)	Passengers (thousands)	Goods (thousands of tons)	Total receipts (millions of leva)
1931	684	366	99
1932	650	379	96
1933	556	324	93
October 1932	639	507	116
October 1933	551	521	138

(b) INDEX-NUMBER OF WHOLESALE PRICES.

(1929 = 100.)

Years and months	Articles of home consumption	Articles of export	Articles of import	General index- number
1930	84.01	72.83	89.43	80.66
1931	72.04	51.77	75.62	63.71
1932	65.97	45.27	72.87	57.78
October 1932	65.76	42.19	75.98	56.67
April 1933	63.96	38.21	76.43	53.79
August 1933	63.16	37.27	73.29	52.64
September 1933	63.48	37.02	72.58	62.64
October 1933	63.37	36.59	72.68	52.29

Geneva, January 17th, 1934.

LEAGUE OF NATIONS

FINANCIAL COMMITTEE

**REPORT TO THE COUNCIL ON THE WORK
OF THE FIFTY-THIRD SESSION OF THE COMMITTEE**

(Geneva, January 8th-15th, 1934.)

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INTRODUCTION.

The Financial Committee has the honour to submit to the Council the following report on the various questions with which it has dealt during this session.

The following members were present :

- M. MLYNARSKI (*Chairman*) ;
- M. DAYRAS ;
- M. JANSSEN ;
- M. TER MEULEN ;
- Sir Otto NIEMEYER ;
- M. POSPIŠIL ;
- M. SHIMASUYE ;
- Sir Henry STRAKOSCH ;
- M. TUMEDEI.

There were also present :

I. For Austrian Questions :

- Dr. BURESCH, Federal Minister of Finance ;
- Dr. BRAUNEIS, General Manager of the Austrian National Bank ;
- Dr. GRUBER, Chief of the Budget Department of the Ministry of Finance ;
- Dr. RIZZI, of the Credit Section of the Ministry of Finance ;
- M. ROST VAN TONNINGEN, Representative of the League of Nations ;
- M. FRÈRE, Adviser to the Austrian National Bank.

2. For Bulgarian Questions :

- M. STEPHANOFF, Minister of Finance ;
- M. MOMTCHILOFF, Governor of the National Bank of Bulgaria ;
- M. STOYANOFF, Director of Public Debt ;
- M. WATTEAU, Commissioner of the League of Nations in Bulgaria ;
- Professor KÖSTNER, Adviser to the National Bank of Bulgaria.

3. For Hungarian Questions :

- Dr. IMRÉDY, Minister of Finance ;
- Dr. BARANYAI, of the National Bank of Hungary ;
- Mr. TYLER, Representative of the Financial Committee ;
- Mr. BRUCE, Adviser to the National Bank of Hungary.

I. AUSTRIA.

1. The Financial Committee has had before it the eighth report of M. Rost van Tonningen, representative of the League of Nations in Austria. It had the advantage of hearing Dr. Buresch, Austrian Minister of Finance; Dr. Gruber, Head of the Budget Section; and Dr. Rizzi, of the Credit Section of the Ministry of Finance; Dr. Brauneis, General Manager of the National Bank; M. Rost van Tonningen; and M. Frère, Adviser to the Austrian National Bank.

2. The chief event in the development of Austria's public finances since the last session of the Financial Committee was the successful issue in November last of the domestic lottery loan. It followed immediately after the floating of the foreign guaranteed loan issued by virtue of the Protocol of July 15th, 1932, in August last. The amount of the subscriptions to the lottery loan was 265 million schillings, of which only 220 millions were accepted.

3. The proceeds of the foreign loan have been mainly used for the consolidation of short-term debt, that of the domestic loan is destined (50 millions) for the redemption of State debts to the National Bank, and for the programme of works contained in the extraordinary budgets of 1933 and 1934.

4. Provisional figures of the results of the 1933 budget are now available. In the course of the year that budget had to be revised twice in view of changes in the situation, so as to secure further economies and new sources of receipts; but the revision had no retroactive effect, so that the deficit incurred in the preceding months could not be made good. Moreover, certain measures of commercial banking reconstruction taken in the spring involved the provision of a sum of 140 millions in the extraordinary budget.

The probable results of the 1933 budget and the closed accounts of previous years are as follows:

	1931	1932	1933
	Closed accounts	Closed accounts	Probable results
	Schillings (000,000's omitted)		
<i>Ordinary budget:</i>			
Revenue	2,008	1,909	1,836
Expenditure	<u>2,232</u>	<u>1,913</u>	<u>1,918</u>
Deficit (a)	— 224	— 4	— 82
<i>Extraordinary budget:</i>			
Expenditure (b)	<u>98</u>	<u>11</u>	<u>177</u>
Total (a) and (b)	322	15	259

Out of the sum of 259 million schillings not covered by revenues, 164 millions were met from cash balances, 76 millions were provided by short-term credit operations, and 19 millions (used for public works) were covered out of the proceeds of the domestic loan.

5. The 1934 budget as adopted provides for:

	Schillings (000,000's omitted)
<i>Ordinary budget:</i>	
Revenue	1,913.0
Expenditure	<u>1,912.9</u>
Surplus	0.1
<i>Extraordinary budget:</i>	
Expenditure	103.0

The extraordinary expenditure of 103 million schillings is covered by the proceeds of the domestic loan.

The Committee feels certain that the Government will use every effort by careful control to maintain public finances in budgetary equilibrium, and it need hardly say that this is a matter of decisive importance for the continued success of Austrian recovery.

6. The consolidation of the monetary situation showed considerable progress as a result of the two loans. The foreign loan brought into the National Bank considerable amounts of foreign exchange, which enabled it to repay the foreign credits granted to it in 1931. The success of the internal loan further helped to re-establish confidence in the financial stability of the country and so to strengthen the position of the National Bank.

The rate of the schilling remains stable since May last at a rate of 22 per cent below the gold parity. The gold and foreign exchange reserves of the National Bank, which at the close

of 1932 totalled 189 million schillings, have increased at the close of 1933 to 202 million schillings. This fundamental improvement during the year is due to the fact that, in the previous year, foreign short-term debts of the State and the National Bank, exceeding in amount the cash holdings of the Bank, rendered the latter to a certain extent immobilised. The present cash holdings are entirely free and available, thanks to the consolidation operations carried through by the State with the aid of the foreign loan as well as to the repayment of foreign credits which the Bank has been able to effect.

The following table gives a comparison of the main items in the balance-sheet of the Bank at the close of each quarter in 1933 :

	December 31st, 1932	March 31st, 1933	June 30th, 1933	October 31st, 1933	December 31st, 1933
	Schillings (000,000's omitted)				
Note circulation	913.8	919.1	893.3	940.8	952.4
Sight liabilities	218.7	169.5	216.5	101.0	142.3
Total circulation	1,132.5	1,088.6	1,109.8	1,041.8	1,094.7
Gold	149.5	149.5	149.6	169.7	188.8
Cover exchange	39.0	39.0	39.0	19.0	—
Other foreign assets	0.1	0.1	6.9	8.0	12.9
Total	188.6	188.6	195.5	196.7	201.7
Bills discounted	379.4	286.6	274.8	226.8	275.1
Advances on securities	25.5	16.0	13.6	13.1	12.9
Government debt.	663.0	660.0	658.9	624.5	624.5

The bill portfolio of the National Bank fell during the year 1933 from 379 to 275 million schillings, in spite of the fact that it included bills previously rediscounted with the aid of credits received through the intermediary of the Bank for International Settlements.

7. The transfer in connection with the State foreign debts, resumed on the floating of the foreign loan, has continued regularly. The transfer of other debts remains in suspense.

A marked strengthening of confidence in the national currency has for some time past been observable, together with an increasingly distinct tendency to a repatriation of capital.

8. The falling-off in economic activity which continued steadily during 1932 and the first months of 1933 appears to have ceased in recent months. In some directions, there is even an improvement. This improvement is already shown in the movements of various statistical indices. The number of unemployed at the close of the year is lower than the figure of a year ago. The number of railway truck loadings has been higher, since September, than the figure for the corresponding months in 1932. Further, the volume of foreign trade has for some months been appreciably higher than the corresponding figure of last year, though the import surplus is distinctly less than it was in the same period in 1932.

II. BULGARIA.

I.

The Financial Committee has had before it the December 1933 report of the Commissioner of the League of Nations in Bulgaria. It has had the advantage of hearing M. Stephanoff, Minister of Finance, M. Momtchiloff, Governor of the National Bank, M. Stoyanoff, Director-General of Public Debt, M. Watteau, Commissioner of the League of Nations, and Professor Köstner, Adviser to the National Bank.

In its October report, the Committee drew attention in general terms to the apprehensions which it felt with reference to certain aspects of the Bulgarian situation, apprehensions which it developed in specific detail in discussions with the Bulgarian Government. Since then, there has been some improvement in the general economic situation and in the budgetary position ; but the general policy pursued by the Government continues to give rise to anxiety.

The Committee wishes first to record briefly the signs of improvement which are now visible as well as the general development since last May.

In its report of May last to the Council, the Committee stated that the Prime Minister of Bulgaria had made a declaration to it setting out measures which the Bulgarian Government proposed to take with a view to improving the general financial situation of the country. In October, the Committee reported that some of these measures had so recently been applied that their results could not be judged. It is glad now to see that the budget measures are bearing fruit. The deficit for the first eight months of the present financial year—*i.e.*,

end of November (about 430 million leva) — is some 100 million leva less than the deficit for the corresponding period last year. The receipts from direct taxation, excluding *impôt foncier*, were about 20 per cent higher; from the excise, 7.5 per cent higher; and from other taxes, 8.5 per cent higher. These increases, together with a better collection of arrears, were approximately sufficient to compensate the fall in Customs revenues.

There has been an export surplus for the first eleven months of the calendar year 1933 amounting to 581 million leva, against a deficit of 220 millions for the corresponding period of 1932. The export season for fruit which has just finished has been satisfactory (2,012 wagons, against 1,252 wagons in 1932). On the other hand, only a portion of the considerable cereal export surplus has actually been sold abroad.

The improvement in the foreign trade balance of Bulgaria is reflected in the reserve position of the National Bank.

Measures which have now, quite recently, been adopted include: a law establishing statutory regulations affording to officials of the finance service safeguards in connection with their qualifications, stability of tenure and promotion; special legal provisions to guarantee the continual payment of salaries and pensions and for the establishment of a sinking fund to deal with arrears of salaries and pensions; some amendments yet to be completed by a general law still under discussion of the system of public accounts.

Salaries of officials are now on the average about one month in arrear, as compared with three months last spring.

II.

The Committee, in October last, drew the personal attention of the Bulgarian Prime Minister to certain measures which it believed to be necessary. These included more rapid methods of putting into execution necessary financial reforms, a reconsideration of the economic policy of artificial price fixing and of discouraging private enterprise, and legislation on agricultural debts. The Committee cannot report any action on the first two of these three points. On the third, legislation has (on December 31st) been passed, the results of which it is as yet too early to appreciate. This legislation takes into account in some respects the principles which the Bulgarian Government and the Committee in October last agreed were, in the circumstances, justifiable and prudent, but, in many other respects, is at variance with what was then contemplated (for instance, in the extension to classes of large debtors who are not agriculturists; in the absence of satisfactory provisions to secure that only debtors who could, given time, become sound were protected, and in the differentiation between the various classes of banking creditors). The Committee views these extensions with apprehension, having regard to the importance to the Bulgarian peasant of ordinary means of current credit. It thinks it necessary to make it plain that the present legislation in many ways departs from the basis of its advice and that the responsibility for it rests elsewhere. It hopes that ill consequences may be avoided, but it is not free from anxiety on this score.

With regard to economic policy, the Committee does not wish to enter into an academic discussion of the merits or demerits in principle of State regulation of commercial activity. But it feels grave doubts as to the practical wisdom of too wide an extension of such a policy in a country of the financial and administrative strength of Bulgaria. It appears to it probable that State purchases of wheat at an artificial price about twice the world price, even supposing adequate funds were available, which is not at present the case, for the benefit of that section of the public which has wheat to sell but at the cost of a special tax on the consumption of bread, cannot fail to reduce demand, while, at the same time, encouraging an excessive cultivation of wheat which there is little prospect of ever selling, and retarding the inevitable process of turning to other more profitable crops. Moreover, the number of persons in Bulgaria who purchase bread instead of making it themselves is so small that there can be little hope of covering the expenses incurred by this policy. The experience of the Government dealings with attar of roses appears also to have been unfortunate, and the artificial fixation of prices of other commodities is tending day by day to complicate and obstruct normal channels of business and to encourage evasions. Whatever may be said in favour of individual measures for particular cases, it is difficult to see how a general policy of this kind can be for the ultimate benefit of the community or can be sustained for long without grave danger to the financial structure of the country.

While the Committee notes that, as it had expected, it has been possible to reduce the discount rate of the National Bank, and that corresponding reductions have been made by the Post Office Savings Bank and by the Central Co-operative Bank, it observes that a similar reduction has not yet been made by the Agricultural Bank, which is all the more surprising as this bank is a State bank, offering relatively high rates, and might therefore be expected rather to give an example. In view of the great importance of uniform reduction

to the economic structure and of the general movement in this direction, it trusts that this omission will be rectified without delay by the announcement and maintenance of an adequate reduction, including a reduction of deposit interest, in this case also. This is the more necessary as the rates of the Agricultural Bank already tend to produce a dislocation in the distribution of available funds.

The Financial Committee feels bound, moreover, to draw the attention of the Council to a matter which has for some time caused it considerable concern. While it, of course, recognises that final decisions must rest with the Bulgarian Government, which alone is responsible for the results of its financial policy, and it would be absurd to suggest that the Committee or the League representatives either exercise or desire to exercise control over such decisions, it feels that it is unfortunate that the Bulgarian Administration does not avail itself more fully and more wholeheartedly of the opportunity for obtaining expert and impartial advice on the many difficult problems which it has to face. So far from this being the case, the Committee regrets to observe that both the actions and the views of the Committee are constantly misrepresented in Bulgaria, with little or no contradiction on the part of the Government.

The Committee wishes to repeat that it regards with grave misgivings the danger of the policy now being pursued. It has, on many occasions, done its best to make plain to the Government the spirit of its recommendations, and it can only hope that a different attitude will be adopted, without which a fruitful collaboration producing good results for the general advantage of Bulgaria obviously becomes more and more difficult.

III.

The Committee has had to consider certain special questions raised by the Bulgarian Government; of these it need only mention the following:

1. Article IV, Section 7, of the Protocol of March 10th, 1928, provides for the annual payment by the Bulgarian Government to the National Bank of funds derived by the State from seignorage profits on the issue of subsidiary coins towards the extinction of the remainder of its debt to the National Bank.

At the request of the Bulgarian Government, the Financial Committee recommended to the Council in its reports of January and July 1932, and the Council assented, that the profits so received during the budgetary year 1931-32 should not be reimbursed to the National Bank until the 1933-34 budget year.

The Committee now suggests that this reimbursement be postponed till the 1935-36 budget year.

2. Moreover, it recommends to the Council to allow of a similar procedure for the profits expected from the current issue of 400 million leva of subsidiary coins. These profits shall be temporarily put at the disposal of the Government on the conditions which the Committee has recommended to the Bulgarian Government.

III. HUNGARY.

The Financial Committee has had before it Mr. Tyler's eighth and ninth reports. It has considered these reports with the assistance of Dr. Imrédy, Hungarian Minister of Finance, Dr. Baranyai, of the National Bank, Mr. Tyler and Mr. Bruce, and only wishes to make the following comments.

Returns for half the current fiscal year indicate that receipts for the whole year are likely to be much nearer the budgetary estimate than has been the case for some time past. Expenditure has been kept within the estimates. Total administrative expenditure, including extra-budgetary and deferred items, in the six months to December 31st, was 387 million pengő in 1933 as against 408 million pengő in 1932. Actual budgetary receipts were 384 million pengő, as against 364 million pengő last year, and less recourse has been had to borrowing.

In previous reports, the Financial Committee has drawn attention to the economies realised and to the steps taken to increase revenue in the year 1933. It recognises that serious legislative and administrative efforts have been made. The Committee trusts that the task of restoring the finances of all branches of the public administration will be energetically pursued, and that by the end of the fiscal year substantial results will have been achieved. In particular, it hopes that every effort will be made to keep the deficit within the limits of the estimates—that is, 76 million pengő (64 million pengő for the State undertakings and 12 million pengő for the Administration proper). The proportion of the deficit incurred by the State undertakings shows what a burden is laid on the country by these undertakings, and suggests that this is the direction which most urgently requires attention where the State's own finances are concerned.

The Hungarian taxpayer has also to bear an excessive burden on account of the finances of the local authorities, whose budgets are still out of proportion to the country's means. The Financial Committee has on several occasions commented on this problem, and it trusts the Government will continue to give it its unremitting attention.

The Committee has been informed of a measure recently adopted by the Hungarian Government for the relief of agricultural debtors. The Committee does not think it necessary to comment on the details of this measure, which naturally involves sacrifices on the part of all concerned. The result of primary importance is that this measure constitutes a first step towards more usual relations between internal debtors and creditors and should facilitate the removal of general protection from debt execution which, if continued, would inevitably have prevented normal credits to agriculture. In order to provide itself with the funds necessary to put this agricultural debt relief measure into effect, the Government has had recourse to the National Bank. As the State was debarred by Article 50 of the National Bank's Statutes from borrowing directly or indirectly from that institution, a general meeting of the Bank adopted a modification of this article, sanctioning, for this one transaction only, an advance, which is repayable under an agreement shortly to be concluded between the Government and the National Bank.

At the above-mentioned general meeting of the Bank, Article 85 was modified so as to prolong the legal minimum ratio of cover of 24 per cent for a further four years after June 1934. This last modification is consequent on an agreement concluded on October 18th last, providing for consolidation for three years of credits granted to the National Bank by the Bank for International Settlements and certain central banks.

Though no very marked improvement can yet be recorded in the general position in Hungary, the deterioration which was continuous over the last two years now appears to have been arrested. As regards foreign trade, there has been an improvement, due perhaps not only to this year's good crop, but also to the endeavours made to facilitate exports.

Geneva, February 15th, 1934.

LEAGUE OF NATIONS

**FINANCIAL POSITION
OF AUSTRIA IN THE FOURTH QUARTER OF 1933**

NINTH QUARTERLY REPORT

**By M. Rost van Tonningen, the Representative in Austria
of the League of Nations**

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I. INTRODUCTION.

The increased economic activity, which was already noticeable during the third quarter of 1933, continued during the last three months of the year. The foreign trade returns show a seasonal increase in imports during the period, which was more than offset by a greater volume of exports. Though total trade fell by about 15 per cent, exports for the year were higher than in 1932.

Unexpectedly large receipts in December have considerably improved the budgetary situation and it is probable that the final accounts, after allowing for a grant of 80 million Schillings to the Federal Railways, will show a deficit for the year 1933 of about 75 million Schillings.

The available statistics seem to show that railway traffic is reviving and receipts from the transport of goods have, since May, exceeded the level of 1932. The latest estimates place the deficit of the undertaking during 1933 at 105 million Schillings. The management has carried out during the year many internal measures of reform leading to more efficient and economic functioning. Brig.-General Sir H. Osborne Mance, K.B.E., C.B., C.M.G., D.S.O., was designated by the Council of the League of Nations under the Protocol of July 15th, 1932, to investigate the capital expenditure programme of the Federal Railways. His report was ready by Christmas and examined in detail the various schemes of investment proposed, laying down also the general principles which should govern Austrian railway investment in the future.

The Belgian *tranche* of 5 million Schillings of the Foreign Loan became available during the first half of December, while both Chambers of the Netherlands Parliament have recently approved the concession of the Government guarantee of the Loan.

The National Bank has now repaid all its foreign liabilities and can freely dispose of its currency reserves, which have been mostly converted into bullion. Discounts at the end of the year were over 100 million Schillings lower than in December 1932, while the volume of circulation was slightly smaller.

Commercial negotiations with several States are in progress, and it is hoped that they will lead to an increase in the market for Austrian goods.

2. FEDERAL BUDGET.

(a) FEDERAL BUDGET FOR 1933.

Budgetary receipts during December were above expectations and brought welcome relief to a tight Treasury situation.

Although a cash deficit of 20.4 million Schillings for the month was expected, the Treasury balance on December 31st showed an improvement of 19.6 million Schillings. The information at present available accounts for 7.2 million Schillings of this improvement, mainly attributable to the increased yield of taxation (+ 6.8 principally indirect taxes) and to smaller requirements for unemployment relief (+ 3.0), partly offset by sundry increases in expenditure (— 2.6). There remains a balance, as yet unexplained, of 12.4 million Schillings, which will only be cleared up when the full budgetary returns for the month become available.

In consequence of the favourable December results, it has been possible to improve considerably the estimates for the whole year published in the eighth quarterly report. The latest figures based on the provisional results for the first eleven months and on the returns, as yet incomplete, for December show the following results :

A. Ordinary Budget.	Estimates	Provisional results
	(In millions of Schillings)	
Expenditure :		
Personnel	701.9	703.4
Material	1,226.3	1,215.9
Total expenditure	1,928.2	1,919.3
Receipts	1,928.2	1,840.4
Ordinary deficit	—	78.9
B. Extraordinary Budget.		
Reconstruction of banks and local financial organisations	121.0	120.7
River and stream regulation and land improvement	13.3	12.6
Road construction	37.5	26.1
Post Office investments	2.6	2.6
Electrification of Tauernbahn	3.2	3.2
Total extraordinary expenditure	177.6	165.2
Total budget balance	— 177.6	— 244.1

The closed accounts will be published in the spring by the Audit Court. Experience shows that these final figures are generally more favourable than the provisional results.

The year 1933 may therefore show a shortfall of about 75 million Schillings in which is included a grant of 80 million Schillings for the deficit of the Federal Railways.

The following Treasury reserves were drawn on to meet the ordinary budget deficit :

	(In millions of Schillings)
Post Office cash account reserves	46.0
Central Treasury reserves	27.7
Money deposited at call	8.2
	<hr/>
	81.9

The requirements of the extraordinary budget for the banking reconstruction (120.7 million Schillings) were met out of cash resources (45 million Schillings) and by short-term credit operations (76 million Schillings), while, of the 44.5 million Schillings spent on public works to increase employment, 25.5 million Schillings were covered by cash holdings, the balance of 19 million Schillings being met from the yield of the Lottery Loan.

Thus, during 1933, expenditure of 152.4 million Schillings (81.9 + 45.— + 25.5) was met out of cash holdings or through short-term borrowing (see Eighth Quarterly Report, pages 8 and 9).

(b) FEDERAL BUDGET FOR 1934.

The budget for 1934 which, complying with the provisions of the Constitution, had been deposited at the offices of the Nationalrat on October 20th, was put into force by a decree of December 28th. The final figures differ only very slightly from those given in the Eighth Quarterly Report, page 6, and are set out in detail in Appendix I.

Formally, the 1934 estimates, as were those for 1933, are divided into ordinary and extraordinary budgets. The former comprises all recurrent expenditure which is covered out of normal sources of revenue. The extraordinary budget comprises capital outlays and other one-time expenditure connected with the Government's schemes for the creation of employment. This expenditure, which, in 1933, was mainly defrayed out of Treasury cash reserves (see *(a)* above), will be financed in 1934 by the yield of the Lottery Loan. Besides the 103 million Schillings foreseen in the 1934 extraordinary budget, a further 12.1 million Schillings will be expended on completing work originally included in the 1933 programme. This will also be covered out of Treasury resources.

The main items of the estimates for 1934 are as follows :

	Gross	Net
	In millions of Schillings	
<i>A. Ordinary Budget.</i>		
Expenditure :		
Personnel	695.1	
Material	1,217.8	
	<hr/>	
Total expenditure	1,912.9	1,300.9
Receipts	1,913.0	1,301.0
	<hr/>	<hr/>
Ordinary budget balance	+ 0.1	+ 0.1
 <i>B. Extraordinary Budget.</i>		
River and stream regulation and land improvement ..	18.0	
Road construction	22.2	
Replacement of bridge over the Danube in Vienna (Reichsbrücke)	7.0	
Public buildings	10.0	
Capital expenditure of the Post Office and of Federal Railways	45.9	
	<hr/>	
Total extraordinary budget	103.1	
 <i>Transferred from 1933 Extraordinary Budget.</i>		
River and stream regulation	0.74	
Road construction	10.50	
Reichsbrücke	0.86	
	<hr/>	
Total	12.10	

The detailed items have been commented upon in the Eighth Quarterly Report (page 6).

(c) THE BUDGET OF THE FEDERAL RAILWAYS IN 1933.

			September	October	November	December	Total
Daily car-loadings	{	1932..	4,696	5,835	5,287	4,845	4,788 ¹
		1933..	4,828	5,838	5,316	5,077	4,516 ²
			(In millions of Schillings)				
Traffic receipts :							
Goods	{	1932..	20.7	25.9	23.8	23.0	266.4
		1933..	23.4	28.3	25.7	23.9	266.8
Passengers	{	1932..	16.4	11.6	9.5	10.6	169.3
		1933..	15.1	11.0	9.0	11.0	150.5

It will be seen that, although goods traffic receipts during the third quarter of 1933 continued on a higher level than in 1932, the difference became smaller each month and was only 0.9 million Schillings in December. Passenger traffic, however, picked up in that month and was slightly above the 1932 figure.

	1932	1933	
	Closed accounts	Estimates	Provisional results
(In millions of Schillings)			
Operating expenditure :			
Salaries	241.2	239.4	210.4
Pensions	124.3	129.8	133.8
Fuel	29.9	29.8	29.0
Sundry material expenditure	53.2	58.1	51.0
General expenditure	35.0	35.9	32.1
Total	483.6	493.0	456.3
Operating receipts	465.1	452.7	432.3
Operating deficit	18.5	40.3	24.0
Deficit of subsidiaries	0.5	0.2	0.2
Debt service	76.9	76.9	80.8
Exchange fluctuation reserve	10.0	—	—
Total deficit	105.9	117.4¹	105.0
Renewals included in operating account	17.4	22.5	17.6

The above table shows the provisional results for 1933 compared with the estimates for that year and the closed accounts for 1932. The estimated deficit of 120 million Schillings given in the Eighth Quarterly Report (page 7) has since been appreciably reduced to 105 million Schillings. The general situation has changed considerably since the budget for 1933 was first drawn up in the autumn of 1932, and the direct comparison of the estimates with the provisional results does not do full justice to the admirable work done by the railway administration in cutting down expenditure by reorganisation, staff-reduction and tightening-up of discipline. The cash deficit was covered by the budgetary grant of 80 million Schillings out of cash holdings (3 million Schillings), by drawing on material stock (10 millions) and by jointly agreed upon postponement of certain Federal tax liabilities (10 millions). It should be mentioned that Dr. Herold has drawn attention in his report (page 27) to the excessive material stocks.

(d) THE CAPITAL OUTLAYS OF THE FEDERAL RAILWAYS : THE REPORT OF BRIG.-GEN. SIR H. OSBORNE MANCE, K.B.E., C.B., C.M.G., D.S.O.

Paragraph 2 of Annex II of the Geneva Protocol of July 15th, 1932, provided that :

“ An expert appointed by the Council of the League of Nations shall be invited by the Austrian Government to decide to what extent the capital outlays (*Investitionen*) of the Railways are really indispensable and to what extent they should, in view of the present financial difficulties, be postponed.”

In execution of this paragraph, the Council appointed General Sir H. Osborne Mance, K.B.E., C.B., C.M.G., D.S.O., who had been a Director of the Reichsbahn under the Dawes plan in succession to Sir William Acworth, the author of the 1923 League of Nations Report on the Austrian Federal Railways. In November 1933, General Mance was invited to Austria by the Federal Government, and he submitted his report to the Chancellor shortly before Christmas.

¹ The subsequent cancellation of a Federal grant for the deficit of the local railways operated by the Federal Railways raised the originally estimated deficit by 6.3 million Schillings to 123.7 million Schillings.

² Average.

The report, the preparation of which was greatly facilitated by the active co-operation of the Federal Railway administration, starts out from the programme of future capital expenditure, which had been previously drawn up by the Railways and discusses each item on its own merits and in the light of the general considerations laid down in the introduction to the report.

These general considerations should be examined jointly with Dr. Herold's detailed report on the Austrian railway administration submitted in the spring of 1932. They are a most valuable contribution towards the solving of the Austrian railroad problem in particular and towards clearing up transport policy in general.

General Mance points out that :

" In some countries, and in particular in Great Britain, transport undertakings are regarded as purely commercial concerns. The whole cost of the service provided has to be borne by the users. . . . As soon as road transport in England developed to the extent of ceasing to become of purely local importance, it was considered natural to examine whether the new kinds of road users were contributing their full share towards the cost of maintaining the roads."

The following suggestion is then made :

" It might be a useful study to examine to what extent the different national means of transport fall short of being self-supporting and who are the users for whose benefit the State makes up the deficiency."

This question is by no means new in Austria, where it has been raised in the past by the Railways themselves and by outside Austrian investigators. Although the taxation of road traffic has been somewhat increased during the last three years and the Decree of June 26th, 1933 (see Seventh Quarterly Report, page 6), regulates road and rail competition to the advantage of the latter, in so far as it is complied with, the prevalent impression is that the Railways are handicapped by the fact that road users do not bear their full share in the expenses of maintaining the public highways. Such a situation might render a great part of the invested capital practically valueless. Unless this fundamental question is satisfactorily solved, the expediency of any investment made by the Railways remains very doubtful.

Apart from this general problem, the method of financing capital expenditure is held in the report to be of fundamental importance.

" The Austrian Regulations prescribe in general that expenditure shall be charged as follows :

" (a) To Operating Account : the cost of maintenance and renewal of the existing physical assets, the installation and equipment of same and the cost of rolling-stock, even when the maintenance and renewals works are rendered necessary by exceptional occurrences (railway accidents, Act of God) ;

" (b) To Capital Account (expenditure for increasing the value of the undertaking) : the cost of alteration in or extensions of the existing physical assets, the installation and equipment of same and the cost of rolling-stock, if such alterations or extensions result in an increase or material improvement in the existing installations."

In the view of General Mance :

" Only such expenditure should be regarded as capital outlay—i.e., charged to the Capital Account—as directly or indirectly yields a commercial return."

For the purposes of his report, General Mance accepts the latter definition and maintains that only for such expenditure as is covered by its terms should the Austrian railways be charged for interest and amortisation.

" Since the formation of the Austrian Federal Railways, heavy capital expenditure has been incurred on both the State Railways and the private railways. This expenditure has been financed by loans carrying high interest and sinking-fund charges. The effect of this on the loan charges of the Austrian Federal Railways is shown in the following table :

Year	Debt service	Total of debt	Average rate of interest on debt (including amortisation)	Total capital value of railways ¹	Average rate of interest on total capital value of railways
(In millions of Schillings)					
1924	1.5	175.1	0.86	3,171 ²	0.05
1925	5.2	241.8	2.15	3,237	0.16
1926	16.2	305.7	5.30	3,301	0.49
1927	21.9	385.9	5.68	3,386	0.65
1928	27.8	467.1	5.95	3,476	0.80
1929	38.6	611.2	6.32	3,565	1.08
1930	53.0	679.4	7.80	3,703	1.43
1931	59.5	734.7	8.10	3,772	1.58
1932	70.0	794.0 ³	8.82	3,790	1.85

¹ Including the capital value of the private railways worked for the account of the Federal Railways.

² Gold opening balance, 1925.

³ Increase partly due to revalorisation of pre-war debt.

" In the last three years before the war, the net revenue of the whole Austrian State Railways varied from 3.16 to 3.37 per cent of that portion of the national debt representing expenditure on railways.

" In the comparatively prosperous year of 1929, the net revenue of the Austrian Federal Railways as shown in the accounts was only just sufficient to cover a debt service amounting to 1.08 per cent on the capital value of the Railways."

The real situation is even less favourable, if due account is taken of the deficiency in the provision for renewals out of the operating account. Dr. Herold in his report estimated that the annual renewals quota for the Austrian Federal Railways should be 60 million Schillings. The profit-and-loss accounts, when corrected on this basis, would show the following results:

Year	Net revenue+ or deficit — ¹	Debt service	Other items of profit-and- loss account	Surplus + Deficit —	Shortage of provision for renewals or amortisation in operating account	Real deficit on profit-and- loss account
	(In millions of Schillings)					
1923	— 53.4	— 1.9	— 6.2	— 61.5	— 13.4	— 74.9
1924	— 1.3	— 1.5	+ 1.6	— 1.2	— 49.2	— 50.4
1925	+ 1.6	— 5.2	+ 3.3	— 0.3	— 47.4	— 47.7
1926	+ 9.4	— 16.2	— 2.7	— 9.5	— 38.9	— 48.4
1927	+ 23.9	— 21.9	— 1.8	+ 0.2	— 35.2	— 35.0
1928	+ 28.8	— 27.8	— 0.9	+ 0.1	— 28.8	— 28.7
1929	+ 45.3	— 38.6	— 6.3	+ 0.4	— 20.8	— 20.4
1930	+ 13.1	— 53.0	— 5.5	— 45.4	— 25.0	— 70.4
1931	— 20.1	— 59.5	— 3.5	— 83.1	— 31.7	— 114.8
1932	— 18.6	— 70.0	— 12.8	— 101.4	— 27.9	— 129.2
1933 (estimated) ..	— 43.2	— 70.6	— 6.2	— 120.0	— 12.6	— 132.6

Expenditure totalling 194.9 million Schillings was charged to Capital Account during the period under review for items properly classified as renewals and which should therefore have been paid for on Operating Account. Though the physical renewal situation is thus better by some 195 million Schillings than would appear from the Operating Account, the total amount of physical arrears on renewals, calculated on the basis of the Herold standard, would amount to 185 millions.

In the conditions outlined above, the only expenditure which should be incurred would be such as is necessary to nurse the undertaking back to a profitable basis. No capital expenditure should be made, unless it gave the certainty of a clear profit.

On this basis, General Mance arrives at the following conclusions regarding the main items of the expenses contemplated, which, at the time of writing, were the following:

	Schillings
Electrification	20,350,000
Track renewals and strengthening	15,000,000
Bridge renewals and strengthening (excluding work carried out in previous years, but for which part payment is made in 1934)	4,060,000
Payment for bridge expenditure (carried out in previous years)	5,176,000
Completion of payment for 20 Diesel electric rail motors already supplied	3,526,000
Purchase of smaller units of rolling-stock	3,000,000
Improvements to signals and safety appliances	2,465,000
The remaining items totalling	2,593,000
are made up of comparatively small amounts	
Total	56,170,000

" Electrification.

" The completion of the *electrification of the Tauernbahn* would be a profitable commercial proposition. Estimated cost: 7,440,000 Schillings, plus a further 4,500,000 Schillings in the future, should the traffic on the electrified sections of the Austrian Railways reach the 1929 level.

" Electrification of the Salzburg-Vienna Section.

" This must be considered as a whole, as, once commenced, it will have to be completed. Assuming the work is spread over six years, the cost would be 166 million Schillings on Capital Account, plus 23.5 million Schillings available from the Renewals and Maintenance

¹ Excluding the portion of the debt service due from auxiliary undertakings.

Account. A further 14 million Schillings would be required on Capital Account if the traffic should increase to the level of 1929. The capital expenditure would only directly earn 4.3 per cent. The maximum rate of interest which the railways would be justified in paying is 5 per cent. Although this section will, in all probability, be electrified in the course of time, there is no immediate need for it at present. A convenient halting point in electrification will be reached after the completion of the Tauernbahn. It is for the Government to decide whether they are prepared to commit themselves to providing a capital sum of from 166 to 180 million Schillings during a period of six years and whether they are justified by general considerations in bearing the difference between the actual cost of raising this capital and 5 per cent. A postponement of at least one year would give time for a closer study of certain important points.

“ Track.

“ Subject to certain recommendations as to the type of track to be laid in the present circumstances, the Government would be well advised to include the proposed expenditure of 15 million Schillings in their employment programme.

“ Bridges.

“ Subject to certain principles which it is understood are already followed in the selection of bridges for renewal, the Government would be justified in including the proposed expenditure of 4,060,000 Schillings in their employment programme for 1934. It is recommended that a larger part of this expenditure and of the 5,176,000 Schillings payment for work in previous years should be charged to Operating Account.

“ Diesel Electric Cars and Small Units.

“ The proposed expenditure of 3 million Schillings is not recommended for the reasons given.

“ Signals.

“ The principles which should govern expenditure are suggested in the report. Subject to this, the inclusion of the item of 2,465,000 Schillings in the Government programme would seem to be justified.

“ Miscellaneous Items.

“ The same applies to the amount of 2,593,000 Schillings covering these items.

“ Effect of Proposals on Allocation of Expenditure.

“ The effect of the above recommendations would be that a considerably smaller proportion of the total expenditure proposed in the Government employment programme for 1934 would be charged to the railway Capital Account and bear interest. The exact division between the Capital and Operating Accounts would have to be worked out on the lines suggested. Roughly speaking, apart from the electrification items, the additional amount transferred to Operating Account might be about 6 or 7 million Schillings. The suggested railway expenditure for inclusion in the employment programme, not counting electrification items, would thus amount to some 25½ million Schillings on Operating Account and 7½ million Schillings on Capital Account. The Tauernbahn electrification would require a further 7½ million Schillings on Capital Account. The expenditure on Operating Account would reduce the arrears of renewals for which the Government will have sooner or later to provide the funds unless the Railways' financial situation improves to an extent which cannot be foreseen in the immediate future.”

Final decisions have not yet been taken regarding these conclusions, but the completion of the electrification of the Tauernbahn will in all likelihood be shortly undertaken.

(e) ASSIGNED REVENUES.

The probable yield of the revenues pledged for the service of the 1923-1943, 1930 and 1933-1953 Loans during 1933 was as follows :

				(In millions of Schillings)			
				Estimated yield	Estimated loan service requirements		
Customs	..	..	..	179.5	1923-1943 Loan	109.1
Tobacco	..	..	..	305.1	1930 Loan	36.3
				<hr/>	1933-1953 Loan	13.0	
Total	..	..	..	484.6		
						<hr/>	
						Total	158.4

The service of these loans was covered more than three times by the yield of the pledged revenues.

3. LOCAL FINANCE.

The table below shows the estimated budgetary totals of the Austrian provinces for the years 1933 and 1934 :

		Expenditure	Receipts	Deficit
		(In millions of Schillings)		
Nieder-Oesterreich	1933.. ..	85.1	84.9	0.2
	1934.. ..	75.3	74.7	0.6
Ober-Oesterreich	1933.. ..	53.1	51.9	1.2
	1934.. ..	46.7	45.6	1.1
Salzburg	1933.. ..	21.6	19.3	2.3
	1934.. ..	18.9	18.7	0.2
Steiermark	1933.. ..	64.5	61.3	3.2
	1934.. ..	61.2	58.7	2.5
Kärnten	1933.. ..	22.8	21.8	1.0
	1934.. ..	19.8	16.5	3.3
Tirol	1933.. ..	21.6	21.0	0.6
	1934.. ..	16.6	16.5	0.1
Vorarlberg	1933.. ..	9.4	9.4	—
	1934.. ..	8.2	8.2	—
Burgenland	1933.. ..	12.9	12.6	0.3
	1934.. ..	13.4	13.1	0.3
Wien	1933.. ..	368.1	355.5	12.6
	1934.. ..	358.8	335.0	23.8
Total	1933.. ..	659.1	637.7	21.4
	1934.. ..	618.9	587.0	31.9

The situation in Steiermark and Kärnten is difficult, particularly in the latter province, where the estimated receipts only cover 85 per cent of the estimated expenditure. Both these provinces hope to cover their deficits by means of new indirect taxes, but no agreement has yet been reached with the Federal authorities over the exact nature of these taxes. The other Länder, excluding Vienna, hope to balance their budgets by administrative measures, curtailing expenditure where necessary.

The figures for the two years are not strictly comparable, as the 1934 totals contain several book-keeping items which have been eliminated for the 1933 data. Retrenchment in 1934 is really greater than would appear from the above table. Reduced estimates in the Federal budget for taxes, the yield of which is shared with the Länder, brings this item of provincial receipts down from 185 million Schillings in 1933 to 165 million Schillings for 1934.

In drawing up the estimates for 1934, the municipality of Vienna has not taken into account the effects upon its receipts of the various decrees issued by the Federal Government during the last twelve months, as it contests their legality and has appealed against them to the Constitutional Tribunal. The actual deficit of the municipality will consequently be greater than that given in the estimate. The municipality itself calculated at the end of November that it would amount to about 108 million Schillings, but since then the situation has been changed by further decrees. To cover a portion of this shortfall it was proposed to utilise that part of the yield of the house tax which in other years would have been used for municipal building schemes (28.1 million Schillings), the salary and pension reductions mentioned below (20 million Schillings) and the profits of the gas and electricity works (25 million Schillings). That part of the balance, which was about 35 million Schillings in November and which could not be met out of cash and other reserves, would have to be covered by loan transactions.

The municipality of Vienna has lately further reduced the remuneration of its personnel to a level comparable with that established for Federal officials at the end of 1931.

As an aid towards meeting this year's deficit, the municipal works have raised the price of electricity and gas. It is hoped to increase municipal revenue in this way by 10 to 12 million Schillings a year.

The sources of municipal revenue principally affected by the Federal decrees mentioned above are : the tax on foodstuffs and beverages, which is practically abolished ; nevertheless, the 1934 budget estimates a yield of 6 million Schillings ; the tax on the increment in value of real estate, will probably yield nothing in 1934, although the budget includes 5 million Schillings on this account ; the exemption from entertainment tax granted to the Federal theatres and to the Broadcasting Corporation in 1933 is to be extended to most other theatres, while the rate applied to cinematograph theatres has been reduced by 20 per cent by the municipality. Receipts of 10 million Schillings are budgeted for under this head.

4. CENTRAL BANK POSITION.

(This chapter has been drawn up in consultation with the Adviser to the National Bank, M. Maurice Frère.)

(a) THE STABILITY OF THE SCHILLING.

Average "Private Clearing" Rates and the Official Price of Gold.

	Zurich	Paris	London	New York	Price of 100 Schillings gold
September	175.71	35.57	28.77	632.36	128
October	176.01	35.58	28.19	585.10	128
November	175.79	35.52	29.25	564.77	128
December	175.60	35.54	29.80	578.15	128

(Source : National Bank *Monthly Bulletins*.)

The improved balance of trade together with the policy pursued by the National Bank have made it possible to maintain the firmness of the Schilling during the last quarter of the year, when foreign exchange requirements for purchases of fuel and other raw materials are generally very heavy. The instability of many foreign currencies contributed also to that achievement by inducing holders of assets in foreign currency to transform them into Schillings.

(b) THE DOMESTIC CREDIT POSITION.

	End of						
	1932	1933					
	Fourth quarter	First quarter	Second quarter	Third quarter	October	November	December
	(In millions of Schillings)						
1. Note circulation	914	919	893	943	941	914	952
2. Sight liabilities	219	170	217	83	101	117	142
3. Total 1 and 2	1,133	1,089	1,110	1,026	1,042	1,031	1,094
4. Blocked foreign debt accounts included in 2	88	83	108	17	16	14	14
5. Total 3 minus 4	1,045	1,006	1,002	1,009	1,026	1,017	1,080
6. Gold and foreign exchange ..	189	189	196	197	197	197	202
7. Bills discounted	379	287	275	225	227	218	275

On December 7th, the gold holdings of the National Bank rose from 170 to 189 million Schillings by the conversion into bullion of 19 million Schillings of foreign currencies previously held as part of the statutory cover. Besides this gold, the Bank held at the end of the year some 13 million Schillings of foreign exchange, which are not included in the legal cover.

That, by the middle of December, 80 per cent of the subscriptions to the Lottery Loan had been paid up without thereby increasing the demands on the Central Bank confirms the impression that the amount subscribed included an appreciable proportion of money hoarded at home and abroad and surplus cash holdings.

The total volume of circulation at the end of 1933 was 39 million Schillings smaller than in 1932, while the sum of the gold and foreign exchange holdings was 13 million Schillings higher. The yield of the Belgian *tranche* of the foreign loan increased the holdings of "Other foreign exchange" by 5 million Schillings during December.

Discounts were 104 million Schillings lower at the end of 1933 than at the corresponding period of 1932. In this connection it must not be forgotten that a considerable part of the yield of the Foreign Loan was utilised to repay State and Railway liabilities to the banks conditional to the latter reducing simultaneously their indebtedness to the National Bank (Eighth Quarterly Report, page 10).

On the other hand, bills amounting to 105 millions previously rediscounted at the Bank for International Settlements, which at the end of 1932 were not included in the portfolio of the National Bank, were progressively taken over during 1933, when the credit given by the Bank for International Settlements to the National Bank was repaid.

At the end of 1933, the National Bank was free of any debt towards the Bank for International Settlements.

(c) THE TRANSFER QUESTION.

The coupons of the 1923 and 1930 loans were punctually met at the beginning of January. The transfer of the monthly quotas of the service of the 1923, 1930 and 1933 loans was also regularly effected during the quarter under review.

Transfer on the funded debt of public bodies other than the State and of private enterprises has not yet been resumed ; but deposits in Schillings corresponding to the amounts due in foreign currency were, however, made by the debtors in the foreign creditors' fund. Many creditors have accepted Schillings in liquidation of their claims, so that the greatest part of the

sums paid into the fund has been actually withdrawn. The amount corresponding to the debts mentioned above remaining in the fund at the end of 1933 was only 12.4 millions, as against 10 millions at the end of 1932.

Since January 1st, the payment of Schillings into the foreign creditors' fund must be made on the basis of the private clearing rates, so that the sum paid by the debtor is the same as the one he would have to pay were the transfer actually made.

The Standstill Agreement which expired on January 15th, 1934, has been provisionally extended at the request of the creditors until negotiations for a new agreement come to a conclusion.

On November 14th, a decree was issued regulating the conversion into Schillings of deposit receipts expressed in foreign currencies issued by Austrian banks. It affects domestic liabilities almost exclusively. Holders of receipts were not given the full benefit of the "private" clearing rates of 27³/₄ per cent, but have only been allowed 10 per cent above "official" rates. Of the 40 million Schillings certificates in circulation on November 15th, 34.4 per cent were in dollars, 9.5 per cent in pounds sterling, 38.4 per cent in Swiss francs, 16.1 per cent in Czech crowns and 1.6 per cent in other currencies.

(d) INTER-STATE CLEARING AGREEMENTS.

Arrears outstanding abroad.

	Currency	End of				
		December 1932	March 1933	June 1933	September 1933	December 1933
		(In millions)				
France	French francs	43.7	37.1	34.7	25.9 ¹	—
Hungary:						
Abroad	Pengő	0.1	0.9	0.6	1.1	0.8
On <i>Inlandkonto</i> ..	Schillings	3.4	5.0	7.0	3.5	3.4

The countervalue of the Schillings deposited in Vienna to the credit of French exporters had been paid out in full in French francs by December 31st, 1933. There still remain outstanding certain supplementary payments under the liquidation agreement of June last, which it is hoped to settle during the first quarter of 1934.

The Hungarian clearing continues to give satisfaction to both parties, while the so-called "tobacco" clearing with Bulgaria, Greece and Turkey is really based on a reciprocal exchange of goods and cannot give rise to the same accumulation of foreign financial liabilities as were produced by the clearing arrangements proper.

By finally liquidating all the arrears accumulated abroad under this head, Austria has advanced another step towards financial consolidation.

5. ECONOMIC SITUATION.

(See Appendix III.)

(a) GENERAL.

The available statistics seem to show that it has been possible during the last quarter of 1933 to maintain the higher level of economic activity noticed during the previous quarter and that in some respects further improvement has been realised. This is reflected in the improved volume of exports and in the reduced volume of unemployment.

(b) FOREIGN TRADE (SPECIAL TRADE).

(Value in millions of Schillings; weight in thousands of metric tons.)

(Trade by classes of the International Classification, Brussels, 1913)	Weight				Value							
	Imports		Exports		Imports		Exports		Trade balance			
January-December:	1933	1932	1933	1932	1933	1932	1933	1932	1933	1932		
Live animals	101.7	103.4	5.0	7.1	100.7	122.3	6.6	8.5	—	94.1	—	113.8
Articles of food and drink	1,240.8	1,242.6	39.0	90.2	265.0	351.3	19.8	30.8	—	245.2	—	320.5
Mineral fuel and turf ..	3,118.2	3,510.0	—	—	119.9	140.2	—	—	—	119.9	—	140.2
Other raw material	1,106.1	1,072.0	1,752.8	1,505.7	311.5	300.7	193.7	169.6	—	117.8	—	131.1
Finished goods	121.4	160.1	301.1	273.7	348.2	472.1	552.5	552.7	+	204.3	+	80.6
Gold and silver	—	—	—	0.2	42.1	16.0	42.8	22.2	+	0.7	+	6.2
Total trade	5,688.2	6,088.1	2,097.9	1,876.9	1,187.4	1,402.6	815.4	783.8	—	372.0	—	618.8

¹ Including the 12 per cent supplementary payment required from Austrian exporters (Seventh Quarterly Report, page 10). The actual "clearing" arrears are therefore considerably smaller.

The above figures show clearly the improvement in the trade balance realised during 1933. Imports were 15 per cent lower, while exports rose 3.9 per cent in value. Exports of finished goods were almost the same as in 1932, but the excess of exports over imports in this class of goods rose from 80.6 million Schillings in 1932 to 204.3 million Schillings in 1933.

The unfavourable trade balance was consequently reduced by 40 per cent from 618.8 millions to 372 million Schillings.

Imports, as was expected, increased during the fourth quarter and exceeded the 1932 figures. This was compensated by heavier exports, which continued the trend initiated in May last, and the import surplus for the three months was 12 per cent smaller than in 1932.

(c) PRODUCTION.

After a fall in September due to coal strikes in Styria, the index of industrial production for October and such figures for November as are at present available seem to indicate a continuation of the upward trend of industrial activity. This is most marked in the textile industry—as the cotton, yarn production indices (Appendix III) clearly show. Unfilled orders in this industry have been falling off since September last. The iron and steel industry, on the other hand, shows a large increase in orders, which, however, are mainly due to an accumulation in December of orders which would normally have been spread over the whole of the coming year.

(d) EMPLOYMENT.

Though, as was seasonally to be expected, the number of unemployed receiving benefit increased during the last quarter of the year, the total remained considerably below the 1932 level (by some 32,000 in December). This trend is undoubtedly due to increased industrial activity, but the effects of stricter administration must not be left out of consideration.

Employment by the State through the "Voluntary Labour Corps" suffered only a slight reduction in the autumn, as the following figures show:

		Numbers employed	Of which previously unemployed
September	.. .. .	17,344	5,709
October	.. .. .	20,359	6,036
November	.. .. .	19,133	5,352

(e) PRICES.

The wholesale-price index showed little change over the period under review, as increases of industrial goods prices were fully compensated by the lower prices of consumers' goods.

The cost-of-living index rose from 105.1 in September to 106.2 in December, while the sensitive index of the Institut für Konjunkturforschung rose to 62 in December, the highest since the spring of 1932. It would appear that Austrian prices are feeling the effects of world movements, though the effect of the latter within Austria is in some measure cancelled by the prevailing monetary policy.

(f) STOCK EXCHANGE.

Better industrial conditions have as yet had little effect on the share market. It is realised that the present improvement means smaller losses rather than increased profits. The volume of trading is extremely small and moderate transactions have a disproportionate effect on prices.

The reduction in savings deposits shown by the official statistics is really greater, as, since November, these include about 50 million Schillings deposits in foreign currency, which were not taken into account during the foregoing months of 1933. This reduction may be connected with the payment of subscriptions to the Lottery Loan.

(g) COMMERCIAL POLICY.

Commercial negotiations were actively pursued during the fourth quarter of 1933 with neighbouring and distant countries.

A new commercial and navigation treaty was concluded with Sweden, based on the principle of the most-favoured-nation treatment.

The export credit agreement with Italy has been recently modified and its range widened. Special attention is paid to the development of Austrian exports and imports through Trieste.

The Austro-Hungarian export credit agreement is at present being revised with the object of increasing and facilitating mutual trade.

Negotiations with France have led to an agreement concerning the application of the French import restrictions (contingents) to Austrian goods. The arrangement concerning preferential treatment of Austrian timber has not yet been approved by the French Senate.

The first stage in the trade negotiations with Czechoslovakia is now finished. The conversations will soon be resumed, and it is hoped to improve the present ratio of imports and exports.

Preparations are also being made for a commercial treaty with Bulgaria.

The trade agreement with Canada, under which Austrian goods are admitted at the rates of the intermediate tariff, has been prolonged until December 31st, 1934.

ANALYSIS OF ANNUAL AND QUARTERLY BUDGET ACCOUNTS (continued).

EXPENDITURE (including investments)	1933	1934	First quarter		Second quarter		Third quarter		Fourth quarter				
			Estimates	Estimates	1932	1933		1932	1933		1932	1933	
					Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results
(In millions of Schillings)													
ORDINARY BUDGET.													
A. Administration:													
Army	82.60	94.00	21.63	21.12	21.09	21.12	20.57	20.60	18.72	21.02	20.98	19.59	23.73
Foreign Affairs .. .	5.02	6.23	1.32	1.24	1.24	1.27	1.28	1.37	1.27	1.48	1.55	1.29	1.64
Justice .. .	50.31	50.35	12.35	12.54	12.44	12.19	12.31	12.23	12.29	12.35	12.31	12.57	12.94
Supreme organs .. .	4.81	4.78	1.18	1.11	1.09	1.14	1.14	1.12	1.41	1.42	1.40	0.99	1.06
Chancellor's office .. .	9.56	10.07	2.64	3.78	3.78	2.22	2.22	2.16	1.50	1.63	1.98	2.83	2.70
Interior .. .	91.14	95.91	23.57	22.77	22.64	22.92	23.62	23.54	22.76	24.03	24.31	23.43	25.12
Social Administration .. .	443.42	385.26	123.86	138.96	131.91	105.80	112.67	112.21	103.15	103.89	104.69	117.68	103.60
Agriculture .. .	31.50	39.10	8.70	7.55	7.39	9.30	7.56	7.43	8.49	7.48	7.49	8.18	8.28
Commerce and Traffic .. .	55.02	56.48	14.01	13.13	12.90	16.16	13.89	14.07	16.01	14.87	14.67	13.55	17.75
Education, Science, Church .. .	73.06	71.50	18.33	17.21	17.30	18.46	19.38	19.46	18.00	16.77	16.87	20.83	19.15
Finance .. .	60.87	57.86	16.46	15.32	17.11	15.84	16.59	15.96	19.28	15.63	15.54	20.15	14.54
Subsidies to Postal Savings Bank .. .	3.00	2.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.71
Payments to local authorities .. .	26.19	26.67	6.16	6.30	6.30	6.59	6.73	6.90	6.46	6.20	6.20	6.62	6.93
Pensions .. .	211.70	210.00	53.19	53.85	53.99	52.57	53.06	53.07	52.37	52.91	52.92	51.78	52.16
Charges under the Peace Treaty .. .	2.23	2.66	0.09	0.12	0.09	0.47	0.78	1.02	0.40	0.23	0.23	0.62	0.74
Debt Service .. .	233.27	240.89	50.02	52.56	51.50	40.50	43.55	47.28	52.93	60.72	62.16	39.18	51.88
Total: Administration .. .	1,383.70	1,354.26	354.26	368.31	361.52	326.72	336.10	339.17	335.88	341.38	344.37	340.04	343.02
B. Monopolies:													
Tobacco .. .	108.77	121.04	29.14	23.29	23.73	31.93	26.40	26.62	30.76	26.97	27.27	25.34	27.80
Salt .. .	14.73	14.33	3.68	3.60	3.59	3.69	3.71	3.60	3.61	3.65	3.65	3.64	4.40
Lotteries .. .	40.43	35.76	11.05	9.06	8.92	12.93	11.12	9.92	9.17	8.96	8.23	11.55	10.37
Gunpowder .. .	5.28	5.02	1.27	1.27	1.14	1.17	1.24	1.09	1.12	1.16	1.21	1.25	1.52
Total: Monopolies .. .	169.20	166.14	45.14	37.22	37.38	49.72	42.47	41.23	44.66	40.74	40.36	41.78	43.73
C. Public Undertakings:													
Posts and Telegraphs .. .	227.84	226.60	58.07	56.63	56.57	57.71	57.57	57.71	57.70	58.42	58.33	61.77	57.14
Forests .. .	19.58	20.98	4.70	4.06	4.37	4.70	4.89	4.66	4.72	4.90	4.85	4.88	5.39
Federal theatres .. .	11.11	10.64	2.93	2.72	2.73	2.84	2.86	3.03	2.35	2.47	2.42	2.71	2.54
Other undertakings .. .	16.02	15.14	4.20	3.87	3.81	4.21	4.11	4.02	4.00	3.85	3.77	4.13	3.79
Total: Public Undertakings .. .	274.55	273.36	69.90	68.08	67.48	69.46	69.43	69.42	68.86	69.64	69.37	73.49	68.86
D. Railways:													
Federal railways .. .	80.00	100.00	31.86	21.00	21.00	5.19	19.00	19.00	11.03	18.87	18.87	35.01	21.13
Charges under the Sudbahn Convention .. .	14.75	15.51	2.38	2.43	2.41	—	0.01	0.01	2.46	6.23	8.91	4.96	3.38
Other railways .. .	5.96	3.61	2.13	1.95	1.95	2.28	1.39	1.39	1.12	0.69	0.69	1.16	0.60
Total: Railways .. .	100.71	119.12	36.37	25.38	25.36	7.47	20.40	20.40	14.60	25.79	28.47	41.13	25.20
Total ordinary expenditure .. .	1,928.16	1,912.88	505.67	498.99	491.74	453.37	468.40	470.22	464.00	477.55	482.57	496.44	480.81
Total ordinary receipts .. .	1,928.16	1,912.98	460.44	429.49	416.38	471.82	456.61	465.02	467.84	470.96	470.63	504.66	468.58
Ordinary budget balance .. .	—	+ 0.10	- 45.23	- 69.50	- 75.36	+ 18.45	- 11.79	- 5.20	+ 3.84	- 6.59	- 11.94	+ 8.22	- 12.23
EXTRAORDINARY BUDGET													
Finance .. .	121.00	—	—	140.00	140.00	—	—	—	—	—	—	—	—
Commerce and Traffic .. .	37.50	39.16	—	—	—	—	—	—	17.35	9.04	—	—	10.56
Agriculture .. .	13.30	18.00	—	—	—	—	0.80	0.80	—	11.10	6.90	—	4.62
Posts and Telegraphs .. .	5.80	45.90	—	—	—	—	—	—	—	—	—	—	0.44
Railways .. .	—	—	—	—	—	—	—	—	—	—	—	—	3.20
Total extraordinary expenditure .. .	177.60	103.06	—	140.00	140.00	—	0.80	1.60	—	28.45	15.94	—	18.82
Total extraordinary receipts .. .	—	—	—	—	—	—	0.80	0.80	—	6.95	6.95	—	11.25
Extraordinary budget balance .. .	- 177.60	- 103.06	—	- 140.00	- 140.00	—	—	- 0.80	—	- 21.50	- 8.99	—	- 7.57
Total budget balance .. .	- 177.60	- 102.96	- 45.23	- 209.50	- 215.36	+ 18.45	- 11.79	- 6.00	+ 13.84	- 28.09	- 20.93	+ 8.22	- 19.80

Appendix II.

MONTHLY ESTIMATES AND PROVISIONAL RESULTS.

RECEIPTS	September		October			November			December			January		
	1932	1933		1932	1933		1932	1933		1932	1933		1933	1934
	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates
ORDINARY BUDGET.														
(In millions of Schillings)														
A. Administration:														
Direct taxes	28.09	26.00	26.09	29.37	23.58	23.40	26.82	21.00	19.71	23.90	22.50	23.08	27.69	26.00
Customs	16.09	16.00	14.30	17.93	14.00	12.87	18.20	15.00	15.77	20.49	15.00	15.09	13.74	16.00
Excise duties	16.85	14.90	14.77	14.99	14.77	14.38	12.78	13.48	13.64	13.97	16.48	17.09	10.53	11.43
Turnover tax	15.34	10.80	8.65	12.76	11.10	11.71	13.13	11.20	12.31	14.51	11.20	14.11	12.23	11.70
Turnover tax, emergency surtax	2.44	9.60	8.97	6.83	9.90	10.29	9.39	10.00	11.16	10.71	10.00	11.65	10.37	10.30
Taxes on transactions, legal fees, etc. .. .	8.33	8.10	6.29	10.24	9.00	9.02	8.08	7.60	8.34	8.86	8.00	8.55	8.85	9.20
Other receipts	0.17	0.13	0.20	0.20	0.14	0.23	0.24	0.14	0.27	0.23	0.13	0.28	0.16	0.27
Total taxes	87.31	85.53	79.27	92.32	82.49	81.90	88.64	78.42	81.20	94.67	83.31	89.85	83.57	84.90
Deduct:														
Shares of local authorities	18.45	14.15	11.31	16.67	11.22	11.16	19.55	12.86	12.70	16.43	15.29	15.02	16.18	12.41
Total: State taxation	68.86	71.38	67.96	75.65	71.27	70.74	69.09	65.56	68.50	78.24	68.02	74.83	67.39	72.49
Receipts of Social Administration	20.48	15.74	15.56	18.30	16.03	16.28	18.06	16.43	15.66	16.19	14.97	—	19.45	15.88
Other administrative receipts	4.29	13.82	14.90	4.31	8.87	9.94	6.80	8.53	11.63	7.73	12.92	—	6.62	11.06
Contribution towards debt Service .. .	3.30	8.37	8.43	3.18	8.39	8.43	3.79	8.53	8.89	36.14	11.24	—	6.16	9.13
Total receipts of the Administration .. .	96.93	109.31	106.85	101.44	104.56	105.39	97.74	99.05	104.68	138.30	107.15	—	99.62	108.56
B. Monopolies:														
Tobacco	27.59	25.82	24.80	25.18	24.30	27.10	25.02	23.54	25.01	28.22	27.62	27.79	21.27	22.10
Salt	2.32	2.49	2.88	2.33	2.29	3.02	2.59	2.52	3.09	2.42	2.36	2.57	2.62	2.47
Lotteries and gunpowder	3.18	3.34	3.62	6.16	5.14	5.52	2.53	2.46	2.60	8.63	5.41	5.75	5.66	5.17
Total: Monopolies	33.09	31.65	31.30	33.67	31.73	35.64	30.14	28.52	30.70	39.27	35.39	36.11	29.55	29.74
C. Public Undertakings:														
Posts and Telegraphs	19.90	19.81	18.33	18.14	18.45	18.17	15.89	15.71	15.76	21.50	20.22	—	19.49	17.18
Forests	0.69	0.60	0.67	0.73	0.65	0.81	0.84	0.67	0.77	1.32	1.11	—	0.71	0.65
Federal theatres	0.54	0.55	0.62	0.44	0.44	0.52	0.55	0.55	0.55	0.55	0.50	—	0.66	0.63
Other	1.17	1.28	1.00	1.34	1.19	1.16	1.15	1.19	1.13	1.62	1.50	—	1.23	1.09
Total: Public Undertakings	22.30	22.24	20.62	20.65	20.73	20.66	18.43	18.12	18.21	24.99	23.33	—	22.09	19.55
D. Railway:														
Federal railways	0.98	—	—	—	—	—	—	—	—	—	—	—	—	—
Other railways	—	—	0.02	—	—	0.02	0.02	—	—	0.01	—	—	0.02	—
Total: Railways	0.98	—	0.02	—	—	0.02	0.02	—	—	0.01	—	—	0.02	—
Total ordinary receipts	153.90	163.20	158.79	155.76	157.02	161.71	146.33	145.69	153.59	202.57	165.78	—	151.28	157.85

MONTHLY ESTIMATES AND PROVISIONAL RESULTS (continued).

EXPENDITURE (including investments)	September			October			November			December		January		
	1932	1933		1932	1933		1932	1933		1932	1933	1933	1934	
	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Estimates	
ORDINARY BUDGET.														
(In millions of Schillings)														
A. Administration:														
Army	6.19	6.90	6.89	6.83	7.08	6.95	6.33	8.24	8.14	6.43	8.41	7.71	9.26	
Foreign Affairs	0.42	0.48	0.48	0.50	0.48	0.48	0.43	0.57	0.56	0.36	0.59	0.41	0.50	
Justice	4.29	4.26	4.24	4.22	4.35	4.33	3.96	4.05	4.02	4.39	4.54	4.11	4.13	
Supreme organs	0.37	0.35	0.34	0.38	0.36	0.36	0.36	0.35	0.34	0.25	0.35	0.36	0.35	
Chancellor's office	0.52	0.53	0.53	0.83	0.53	0.54	0.84	0.65	0.55	1.16	1.52	1.11	1.37	
Interior	7.61	7.84	7.98	7.74	8.28	8.24	7.75	8.28	8.38	7.94	8.56	7.58	8.32	
Social Administration	38.01	37.78	37.06	34.68	32.89	30.48	38.22	32.73	32.13	44.78	38.07	42.00	41.21	
Agriculture	3.05	2.50	2.48	2.54	2.77	2.84	2.94	2.64	3.03	2.70	2.87	2.17	3.07	
Commerce and Traffic	5.12	4.84	4.78	4.84	4.59	4.51	4.52	4.49	4.42	4.19	8.67	4.02	3.73	
Education, Science, Church	6.08	5.49	5.37	6.12	5.27	5.40	6.20	5.62	5.68	8.31	8.26	5.83	5.85	
Finance	3.77	4.98	5.02	5.80	4.90	4.98	5.73	4.49	4.49	8.60	5.15	4.85	4.78	
Subsidies to Postal Savings Bank	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.21	0.25	0.21	
Payments to local authorities	2.10	2.06	2.06	2.08	2.08	2.07	2.14	2.09	2.09	2.40	2.76	2.18	2.06	
Pensions	17.44	17.63	17.69	17.53	17.60	17.75	17.53	17.60	17.73	16.68	16.96	18.60	18.67	
Charges under the Peace Treaty	0.23	0.03	—	0.05	0.27	0.28	0.20	0.03	0.01	0.37	0.44	0.02	0.03	
Debt Service	14.29	20.07	19.87	15.78	18.18	16.21	12.07	14.89	15.59	11.33	18.81	21.79	25.31	
Total: Administration	111.74	115.99	115.24	110.19	109.88	105.56	109.51	106.97	107.41	120.34	126.17	122.99	128.85	
B. Monopolies:														
Tobacco	8.57	9.02	8.96	8.72	8.69	8.82	8.44	8.67	8.96	8.18	10.44	8.54	8.17	
Salt	1.22	1.22	1.22	1.22	1.29	1.30	1.17	1.32	1.31	1.23	1.43	1.22	1.30	
Lotteries	5.15	4.36	3.56	7.96	7.49	7.86	1.06	1.18	1.46	2.53	1.70	1.83	1.75	
Gunpowder	0.38	0.40	0.45	0.41	0.42	0.47	0.42	0.54	0.54	0.42	0.56	0.40	0.41	
Total: Monopolies	15.32	15.00	14.19	18.31	17.89	18.45	11.09	11.71	12.27	12.38	14.13	11.99	11.63	
C. Public Undertakings:														
Posts and Telegraphs	18.84	19.07	19.03	19.58	18.99	18.73	20.61	18.65	18.65	21.58	19.50	18.62	18.70	
Forests	1.66	1.64	1.65	1.51	1.67	1.68	1.52	1.74	1.62	1.85	1.98	1.42	1.69	
Federal theatres	0.88	0.88	0.88	0.87	0.85	0.87	0.87	0.84	0.85	0.97	0.85	0.96	0.89	
Other undertakings	1.21	1.26	1.27	1.40	1.22	1.24	1.28	1.22	1.22	1.45	1.35	1.25	1.36	
Total: Public Undertakings	22.59	22.85	22.83	23.36	22.73	22.52	24.28	22.45	22.34	25.85	23.68	22.25	22.64	
D. Railways:														
Federal railways	9.68	6.00	6.00	0.48	5.45	5.45	0.47	6.22	6.22	34.06	9.46	7.00	8.33	
Charges under Sodbahn Convention	—	3.12	3.08	2.39	—	—	—	—	—	2.57	3.38	—	—	
Other railways	0.33	0.21	0.21	0.37	0.26	0.24	0.32	0.21	0.21	0.47	0.22	0.64	0.28	
Total: Railways	10.01	9.33	9.29	3.24	5.71	5.69	0.79	6.43	6.43	37.10	13.06	7.64	8.61	
Total ordinary expenditure	159.66	163.17	161.55	155.10	156.21	152.22	145.67	147.56	148.45	195.67	177.04	164.87	171.73	
Total ordinary receipts	153.30	163.20	158.79	155.76	157.02	161.71	146.33	145.69	153.59	202.57	165.87	151.28	157.85	
Ordinary budget balance	- 6.36	+ 0.03	- 2.76	+ 0.66	+ 0.81	+ 9.49	+ 0.66	- 1.87	+ 5.14	+ 6.90	- 11.17	- 13.59	- 13.88	
EXTRAORDINARY BUDGET.														
Finance	—	—	—	—	—	—	—	—	—	—	—	—	—	
Commerce and Traffic	—	3.10	3.19	—	2.00	3.89	—	4.03	3.43	—	4.53	—	1.50	
Agriculture	—	9.50	2.67	—	1.85	1.85	—	1.22	1.64	—	1.55	—	2.15	
Posts and Telegraphs	—	—	—	—	—	0.22	—	0.22	0.21	—	0.22	—	0.36	
Railways	—	—	—	—	—	—	—	—	—	—	3.20	—	5.85	
Total extraordinary expenditure	—	12.60	7.86	—	3.85	7.96	—	5.47	5.28	—	9.50	—	9.86	
Total extraordinary receipts	—	3.10	3.10	—	1.85	1.85	—	1.22	1.47	—	8.18	—	—	
Extraordinary budget balance	—	- 9.50	- 4.76	—	- 2.00	- 6.11	—	- 4.25	- 3.81	—	- 1.32	—	- 9.86	
Total budget balance	- 6.36	- 9.47	- 7.52	+ 0.66	- 1.19	+ 3.38	+ 0.66	- 6.12	+ 1.33	+ 6.90	- 12.49	- 13.59	- 23.74	

Appendix III.

	FOREIGN TRADE ¹						ECONOMIC INDICES							NATIONAL BANK						Discount rate Per cent	Savings Bank depo- sits (mil- lions of Schillings) ²	
	Value (millions of Schillings)			Weight (thousands of tons)			Railway goods traffic (million net ton kms.)	Wholesale price index January- June 1914 = 100 ³	Cost-of- living index July 1914 = 100 ³	Industrial production index ⁴ 1923-1931 = 100 ⁴	Production of			Unemployed receiving benefit (thousands)	Gold and cover exchange	Bills discounted	Government Debt	Note circulation	Sight liabilities			Cover Per cent
	Imports	Exports	Excess Imports	Imports	Exports	Cotton-yarn per spindle ⁵ 1923-1931 = 100 ⁵					Cellulose (wagons)	Electric power (million kwhs.)										
	(In millions of Schillings ⁶)																					
(Monthly average)																						
(End of the month)																						
(Average)																						
(End of the month)																						
1924	3,474	1,988	1,486	8,951	2,365	297.9	136	—	83	84	1,245	—	95	488	188	218	839	55	55	11.57	—	
1925	2,905	1,986	919	8,240	3,246	307.2	136	—	96	111	1,464	—	150	499	180	188	890	55	54	10.86	—	
1926	2,845	1,745	1,100	8,263	3,228	332.1	123	103	96	95	1,522	—	177	337	124	177	947	37	55	7.50	—	
1927	3,191	2,099	1,092	8,754	3,929	350.0	133	106	109	118	1,605	80	172	464	132	173	1,005	40	44	6.34	—	
1928	3,317	2,249	1,068	9,063	4,718	351.4	130	108	119	111	1,725	91	156	411	208	116	1,067	56	37	6.27	1,755	
1929	3,318	2,220	1,098	10,272	4,109	369.4	130	111	122	110	1,870	96	164	406	306	109	1,094	64	37	7.33	2,119	
1930	2,739	1,880	859	8,272	3,515	314.0	117	111	104	102	1,779	97	208	412	148	101	1,090	93	35	5.75	2,419	
1931	2,210	1,527	683	7,996.5	2,538	270.6	109	106	91	96	1,796	93	253	292	908	96	1,183	128	22	7.04	2,025	
1932	1,400	786	614	6,001	1,879	208.9	112	108	79	95	1,664	90	304	188	379	663	914	219	17	6.83	1,959	
1933	1,187	815	372	5,688	2,098	209.9	108	103	—	—	—	—	329	189	275	624	952	142	17	5.23	1,988	
1933: I	133	61	72	369	120	201.2	114	109	86	104	1,780	99	358	266	884	96	1,093	113	22	8	1,962	
II	128	66	62	483	117	180.5	112	108	90	111	1,665	92	362	258	877	96	1,044	129	22	8	1,977	
III	133	67	66	498	131	205.8	113	108	85	112	1,672	88	352	240	867	96	1,009	128	21	7	1,991	
IV	126	68	58	486	151	199.5	112	107	86	109	1,714	86	304	215	863	96	999	113	19	7	1,990	
V	121	65	56	476	165	192.1	116	107	75	99	1,618	88	271	198	874	95	995	112	18	7	1,965	
VI	118	65	53	345	183	206.7	115	109	75	99	1,605	87	265	192	881	93	962	149	17	7	1,949	
VII	109	58	51	531	164	204.3	112	108	70	82	1,707	86	266	190	883	92	949	148	17	7	1,946	
VIII	104	56	48	500	160	193.7	112	107	74	87	1,688	86	269	189	872	92	915	165	18	6	1,940	
IX	98	66	32	458	151	205.4	110	108	74	89	1,399	85	276	189	867	92	902	173	17	6	1,938	
X	107	71	36	494	197	266.2	111	108	78	88	1,668	89	298	189	336	663	903	177	17	6	1,946	
XI	109	70	39	528	171	233.7	111	107	79	83	1,599	94	330	189	336	663	880	196	18	6	1,958	
XII	117	67	50	529	165	217.8	108	107	70	78	1,840	100	368	188	379	663	914	219	18	6	1,950	
1933: I	91	47	44	490	107	179.3	108	106	72	68	1,717	96	398	188	317	662	872	181	18	6	2,022 ⁷	
II	85	55	30	428	109	183.5	106	105	73	70	1,552	82	401	189	300	661	859	184	18	6	2,039	
III	101	64	37	435	147	198.2	107	104	72	74	1,783	90	380	189	287	660	919	170	17	5	2,011	
IV	85	62	23	366	173	179.7	107	104	74	80	1,793	84	351	189	279	659	912	179	17	5	2,022	
V	95	67	28	420	192	202.7	108	105	76	87	1,712	87	321	189	264	659	898	193	17	5	2,042	
VI	99	66	33	440	195	201.3	109	106	78	88	1,951	82	308	189	275	659	893	216	17	5	2,040	
VII	107	74	33	486	209	206.5	111	105	75	88	1,839	80	301	189	239	659	903	198	17	5	2,032	
VIII	87	69	18	463	186	203.5	108	105	86	118	1,860	84	291	189	188	654	900	104	17	5	2,023	
IX	93	79	14	479	201	227.9	108	105	80	122	1,865	88	279	189	225	624	943	83	19	5	1,997	
X	111	80	31	587	210	267.8	109	106	88	124	1,886	95	280	189	227	624	941	101	18	5	1,943 ⁸	
XI	119	80	39	569	194	249.9	108	105	—	136	—	98	300	189	218	624	914	117	18	5	2,00	
XII	115	75	40	523	176	218.9	108	106	—	—	—	—	336	189	275	624	952	142	17	5	1,988	

¹ Provisional figures only for 1932-33.
² Source: Bundesamt für Statistik.
³ Seasonally corrected index.
⁴ Source: Institut für Konjunkturforschung.
⁵ Source: National Bank.
⁶ From January to October 1933, without deposits in foreign exchange.

Genève, le 23 avril 1934.

SOCIÉTÉ DES NATIONS

TRENTIÈME RAPPORT
DU COMMISSAIRE DE LA SOCIÉTÉ DES NATIONS EN BULGARIE

(PÉRIODE NOVEMBRE 1933-MARS 1934).

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No English translation of
the enclosed pamphlet (s)
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INTRODUCTION.

Les constatations essentielles du présent rapport peuvent se résumer comme suit :

1. L'exercice budgétaire 1933-34 se clôturera par un déficit nettement inférieur à ceux des années précédentes : les efforts du Ministre des Finances ont abouti à une quasi stabilité des recettes et à une certaine réduction des dépenses, largement complétée par de substantiels sacrifices des porteurs de titres de la dette extérieure.

Le budget pour 1934-35 sera mis en vigueur avec un retard négligeable ; il paraît n'avoir recherché son équilibre théorique que dans la reconduction de ces sacrifices des porteurs.

La situation de la Trésorerie continue à ne pas inspirer d'inquiétude immédiate.

2. La compression des importations permet de dégager une balance commerciale favorable.

3. La position technique de la Banque nationale s'est améliorée et se traduit par une réduction de la circulation et un solde positif de la balance des paiements. Ce solde demeure malheureusement comptable, la plupart des avoirs étrangers de la Banque étant bloqués. Le marché monétaire a recouvré une certaine aisance devant le fait accompli constitué par la promulgation de la loi sur l'allégement des débiteurs.

4. La politique économique du Gouvernement n'a pas modifié son cours : les interventions contradictoires dans le domaine de l'industrie entraîneront à des pertes le capital national investi inconsidérément ; l'encouragement de certaines cultures industrielles peu adaptées aux conditions locales ou naturellement peu rémunératrices a infligé et infligera des mécomptes aux paysans et des charges au Trésor et aux banques d'Etat ; l'étatisation avouée ou non de toute activité économique continue à progresser et à paralyser l'initiative privée.

Cette politique a fait un nouveau pas en avant par l'institution du monopole du blé et du seigle : les résultats matériels immédiats ne doivent masquer aucun des inconvénients ni peut-être des dangers que comporte le régime.

6. Le présent rapport a été établi avec le concours de M. le professeur Köstner, conseiller près la Banque nationale de Bulgarie.

I. BUDGET.

a) RÉSULTATS PROVISOIRES DE L'EXERCICE 1933-34.

1. Les données fournies au 28 février 1934 par le Ministère des Finances et la Haute Cour des Comptes (cf. appendice I, a)) se résument comme suit :

	Millions de leva	
<i>Recettes :</i>		
Etat	4.518,6	
Chemins de fer et ports	1.170,6	
	<hr/>	5.689,2
<i>Dépenses réglées :</i>		
Etat	4.087,2	
Chemins de fer et ports	707,4	
Mandats en souffrance	1.336	
	<hr/>	6.130,6
Déficit provisoire		<hr/> 441,4

Ce résultat doit être toutefois rectifié :

Le montant des recettes comprend, au titre du chapitre des « Revenus divers », une somme de 203,8
 produit de la souscription de bons du Trésor par le compte « service non transféré de la dette extérieure ». Il s'agit du produit d'une opération de Trésorerie qui ne doit pas être confondu avec les revenus budgétaires. Il y a lieu, en conséquence, de diminuer d'autant les recettes ci-dessus et de porter ainsi le déficit provisoire à 645,2

2. Les données préliminaires fournies par la Banque nationale sur les recettes et dépenses budgétaires du mois de mars indiquent qu'à la fin de ce mois, le déficit aurait été ramené à environ 550

3. Toutefois, ce chiffre sera fortement réduit, lors de l'établissement des comptes définitifs de l'exercice, par le retour au Trésor d'une fraction importante des sommes dépensées au titre du service de la dette extérieure (cf. *infra* Dette publique, et notre précédent rapport, Dette publique). Cette ristourne dépassera, pour 1933-34, 300 millions et permet d'ores et déjà de réduire le déficit ci-dessus à un chiffre de l'ordre de 250

4. Enfin, s'il convient de réserver toute conclusion sur la clôture de l'exercice jusqu'à la fin de la période complémentaire, au cours de laquelle apparaîtra un volume important de nouvelles liquidations de dépenses, on peut avancer que, abstraction faite des sacrifices consentis par les porteurs de titres de la dette extérieure — lesquels s'appliqueront d'ailleurs aussi à l'exercice 1932-33 — le déficit de 1933-34 sera sensiblement inférieur à celui du budget précédent. Au 28 février 1934, la comparaison faisait ressortir au profit de l'exercice en cours un progrès de 332 millions, dû à une quasi-stabilité des recettes et à certaines compressions de dépenses.

5. Les recettes globales du budget de l'Etat se chiffrent, en effet, compte tenu de la réduction de 203,8 millions indiquée plus haut à apporter aux encaissements du chapitre « Revenus divers », à 4.314,8 millions, contre 4.406,6 pour la même période de l'exercice précédent. Ce fléchissement, d'environ 2%, est imputable à la chute du produit des douanes — 263,9 millions = 32% — et des domaines et capitaux de l'Etat — 123,9 millions = 41% — que ne parvient pas à balancer l'amélioration, pourtant sensible, des autres postes de recettes : entre autres, les impôts directs sont en progrès de 16%, les accises, de 6%, les recettes sur exercices clos, de 42%. Quant aux recettes des chemins de fer et ports, elles accusent une plus-value de 12%, due à l'incorporation à ce budget de fonds qui en étaient distincts auparavant.

6. Les dépenses globales, réglées ou en souffrance, des budgets de l'Etat et des chemins de fer — y compris, pour ces derniers, celles qui concernent les fonds incorporés — subissent une compression de 297,5 millions, soit 4,6%. Il est impossible pour l'instant de dire si cette diminution est définitive. Bornons-nous à signaler que le service, transféré ou non, de la dette extérieure a bénéficié de l'accentuation de la dépréciation de certaines devises étrangères, que les dépenses de l'Instruction publique réglées au 28 février ont augmenté de 18,6 millions, soit 3,1%, et que les chemins de fer paraissent avoir restreint quelque peu leurs dépenses d'exploitation.

b) PROJET DE BUDGET POUR L'EXERCICE 1934-35.

Au 1^{er} avril 1934, date de la rédaction du présent rapport, le projet concernant le budget de l'Etat était encore en cours de discussion devant le parlement, et le projet concernant les chemins de fer et ports n'avait pas encore été déposé.

Le premier de ces projets ouvre 5.647,8 millions de crédits, contre 5.559,1 autorisés pour 1933-34. Il comprend la totalité du service de la dette extérieure, une remarque précisant que ces crédits sont fixés provisoirement, et sujets à modifications à la suite des accords nouveaux à passer avec les créanciers. Quant aux recettes, arrêtées également à 5.647,8 millions, elles escomptent le produit de l'émission de bons du Trésor à concurrence des sommes que représente, sous le régime actuel, le service non transféré de la dette extérieure de l'Etat et qui sont évaluées à 483,5 millions. En réalité, le projet de budget est donc présenté avec un déficit égal au montant de ce dernier poste.

c) SITUATION DE LA TRÉSORERIE (cf. appendice I, c)).

Cette situation reste stable. Au 28 février, le passif net non couvert (998 millions, contre 1.001 au 31 octobre précédent) ne comprend plus pratiquement qu'un seul mois de soldes, traitements et salaires publics en retard, février ; le quartier de pensions au 31 mars a fait l'objet de provisions, qui, complétées au cours de mars, permettront la mise en paiement à l'échéance ; seules les dépenses de matériel accusent un solde important non réglé, plus de 500 millions, qui s'accroîtra en mars. Le poids des arriérés cesse donc progressivement d'affecter les fonctionnaires et pensionnaires pour atteindre davantage les fournisseurs de l'Etat. Le problème, ainsi déplacé, n'est pas résolu.

Au cours de la période novembre-février, le Gouvernement, sur avis conforme du Comité prévu par le rapport C.268.1933.II.A du Comité financier au Conseil, a procédé à l'émission de 50 millions de bons du Trésor sur la tranche de 200 millions non réescomptable à la Banque nationale admise par ledit rapport. En outre, les souscriptions de bons par le compte « service non transféré de la dette extérieure » ont porté sur 285 millions.

Au cours des prochains mois, la Trésorerie disposera des nouveaux bénéfices de frappe de monnaies que le Gouvernement a reçu la faculté d'utiliser provisoirement (cf. rapport du Comité financier au Conseil du 17 janvier 1934). La liquidation de l'exercice 1933-34 sera donc facilitée et l'exercice 1934-35 s'ouvrira dans des conditions plus aisées que les précédents. Il est à craindre, toutefois, que cette aisance ne soit que passagère ; le projet de budget ne paraît pas équilibré et les possibilités d'emprunt réelles de la Trésorerie se réduisent désormais au solde de 150 millions de la tranche de 200 millions rattachée plus haut, qui est d'un placement difficile.

d) EXÉCUTION DU PLAN DE REDRESSEMENT FINANCIER DE MAI 1933.

1. En ce qui concerne la sanction législative ou administrative requise par ce plan, un fait nouveau est intervenu au cours de la période étudiée sous les espèces de la « loi sur la composition du personnel du Ministère des Finances » du 22 janvier 1934, dont l'appendice I, d) donne l'analyse. Les principales innovations promulguées par ce texte sont les suivantes :

i) Etablissement de conditions d'âge et d'instruction plus sévères pour l'admission dans les cadres ; sanction des nominations illégales ;

ii) Révision de tous les employés en fonctions lors de l'entrée en vigueur de la loi et comptant moins de six années de services ; licenciement des sujets n'ayant pas satisfait à cette révision ; inaptitude à l'avancement des fonctionnaires ne possédant pas le degré d'instruction correspondant aux postes qu'ils occupent ;

iii) Suppression des licenciements « dans l'intérêt du service » de fonctionnaires titulaires ; subordination à une décision du Conseil des finances des déplacements « dans l'intérêt du service » ;

iv) Institution d'un Conseil de discipline appelé obligatoirement à se prononcer avant l'infliction de peines disciplinaires d'un certain degré et notamment de la révocation ;

v) Droit de recours devant la Haute Cour administrative ouvert au fonctionnaire illégalement déplacé ou licencié.

Sans échapper complètement à la critique, cette loi constitue cependant une amélioration fondamentale du statut du personnel des finances. Il faut espérer que son application, prévue pour le 1^{er} avril 1934, sera opérée avec toute la justice et l'exactitude désirables.

Par ailleurs, une loi du 20 mars 1934 a réglé la question du paiement des indemnités d'expropriation et prévu la consolidation de cette dette de l'Etat par des émissions de certificats du Trésor de quatre à quinze ans, portant de 2 à 6% d'intérêts.

Aussi se trouve pratiquement exécuté le programme d'allègement de la Trésorerie que le Comité financier avait admis dans son rapport du 23 mai 1933 au Conseil (C.268.M.138.1933).

2. Par contre, le projet de loi sur la comptabilité publique qui, aux termes de la déclaration du Gouvernement figurant au même rapport (paragraphe 9, 5^o), aurait dû être voté pour le 31 décembre 1933, est resté en suspens. On doit souhaiter qu'il aboutisse le plus rapidement possible, et qu'il comporte l'établissement d'un contrôle préventif efficace du Ministère des Finances sur toutes les dépenses de l'Etat et des collectivités publiques, et spécialement sur celles de la mine de Pernik et même sur celles du budget autonome des chemins de fer.

Signalons en outre que le chef du corps de contrôle supérieur de l'assiette et de la perception des impôts n'a pas encore été désigné.

3. En ce qui concerne l'exécution même du plan, on doit enregistrer la continuité de l'effort fourni pour le maintien des recettes et la compression des dépenses, en regrettant que l'action exercée sur ce second point demeure empirique et ne puisse se hausser jusqu'à des réformes fondamentales, telles celle qu'exigerait le régime de l'Instruction publique.

e) CHEMINS DE FER ET PORTS.

Le bilan et le compte de profits et pertes de l'exercice 1931-32 ont été publiés le 26 janvier 1934. Un résumé du second de ces documents est produit par l'appendice I, e) au présent rapport. Il fait ressortir un déficit net de 119,5 millions de leva, contre un déficit de 30,9 millions pour 1930-31, et un bénéfice de 122,2 millions pour 1929-30. Dans ce domaine, comme dans celui du budget de l'Etat, une politique de suppression des trop nombreux dégrèvements et de compression radicale des dépenses d'exploitation s'impose si l'on veut éviter la persistance de déficits que la Trésorerie d'Etat ne peut plus couvrir, même provisoirement. On manque encore de données précises sur les résultats provisoires des exercices 1932-33 et 1933-34, mais il ne semble pas, à priori, qu'ils doivent être plus satisfaisants.

II. DIRECTION DES CÉRÉALES.

Huit décrets promulgués les 22 et 27 janvier 1934 ont institué le monopole d'Etat de l'achat et de la vente, intérieure et extérieure, du blé et du seigle. Ces textes fournissent du nouveau régime une définition complète et détaillée. L'analyse en est donnée par l'appendice II ci-joint.

Arrêtées au 22 janvier 1934, les opérations menées sur la récolte de blé de 1933 auraient procuré les résultats suivants :

	Millions de leva	
Achats (176.000 tonnes)	422,3	
Transports, frais généraux, etc.	52,8	
	<hr/>	475,1
Ventes (77.000 tonnes)	134,9	
Stocks (99.000 évalués au prix d'achat), environ	235,2	
Perte minimum	105	
	<hr/>	475,1

Les immobilisations (stocks, pertes, vente à crédit, etc.) étaient financées par une faible partie des recettes procurées par les taxes sur le pain et la farine (environ 23 millions) et surtout par une avance de la Banque agricole (145 millions) et par le non-paiement de sommes considérables dues aux agents de la Direction, et même aux producteurs paysans.

L'application du monopole a évidemment permis un redressement immédiat de la situation, les stocks existants, comme le produit des achats ultérieurs de blé et de seigle, étant désormais écoulés à des cours officiels. Dans ces conditions, la situation au 31 mars 1934 se présente comme suit, compte tenu des opérations antérieures ci-dessus :

		Millions de leva
Achats :		
Blé (228.000 tonnes)		548,2
Seigle (5.957 tonnes)		6,6
Transports, frais généraux, etc.		70,3
		<hr/> 625,1
Ventes :		
Blé :		
Exportation (93.490 tonnes)	146,2	
Intérieur (33.000 tonnes)	123,8	
A l'Etat (10.470 tonnes)	29,1	
		<hr/> 299,1
Seigle :		
Exportation (260 tonnes)	0,3	
Intérieur (2.591 tonnes)	6,2	
A l'Etat (240 tonnes)	0,6	
		<hr/> 7,1
Taxes sur les stocks privés au 22 janvier 1934, amendes et confiscations		20,2
Stocks au 31 mars (évaluations aux prix de vente) :		
Blé (91.000 tonnes)	282,2	
Seigle (2.800 tonnes)	6,9	
		<hr/> 289,1
Perte provisoire		9,6
		<hr/> 625,1

La Direction compte vendre à la consommation intérieure la majeure partie (63.000 tonnes) de ces stocks de blé et la totalité du seigle. S'il en était ainsi, elle aurait équilibré à peu près ses recettes et ses dépenses, toutes réserves faites sur l'activité de la contrebande, qui ne manquera pas de s'accroître.

La trésorerie reste fort étroite : la dette envers la Banque agricole n'a pas varié depuis le 22 janvier, mais il semble que le découvert envers les agents et producteurs soit moins élevé qu'à cette date. Il ne faut pas oublier enfin le passif légué par les régimes antérieurs, soit 150 millions restant dus par l'Etat aux budgets locaux au titre de leur part dans les impôts perçus en bons.

Quoi qu'il en soit, ces résultats font apparaître à première vue un progrès, et il est fort possible qu'on puisse continuer quelque temps à allouer des prix artificiels aux producteurs de blé et de seigle en taxant lourdement une minorité consommatrice de pain. A notre avis, le principe de cette politique est critiquable, et nous craignons même que l'application s'en révèle ultérieurement décevante, en provoquant un ralentissement de l'exportation, un accroissement peu souhaitable des superficies cultivées en blé, et un développement de l'appareil bureaucratique nécessaire à l'exercice du monopole.

III. DETTE PUBLIQUE.

1. L'application des deux accords relatifs au service de la dette extérieure de l'Etat et décrits par notre précédent rapport est parvenue le 28 février 1934 au point suivant :

- a) Le compte « service non transféré... » a reçu la totalité des versements qui lui étaient dus ;
- b) Les ajustements d'intérêts sur bons du Trésor ont été intégralement opérés ;
- c) Les investissements des disponibilités du compte « service non transféré... » en bons du Trésor à 2% se sont régulièrement poursuivis ;
- d) Les négociations continuent sur la mise au point des modalités de rachat à 10% par le Gouvernement des fractions non transférées du service des coupons échus entre les 1-15 avril 1932 et 14-15 avril 1934.

2. D'accord avec les créanciers respectifs, les opérations décrites en a), b) et c) ci-dessus sont également en cours d'exécution ou se poursuivent en ce qui concerne l'emprunt 6 1/2% 1923 et la dette Diskonto-Gesellschaft.

3. Au 28 février 1934, la situation d'ensemble du compte « service non transféré... » se présente comme suit :

Emprunts	Service non transféré et intérêts de Bons du Trésor	Investisse- ments en Bons du Trésor
	Millions de leva	
A. Emprunts gagés 7% 1926 et 7 1/2% 1928	468,5	468
B. Emprunts gagés 5% 1902, 5% 1904, 4 1/2% 1907	284,4	277,1
C. Emprunts non gagés	95,5	88
D. Emprunts garantis par l'Etat	16,4	—
	<hr/> 864,8	<hr/> 833,1

4. Le régime actuel du service des emprunts compris dans les accords rappelés en 1 ci-dessus expire les 14 et 15 avril 1934. L'ouverture de nouveaux pourparlers est imminente.

IV. MONNAIE ET CRÉDIT.

a) BANQUE NATIONALE.

Le bilan de l'année 1933 accuse un profit net de 41,1 millions de leva (1932 : 31,9). Cette augmentation est le résultat des économies réalisées sur les dépenses de personnel (95,9 millions, contre 104,3) et sur les frais généraux (26,2, contre 30,2). Les recettes (179,5 millions) ont décré de 13 millions, en comparaison avec l'année précédente (192,4). Il convient de souligner ici, une fois de plus, que le bénéfice net de la Banque provient uniquement des opérations de change, qui, pendant l'année étudiée, ont laissé un profit de 43,3 millions (1932 = 51,7). Réparti sur la vente totale des devises étrangères pendant l'année (2.528 millions), ce chiffre représente une charge nette de 1,7% (1932 = 1,5%). De nouvelles réductions de personnel sont envisagées pour 1934, nonobstant le travail supplémentaire exigé par le contrôle des devises étrangères. Le total du budget pour 1934 a été fixé à 119,9 millions (1933 = 123,1).

Pendant le trimestre du 15 décembre 1933 au 15 mars 1934, la Banque a subi des pertes en devises étrangères s'élevant à 37 millions ; il s'agit d'un phénomène purement saisonnier. Le volume net du portefeuille-devises, abstraction faite de l'augmentation de 27 millions du stock d'or, dépasse de 27 millions le chiffre correspondant de 1933. Les données ci-après montrent qu'en 1933, et pour la première fois depuis de longues années, la Banque nationale a enregistré un solde actif réel de ses achats et ventes de change :

	1931	1932	1933
Devises achetées	5.963	3.240	2.547
Devises vendues	6.498	3.375	2.528
	<hr/>	<hr/>	<hr/>
	- 535	- 135	+ 19

Malheureusement, la plus grande partie de ces devises est bloquée ou utilisable exclusivement par voie de « clearing ». Ainsi qu'il ressort du tableau c) de l'appendice III, les ventes de devises libres sont en général supérieures aux achats, ce qui rend de plus en plus difficile le service de la dette publique et des autres engagements extérieurs de l'Etat. La pratique généralisée du « clearing » tend d'ailleurs à rendre impossibles les règlements envers l'étranger par la voie normale, et, cependant, cette pratique s'avère comme une entrave de plus en plus sévère au commerce international. On signalera donc comme un heureux progrès l'accord récemment conclu entre la Bulgarie et la Belgique, qui met fin aux arrangements de « clearing » existants, à la satisfaction des deux pays.

La réduction du portefeuille commercial de la Banque, qui revient de 440 à 352 millions, est plutôt un mouvement saisonnier ; d'ailleurs, le second chiffre est légèrement supérieur au chiffre correspondant de 1933. Les bons du Trésor en portefeuille ont diminué de 50 millions ; cette somme est le montant d'un renouvellement de bons consenti au Trésor par une banque d'Etat sans que le réescompte ait été demandé, du moins provisoirement, à la Banque nationale, ce qui fournit un témoignage de l'aisance du marché monétaire.

b) MARCHÉ MONÉTAIRE.

Le trimestre étudié (15 décembre 1933-15 mars 1934) est marqué par une contraction prononcée de la circulation des billets (- 400 millions = - 15%), due uniquement à la reconstitution des dépôts des banques à la Banque nationale. Ces réserves tendaient vers la disparition complète pendant la période mouvementée des discussions sur la loi d'allègement des débiteurs. Le vote de cette loi et le retour de confiance qui l'a salué ont provoqué un reflux des dépôts dans les banques populaires, les banques d'Etat, et, plus modérément, dans les banques privées. Il ne faut pas oublier, toutefois, que ce reflux est en grande partie saisonnier. En même temps, l'activité industrielle et commerciale du pays continue à décliner : un sentiment d'insécurité est né de la politique d'étatisation et de réglementation économique minutieuse que nous avons déjà décrite et empêche le retour à la circulation des fonds accumulés dans les banques privées. C'est pourquoi le total des avoirs de ces établissements à la Banque nationale dépasse même celui de l'année dernière, tandis que celui de leurs dépôts est en diminution continue.

Ce reflux de monnaie vers les banques, puis vers la Banque nationale, est vraisemblablement dû en majeure partie à une diminution de la thésaurisation, car les effets ordinaires d'une contraction de la circulation monétaire ne se font pas sentir.

La Banque nationale a réduit son taux d'escompte à 7% depuis le 1^{er} janvier 1934. Bien que cette décision ne correspondît pas alors à la situation du marché, elle contribua à alléger la situation des débiteurs et fournit un exemple qui fut suivi, avec un certain retard, par toutes les banques, y compris les établissements d'Etat. C'est avec satisfaction que nous notons ici que la Banque agricole a réduit sensiblement (2% au maximum) l'intérêt qu'elle alloue aux comptes courants d'établissements bancaires, commerciaux et industriels. Ce maximum était auparavant de 4%, et nombre de banques consacraient leurs disponibilités à de tels dépôts. L'expérience du dernier trimestre a montré l'erreur de cette politique, qui tendait à faire jouer à la Banque agricole le rôle de la Banque centrale.

Voici un aperçu sur les taux d'intérêts actuels en comparaison avec ceux de 1930 :

Dépôts à terme :	Banques d'Etat	Banques privées	Banques populaires
1930	7-9	7 ³ / ₄ -10	8
1934	5 ¹ / ₂ -7	4 ¹ / ₂ -7	5-7
Comptes courants :			
1930	5	7 ³ / ₄ -10	8
1934	2-3	5-7	5-7
Comptes courants des coopératives :			
1930	8,5	—	—
1934	7	—	—
Taux d'escompte et avances :			
1930	9-12	12-15	10-12
1934	5-10	8 ¹ / ₂ -10	10

Les réductions les plus sensibles ont été pratiquées par les petites banques privées, dont les exigences étaient, il y a quelques années, insupportables pour toute entreprise commerciale légitime.

c) BANQUES PRIVÉES.

Les bilans des banques privées à fin 1933 (cf. appendice III, d)) dénotent une déflation continue, mais aussi une amélioration appréciable de la liquidité en comparaison avec la fin du troisième trimestre de l'année ; le rapport entre encaisse et dépôts s'élève de 11,7% à 18,2%, contre 21% à l'époque correspondante de 1933. Le contentieux, qui, dans ce pays, comprend les traites protestées et les prêts en recouvrement judiciaire, a augmenté de nouveau et représente 21,6% des prêts et avances.

La position de l'encaisse des banques privées s'est améliorée considérablement depuis la fin de l'année (cf. *supra* Banque nationale), en partie du fait de la promulgation de la loi sur l'allègement des débiteurs, qui est entrée en vigueur le 2 janvier 1934.

Le texte de cette loi a été présenté au Comité financier pendant sa session de janvier dernier ; nous nous bornerons donc à observer que les effets de toute loi de ce genre, nonobstant les dangers qu'on peut en attendre en principe pour l'économie privée et le crédit, dépendent en dernier lieu de la psychologie du débiteur.

L'expérience des lois bulgares antérieures d'allègement, dont le bénéfice n'a été sollicité que par une faible proportion de débiteurs, mais dont les bénéficiaires ont finalement failli à leurs engagements, portait à croire que la masse des débiteurs préférerait recourir à des arrangements amiables et sauvegarder l'avenir de son crédit. Cette illusion devait se dissiper à l'approche de la clôture du délai imparti pour le dépôt des demandes d'application de la loi nouvelle, c'est-à-dire vers la fin du mois de mars. A ce moment se firent sentir les effets d'une certaine propagande et des demandes considérables, en nombre et en volume, furent introduites, dont beaucoup émanant de débiteurs qui ne paraissent ni en difficultés réelles ni dans l'incapacité d'obtenir des aménagements directs de la part de leurs créanciers. Cet afflux de demandes a même incité le Gouvernement à accepter l'idée d'une prolongation du délai. On doit craindre, s'il cède sur ce premier point, que les partisans d'une extension de la loi marquent un nouvel avantage, en obtenant l'adoucissement des dispositions qui sauvegardent encore le principe des créances. La détente qui a suivi la promulgation de ce texte risque donc d'être sans lendemain.

d) BANQUE AGRICOLE.

Le compte de profits et pertes de la Banque agricole pour 1933, qui prétend dégager un profit net de 40,2 millions, a été élaboré de la même façon que les précédents : le compte des intérêts non perçus, qui figure au bilan depuis 1930, continue à grossir. Or, la Banque ne fait aucune provision pour ses mauvaises créances (qui figurent à l'actif du bilan pour 220 millions, y compris même les frais judiciaires) et indique comme actif net 605 millions d'intérêts non perçus, dont environ 550 millions sont échus depuis plus d'une année. Heureusement, ces méthodes de comptabilité n'aggravent pas la position réelle de la Banque, dont tous les « profits » sont incorporés aux différents capitaux et ne sont pas distribués comme dividendes.

V. AGRICULTURE.

Comme dans tous les pays pratiquant l'agriculture pour leur consommation et pourvus d'une population rurale croissante, la plus grande partie des terres cultivées est en Bulgarie consacrée aux céréales. Le pourcentage de ces cultures, qui, en 1924, était de 65,4, est aujourd'hui de 72,9 des terres arables, soit le maximum atteint jusqu'à présent, ce qui doit inspirer de l'inquiétude, car les méthodes de culture employées détériorent le sol. La politique du Gouvernement devrait donc s'efforcer, en tant qu'elle peut influencer la marche fatale des événements, d'affranchir le paysan de la monoculture désastreuse et de diversifier sa production, ce qui,

en même temps, contribuerait à augmenter sa productivité. Des considérations politiques ou autres agissent malheureusement dans un sens opposé, et l'emportent.

La politique de fixation artificielle des prix du blé, parvenue à son maximum d'efficacité avec le régime actuel du monopole, a eu pour résultat une augmentation de 3,6% des ensemencements de blé l'automne dernier.

Dans presque chaque cas où la culture de plantes industrielles a reçu l'appui du Gouvernement, les résultats ont été désastreux pour le paysan. Pour le coton, on lui promet un prix d'achat minimum de 28 leva par kilo, le prix maximum devant dépendre de la hausse espérée à New-York. Une propagande énergique porta en une seule année les superficies cultivées de 8.000 à 20.000 hectares, et la récolte fut inférieure à celle de l'année précédente. Un monopole artificiel sur les 4 millions de kilos de la récolte de coton anticipée, fut instauré discrètement, en vertu duquel les filatures furent obligées, sous peine de sanctions pécuniaires, d'acheter tout le coton indigène offert par la Banque agricole et de n'en pas acheter d'autre ; ce coton ne put être livré et nul ne s'occupe des pertes ainsi infligées aux industriels. En dépit de ces résultats déplorable, le Ministère de l'Agriculture a décidé de porter les surfaces cultivées à 40.000 hectares pour cette année et à 60.000 pour 1935. De même, il a dressé un plan comportant l'intensification de la culture du lin (de 400 à 20.000 hectares) et du chanvre (de 5.300 à 8.000 hectares). Il faut espérer que le sol s'avérera favorable à ces cultures, qu'on rencontre en général sous des latitudes fort différentes, et que le paysan bulgare ne subira pas de nouveaux mécomptes.

Quant aux betteraves à sucre (cf. *infra* Industrie), ce n'est pas seulement l'industriel qui subit des pertes, son fonds de roulement étant investi dans des stocks de sucre excessivement coûteux (le prix de revient est calculé à 12 leva par kilo, quand le prix mondial varie entre 3 et 4 leva), mais également le paysan, qui ne peut obtenir le paiement de ses livraisons de betteraves.

On pourrait citer d'autres cas « d'encouragement » (essence de roses, dont le marché a reçu le coup de grâce par la création du monopole de la production au profit des coopératives qui ne jouissent pas de la confiance des acheteurs ; tabac, riz, etc.). D'autre part, là où le Gouvernement s'est abstenu de toute intervention, on constate un développement naturel, moins ambitieux mais plus régulier, comme le montrent les quelques exemples ci-après :

	Superficies cultivées (Millions d'hectares)	
	1930	1933
Sésame	7,5	10,5
Héliotrope	64,8	81,3
Chanvre	3,7	5,3
Vignes	87,6	93,4 (1932)
Jardinage	32,4	38,3 (1932)

Nous persistons à croire que le paysan bulgare trouverait la solution de ses difficultés plutôt dans un régime de moindre intervention, consistant surtout dans une propagande éducative, que dans le soutien artificiel de cultures périmées ou non appropriées aux conditions locales.

VI. INDUSTRIE.

Le projet de loi sur l'industrie, qui provoqua l'an dernier de si vives discussions dans les milieux industriels, n'a pas encore été soumis au Parlement. Entre-temps, il n'est pas sans intérêt de noter que le développement actuel de l'industrie n'est pas en complète harmonie avec le programme théorique du Gouvernement tel qu'il a été exposé au Comité financier en mai 1933 par le Ministre du Commerce, et qui pose en principe que l'industrie « encouragée » doit être basée sur des matières premières d'origine locale, et ainsi organiquement liée avec l'agriculture qui les produit. Dernièrement, des chiffres « préliminaires » ont été publiés sur les résultats d'une enquête industrielle menée en 1931 : ils sont résumés par l'appendice IV.

D'après ces données, les industries non privilégiées ne représentaient qu'un cinquième du capital investi dans l'industrie privilégiée ; néanmoins, elles occupaient 20.000 ouvriers, contre 35.000. Fait curieux, sur ces 20.000 ouvriers, plus des trois quarts dépendaient de l'industrie du tabac, qui peut être qualifiée de locale par excellence.

Des matières premières employées par les industries privilégiées, à peine la moitié (en valeur) était d'origine locale, tandis que la proportion correspondante pour les industries non privilégiées était de 85%. Pour l'industrie textile (43% de l'effectif ouvrier des industries privilégiées), le pourcentage n'était que de 13,6% ; pour l'industrie métallurgique, 14% ; céramique, 48% ; chimique, 35% ; des peaux, 18% ; du papier, 38%. Les seules industries où les matières premières d'origine locale prédominaient sont les industries alimentaires et la minoterie. D'autre part, les industries non privilégiées du textile, des peaux et autres employaient surtout des matières premières d'origine locale. Ces données semblent bien indiquer que la protection profitait surtout aux industries qui utilisaient des matières premières étrangères.

Cette protection consistait d'ailleurs essentiellement en exonérations d'impôts, et surtout de droits de douane, ainsi qu'en tarifs ferroviaires préférentiels.

Sur la base des données de l'appendice IV, en défalquant 10% de l'amortissement global et en présumant que la mouture à façon donnait 5% de profit brut, le profit brut total de l'industrie encouragée était, en 1931, d'environ 10% du capital investi, soit un rendement médiocre si l'on tient compte de tous les privilèges qui, en valeur, dépassaient à coup sûr les profits réels. D'après le même calcul, l'industrie non privilégiée travaillait en déficit.

La situation a empiré considérablement depuis l'enquête, car, en dépit du pouvoir d'achat diminué de la population, de nouvelles fabriques ont été construites. Des chiffres disponibles,

il ressort que la production industrielle en 1933 est de 10 à 15% inférieure à celle de 1932, et l'année courante ne s'ouvre guère sous de meilleurs auspices.

Les droits élevés d'importation *ad valorem* imposés l'année passée sur les matières premières « exonérées de droit de douane » ont renversé toutes les prévisions et éliminé du marché beaucoup d'établissements encouragés.

L'industrie du caoutchouc, par exemple, comptait naguère douze établissements, presque tous fermés aujourd'hui. D'autre part, le marché des fabriques travaillant avec des matières premières d'origine locale ne cesse de se resserrer par l'effet des prix élevés assignés aux matières premières par le Gouvernement, ou manipulés par la Banque agricole (soie), et de droits d'accise considérables.

En ce qui concerne le sucre, les fabriques étaient obligées jusqu'ici d'assurer chaque année l'ensemencement en betteraves d'une superficie fixée, et d'en acheter la récolte; les stocks de sucre non écoulés ont donc augmenté, jusqu'à représenter aujourd'hui la consommation d'une année et demie. Les fabriques ont été amenées à refuser de travailler la saison prochaine; en réponse, un projet de loi a été élaboré, qui les oblige à assurer l'ensemencement de 80% de la superficie de 1933 et à acheter la récolte correspondante, sous peine de clôture forcée.

VII. COMMERCE EXTÉRIEUR.

La balance du commerce continue d'être favorable depuis avril 1933; le solde actif réalisé depuis cette époque s'élève à 850 millions de leva. Pendant ce même laps de temps, le surplus net de devises étrangères obtenu par la Banque nationale n'a été que de 5 millions. Le volume des exportations pendant cette période est voisin de celui de la période correspondante de 1932-33 (total avril-février 1933-34 = 2.742, contre 2.848 en 1932-33). Ceci semble indiquer que le niveau le plus bas a été atteint au cours de l'été 1933. D'autre part, les importations continuent à décroître, bien que, ici aussi, on semble avoir dépassé le point critique. L'analyse du commerce extérieur par pays d'origine ou de destination (cf. appendice V, b)) montre que les arrangements de « clearing » ne sont pas parvenus à développer les relations commerciales en tentant de les asseoir sur des bases monétaires artificielles. Le système n'a de chances d'efficacité que dans les cas où existent la volonté et l'intérêt réciproques de développer le commerce dans les deux sens, et non seulement le désir d'imposer ses exportations à de nouveaux débouchés.

Le contrôle gouvernemental de la qualité des produits agricoles exportés, récemment introduit et assez strictement appliqué, a contribué à développer certaines exportations, surtout celle du raisin.

La pratique des compensations est plus heureuse, du point de vue commercial, mais elle a ouvert dans le contrôle des changes de la Banque nationale une brèche par où lui échappe une grande partie du produit des exportations. Il semble même que, sur ces opérations, le contrôle ne puisse pas être rendu efficace. Depuis l'institution de ce régime, qui date de deux ans, la Banque a délivré 2.178 licences de compensation, portant sur 4.312 millions de leva; 407 licences (1.457 millions) ont été annulées, 423 seulement (542 millions) ont été apurées par la production des justifications requises. Au 1^{er} janvier 1934, il restait à apurer une valeur globale de 2.133 millions, dont 1.415 auraient dû l'être pour cette date.

VIII. ÉTABLISSEMENT DES RÉFUGIÉS BULGARES.

a) POSITION AU 28 FÉVRIER 1934 DU COMPTE BLOQUÉ DE L'EMPRUNT 1926.

	Leva
Produit net	1.614.296.149
Dont mis à la disposition du service d'établissement	1.602.824.302
	<hr/>
Solde en dépôt à la Banque nationale	11.471.847

b) RENDEMENT DES REVENUS GAGÉS.

(En millions de leva.)

Chapitres du budget	Encaissements				1/12 des évaluations budgétaires
	1933 Novembre	1933 Décembre	1934 Janvier	1934 Février	
15. Accise sur l'alcool, etc.	2,5	1,3	2	2,3	5
16. Accise sur le sel, etc.	45,2	51,2	36,2	38,7	30
21. Vente des allumettes	8,1	4,9	5,8	4,9	7,9
Total	55,8	57,4	44	45,9	42,9

La moyenne mensuelle de ces recouvrements, soit 50,8 millions, est en progrès sur celle des deux trimestres précédents (47,4 et 41,5 millions).

Les versements des réfugiés affectés au remboursement des dépenses d'établissement ont atteint les montants ci-après (en leva) :

	1933 Novembre	1933 Décembre	1934 Janvier	1934 Février	Antérieurs	28 février 1934
Intérêts	49.059	21.587	43.336	44.633	3.593.112	3.751.727
Amortissement et impôt foncier	30.362	8.156	28.445	35.833	15.521.229	15.624.025
Total	79.421	29.743	71.781	80.466	19.114.341	19.375.752

La moyenne mensuelle de ces recouvrements (65,4 millions) accuse un fléchissement par rapport à celle du trimestre précédent (81 millions). Il est probable que la loi, votée le 7 mars 1934, qui autorise certains réfugiés à effectuer une partie de ces versements par remise d'obligations 6% 1923, permettra de les améliorer.

c) UTILISATION DE L'EMPRUNT.

Sur les engagements contractés par le service d'établissement, il reste à payer, au 28 février, 5,9 millions. Peut être également tenu pour engagé le montant de la subvention de 6 millions réservée au Ministère de l'Agriculture, à titre de participation de l'emprunt à la construction de stations de pompage, soit un total de 11,9 millions, contre un solde disponible de 12,6 millions, comprenant la provision aux mains de l'Administration. Restent donc environ 700.000 leva susceptibles d'être consacrés à de nouveaux engagements.

IX. EMPRUNT DE STABILISATION 7 1/2% 1928.

a) POSITION AU 28 FÉVRIER 1934 DU COMPTE BLOQUÉ DE L'EMPRUNT.

	Leva
Produit net	3.370.065.553
Dont mis à la disposition des administrations	3.362.427.028
Solde en dépôt à la Banque nationale	7.638.525

b) RENDEMENT DES REVENUS GAGÉS (DOUANES).

(Millions de leva.)

Novembre	Décembre	Janvier	Février	1/12 des évaluations budgétaires
58,3	64,5	44,7	46	74,5

soit une moyenne mensuelle de 53,4 millions, contre 49,4 pendant le trimestre précédent. Pour les onze premiers mois de l'exercice, le fléchissement de ces recettes est de 264 millions, soit 32%, par rapport à la même période de l'exercice antérieur.

c) UTILISATION DU PRODUIT DE L'EMPRUNT.

1. Chemins de fer et ports.

	Leva	Leva
La totalité de cette tranche s'est montée à		672.300.000
dont engagés au 28 février 1934		671.364.105
Solde non engagé		935.895
Reste à payer sur engagements opérés		7.679.230
Solde à engager ou à payer		8.615.125
Sommes aux mains de l'Administration	6.008.332	
Solde à recevoir du produit de l'emprunt	2.606.793	
		8.615.125

2. Routes et ponts.

La totalité de cette tranche s'est montée à		182.031.732
dont engagés au 28 février 1934		181.043.300
Solde non engagé		988.432
Reste à payer sur engagements opérés		4.620.000
Solde à engager ou à payer		5.608.432
Sommes aux mains de l'Administration	576.700	
Solde à recevoir du produit de l'emprunt	5.031.732	
		5.608.432

Pour chaque tranche, le solde à engager est donc minime, et il en sera disposé au cours de la campagne de travaux qui s'ouvre.

Appendice I.

**a) RÉSULTATS COMPARÉS DES ONZE PREMIERS MOIS DES EXERCICES
1932-33 ET 1933-34.**

(En millions de leva)

	Données annuelles			Résultats provisoires avril-février	
	1931-32 Résultats définitifs	1932-33 Résultats provisoires	1933-34 Prévisions	1932-33	1933-34
RECETTES.					
A. Budget de l'Etat :					
Impôts directs	489,5	392,3	424,1	351,4	408,4
Impôts indirects	1.253,8	1.229,1	1.323	1.144,2	1.213,5
Douanes	959,6	833	894	823,6	559,9
Taxes	563,2	508,8	804	465,2	503,4
Amendes et confisca- tions	57,8	51,1	58	46,5	65,7
Annuité des chemins de fer	103	125,1	118,6	125,1	118,5
P. T. T.	293,7	267,1	276	248,6	241,6
Domaines et capitaux	279,6	330,2	346,5	300,3	176,4
Participation des com- munes aux appointe- ments des institu- teurs	340,4	294,9	300	259,3	300,6
Revenus divers	669,5	450,6	477	452,8	660,7
Recettes sur exercices clos	201,9	203,2	206	189,6	269,9
Total	5.212	4.735,4	5.221,2	4.406,6	4.518,6
B. Chemins de fer et ports	1.238,5	1.120,7	1.550,5	1.043,9	1.170,6
Total général	6.450,5	5.856,1	6.771,7	5.450,5	5.689,2
DÉPENSES.					
A. Budget de l'Etat :					
Pouvoir suprême	64,4	77	63,1	68	56,2
Dette publique	2.027,9	1.919,5	1.777,9	1.751,5	1.634
Cour des comptes	22,6	17,3	15,6	13,4	11,1
Affaires étrangères et cultes	133,8	98,3	94,5	76,5	72,1
Eglise orthodoxe bul- gare	46,3	43,6	43,9	32,5	31,1
Intérieur	259,7	235,2	243,7	165,2	168,4
Santé publique	114,7	108,1	181,9	69,9	79,8
Instruction publique	851,9	867,8	821,5	598,1	616,7
Finances	177,4	170,5	174,9	120,6	114,8
Justice	220,1	182,3	189,3	131,1	115,7
Guerre	1.010,1	831,9	959,6	593,1	554,9
Commerce	96,6	88,3	92,8	59,8	61
Agriculture et domaines Travaux publics et tra- vail obligatoire	237,4	237,4	293,2	159,2	162,6
Direction générale des chemins de fer et ports	275,1	229,9	318,5	152,7	139,5
P. T. T.	47,3	41,3	50,2	28,1	25,9
Aviation	206,7	192,7	202,7	133,3	140,5
Budgets extraordinaire et supplémentaires	29,9	29,4	35,8	18	20,1
Total	334,7	98	—	75,3	82,8
B. Chemins de fer et ports	6.156,6	5.468,5	5.559,1	4.246,3	4.087,2
C. Dépenses en souffrance	1.264,2	1.138,6	1.373,1	786,7	707,4
	—	268,2	—	1.395,1	1.336
Total général	7.420,8	6.875,3	6.932,2	6.428,1	6.130,6
Déficit budgétaire	970,3	1.019,2		977,6	441,4

b) RÉSULTATS MENSUELS DES QUATRE DERNIERS MOIS.

(En millions de leva.)

	1933-34		Novembre		Décembre		Janvier		Février				
	1/12 du budget rectifié	1932-33	1933-34		1932-33	1933-34		1932-33	1933-34				
			Budget mensuel	Résultats		Budget mensuel	Résultats		Budget mensuel	Résultats			
RECETTES.													
A. Budget de l'Etat :													
Impôts directs	35,3	16,2	25,9	25,3	20,8	20,6	30,5	48,8	46,6				
Impôts indirects	110,2	107,4	128,9	100,3	98,4	91,3	99,1	92	91,8				
Douanes	74,5	77,2	58,3	79,4	64,5	59	44,7	50	46				
Taxes	67	41,3	46,5	46	52,7	36	44,3	45,2	39,3				
Amendes et confiscations	4,8	4,3	6,6	6,6	7	3,6	4,9	5,3	9,6				
Annuité des chemins de fer	9,9	—	—	125,1	—	—	—	—	—				
P. T. T.	23	21,8	18	19,9	18,2	19,4	27,5	16,2	14,7				
Domaines et capitaux	28,9	63,7	22,2	25,2	8,8	8,4	9,1	14	10				
Participation des communes aux appointements des instituteurs	25	1,6	14	15	28	10,3	21,5	12	23,5				
Revenus divers	39,8	49,7	28,5	79,5	27	17,6	24,7	66	236,4				
Recettes sur exercices clos	16,7	13	17,8	17,3	14,7	11,6	10,1	29,5	45,6				
Total	435,1	396,2	400	366,7	539,6	405	340,1	277,8	402	317,4	379	400	363,5
B. Chemins de fer et ports													
Total mensuel général	564,3	495,2	500	505,3	617,9	500	468,5	335,6	530	423,1	452,6	525	641,5
DÉPENSES.													
A. Budget de l'Etat													
B. Chemins de fer et ports	463,3	450,4	400	380,1	480,8	405	512,1	372,7	402	347,7	386,9	400	553
Total des dépenses réglées	—	550,1	—	466,4	676,3	—	580	410,8	—	411,3	448,2	525	608,6
Dépenses en souffrance (augmentation ou diminution au cours du mois)	—	—129,7	—88,1	+163	—	+131,2	+88,4	+94	+10,3	—	—	—	+111,5
Total mensuel général	577,7	420,4	500	378,3	839,3	500	711,2	499,2	530	505,3	458,5	525	720,1

c) SITUATION DE LA TRÉSORERIE.

(En millions de leva.)

Période novembre 1933-
février 1934 inclus

Solde au 31 octobre 1933 des comptes du Trésor à la Banque nationale	292,2
RECETTES.	
Etat	1.383,9
Chemins de fer et ports	450,7
Recettes extrabudgétaires	—
Emissions supplémentaires de bons du Trésor	50
Emissions extraordinaires de bons du Trésor	285,1
Total	2.461,9
DÉPENSES RÉGLÉES.	
Etat	1.792,9
Chemins de fer et ports	273,3
Dépenses sur recettes extrabudgétaires	58
Solde au 28 février 1934 des comptes du Trésor à la Banque nationale	337,7
Total	2.461,9
Dépenses en souffrance au 28 février 1934	1.336
Solde déficitaire net au 28 février 1934	998,3

d) ANALYSE DE LA LOI DU 22 JANVIER 1934 « SUR LA COMPOSITION DU PERSONNEL DU MINISTÈRE DES FINANCES ».

Le titre I de la loi pose le principe aux termes duquel la nomination, l'avancement et le licenciement des fonctionnaires du Département des Finances doivent respecter les conditions prévues par la loi et interdit aux cours des comptes de viser les premiers ordres de paiements d'appointements émis au profit de fonctionnaires irrégulièrement nommés. Une disposition transitoire maintient en fonctions les employés présents dans les cadres et ne possédant pas le degré d'instruction désormais exigé.

Le titre II traite des examens imposés dorénavant aux fonctionnaires, savoir :

Examen théorique et pratique des stagiaires, aux fins de titularisation ;

Examens exigés pour certains avancements ;

Examen général probatoire à faire subir dans un délai de deux ans à partir de l'entrée en vigueur de la loi à tous les fonctionnaires du département (sauf certains employés supérieurs énumérés) en fonctions et comptant moins de six années de service.

Le titre III définit les conditions de recrutement et de licenciement des stagiaires.

Le titre IV octroie l'inamovibilité aux fonctionnaires, sous les réserves ci-après :

Peuvent être congédiés les agents qui en font la demande, qui réunissent les conditions requises pour l'obtention d'une pension d'ancienneté, qui sont atteints de maladie prolongée ou incurable, ont fait l'objet d'une condamnation pénale, se sont mis en grève, font l'objet d'un licenciement par mesure disciplinaire ou ont échoué à l'examen général probatoire ; peuvent être congédiés, en outre, pour faute professionnelle ou incapacité prouvée, mais sur décision du Conseil des finances, les titulaires comptant moins d'une année de service, ou moins de trois années s'il s'agit de postes de « dirigeants » ;

Peuvent être déplacés les agents qui en font la demande, sont frappés d'une mesure disciplinaire, reçoivent un avancement ou sont requis à un autre poste, par suite de diminution ou renforcement de personnel.

Les décisions portant licenciement ou déplacement prises en violation des dispositions ci-dessus peuvent être déférées à la Haute Cour administrative. En cas de cassation, l'intéressé est rétabli sans interruption dans ses droits antérieurs.

Le titre V institue au Ministère des Finances un Conseil de discipline, présidé par un magistrat et comprenant en principe un représentant élu du personnel. Le ministre ne peut prononcer l'infliction de sanctions disciplinaires d'un certain degré, ni le congédiement d'un fonctionnaire, que sur proposition de ce Conseil. La procédure de l'instance disciplinaire sauvegarde le droit de défense des accusés.

Le titre VI institue en faveur du personnel du Département des Finances une caisse d'assistance mutuelle et médicale, alimentée par les cotisations de ses membres et des subsides de l'Etat.

La date d'entrée en vigueur de la loi est fixée au 1^{er} avril 1934.

e) RÉSUMÉ DU COMPTE DE PROFITS ET PERTES DES CHEMINS DE FER DE L'ÉTAT BULGARE POUR L'EXERCICE 1931-32¹.

(En millions de leva.)

RECETTES		DÉPENSES
I. Déficit d'exploitation	—	I. Excédent d'exploitation 185
II. Dettes consolidées :		II. Intérêts sur capital utilisé pendant les constructions 1,4
Intérêts 132,7		
Amortissement 1,6		
	134,3	
III. Dettes non consolidées	—	III. Prélèvements sur fonds de renouvellement 6,6
IV. Versements aux fonds spéciaux :		IV. <i>Déficit net</i> de l'exercice 119,5
Renouvellement 173,6		
Assurance contre l'incendie 2,2		
	175,8	
V. Amortissements :		
Valeur du matériel détruit 1		
VI. Divers	1,4	
	312,5	312,5

Appendice II.

ANALYSE DU RÉGIME DE MONOPOLE DU BLÉ ET DU SEIGLE INSTITUÉ PAR LES HUIT DÉCRETS DES 22 ET 27 JANVIER 1934.

1. Principe.

La Direction des céréales reçoit le monopole de l'achat et de la vente, intérieure et extérieure, du blé et du seigle.

2. Dispositions permanentes.

a) Dans des limites déterminées, et sous l'exercice d'un contrôle, les producteurs conservent le droit de moudre ou de faire moudre pour leur consommation personnelle.

¹ Se reporter à nos dix-huitième (page 17) et vingt et unième rapports (pages 14 à 28).

b) La production, le transfert et l'utilisation des farines commerciales sont soumis à un contrôle.

c) La Direction n'achète le blé et le seigle qu'à certaines catégories de détenteurs : producteurs, propriétaires ruraux, meuniers à façon, travailleurs agricoles, etc., recevant en nature leur loyer, rémunération, salaire, etc.; institutions religieuses ou administratives percevant des taxes en nature, etc.

d) Les prix d'achat, qui s'entendent franco Bourgas ou Varna pour une marchandise pesant un poids donné à l'hectolitre et ne renfermant pas d'impuretés, sont fixés à 2,70 leva par kilogramme pour le blé et à 1,40 pour le seigle. Dans certains centres, où la production ne suffit pas à la consommation locale, ces prix sont réduits de 0,30 lev.

e) Les prix de vente à l'intérieur, franco destination, sont fixés pour le blé à 3,80 leva par kilogramme, et pour le seigle à 2,40 leva.

f) Les prix sont respectivement réduits à 3 et 2 leva en faveur des populations pauvres de certaines régions ne produisant pas en quantité suffisante. Les farines peuvent y être également livrées à tarifs spéciaux. Ces régions sont indiquées et la liste peut en être complétée ou modifiée par le Gouvernement. Les grains et farines ainsi expédiés sont transportés gratuitement par les chemins de fer.

3. Dispositions transitoires.

a) Tous les contrats de fournitures de blé, seigle ou farines non exécutés lors de la promulgation de la loi sont annulés.

b) Tous les stocks de blé, seigle ou farines détenus par les meuniers, commerçants, boulangers et même, dans les villes, par les particuliers possédant des quantités supérieures à 250 kilogrammes, doivent être déclarés, avec indication des prix d'achat.

c) Les moulins dits « commerciaux » paient à la Direction, sur leurs stocks, la différence entre leurs prix d'achat et les nouveaux prix de vente de la Direction.

d) Les moulins « mixtes » (c'est-à-dire travaillant aussi à façon), les commerçants, banques populaires, coopératives, etc., livrent leurs stocks de grain à la Direction dans un délai de dix jours et reçoivent en paiement, soit leur prix d'achat augmenté de 0,15 lev par kilogramme, soit le prix d'achat officiel de la Direction si ce dernier est moindre.

e) Les commerçants et boulangers détenteurs de farine paient sur ces stocks une taxe variant de 0,80 à 1,50 lev par kilogramme. Les commerçants ne peuvent liquider ces stocks qu'après avoir payé la taxe. Cette liquidation se fait sous vignettes de régie et est obligatoire dans un délai de quarante jours, sous peine de confiscation et d'amende.

f) Pendant les dix premiers jours de l'application du régime de monopole, la Direction peut passer des contrats de vente avec les meuniers à des prix comportant, par rapport aux prix de vente officiels, une réduction maximum de 0,08 lev par kilogramme, à condition que la livraison intervienne un mois après le paiement seulement.

4. Sanctions.

Les infractions aux dispositions ci-dessus sont poursuivies et réprimées par les agents de la Direction, par l'infliction de confiscations et d'amendes dont une part leur est attribuée.

Appendice III.

MONNAIE, CRÉDIT, SITUATION ÉCONOMIQUE.

a) SITUATION DE LA BANQUE NATIONALE DE BULGARIE EN 1932, 1933 ET 1934.

(En millions de leva.)

	15 mars 1932	15 mars 1933	15 décembre 1933	15 mars 1934
<i>Actif.</i>				
Or monnayé et non monnayé	1.513	1.520	1.530	1.547
Devises-or	195	47	118	51
Autres devises	166	58	60	79
Monnaies divisionnaires	534	419	300	322
Portefeuille et avances de commerce	433	334	440	352
Bons du Trésor	279	393	818	768
Dette de l'Etat	2.965	2.873	2.844	2.783
<i>Passif.</i>				
Capital versé et réserve	1.691	1.692	1.715	1.735
Billets de banque en circulation	2.744	2.591	2.837	2.438
Comptes courants et de dépôt	1.505	1.556	1.717	1.914
dont de banques	(1.141)	(981)	(495)	(1.016)
Exigibilités en devises	181	43	52	41
Couverture %	35,94	36,75	35,05	35,77
Taux de l'escompte	9½	8	8	7

b) DEVICES ÉTRANGÈRES : ACHATS ET VENTES DE LA BANQUE NATIONALE DE BULGARIE.
(En millions de leva.)

	Quatrième trimestre 1932	Quatrième trimestre 1933	Janvier 1934	Février 1934
<i>Change acheté.</i>				
Exportations	630	612	127	88
Services et voyageurs	33	31	9	9
Revenus provenant de placements à l'étranger	7	3	—	2
Autres revenus de particuliers	44	35	3	3
Revenus de l'Etat provenant de l'étranger	11	—	—	—
Retour dans le pays de capitaux investis à long terme à l'étranger	—	—	—	—
Importations de capitaux étrangers pour être investis à long terme	27	37	11	11
Crédits étrangers à court terme	9	9	1	3
Différences provenant de la réestimation des avoirs à l'étranger	12	11	6	4
Divers	22	4	1	1
Dépôts retirés de la Banque nationale de Bulgarie	13	21	3	1
Total.	808	763	161	122
<i>Change vendu.</i>				
Importations	515	474	119	153
Services et voyageurs	43	12	3	2
Autres dépenses des particuliers	28	19	5	6
Intérêts et autres paiements sur les placements étrangers en Bulgarie	21	7	1	—
Paiements de l'Etat à l'étranger	151	64	3	14
Exportations de capitaux	—	—	—	—
Remboursements de crédits à court terme	26	57	31	1
Remboursements de crédits à long terme et de capitaux étrangers	35	34	6	4
Différences provenant de la réestimation des avoirs à l'étranger	5	10	1	2
Divers	12	13	2	6
Dépôts entrés à la Banque nationale de Bulgarie	3	7	—	3
Total.	839	697	171	191

c) DEVICES ÉTRANGÈRES : ACHATS ET VENTES TRIMESTRIELS.

(En millions de leva.)

Trimestre	Bloquées	Libres	Total	% bloqué
<i>Achetées.</i>				
1932 : Premier	56,3	873,6	929,8	6,1
Deuxième	174,1	553,7	727,9	23,9
Troisième	149,2	420,1	569,3	26,2
Quatrième	270,3	457,2	727,5	37,3
1933 : Premier	220,8	219,7	440,4	50,1
Deuxième	369,8	229,3	599,1	61,7
Troisième	337,6	226,4	564,0	59,9
Quatrième	497,9	196,3	694,2	71,7
Janvier 1934	103,8	49,2	153,0	67,8
Février 1934	62,8	48,0	110,8	56,7
<i>Vendues.</i>				
1932 : Premier	20,7	1.000,3	1.021,1	2,0
Deuxième	128,3	602,5	730,8	17,6
Troisième	173,3	508,3	681,5	25,4
Quatrième	284,9	501,5	786,3	36,2
1933 : Premier	235,3	281,5	516,8	45,5
Deuxième	353,2	286,4	639,6	55,2
Troisième	334,2	204,0	538,1	62,1
Quatrième	378,2	263,7	641,9	58,9
Janvier 1934	89,4	76,9	166,3	53,8
Février 1934	131,8	49,1	180,9	72,9

d) SITUATION DES BANQUES PRIVÉES EN BULGARIE AUX 31 DÉCEMBRE 1932, 30 SEPTEMBRE 1933 ET 31 DÉCEMBRE 1933.

(En millions de leva.)

	Décembre 1932	Septembre 1933	Décembre 1933
<i>Actif.</i>			
1. Caisse et Banque nationale	725,8	361,1	535,2
2. Autres banques	204,2	181,3	169,4
3. Effets escomptés	1.394,1	1.231,4	1.204,6
4. Avances	2.044,3	2.212,3	1.934,3
5. Gages	375,8	306,9	308,3
6. Placements	260,2	238,5	235,3
7. Immeubles et mobilier	298,2	291,4	275,2
8. Contentieux et effets protestés	649,6	664,8	678,1
9. Divers	642,2	461,3	527,1
Balance	6.594,2	5.949,0	5.867,4
<i>Passif.</i>			
1. Capitaux	1.360,2	1.321,4	1.296,7
2. Dépôts d'épargne	1.587,0	1.375,2	1.241,1
3. Dépôts commerciaux	1.876,0	1.719,9	1.696,6
4. Autres créditeurs	407,5	332,1	353,4
5. Banques	73,2	57,5	54,6
6. Réescompte	276,4	302,5	350,0
7. Gages	375,8	306,9	308,3
8. Succursales	165,1	174,9	200,3
9. Divers	473,2	358,7	366,3
Balance	6.594,2	5.949,0	5.867,4
% de l'encaisse envers dépôts (2 + 3)	21,0	11,7	18,2
% du contentieux envers avances et effets escomptés	18,9	19,3	21,6

e) BILAN DE LA BANQUE AGRICOLE BULGARE.

(En millions de leva.)

	31 décembre 1933	31 décembre 1932	31 décembre 1931
<i>Actif.</i>			
1. Encaisse	191	553	433
2. Prêts et avances	5.222	5.064	4.827
Dont :			
a) Avances aux particuliers	2.109	2.246	2.277
b) Avances aux coopératives	1.801	1.642	1.486
c) Avances à l'Etat, aux départements, etc.	924	790	705
d) Prêts hypothécaires	388	386	359
3. Recouvrements judiciaires en cours	229	186	163
4. Investissements	35	36	39
5. Garanties	73	79	77
6. Biens mobiliers et immobiliers	49	49	36
7. Fournitures de machines agricoles	39	49	42
8. Correspondants et transferts	798	434	17
9. Filiales	970	611	861
10. Comptes divers	571	472	326
Total	8.177	7.533	6.821
Opérations pour le compte du Trésor	972	1.390	1.324
Dont :			
a) Portefeuille d'encaissement pour la Direction de la Dette publique	498	473	479
b) Crédits sur l'emprunt des réfugiés	474	419	392
c) Crédits pour réforme de la propriété foncière	—	498	453
<i>Passif.</i>			
1. Capital et réserves	804	766	723
2. Réserve pour couverture de pertes	38	36	34
3. Emprunt 5% 1896	116	116	22
4. Emprunt de stabilisation 7½% 1928	329	330	332
5. Dépôts	5.363	5.374	4.864
Dont :			
a) D'orphelins	299	310	308
b) A terme	2.793	2.679	2.344
c) D'épargne	870	962	849
d) Comptes courants à intérêts	1.257	1.274	1.134
e) Comptes courants sans intérêts	144	149	229
6. Correspondants et transferts	554	292	—
7. Filiales	973	619	845
Total	8.177	7.533	6.821
Opérations pour le compte du Trésor	972	1.390	1.324
Dont :			
a) Direction de la Dette publique	498	473	479
b) Service de l'établissement des réfugiés	474	419	392
c) Direction de la réforme financière	—	498	453

f) PROFITS ET PERTES DE LA BANQUE AGRICOLE BULGARE.

(En millions de leva.)

	31 décembre 1933	31 décembre 1932	31 décembre 1931
<i>Pertes.</i>			
1. Frais généraux	97	108	114
2. Amortissements	16	3	27
3. Intérêts	972	812	612
Dont :			
a) Payés et capitalisés sur comptes courants et dépôts, ristournes d'intérêts, etc.	(337)	(363)	(317)
b) Dus jusqu'au 31 décembre de l'année précédente, et perçus pendant l'année courante au titre de l'année suivante	(582)	(405)	(254)
c) Différences de cours, réserves, et dépenses sur emprunts 5% 1896 et 7 1/2% 1928	(53)	(44)	(42)
4. Profits nets	40	44	58
Dont :			
a) 85% au capital	(34)	(38)	(49)
b) 10% aux réserves	(4)	(4)	(3)
c) 5% à la réserve pour couverture de pertes	(2)	(2)	(3)
d) 5% à la participation du personnel	—	—	(3)
Total	1.125	968	811
<i>Profits.</i>			
1. Intérêts	1.118	960	803
Dont :			
a) Perçus sur crédits accordés, ristournes d'intérêts sur dépôts liquidés avant terme	(470)	(408)	(400)
b) Perçus d'avance	(43)	(37)	(40)
c) Dus sur crédits accordés jusqu'au 31 décembre de l'année courante et transférés à l'année suivante	(605)	(515)	(363)
2. Commissions	7	8	7
Total	1.125	968	811

Appendice IV.

INDUSTRIE.

ENQUÊTE SUR L'INDUSTRIE BULGARE EN 1931.

	Etablissements industriels		
	Privilégiés	Non privilégiés	Total
1. Total des établissements	1.234	656	1.890
dont soumis à l'enquête	1.112	599	1.771
2. Capital investi (en millions de leva)	6.978	1.285	8.263
3. Force motrice C. V.	176.226	29.162	205.388
4. Personnel	40.398	21.642	62.040
Dont :			
Administration	12%	8%	11%
Ouvriers	88%	92%	89%
5. Traitements et salaires (en millions de leva)	836	357	1.193
Dont :			
Administration	25%	17%	22%
Ouvriers	75%	83%	78%
6. Matières premières, combustible et énergie (en millions de leva)	3.818	839	4.657
Dont :			
Matières premières importées	50%	15%	44%
7. Marchandises vendues (valeur en millions de leva)	6.408 ¹	1.924 ²	8.332
Dont :			
Exportées	4%	31%	10%

¹ En sus, 1.052 pour mouture ou manipulation de céréales à façon, et inclus 419 droits d'accise.

² En sus, 625 pour mouture ou manipulation de céréales à façon, et inclus 722 droits d'accise.

Appendice V.

COMMERCE EXTÉRIEUR.

a) IMPORTATIONS ET EXPORTATIONS.

(En millions de leva.)

Mois	Importations			Exportations			Balance		
	1932	1933	1934	1932	1933	1934	1932	1933	1934
Janvier	247	239	139	307	135	248	+ 60	— 104	+ 109
Février	258	206	155	284	192	171	+ 26	— 14	+ 16
Mars	345	253	—	271	189	—	— 74	— 64	—
Avril	337	211	—	322	363	—	— 15	+ 152	—
Mai	373	180	—	292	277	—	— 81	+ 97	—
Juin	274	150	—	208	231	—	— 66	+ 81	—
Juillet	237	149	—	144	176	—	— 93	+ 27	—
Août	275	134	—	192	150	—	— 83	+ 16	—
Septembre	259	155	—	247	243	—	— 12	+ 88	—
Octobre	283	168	—	360	314	—	+ 77	+ 146	—
Novembre	295	173	—	336	322	—	+ 41	+ 149	—
Décembre	288	184	—	420	247	—	+ 132	+ 63	—
Année entière	3.471	2.202	—	3.383	2.846	—	— 88	+ 644	—
Janvier-février	505	445	294	591	327	419	+ 86	— 118	+ 125

**b) COMMERCE EXTÉRIEUR DE LA BULGARIE AVEC LES PRINCIPAUX PAYS
ÉTRANGERS EN 1932 ET 1933.**

(En millions de leva.)

Pays	Importations		Exportations		Balance	
	1932	1933	1932	1933	1932	1933
Allemagne	900,2	840,9	880,4	1.025,1	— 19,8	+ 184,2
Italie	541,9	280,6	424,1	257,8	— 117,8	— 22,8
Autriche	208,2	137,1	507,1	277,1	+ 298,8	+ 140,0
Suisse	170,5	150,8	220,4	148,1	+ 49,9	— 2,7
Angleterre	358,0	152,2	86,0	49,8	— 271,9	— 102,4
Belgique	98,6	61,5	299,7	238,3	+ 201,2	+ 176,8
Tchécoslovaquie	292,2	106,0	104,2	98,9	— 187,9	— 7,0
France	227,0	96,3	89,6	92,8	— 137,4	— 3,5
Hollande	73,7	28,0	141,2	96,9	+ 67,5	+ 68,8
Pologne	105,2	24,0	176,3	49,5	+ 71,1	+ 25,5
Espagne	9,0	5,4	11,2	144,4	+ 2,2	+ 138,9
Egypte	13,0	7,4	79,6	65,5	+ 66,6	+ 58,0
Etats-Unis	64,5	49,5	26,7	31,8	— 37,8	— 17,7
Roumanie	117,2	109,2	8,4	16,8	— 108,8	— 92,4
Turquie	75,0	27,4	48,1	18,5	— 26,9	— 8,9
Hongrie	44,3	18,8	24,4	33,2	— 19,9	+ 14,5

c) MOUVEMENT DES PRINCIPAUX ARTICLES D'EXPORTATION EN 1932 ET 1933.

	Poids (milliers de tonnes)		Valeur (millions de leva)	
	1932	1933	1932	1933
Blé et farine	194,7	103,5	512,3	204,4
Maïs	168,2	100,4	291,7	149,6
Haricots	29,0	32,6	76,4	72,0
Tournesol	26,8	10,8	80,5	33,7
Vesce	14,9	28,7	54,3	65,0
Déchets de graines oléagineuses	30,5	25,4	56,1	45,0
Tabac	20,5	22,5	1.086,8	1.183,2
Charbon de bois	10,5	8,2	16,7	10,4
Œufs	18,8	15,7	623,9	456,5
Fromage	1,2	1,2	41,2	33,7
Noix	1,1	2,0	12,3	25,1
Cocons	0,15	0,4	11,6	25,8
Essence de roses (tonnes)	0,9	1,4	38,0	52,3
Peaux brutes	1,3	1,8	94,3	129,3
Raisin	6,5	10,5	54,5	84,9
Sucre raffiné	3,3	2,4	15,5	11,9
Volailles abattues	2,2	1,9	84,2	54,7
	Têtes	Têtes		
Volailles	1.103.027	1.089.766	46,6	34,5
Bétail	1.792	4.969	8,4	19,8

d) COMMERCE EXTÉRIEUR ET MOUVEMENT DES DEVICES ÉTRANGÈRES.

(En millions de leva.)

Périodes	Exportations d'après la statistique	Devises d'exportation reçues	%	Importations d'après la statistique	Devises fournies pour importations	%
1931	5.934	4.190	71	4.660	3.590	77
1932	3.383	2.496	74	3.471	2.026	58
1933	2.839	1.864	66	2.202	1.613	73
Janvier 1934	248	127	51	139	119	86
Février 1934	171	88	51	155	153	99

e) CHEMINS DE FER.

Moyennes mensuelles	Voyageurs (milliers)	Marchandises (milliers de tonnes)	Recettes totales (millions de leva)
1931	668	366	97
1932	623	376	95
1933	544	343	95
Janvier-février 1933	479	252	67
Janvier-février 1934	439	272	77

f) INDICES DES PRIX DE GROS.

(1929 = 100.)

Années et mois	Articles de consommation intérieure	Articles d'exportation	Articles d'importation	Indice général
1930	84,01	72,83	89,43	80,66
1931	72,04	51,77	75,62	63,71
1932	65,97	45,27	72,87	57,78
1933	63,82	38,67	74,22	53,70
Janvier 1934	65,24	38,32	71,56	53,79
Février 1934	64,55	40,30	70,72	54,48

SOCIETE DES NATIONS

Genève, le 7 mai 1934.

TRENTIEME RAPPORT DU COMMISSAIRE DE LA SOCIETE
DES NATIONS EN BULGARIE

Corrigendum

Page 14. RESUME DU COMPTE DE PROFITS ET PERTES DES CHEMINS DE FER
DE L'ETAT BULGARE POUR L'EXERCICE 1931.

Colonne de gauche: au lieu de "Recettes" lire "Dépenses"

Colonne de droite: au lieu de "Dépenses" lire "Recettes"

Geneva, April 25th, 1934.

LEAGUE OF NATIONS

**FINANCIAL POSITION
OF AUSTRIA IN THE FIRST QUARTER OF 1934**

TENTH QUARTERLY REPORT

By M. Rost van Tonningen, the Representative in Austria
of the League of Nations.

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II. ECONOMIC AND FINANCIAL
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1. INTRODUCTION.

The provisional figures at present available indicate that the year 1933 closed with a deficit of 81.57 million Schillings. Of the total yield of 309 million Schillings of the Foreign Guaranteed Loan, 296 million Schillings were utilised in consolidating short-term liabilities, setting the pledged revenue system in motion again and reducing the debt of the State to the National Bank. There remained at the end of the year a small balance of 12 million Schillings, which, together with the shortly expected 3 million gold Schillings of the Dutch *tranche*, can be applied to a further reduction of the floating debt. The Domestic Lottery Loan had a net yield of 173 million Schillings, part of which was utilised for a further reduction of the State debt to the National Bank. The greater portion of the balance will be used to finance the Government plan of public works contained in the extraordinary budget.

The estimates for the first quarter of 1934 show a deficit of 64.71 million Schillings. The information at present available seems to show that the actual results will approximately agree with this estimate, in spite of lower receipts during February, due to the political disturbances which also caused a withdrawal of savings deposits, which was limited to Viennese savings banks.

To cover necessary expenditure for police and gendarmerie, the Government was obliged to establish a new tax on income for two years, which should yield 28 million Schillings in 1934.

As new sources of income can be tapped only with great difficulties and the strain on the Treasury has long been great, the need for the very strictest economy and for further retrenchment is imperative.

Traffic on the Federal Railways in January was not unsatisfactory, but did not come up to expectations in February. The Government has authorised the electrification of the southern slope of the Tauern railway. The work, which completes the electrification of this section, should be finished by the summer of 1935.

The foreign trade returns for January and February 1934 show a continuation of the favourable trend, the import surplus for this period being 16 million Schillings, or 22 per cent smaller than in 1933. Unemployment remained well below the level of the previous year, and production statistics seem to indicate that the slight upward trend is being maintained. The devaluation of the Czech crown has adversely affected certain branches of the Austrian export trade.

Much is expected from the Rome conversations of March 13th to 17th and the Protocols then signed. The details of these agreements are already being worked out and the results should be known by May 15th.

Summing up the experience of the first quarter of 1934, it can be said that the budgetary situation still causes much concern and calls for further retrenchment, while the general economic progress noticeable in previous months was checked by the political troubles of February, which have also had repercussions on the budget. The upward trend of exports is being maintained, but still wider markets are required if Austrian industry and trade are to recover even the most modest prosperity.

2. FEDERAL BUDGET.

(a) FEDERAL BUDGET FOR 1933.

The provisional results for 1933 as published by the Audit Court are as follows :

A. Ordinary Budget.

Expenditure :	Provisional results ± Revised estimates (In millions of Schillings)	
Personnel	703.56	+ 1.68
Material.. .. .	1,220.90	— 5.38
Total	1,924.46	— 3.70
Receipts	1,842.89	— 85.27
Deficit	81.57	+ 81.57

The deficit of 81.57 million Schillings was covered out of Treasury reserves (see Ninth Quarterly Report, page 3.)

The difference between provisional results and revised estimates arose as follows :

Expenditure :	Plus	Minus	
	(In millions of Schillings)		
Personnel : mainly larger military effectives and higher post office pension requirements	1.68	—	
Material :			
Smaller State debt requirements	—	21.57	
Police and gendarmerie	6.35	—	
Unemployment insurance	6.45	—	
Tourism	4.50	—	
National defence	2.89	—	
Tobacco	—	1.29	
Posts and Telegraphs	—	1.32	
Compensation of tax arrears of Federal Railways ..	4.95	—	
Other railways	—	1.26	
Other expenditure	0.68	5.76	
	<u>27.50</u>	<u>31.20</u>	
Net reduction in expenditure			3.70

The smaller State debt requirements were mainly due to the fact that, though the 1933 estimates provided for the first interest payment on the new Foreign Loan, owing to delays in floating the issue, the first coupon did not fall due until January 1st, 1934.

Receipts :	Plus	Minus	
	(In millions of Schillings)		
Direct taxes	0.03	—	
Customs	—	20.50	
Excise duties	—	5.79	
Turnover tax and turnover tax surtax	—	11.04	
Other taxes.. .. .	—	10.88	
Other receipts	0.43	—	
	<u>0.46</u>	<u>48.21</u>	
Short fall of total tax receipts	—	47.75	
<i>Deduct</i> : Shares of local authorities	—	— 10.29	
Net	—	37.46	
Contribution towards Debt Service.. .. .	—	2.93	
Posts and Telegraphs	—	17.56	
Social insurance.. .. .	—	8.17	
Contribution of municipality of Vienna to State expenses	—	15.87	
Tobacco Monopoly	—	7.48	
Credit balance arising out of foreign exchange transactions	10.15	—	
Other	0.25	6.20	
	<u>10.40</u>	<u>95.67</u>	
Net reduction in receipts			85.27

B. Extraordinary Budget.

Expenditure :	Provisional results	± Revised estimates	
	(In millions of Schillings)		
Banking reform	120.00	— 1.00	
River and stream regulation and land improvement ..	12.56	— 0.74	
Road construction	22.61	— 14.89	
Post Office	2.60	—	
Railways	3.20	—	
	<u>160.97</u>	<u>— 16.63</u>	

The full programme of public works contained in the extraordinary budget for 1933 was not carried out, and expenditure under this head was consequently smaller by 16.63 million Schillings. Part of this sum has been transferred to the extraordinary budget for 1934 (see Ninth Quarterly Report, page 3).

The 120 million Schillings required for the banking re-organisation were provided partly out of earmarked cash reserves (45 millions), partly by short-term credit operations (75 millions). The remaining 40.97 million Schillings extraordinary budget expenditure were met from cash reserves and out of the yield of the Domestic Lottery Loan (see pages 4 and 5).

C. *Loan Account.*

The yield of the two long-term loans floated by the State during 1933—the International Guaranteed Loan, 1933-1953, under the Geneva Protocol of July 15th, 1932, and the Domestic Lottery Loan, 1933-1983—foreseen in Article 6, III, of the same Protocol, is booked in the State accounts separately from the normal budget operations. The yield of these loans and their final utilisation as established by the Audit Court was as follows :

I. *International Guaranteed Loan, 1933-1953* (see Eighth Quarterly Report, pages 9 and 10).

	(In millions of Schillings)	
Net yield.. .. .		308.63
Utilisation :		
Repayment of Bank of England advance	126.96	
Repayment of Treasury bills	82.80	
Repayment of short-term debts of the Federal Railways (investments)	54.—	
Amortisation of " B " debt of the State to the National Bank	8.50	
Released to the Treasury in order to facilitate the operation of the pledged revenue mechanism	23.89	
	<hr/>	296.15

The remaining balance of 12.48

and the yield of the Dutch *tranche* (3 million gold Schillings) which was authorised by the Netherlands Government in February 1934, can be applied to a further reduction of the floating debt under the terms of the Geneva Protocol of July 15th, 1932.

II. *Domestic Lottery Loan, 1933* (see Eighth Quarterly Report, page 11).

	(In millions of Schillings)	
Nominal value, 220 million Schillings at 98		215.60
Issuing costs	6.40	
Conversion of pre-war debts (<i>Arrosierung</i>)	36.60	
	<hr/>	43.—
Net yield		172.60
Of which there had been paid up by the end of 1933		141.99
Which was utilised as follows :		
Amortisation of " B " debt of the State to the National Bank	30.—	
Extraordinary budget expenditure in 1933	24.55	
Reserve held for future use in agreement with the National Bank	20.—	
	<hr/>	74.55
Total in 1933		74.55
The balance of		67.44
and the amount which will be paid up during 1934 (172.60 — 141.99)		30.61
		<hr/>
which make together		98.05

will be utilised to finance the extraordinary budget of 1934.

(b) FEDERAL BUDGET FOR 1934.

A. *Ordinary Budget.*

	Expenditure	Receipts	Deficit
First quarter :	(In millions of Schillings)		
1933 (provisional results)	491.73	416.37	75.36
1934 (estimates)	507.84	443.13	64.71

The above figures show that the estimated ordinary deficit for the first three months of the current year, normally a period of high outgoings and low receipts, is more than 10.6 million Schillings lower than that actually incurred during the corresponding period of 1933.

Increased requirements, mainly State debt, national defence and Federal Railways, are more than compensated by the greater estimated yield of Customs and of the turnover taxes, and by the contribution of the municipality of Vienna. Monthly instead of half-yearly contributions of the Railways towards the service of the State debt cause a temporary amelioration of the budgetary situation as against 1933.

But if, so as to make a truer comparison with the foregoing year, allowance is made for the new items—contribution of the municipality of Vienna (+ 13.4) and the monthly payments of the Railways (+ 9)—the comparable figure for the deficit during the first quarter of 1934 is increased by 22.4 million Schillings to 87.11 million Schillings, or 11.75 million Schillings more than in 1933. To this should be added additional requirements for police and national defence of 11.5 million Schillings. This imperative expenditure was provisionally placed in

the extraordinary budget, as there was no ordinary receipt to cover it. The latest measures of the Government, mentioned below, now allow this class of expenditure to be included in the ordinary budget.

In 1933, however, the deficit for the whole year was only some 6 million Schillings greater than that accumulated during the first three months. The growth of the deficit during the remainder of 1933 was only kept under control through the exercise of the strictest economy and by continuous budgetary revisions. The deficits of the last years have placed a very great strain on the Treasury, and it is more than ever necessary to remove from the State budget all unessential items of expenditure and to exercise the utmost prudence in authorising any new claims from the spending departments.

By the Decree of March 26th, 1934, the Government has taken steps to cover the increased expenditure for police and national defence arising mainly from the events in February. The Decree in question creates a so-called "Security tax" for the years 1934 and 1935, which is in every respect a duplication of the "Emergency income tax" established by the "Budgetsanierungs-Law" of October 3rd, 1931. The new tax is expected to yield 28 million Schillings during 1934, and, being based on an already existing framework, should entail no extra administrative expense. Incomes below 2,400 Schillings per annum are untaxed, and the rate rises from 0.55 per cent on incomes up to 8,000 Schillings per annum to 6 per cent on incomes above 100,000 Schillings per annum.

B. Extraordinary Budget.

During the first quarter of the year, the extraordinary budget contained, besides the normal expenditure on the Government's public work schemes, financed out of the yield of the Lottery Loan, expenditure for the maintenance of order for which momentarily no cover could be found. The new tax Decree mentioned above has now provided this cover and the extraordinary budget is again balanced; the extra items have been transferred to the ordinary budget. Expenditure on public works proper during the first three months amounted to 18.6 million Schillings and was covered by an equivalent grant from the yield of the Lottery Loan.

(c) THE FEDERAL RAILWAYS.

	December		January	February
Goods traffic (total loaded wagons)	166,765	1933	137,072	130,572
	161,989	1934	151,967	134,174
	(In millions of Schillings)		(In millions of Schillings)	
Traffic receipts :				
Goods	23.0	1933	19.5	20.0
	23.7	1934	22.1	19.9
Passengers	10.6	1933	9.9	9.0
	11.4	1934	9.7	8.6

The annual accounts of the Federal Railways for 1933 are not yet available. It is not likely that the final figures will be very different from the provisional results, given in the Ninth Quarterly Report (page 4), which showed a total deficit of 105 million Schillings.

Traffic figures for January 1934, shown in the table above, are not unsatisfactory. There was a noticeable decline in February, which, the administration assumes, is attributed to the political events of that month. No March figures are yet to hand, but it is hoped that they will justify the above assumption. Passenger receipts did not quite reach the level of the foregoing year.

In February, the Government authorised the electrification of the south slope of the Tauernbahn out of the yield of the Domestic Loan. Work was immediately begun and should be finished in time for the summer traffic of 1935. The cost is estimated at 7.5 million Schillings, of which 4 million Schillings will be spent during the present year.

(d) ASSIGNED REVENUES.

The yield of the revenues pledged for the service of the 1923-1943, 1930 and 1933-1953 Loans and the service requirements of these loans during the first quarter of 1934 were as follows :

	Yield (In millions of Schillings)	Actual loan service requirements (In millions of Schillings)
Customs	38.55	1923-1943 Loan 24.62
Tobacco	63.07	1930 Loan 8.76
	<hr/>	1933-1953 Loan 7.05
Total	101.62	Total 40.43

The loan service was covered more than two and a-half times by the yield of the pledged revenues.

3. LOCAL FINANCE.
BUDGETS OF THE "LÄNDER" FOR 1934.

	Vienna	Other Länder	Total
(In millions of Schillings)			
Receipts:			
Local taxes	120.57	104.92	225.49
Shares in joint taxes	53.34	74.16	127.50
Compensation for the taking over of the Political Administration	—	24.71	24.71
Yield of property	17.34	6.47	23.81
Receipts of undertakings, etc.	60.11	5.06	65.17
Contributions, refunds, fines.. .. .	29.45	45.97	75.42
Other revenue.. .. .	0.03	0.39	0.42
Total receipts	280.84	261.68	542.52
Expenditure:			
General Administration	77.59	45.01	122.60
Health and Welfare	117.94	75.24	193.18
Church, Education, Fine Arts	57.74	100.55	158.29
Agriculture	0.67	11.53	12.20
Industry, Commerce and Mining	0.11	1.12	1.23
Communications	26.40	10.95	37.35
Public Debt	8.51	18.20	26.71
Property	8.62	3.93	12.55
Expenditure of the undertakings, etc... .. .	28.28	4.83	33.11
Other expenditure	0.08	0.17	0.25
Total expenditure	325.94	271.53	597.47
Deficit	45.10	9.85	54.95
Covered by:			
Cash reserves	0.49	2.74	3.23
Loans	44.62	0.72	45.34
Sundry economies	—	6.39	6.39
Total	45.11	9.85	54.96

Note.—The above figures include, wherever possible, the receipts and expenditure of undertakings, etc. Loans for covering the deficit are planned by Vienna and Kärnten (0.72 million Schillings), but no further steps have yet been taken.

Allowance is made for the effect in the Viennese budget of Federal decrees altering municipal taxation and imposing an annual grant of 36 million Schillings (see Ninth Quarterly Report, page 8).

The above table shows that the provinces other than Vienna have a joint deficit for 1934 of 9.8 million Schillings, or about 3.6 per cent of their total expenditure. By introducing a new consumption tax on wheat, similar to that introduced over a century ago in Tirol and more recently in Salzburg, Kärnten has reduced the original estimated deficit of 3.3 million Schillings to 1.98 million Schillings, and proposes to raise a loan of 722,000 Schillings to cover extraordinary expenditure included in the foregoing figure. Steiermark can draw on previously earmarked cash reserves of 2.7 million Schillings, which have now become free, as partial cover for an estimated deficit of 5.5 million Schillings. The remaining provinces, with the exception of Vorarlberg, show smaller deficits, amounting in all to 2.4 million Schillings, which, like Steiermark and Kärnten, they hope to cover by administrative economies.

The budget of Vienna shows a deficit of 45.1 million Schillings after allowing for the contribution of 36 million Schillings to the Federal finances (included under "General Administration" in the above table) and the readjustment by the Federal Government of certain municipal receipts. It is proposed to cover this partly out of cash reserves (0.5 million Schillings), partly by floating a loan of 44.6 million Schillings, though no details of this operation have yet been made known. These figures do not allow for the suspension of amortisation for two years on the greater part of the Vienna Dollar Loan, made possible by the success of the conversion scheme (see below, page 10), which permits an immediate economy of about 1.6 million Schillings.

The budget table for 1934 is cast in a new form, which groups together the gross receipts and expenditures of the undertakings which had previously either been included with other items or for which only the net profit or loss had been given. The following figures, where 1931 = 100, show the shrinkage of the provincial finances during the last four years.

	Expenditure		Receipts	
	Vienna	Other Länder	Vienna	Other Länder
1931.. .. .	100	100	100	100
1932.. .. .	77	94	85	94
1933.. .. .	74	85	83	87
1934.. .. .	65	80	66	81

The Viennese budget has fallen to two-thirds, that of the other provinces only to four-fifths, of the 1931 measure. Calculated on the same basis, the share of Vienna and of the *Länder* in joint Federal taxes fell during the same period from 100 to 48 and 73 respectively.

There is little doubt that, under the new Constitution shortly to be published, it will be necessary to revise fundamentally the present financial relations between the State and the provinces. Advantage could be taken to obtain greater simplicity and uniformity in provincial fiscal procedure.

4. CENTRAL BANK POSITION.

(This chapter has been drawn up in consultation with the Adviser to the National Bank, M. Maurice Frère).

(a) THE STABILITY OF THE SCHILLING.

Average "Private Clearing" Rates.

	Zurich	Paris	London	New York
1933 : December	175.60	35.54	29.80	578.15
1934 : January	175.19	35.51	28.88	569.00
February	174.35	35.56	27.62	547.50
March	174.28	35.59	27.56	539.57

(Source : National Bank *Monthly Bulletins*.)

The official price for gold, which since February 6th is based on the Paris instead of, as formerly, on the London price, has remained unchanged at 128 paper Schillings for 100 gold Schillings (21.17 grammes) since July 1933.

The political troubles of February did not react in any way on the stability of the Schilling. The Vienna foreign exchange market continued to function smoothly and the foreign exchange necessary for the service of the foreign debts of the State could be acquired without any difficulty.

(b) THE DOMESTIC CREDIT POSITION.

	1933				1934		
	End of :				End of :		
	First quarter	Second quarter	Third quarter	Fourth quarter	January	February	March
	(In millions of Schillings)						
1. Note circulation	919	893	943	952	909	993	981
2. Sight liabilities	170	217	83	142	187	138	154
3. Total 1 and 2	1,089	1,110	1,026	1,094	1,096	1,131	1,135
4. Blocked foreign debt accounts included in 2	83	108	17	14	14	15	15
5. Total 3 minus 4	1,006	1,002	1,009	1,080	1,082	1,117	1,120
6. Gold and foreign exchange ..	189	196	197	202	206	211	213
7. Bills discounted	287	275	225	275	262	297	308

The volume of discounts increased during February owing to the withdrawal of savings deposits caused by the political troubles of that month, which caused simultaneous withdrawals of the deposits of the savings banks at the other banks. The demands on the National Bank came particularly during the second and third weeks of the month, when discounts rose by 26 million Schillings. The increase of 8 million Schillings during the fourth week was below normal expectations, so that apparently end-of-month requirements were partly met out of funds previously withdrawn.

During March, the situation remained unchanged, and end-of-quarter requirements caused a further slight increase of discounts.

While gold remained unchanged during the quarter, foreign exchange holdings increased by 11 million Schillings.

Savings deposits, as mentioned above, diminished during February by some 61 million Schillings, from 2,084 millions to 2,023 millions. Examination of the detailed figures shows that this movement was limited to the Viennese savings banks, where deposits fell 55.7 million Schillings, from 759.3 millions to 703.6 millions. The provincial figures show little change, and in some cases deposits increased. The withdrawals are clearly of a local political nature and the money should soon return into circulation.

(c) STANDSTILL AGREEMENT.

The standstill agreement with foreign banks which expired in January has been provisionally extended without any modification.

The short-term foreign indebtedness of the Austrian banks (excluding the Creditanstalt), which, on December 31st, 1932, still amounted to 115 million Schillings, had been reduced by March 31st, 1934, to 32 million Schillings.

5. ECONOMIC SITUATION.

(a) FOREIGN TRADE.

Austrian Foreign Trade (Special Trade) according to Countries of Origin and Destination in Percentages of Total Imports and Exports.

	1928	1929	1930	1931	1932	1933
Exports to :	%	%	%	%	%	%
Hungary	8.5	7.6	6.5	7.0	9.2	10.0
Roumania	5.9	5.1	4.6	3.4	3.4	5.6
Czechoslovakia	12.6	13.5	12.1	11.8	10.6	7.8
Yugoslavia	7.5	7.7	8.0	7.5	7.4	7.0
Total	34.5	33.9	31.2	29.7	30.6	30.4
Germany	18.5	15.9	17.6	16.2	17.5	15.7
France	2.4	3.4	4.2	4.7	4.1	3.9
Great Britain	3.6	4.5	5.4	6.9	3.7	4.3
Italy	7.9	9.0	9.4	8.2	9.6	10.7
Poland	5.5	4.8	4.5	4.3	4.2	6.4
Switzerland	6.0	5.7	5.9	7.2	7.8	7.7
Other countries	21.6	22.8	21.8	22.8	22.5	20.9
	100	100	100	100	100	100
General total in millions of Schillings	2,250	2,220	1,880	1,327	786	815
Imports from :	%	%	%	%	%	%
Hungary	8.6	9.9	10.4	9.0	9.7	11.3
Roumania	4.5	3.8	4.8	5.5	5.8	4.5
Czechoslovakia	18.3	17.8	17.5	16.6	15.2	13.2
Yugoslavia	4.1	4.0	5.5	4.3	7.7	8.9
Total	35.5	35.5	38.2	35.4	38.4	37.9
Germany	19.9	21.0	21.2	22.1	20.4	19.6
France	2.8	2.7	2.6	2.6	2.0	2.7
Great Britain	3.0	3.6	3.4	3.4	2.7	3.1
Italy	3.4	3.6	3.9	4.3	4.9	4.2
Poland	9.3	8.8	8.0	8.1	7.6	6.5
Switzerland	4.9	4.5	4.2	4.2	3.5	3.7
Other countries	21.2	20.3	18.5	19.9	20.5	22.3
	100	100	100	100	100	100
General total in millions of Schillings	3,317	3,318	2,739	2,210	1,400	1,187
Trade Balance :	<i>(In millions of Schillings)</i>					
Hungary	— 88.1	— 158.6	— 163.1	— 104.9	— 63.5	— 53.9
Roumania	— 16.2	— 15.2	— 44.9	— 76.8	— 54.2	— 7.5
Czechoslovakia	— 315.5	— 292.3	— 251.6	— 211.1	— 129.9	— 94.5
Yugoslavia	+ 33.7	+ 37.2	+ 1.0	+ 4.3	— 50.1	— 48.5
Total	— 386.1	— 428.9	— 458.6	— 388.5	— 297.7	— 204.4
Germany	— 239.3	— 343.0	— 248.5	— 273.9	— 148.5	— 105.7
France	— 37.1	— 12.1	+ 7.1	+ 5.2	+ 4.9	— 1.0
Great Britain	— 65.1	— 20.9	+ 8.5	+ 16.5	— 8.5	— 1.8
Italy	+ 67.7	+ 79.2	+ 69.3	+ 14.7	+ 7.2	+ 36.5
Poland	— 177.5	— 184.4	— 133.4	— 120.9	— 72.5	— 25.6
Switzerland	— 29.6	— 23.2	— 6.5	+ 1.5	+ 12.4	+ 19.0
Other countries	— 200.4	— 164.8	— 97.2	— 137.8	— 110.6	— 92.8
General total	— 1,067.4	— 1,098.1	— 859.3	— 883.2	— 613.3	— 375.8

As the above table shows, trade with the Danubian countries as a group has more or less kept its relative position during the last two years, but its distribution has suffered a change,

the main features being the increased proportion of Austro-Hungarian trade and the decline in exchanges with Czechoslovakia. Imports from Yugoslavia, mainly animals and foodstuffs, kept their level in spite of the general shrinkage in foreign trade, thus improving the country's relative position.

The increase in the volume of relative exports to Italy and the great improvement in the Italo-Austrian trade balance should also be noticed. The apparent rise in exports to Poland in 1933 is almost entirely due to bullion movements. Imports from Germany in 1933 include 8 per cent bullion.

The foreign trade returns for the months of January and February show that the favourable trend has been maintained. The import surpluses were respectively 34 and 24 million Schillings, as against 42 and 32 million Schillings in 1933. This 21.6 per cent improvement in the trade balance accompanied an increase of 11 per cent in the value of the total goods exchanged, imports and exports both exceeding the 1933 level, exports of finished goods for the two months being 21 per cent higher.

(b) PRODUCTION.

The production figures for 1934 are, so far, only available for the iron and coal industries. The production of iron ore fell to 15 thousand tons during February from the comparatively high level of 30 thousand tons in January. Increased orders should ensure better employment in this industry during the coming months. Steel and iron production reached a slightly higher level than during the last months of 1933. The coal-mining industry enjoyed favourable conditions during January, but since then lessened production of lignite has caused a reduction in employment.

The advantage given to Czechoslovak producers by the depreciation of the Czech crown is making itself felt in the textile and in some other Austrian export industries. The trend of industrial activity in most other branches appears to be not unfavourable.

(c) EMPLOYMENT.

On February 15th, when unemployment reached its highest level, there were 358,365 persons receiving benefit, or 43,800 less than on the same date in 1933. At the end of March, the total had sunk to 325,657, or about 54,000 less than in March 1933, distributed among the industrial districts as follows (the figures in parentheses are for 1933): Vienna (town), 130,919 (139,655); Vienna (district), 18,658 (22,791); Wiener-Neustadt, 24,715 (31,755); St. Pölten, 17,683 (22,982); Gmünd, 5,021 (6,852); Eisenstadt, 7,370 (9,760); Linz, 35,941 (42,118); Salzburg, 11,389 (12,426); Graz, 39,854 (49,855); Klagenfurt, 14,452 (17,884); Innsbruck, 14,082 (16,481); Bregenz, 5,573 (7,734).

The following figures, together with column 13 of Appendix III, throw further light on the situation of the Austrian labour market during the past year:

	Insured persons in employment		Employed in Voluntary Labour Corps in 1933	Of which previously unemployed
	1932	1933		
	(In thousands)			
January	803	684	—	—
February.. .. .	791	680	—	—
March	801	701	—	—
April	853	732	—	—
May.. .. .	871	752	1,185	520
June	862	753	2,701	1,317
July.. .. .	826	752	7,264	2,816
August	819	754	12,412	4,186
September	819	758	17,344	5,709
October	800	755	20,359	6,036
November	768	728	19,133	5,352
December	708	681	16,454	3,788

Stricter administration of the law explains to a large extent the smaller number of insured persons in 1933, as all persons with a non-insurable subsidiary source of income (agriculture, domestic service, work in a family concern, railway pensioners, etc.) have been excluded.

Under a Decree of March 9th, all employers of labour, including the State Monopolies, the Railways and agricultural and forestry undertakings, if employing twenty-five or more persons, are obliged, after May 1st, to take into their pay one demobilised unemployed member of the Auxiliary Defence Corps for every twenty-five persons in normal employment. The Minister of Labour is authorised to modify the above measure in individual cases. Great circumspection will have to be exercised in questions concerning skilled and unskilled labour, works where female labour predominates, etc., particularly in view of the inelastic state of the Austrian employment market.

(d) PRICES.

During the first quarter of 1934, the wholesale price index rose from 108.1 to 113.1. The increase is mainly due to the higher price of foodstuffs, their index rising from 99 to 105.3.

potatoes and wheat being particularly affected. The industrial goods index rose slightly, from 126.5 to 128.8, mainly because of the higher price of cotton, wool, flax and leather.

The retail-price index remained constant, and the cost-of-living index and the sensitive index of the Institut für Konjunkturforschung showed no change for the quarter.

(e) STOCK EXCHANGE.

The Viennese Stock Exchange improved noticeably during the quarter under review, the Austrian share index of the Federal Statistical Office rising from 435 in January to 483 in March. The iron and metal industry group showed the greatest improvement, but all categories of shares showed the effects of the general trend. The volume of transactions is still very small, but interest is again being shown for shares which had long remained unquoted.

The bond market was also improved, partly influenced by the success of the Vienna Municipal Loan conversion.

The Conversion of Private Foreign Loans.

The opportunity offered by the uncertain future of the dollar was taken by the Vienna municipality and by an important power company in Tirol, the "Tiwaag", to convert their outstanding funded dollar debts into Schilling liabilities. This could not be done until the success of the Domestic Lottery Loan had proved the confidence of the public in the gold Schilling clause contained therein.

The "Tiwaag" proposal involved a simultaneous reduction of interest from 7.5 and 7 to 5.5 per cent, 630 and 600 Schillings respectively being offered for every \$100 face value. The municipality of Vienna proposed to lengthen the period of amortisation, but left interest untouched at 6 per cent and offered 600 Schillings for \$100. The average exchange rate in February was 539, the new gold parity being 537.

The results of these conversions now available are more or less up to expectations. Of \$5.3 million "Tiwaag" bonds outstanding, of which about \$1.1 million were estimated to have been in Austrian hands, only \$0.5 million, the minimum required by the company, are said to have been presented for conversion.

The conversion of the Viennese loan was, however, a success. \$26.1 million were outstanding, of which about half was supposed to be in Austrian hands. \$19.9 million have been presented for conversion, so it appears that, not only all the Austrian, but also some foreign bondholders have availed themselves of the offer. The very much relaxed transfer regulations and the increased opportunities for disposing of nominally "blocked" Schillings have no doubt had some influence on this determination.

The result brings considerable immediate financial relief to the municipality of Vienna owing to lighter sinking-fund conditions, but its effect on the Austrian balance of payments will be very much slighter. The nominal currency of the loan is in this respect of no importance, and the exchange by an Austrian creditor of a dollar bond for a gold Schilling bond has rather the effect of increasing the rigidity of the financial mechanism of the country, the foreign indebtedness for the country remaining unchanged. The relief afforded by the depreciation of the dollar would have accrued without any conversion.

(f) COMMERCIAL POLICY.

The Rome negotiations of March 13th to 17th last, between Austria, Italy and Hungary, aimed at developing and intensifying the commercial relations between these three countries on the basis of the resolutions of the Stresa Conference and of the Italian Danubian memorandum of September last. Agreement was reached on the following fundamental points affecting Austria's trade with Italy and Hungary:

(a) The scope of the existing commercial agreements, based on railway rate and credit preferences, is to be widened so as to facilitate and increase mutual exchanges. The success of the arrangements in force up to now is shown by the figures in the table in the section on foreign trade above.

(b) The resolutions of the Stresa Conference and the Italian Danubian memorandum had already foreseen the granting of preferences to Austrian goods. Italy, which had not until now granted any such preferences, has now declared itself prepared to establish unilateral preferential Customs rates for such goods as had hitherto been exported to Italy in unsatisfactory quantities. Agreement between the individual parties concerned will in future be sought in those cases where Italian interests had hitherto made difficult the granting of special facilities under the existing arrangements.

(c) Various measures have in the past been taken to raise the price received by the Hungarian wheat producer. Austria had granted a preferential import duty, Italy purchases wheat from Hungary at more than world prices, while through the "Boletta" the Hungarian State had itself given an export subsidy.

These heterogeneous measures are now to be co-ordinated, so that the sacrifices made by the importing countries may bring a greater advantage to the Hungarian farmer in the shape of higher prices.

(d) A reduction of harbour dues in Trieste and free-harbour and bonded-warehouse facilities, if desired, are to be considered, with the intention of intensifying traffic to Italian Adriatic ports over the Austrian railways.

The technical negotiations on the above lines will commence shortly in Rome and must be ended by May 15th. The three Governments will appoint a permanent commission to observe the course of mutual trade exchanges and to make concrete proposals for their improvement.

The second important event of the period under review is the entry into force on March 23rd of the Franco-Austrian agreement concerning the preferential treatment of Austrian timber exports to France. It provides for a preferential Customs drawback of 50 francs per ton on timber imports from Austria up to a quota of 152,000 tons annually. This should enable Austria to compete in price with other producing countries. It is hoped through this agreement, the working of which is to be supervised by a mixed commission, to increase the timber exports of the western provinces, hitherto only slightly affected by the improvement of the Italian market. The movement of French imports of Austrian timber are shown in the table below. It will be noticed that the quota granted is more than double French purchases of timber in Austria during 1933 :

Austrian Timber Exports to France.

	1929	1930	1931	1932	1933
Tons (thousands)	227	229	213	117	72
Percentage of total exports	10.7	13.1	17.5	14.1	7.4
Millions of Schillings	35	31	23	10	6

Appendix I.

ANALYSIS OF ANNUAL AND QUARTERLY BUDGET ACCOUNTS.

RECEIPTS	1933		1934	Fourth quarter			First quarter	
	Estimates	Provisional results	Estimates	1932	1933		1933	1934
				Provisional results	Estimates	Provisional results	Provisional results	Estimates
(In millions of Schillings)								
ORDINARY BUDGET.								
A. Administration:								
Direct taxes	281.00	281.03	268.50	82.09	67.08	66.29	73.18	71.73
Customs	200.00	179.50	232.00	56.62	44.00	43.73	40.83	45.50
Excise duties	160.66	154.87	162.76	41.74	44.73	45.21	32.33	32.97
Turnover tax	139.00	133.98	129.00	40.40	33.50	38.23	33.09	35.51
Turnover tax, emergency surtax	124.00	117.98	119.00	26.93	29.90	33.20	27.72	29.20
Taxes on transactions, legal fees, etc.	111.97	99.62	101.26	27.18	24.60	26.32	25.35	24.80
Other receipts	0.50	8.40	3.17	0.67	0.41	0.78	0.46	0.80
Total taxes	1,017.13	969.38	1,015.69	275.63	244.22	253.36	232.96	240.51
Deduct:								
Shares of local authorities	174.50	164.22	163.75	52.65	39.37	38.88	47.89	42.59
Total : State taxation	842.63	805.16	851.94	222.98	204.85	214.48	185.07	197.92
Receipts of Social Administration	200.53	192.36	197.72	52.55	47.43	45.42	52.32	47.53
Other administrative receipts	105.60	100.00	100.90	18.84	30.32	36.98	15.67	28.21
Contribution towards Debt Service	110.63	107.70	111.00	43.11	28.16	29.31	12.66	21.66
Total receipts of the Administration	1,259.39	1,205.22	1,261.56	337.48	310.76	326.29	265.72	295.32
B. Monopolies:								
Tobacco	315.36	307.87	311.55	78.42	75.46	81.26	67.73	67.58
Sale	29.70	29.22	28.81	7.34	7.17	8.68	7.74	7.45
Lotteries and gunpowder	61.93	58.71	55.30	17.32	13.01	13.87	14.69	15.08
Total : Monopolies	407.01	395.80	395.66	103.08	95.64	103.81	90.16	90.11
C. Public Undertakings:								
Posts and Telegraphs	230.70	213.14	225.30	55.53	54.38	53.32	53.58	50.70
Forests	7.89	8.43	8.85	2.89	2.43	3.04	1.72	1.90
Federal theatres	6.43	5.72	6.55	1.54	1.49	1.75	1.54	1.73
Other	16.72	14.51	15.06	4.11	3.88	3.89	3.64	3.57
Total : Public Undertakings	261.74	241.80	255.76	64.07	62.18	62.00	60.48	57.70
D. Railways:								
Federal railways	—	—	—	—	—	—	—	—
Other railways	0.02	0.07	—	0.03	—	0.02	0.02	—
Total : Railways	0.02	0.07	—	0.03	—	0.02	0.02	—
Total ordinary receipts	1,928.16	1,842.89	1,912.98	504.66	468.58	492.02	416.38	443.13

ANALYSIS OF ANNUAL AND QUARTERLY BUDGET ACCOUNTS (continued).

EXPENDITURE (including investments)	1933		1934	Fourth quarter			First quarter	
	Estimates	Provisional results	Estimates	1932	1933		1933	1934
				Provisional results	Estimates	Provisional results	Provisional results	Estimates
ORDINARY BUDGET.								
(In millions of Schillings)								
A. Administration :								
Army	82.60	86.16	94.00	19.59	23.73	23.50	21.09	25.71
Foreign Affairs .. .	5.02	5.80	6.23	1.29	1.64	1.63	1.24	1.54
Justice .. .	50.31	49.85	50.35	12.57	12.94	12.85	12.44	12.54
Supreme organs .. .	4.81	4.67	4.78	0.99	1.06	1.04	1.09	1.02
Chancellor's office .. .	9.56	10.59	10.07	2.83	2.70	2.69	3.78	2.75
Interior .. .	91.14	95.57	95.91	23.43	25.12	25.05	22.64	27.47
Social Administration .. .	443.42	449.33	385.26	117.68	103.69	100.51	151.91	122.90
Agriculture .. .	31.50	31.45	39.10	8.18	8.28	9.13	7.39	10.52
Commerce and Traffic .. .	55.02	58.97	56.48	13.55	17.75	17.33	12.90	11.74
Education, Science, Church .. .	73.06	72.93	71.50	20.83	19.15	19.31	17.30	18.83
Finance .. .	60.87	60.40	57.86	20.15	14.54	11.83	17.11	14.92
Subsidies to Postal Savings Bank .. .	3.00	3.00	2.50	0.75	0.71	0.71	0.73	0.63
Payments to local authorities .. .	26.19	26.31	26.67	6.62	6.93	6.92	6.30	6.18
Pensions .. .	211.70	212.37	210.00	51.78	52.16	52.38	53.99	54.21
Charges under the Peace Treaty .. .	2.23	2.06	2.66	0.62	0.74	0.74	0.09	0.09
Debt Service .. .	233.27	211.69	240.89	39.18	51.88	50.44	51.50	60.66
Total : Administration .. .	1,383.70	1,381.15	1,354.26	340.04	343.02	336.06	361.52	371.71
B. Monopolies :								
Tobacco .. .	108.77	107.42	111.04	25.34	27.80	29.80	23.73	24.93
Salt .. .	14.73	14.82	14.33	3.64	4.04	3.96	3.59	4.04
Lotteries .. .	40.42	37.79	35.76	11.55	10.37	10.72	8.92	8.66
Gunpowder .. .	5.28	5.28	5.01	1.25	1.52	1.84	1.14	1.33
Total : Monopolies .. .	169.20	165.31	166.14	41.78	43.73	46.32	37.38	38.96
C. Public Undertakings :								
Posts and Telegraphs .. .	227.84	227.90	226.60	61.77	57.14	57.25	56.57	56.48
Forests .. .	19.58	19.19	20.98	4.88	5.39	5.31	4.37	5.08
Federal theatres .. .	11.11	10.92	10.64	2.71	2.54	2.74	2.73	2.57
Other undertakings .. .	16.02	15.65	15.14	4.13	3.79	4.04	3.81	4.08
Total : Public Undertakings .. .	274.55	273.66	273.36	73.49	68.86	69.34	67.48	68.21
D. Railways :								
Federal railways .. .	80.00	84.95	100.00	35.01	21.13	26.08	21.00	25.00
Charges under the Südbahn Convention .. .	14.75	14.69	15.51	4.96	3.38	3.36	2.40	3.10
Other railways .. .	5.96	4.70	3.61	1.16	0.69	0.66	1.95	0.86
Total : Railways .. .	100.71	104.34	119.12	41.13	25.20	30.10	25.35	28.96
Total ordinary expenditure .. .	1,928.16	1,924.46	1,912.88	496.44	480.81	481.82	491.73	507.84
Total ordinary receipts .. .	1,928.16	1,842.89	1,912.98	504.66	468.58	492.01	416.37	443.13
Ordinary budget balance .. .	—	— 81.57	+ 0.10	+ 8.22	— 12.23	+ 20.19	— 75.36	— 64.71
EXTRAORDINARY BUDGET.								
Finance .. .	121.00	120.00	—	—	—	—	140.00	—
National Defence .. .	—	—	—	—	—	—	—	7.55
Commerce and Traffic .. .	37.50	21.61	38.16	—	10.56	12.37	—	5.12
Agriculture .. .	13.30	12.56	18.00	—	4.62	5.25	—	5.10
Posts and Telegraphs .. .	—	2.60	—	—	0.44	0.65	—	1.28
Railways .. .	5.80	3.20	46.90	—	3.20	3.20	—	7.08
Total extraordinary expenditure .. .	177.60	160.97	103.06	—	18.82	21.47	140.00	26.13
Total extraordinary receipts .. .	—	—	—	—	11.25	12.25	—	—
Extraordinary budget balance .. .	— 177.60	— 160.97	— 103.06	—	— 7.57	— 9.22	— 140.00	— 26.13
Total budget balance .. .	— 177.60	— 242.54	— 102.96	+ 8.22	— 19.80	+ 0.97	— 215.36	— 90.84

Appendix II.

MONTHLY ESTIMATES AND PROVISIONAL RESULTS.

RECEIPTS	December			January			February			March	
	1934 Provisional results	1933		1933 Provisional results	1934		1933 Provisional results	1934		1933 Provisional results	1934 Estimates
		Estimates	Provisional results		Estimates	Provisional results		Estimates	Provisional results		
ORDINARY BUDGET.											
(In millions of Schillings)											
A. Administration:											
Direct taxes	25.90	22.50	23.08	27.69	26.00	24.96	23.51	21.00	15.58	21.98	24.73
Customs	40.49	15.00	15.09	13.74	16.00	14.00	12.94	13.29	13.29	14.14	14.50
Excise duties	13.97	16.48	17.09	10.53	11.43	12.50	10.77	10.63	11.60	11.03	10.91
Turnover tax	14.51	11.80	11.21	12.23	11.70	12.56	9.80	10.50	10.40	11.06	13.31
Turnover tax, emergency surtax	10.71	10.00	11.65	10.37	10.30	11.06	8.23	9.30	9.29	9.13	9.60
Taxes on transactions, legal fees, etc.	8.86	8.00	8.96	8.85	9.20	9.67	8.59	7.80	7.54	7.91	7.80
Other receipts	0.23	0.13	0.28	0.16	0.27	0.19	0.13	0.26	0.16	0.17	0.27
Total taxes	94.67	83.31	90.26	83.37	84.90	84.94	73.97	74.49	67.86	75.42	81.12
Deduct:											
Shares of local authorities	16.43	15.29	15.02	16.18	12.41	12.43	16.00	15.10	14.74	15.71	15.08
Total : State taxation	78.24	68.02	75.24	67.39	72.49	72.51	57.97	59.39	53.12	59.71	66.04
Receipts of Social Administration	16.19	14.97	13.48	19.45	15.88	—	18.18	16.62	—	14.68	15.03
Other administrative receipts	7.73	12.92	13.41	6.62	11.06	—	4.69	8.35	—	4.37	8.80
Contribution towards Debt Service	36.14	11.24	11.99	6.16	9.13	—	3.27	9.26	—	3.22	3.27
Total receipts of the Administration	138.30	107.15	116.12	99.62	108.56	—	84.11	93.62	—	81.98	93.14
B. Monopolies:											
Tobacco	28.22	27.62	29.15	21.27	22.10	24.38	21.09	20.46	22.87	25.37	25.02
Salt	2.42	2.36	2.37	2.62	2.47	2.70	2.64	2.58	2.49	2.48	2.40
Lotteries and gunpowder	8.63	5.41	5.75	5.66	5.17	5.27	6.66	4.83	4.90	2.37	5.08
Total : Monopolies	39.27	35.39	37.27	29.55	29.74	32.35	30.39	27.87	30.26	30.22	32.50
C. Public Undertakings:											
Posts and Telegraphs	21.50	20.22	19.39	19.49	17.18	—	15.40	15.32	—	18.69	18.20
Forests	1.32	1.11	1.46	0.71	0.65	—	0.42	0.60	—	0.58	0.65
Federal theatres	0.55	0.50	0.68	0.66	0.63	—	0.42	0.55	—	0.46	0.55
Other	1.62	1.50	1.60	1.23	1.09	—	1.17	1.09	—	1.25	1.19
Total : Public Undertakings	24.99	23.33	23.13	22.09	19.55	—	17.41	17.56	—	20.98	20.59
D. Railways:											
Federal railways	—	—	—	—	—	—	—	—	—	—	—
Other railways	0.01	—	—	0.02	—	—	—	—	—	—	—
Total : Railways	0.01	—	—	0.02	—	—	—	—	—	—	—
Total ordinary receipts	202.57	165.87	176.72	151.28	157.85	—	131.91	139.05	—	133.18	146.23

MONTHLY ESTIMATES AND PROVISIONAL RESULTS (continued).

EXPENDITURE (including investments)	December			January			February			March	
	1932 Provisional results	1933		1933 Provisional results	1934		1933 Provisional results	1934		1933 Provisional results	1934 Estimates
		Estimates	Provisional results		Estimates	Provisional results		Estimates	Provisional results		
ORDINARY BUDGET.											
(In millions of Schillings)											
A. Administration:											
Army	6.43	8.41	8.41	7.71	9.26	—	6.61	7.84	—	6.76	8.61
Foreign Affairs .. .	0.36	0.59	0.59	0.41	0.50	—	0.40	0.50	—	0.43	0.54
Justice .. .	4.39	4.54	4.50	4.11	4.13	—	3.95	3.93	—	4.38	4.48
Supreme organs .. .	0.25	0.35	0.34	0.36	0.35	—	0.35	0.37	—	0.39	0.30
Chancellor's office .. .	1.16	1.32	1.60	1.11	1.14	—	1.33	0.45	—	1.33	1.16
Interior .. .	7.94	8.56	8.43	7.58	8.32	—	7.46	9.33	—	7.62	9.82
Social Administration .. .	44.78	38.07	37.90	42.00	41.21	—	40.29	38.03	—	49.61	43.66
Agriculture .. .	2.70	2.87	3.26	2.17	3.07	—	2.66	3.53	—	2.56	3.92
Commerce and Traffic .. .	4.19	8.67	8.40	4.02	3.73	—	4.47	3.87	—	4.41	4.14
Education, Science, Church .. .	8.51	8.26	8.23	5.83	5.85	—	5.71	5.95	—	5.76	7.03
Finance .. .	8.60	5.15	2.47	4.85	4.78	—	5.93	4.41	—	6.33	5.73
Subsidies to Postal Savings Bank .. .	0.25	0.21	0.21	0.25	0.21	—	0.25	0.21	—	0.25	0.21
Payments to local authorities .. .	2.40	2.76	2.76	2.18	2.06	—	2.06	2.06	—	2.06	2.06
Pensions .. .	16.68	16.96	16.90	18.60	18.67	—	17.73	17.78	—	17.67	17.76
Charges under the Peace Treaty .. .	0.37	0.44	0.45	0.02	0.03	—	0.02	0.03	—	0.03	0.03
Debt Service .. .	12.33	18.81	18.64	21.79	25.31	—	14.65	16.63	—	15.07	18.72
Total: Administration .. .	120.34	126.17	123.09	122.99	128.62	—	113.87	114.92	—	124.66	128.17
B. Monopolies:											
Tobacco .. .	8.18	10.44	12.02	8.54	8.17	8.39	7.32	7.93	8.13	7.87	8.83
Salt .. .	1.25	1.43	1.35	1.22	1.30	1.32	1.16	1.42	1.39	1.21	1.32
Lotteries .. .	2.53	1.70	1.40	1.83	1.75	1.61	2.00	1.77	2.06	5.09	5.14
Gunpowder .. .	0.42	0.56	0.83	0.40	0.41	0.50	0.40	0.44	0.54	0.34	0.48
Total: Monopolies .. .	12.38	14.13	15.60	11.99	11.63	11.82	10.88	11.56	12.12	14.51	15.77
C. Public Undertakings:											
Posts and Telegraphs .. .	21.58	19.50	19.87	18.62	18.70	—	18.60	18.77	—	19.36	19.01
Forests .. .	1.85	1.98	2.01	1.42	1.69	—	1.43	1.74	—	1.50	1.65
Federal theatres .. .	0.97	0.85	1.02	0.96	0.89	—	0.88	0.84	—	0.89	0.84
Other undertakings .. .	1.45	1.35	1.58	1.25	1.36	—	1.32	1.38	—	1.23	1.34
Total: Public Undertakings .. .	25.85	23.68	24.48	22.25	22.64	—	22.25	22.73	—	22.98	22.84
D. Railways:											
Federal railways .. .	34.06	9.46	14.41	7.00	8.33	—	7.00	8.33	—	7.00	8.34
Charges under the Sudbahn Convention .. .	2.57	3.38	3.36	—	—	—	—	—	—	2.40	3.10
Other railways .. .	0.47	0.22	0.21	0.64	0.28	—	0.67	0.30	—	0.64	0.28
Total: Railways .. .	37.10	13.06	17.98	7.64	8.61	—	7.67	8.63	—	10.04	11.72
Total ordinary expenditure .. .	195.67	177.04	181.15	164.87	171.50	—	154.67	157.84	—	172.19	178.50
Total ordinary receipts .. .	202.57	165.87	176.71	151.28	157.85	—	131.91	139.05	—	133.18	146.23
Ordinary budget balance .. .	+ 6.90	- 11.17	- 4.44	- 13.59	- 13.65	—	- 22.76	- 18.79	—	- 39.01	- 32.27
EXTRAORDINARY BUDGET.											
Finance .. .	—	—	—	—	—	—	—	—	—	140.00	—
National Defence .. .	—	—	—	—	0.23	—	—	1.09	—	—	6.23
Commerce and Traffic .. .	—	4.53	3.05	—	1.50	—	—	2.02	—	—	1.60
Agriculture .. .	—	1.55	1.76	—	2.15	—	—	1.55	—	—	1.40
Posts and Telegraphs .. .	—	0.22	0.22	—	0.36	—	—	0.46	—	—	0.46
Railways .. .	—	3.20	3.20	—	5.85	—	—	0.32	—	—	0.91
Total extraordinary expenditure .. .	—	9.50	8.23	—	10.09	—	—	5.44	—	140.00	10.60
Total extraordinary receipts .. .	—	8.18	8.93	—	—	—	—	—	—	—	—
Extraordinary budget balance .. .	—	- 1.32	+ 0.70	—	- 10.09	—	—	- 5.44	—	- 140.00	- 10.60
Total budget balance .. .	+ 6.90	- 12.49	- 3.74	- 13.59	- 23.74	—	- 22.76	- 24.23	—	- 179.01	- 42.87

Geneva, April 26th, 1934.

LEAGUE OF NATIONS

**FINANCIAL POSITION
OF HUNGARY IN THE FIRST QUARTER OF 1934**

TENTH QUARTERLY REPORT

By Mr. Royall Tyler, the Representative in Hungary
of the Financial Committee

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I. GENERAL.

I. INTRODUCTORY.

(1) Provisional returns for nine months of the fiscal year that began on July 1st, 1933, confirm the indications given by earlier months and point to final results not far removed from the estimates voted by Parliament, some allowance being made for unforeseen losses on the Boletta Fund.

(2) Total expenditure, actual and deferred, budgetary and extra-budgetary, for the Administration and Undertakings together, has been slightly less than it was in the corresponding period last year ; budgetary receipts have been 5 per cent more, and less has been borrowed.

(3) Estimates for 1934-35 have been introduced into Parliament, showing no great change from the present position. Expenditure and receipts are both slightly lower ; the estimated deficit is 66 million pengő for the Administration and Undertakings together, as compared with 76.2 million pengő estimated for the current year. At 66 million pengő, the deficit would amount to 5.7 per cent of total expenditure. In the last complete financial year, 1932-33, the deficit actually incurred was 11.7 per cent of total expenditure. It is intended again to reborrow the pengő deposited in respect of the non-transferred service of State debts.

(4) Out of the 66 million pengő total deficit estimated for 1934-35, 60 million pengő are in respect of the State Undertakings. Some progress has, however, been made towards putting their finances on a sounder basis. A Bill is now before Parliament aiming at increasing the Government's powers where the finances of the City of Budapest are concerned.

(5) There are some signs, here and there, of economic improvement, but it is difficult to say to what extent they are due to last year's exceptional wheat harvest, and how far they indicate a more profound change for the better.

(6) Public charges, including those of the local authorities, continue to be too heavy for the country, and the disparity between industrial and agrarian prices is still a cause of weakness. The purchasing power of the agricultural community is low, although the internal prices of some important agricultural commodities are too high to allow export at a profit.

(7) The balance of visible foreign trade has further improved ; but a large part of Hungary's exports brings no foreign exchange to the National Bank, and of the foreign currency actually acquired by the National Bank, a large and increasing part is not freely exchangeable.

(8) A new Standstill agreement, including some reduction in interest rates and some increase in facilities for capital repayment, has been concluded with the British and American short-term creditors for one year as from April 1st.

(9) Negotiations from which important trade advantages are hoped are being carried on between Hungary, Italy and Austria. A new commercial treaty, which promises to increase exchanges between the two countries, has been concluded with Germany.

(10) I am indebted to Mr. Henry J. Bruce, Adviser to the National Bank, for the data on which are based the sections of this report dealing with the Bank, exchange control and compensation agreements, and the Clearing Agreements.

2. STATE BUDGET.

(a) Administration Budget, 1933-34.

The estimates voted by Parliament for the year ending June 30th, 1934, provided for the Administration :

	Millions of pengő
Estimated expenditure	764.9
Estimated receipts	752.8
Balance	— 12.1

and for the Undertakings, the deficit incurred by which falls upon the State Treasury :

	Millions of pengő
Estimated expenditure, current and capital	408.3
Estimated receipts	344.2
Balance	— 64.1

The total deficit for the Administration and Undertakings together was thus estimated at 76.2 million pengő.

Estimates and results for the first nine months of the year have been, where the Administration is concerned :

	Dec. 1933	Jan. 1934	Febr. 1934 (Millions of pengö)	March 1934	July-March 1933-34
Estimated budgetary expenditure	64.8	65.5	61.0	55.0	542.1
Estimated budgetary receipts	71.9	56.5	62.9	48.4	532.0
Balance	+ 7.1	- 9.0	+ 2.0	- 6.6	- 9.9
Actual results :					
Actual budgetary expenditure	62.9	59.6	62.9	53.7	520.4
Actual budgetary receipts	68.9	58.4	64.3	57.0	563.7
Balance	+ 6.0	- 1.1	+ 1.4	+ 3.3	+ 43.3

The general tendency of Hungarian State finance may be judged from the following table, which compares nine months' results this year and last : actual Administration budget expenditure, as well as items that have been deferred but will normally have to be met by the end of the year, and also extra-budgetary expenditure, the bulk of the latter being advances towards the deficit of the Undertakings :

	1933-34	July 1st to March 31st 1932-33 (Millions of pengö)	Difference for 1933-34
<i>Expenditure :</i>			
Actual budgetary	520.4	536.8	- 16.4
Deferred budgetary, Administration	21.8	26.5	- 4.7
Deferred budgetary, Undertakings (current expenditure)	1.8	11.5	- 9.7
Actual extra budgetary	54.6	33.3	+ 21.3
		598.6	- 9.5
<i>Receipts :</i>			
Actual, budgetary	563.7	536.4	+ 27.3
Refunds	5.1	3.5	+ 1.6
Borrowings	16.5	24.2	- 7.7
		585.3	+ 21.2
Balance		- 13.3	- 44.0
			- 30.7

On the expenditure side, the comparison is more favourable to the current year than the total would indicate. Deferred expenditure is less by 14.4 million pengö. Extra-budgetary expenditure is more by 21.3 million pengö, which means that the losses of the State Undertakings have been met, to a greater extent than last year, as they have been incurred, and that less will remain to be covered towards the close of the year. It is probable, however, that losses on the Boletta (wheat-bounty fund) will have to be added to the above items, the amount of these losses depending on grain exports during the concluding quarter. Apart from these Boletta losses, it now seems probable that total expenditure falling upon the Treasury will be kept within the estimates.

Budgetary receipts have been in excess of estimates by 31.7 million pengö. It may be recalled that a deteriorating tendency, which had prevailed almost without interruption for years, each month producing less revenue than the corresponding month of the previous year, gave place in July 1933 to a slightly improving trend. This change for the better could not be imputed altogether, perhaps not even mainly, to any improvement in underlying economic conditions. It was largely produced by fiscal measures adopted in the spring of 1933, and in part to an exceptional cereal harvest in the same year. The assumption that, apart from the temporary effects of the harvest, economic conditions had not greatly improved is borne out by the recent slackening-off of the increase, as compared with last year, shown month by month by budgetary receipts. And from now on, the comparison will be with months last year, in which the new measures were already beginning to take effect. Direct taxes tend to be weak ; turnover-tax, excise and customs are rather better.

The results in hand for three quarters of the current year indicate progress in budgetary method. For the year 1932-33, the estimates voted by Parliament, both for the Administration and the Undertakings, balanced on paper. The results of the first few months, however, showed that these estimates were unduly optimistic. In fact, in spite of energetic measures taken in the course of the fiscal period, there was a deficit of 138 million pengö. The 1933-34 budget foresaw a total deficit of 76 million pengö, and although actual results, including losses on the Boletta fund, appear likely to increase this figure, the gap between estimates and results will, at the worst, have been reduced to much less than anything Hungarian State finance has had to show for a long time past.

At the end of March, the State had reborrowed the pengö equivalent of its foreign debt-service matured since the beginning of the current fiscal year, save in cases where agreements

have been concluded making deposit unnecessary, or negotiations are pending; *i.e.* (1) from the Foreign Creditors' Fund, 17.6 million pengö, and (2) from the special account at the National Bank, the pengö equivalent (14.3 million pengö) of the non-transferred service of the Reconstruction Loan 1924. In addition, internal Treasury Bills had been placed to a total of 11.5 million pengö, of which only 2 million pengö have been utilised.

(b) *Draft Budget for 1934-35.*

Estimates introduced into Parliament by the Finance Minister on April 6th compare as follows with those voted for the current year :

	1934-35 (Millions of pengö)	1933-34
Administration :		
Expenditure	746.6	764.9
Receipts	740.6	752.8
	<hr/>	<hr/>
Balance	— 6.0	— 12.1
Undertakings :		
Expenditure	404.0	408.3
Receipts	343.9	344.2
	<hr/>	<hr/>
Balance	— 60.0	— 64.1

A total deficit of 66 million pengö, or 5.7 per cent of the total expenditure, is expected. Study of the estimates and of the present budgetary practice suggests that this forecast will turn out to be nearer actual results than the estimate for the current year, which, however, represents a great improvement as compared with the previous budget.

The Finance Minister, in introducing his budget, which again provides for the full service of the State's debts in pengö, said that he realised how unsatisfactory the foreign debt position remained. He recalled that, at the London Conference in the summer of 1933, he had suggested the constitution of a comprehensive creditors' organisation with powers of decision, and that his suggestion had been adopted in principle, but that nothing tangible had yet come of it.

The decrease in administrative expenditure estimates is mainly due to a decrease in the pengö equivalent of foreign debt service, calculated at official rates. It has also been possible to secure, by negotiation with the creditors, some reduction in interest on short-term debts. On the other hand, the agricultural debt relief scheme (see Eighth Report, page 14) will increase internal debt service. Broadly speaking, the estimates for 1934-35 announce no great change in the present position: the costs of Administration will not be appreciably reduced during the coming year; receipts are estimated at a slightly lower figure than they were for the current year, and at about the level they have reached in recent months. No cover is provided for the deficit in the budget, the intention being once more, in the absence of arrangements under which no deposit will be required during the year 1934-35, to ask the State's foreign creditors to assent to the re-borrowing of pengö deposited in respect of non-transferred debt service, and to meet any further cash requirements by short-term internal borrowing. The necessary parliamentary authority for these credit operations will be sought in an Appropriations Bill before the beginning of the new fiscal year.

Receipts are estimated at 12.2 million pengö less than they were for the current year, direct taxes being expected to yield some 19 million pengö less, this loss being offset to the extent of upwards of 6 million pengö by increases in turnover-tax and Customs.

Closed accounts for 1932-33 have been laid before Parliament, so that discussion of the budget will take place in knowledge of them. For remarks on the system followed in these closed accounts, see Sixth Report, pages 5 and 6.

As in previous years, the Boletta fund remains outside the budget. The Finance Minister indicated that the amount of support that would have to be given to producers, and the precise form this support would take, would depend on the upshot of the negotiations at present taking place in Rome between Hungary, Italy and Austria. One of the objects of these negotiations, it will be remembered, was to overcome the difficulties caused in Hungary by the collapse of agricultural prices. The Minister added that the Government would be guided in this matter of the grain-bounty by three considerations: (1) any advantages obtained on foreign markets to benefit the producer, (2) risks to the fisc to be reduced to a minimum, and (3) the consumer to be protected, as far as possible. It appears that the Boletta fund in its present form is to be abandoned, but that wheat-prices will continue to be supported. To what extent this can be done without burdening either the Treasury or the consumer remains to be seen. A special statement showing expenditure under this head, and how it is to be covered, is in due course to be prepared.

Mention has been made in previous reports of a Bill reducing the lodging allowance of pensioners and simplifying the procedure for retiring officials. This Bill has now become law. Personnel economies are estimated for 1934-35 amounting to some 6 million pengö. Numbers, however, are increasing. The total established staff on active service in the Administration and Undertakings together is down by 1,540, but pensioners are up by 2,781, so that there is a net increase of some 1,200, and there must be added 800 persons who, while not established, have been given employment under a Government relief scheme. Thus, in 1934-35, 2,000 more persons will be on the pay-roll than in the current year. Including subsidies to the local authorities, all of which are towards personnel charges, 55.3 per cent of the State's total expenditure will be absorbed by salaries and pensions in 1934-35, as against 54.7 per cent for

the current year, pensions alone accounting for about 20 per cent. It is estimated that 10 per cent of the total population of Hungary draws its support from public funds. The Finance Minister holds out no prospect of reducing these charges, unless there is an economic revival and private business offers more employment. It is evident that administrative reforms are not expected to lead in the near future to any considerable net savings. Similarly, although it is recognised that the system of taxation needs recasting, it is not considered expedient to set about the task until more stable economic conditions have been achieved.

The conclusion to be drawn from the budget for 1934-35 seems to be that the Government regards the level of expenditure now reached as a minimum, and is resigned to the prospect of a deficit, the size of which, it is true, has been greatly reduced, as long as receipts do not rise enough to cover it. In order to judge the present position, it may be convenient to look back a few years. Closed accounts show that expenditure of the Administration and Undertakings, having risen for several years after the League Council, in 1926, found that financial stability had been achieved, reached its peak in 1930-31, since when it has diminished as follows :

	Millions of pengő
1926-27 closed accounts	1,250
1930-31 closed accounts	1,628
1931-32 closed accounts	1,387
1932-33 closed accounts	1,184
1933-34 estimates	1,173
1934-35 estimates	1,150

Thus the estimates for 1934-35 represent a reduction, from the peak, of about 30 per cent. The national income is now estimated at 2,500 million pengő, or about one-half what it was in 1930.

When it is remembered that the public charges discussed here are not all that the taxpayer has to meet, but that a further sum of 337 million pengő, according to the local authorities' budgets for 1934, has to be added to the above 1,150 million pengő, the total burden is seen to be a crushing one. The Government has considered it necessary, at the cost of considerable sacrifices (see Eighth Report, pages 14 to 16), to take temporary measures, without prejudice to the rights of foreign creditors, for the relief of agricultural debtors, and it was stated by the Finance Minister in his budget speech that the result has been to reduce the interest charge weighing on agriculture by over 50 per cent. The Minister sounded a warning note in this connection, and stated that a halt must now be called, in the interest of the community as a whole and even of those sections that are demanding more protection.

Such possibilities as remain of decreasing the total burden on the taxpayer appear to be limited to the expenditure of the local authorities (see I, 3, below). It should not be forgotten, moreover, that the taxpayer is also a consumer. Out of a greatly diminished income, he is obliged to pay for the industrial products he needs prices that have not been reduced in the same proportion as his means. If the general level of retail food-prices were now to be increased in the hope of improving the position of the producer, it is to be feared that further obstacles to financial recovery would be created, out of proportion to any relief actually given to agriculture.

(c) *State Undertakings.*

The estimates for the current year were as follows :		Millions of pengő
Expenditure, current and capital together		408.3
Receipts		344.2
		<hr/>
Balance		— 64.1

Provisional results for the eight months to February 28th, for all the eight Undertakings together, compare as follows with figures for the same period last year :

<i>All Undertakings together :</i>	July-February 1933-34	July-February 1932-33
	(Millions of pengő)	
Actual current expenditure	255.6	243.2
Actual current receipts	229.5	223.7
	<hr/>	<hr/>
Balance, current items	— 26.1	— 19.5
Capital expenditure	9.4	6.9
	<hr/>	<hr/>
Balance, all items	— 35.5	— 26.4

The actual position, at February 28th this year, might appear from the above to be less favourable than it was last year. In fact, this is not the case. It will be seen below that progress has been made towards putting these undertakings on a sounder basis. They are still the great source of weakness in Hungarian State finance, and it is to be hoped that unremitting efforts will continue to be made to decrease the burden they, and in particular the State

Railways, lay on the taxpayer. However, the Railways' financial position is now clearer, and bills are being paid more regularly.

At the end of February last year, deferred current expenditure amounted to 11.5 million pengö for all the Undertakings, while this year it is only 1.8 million pengö. Also, this year, payments by the Railways to the Treasury in respect of transport tax amounted to 6.3 million pengö more than last year.

Taking these factors into consideration, the position of the Undertakings at February 28th may be estimated roughly as follows :

All Undertakings together :	July-February	
	1933-34	1932-33
	(Millions of pengö)	
<i>Expenditure :</i>		
Actual, current budgetary	255.6	243.2
Deferred, current budgetary	1.8	11.5
Actual, capital expenditure budgetary	8.4	5.3
Actual capital expenditure, outside of the estimated	1.0	1.6
Refunds to the Treasury	3.6	3.5
Total	270.4	265.1
Deduct 6.3 million pengö difference in transport tax payments	6.3	—
Expenditure figures, to be compared	264.1	265.1
<i>Receipts :</i>		
Actual budgetary	229.5	223.7
Balance	— 34.6	— 41.4
Advances by the Treasury	38.1	22.1
Balance	+ 3.5	— 19.3

There has, moreover, been a considerable improvement in respect of outstanding debts of the Undertakings. During the six months to December 31st, 1933, as compared with 1932, the following changes in commitments occurred. The improvement for 1933 amounts to 23.2 million pengö.

	Increase or decrease of commitments in six months to December 31st	
	1933	1932
	(Millions of pengö)	
State Railways	+ 1.8	+ 25.9
Post, Telegraph and Telephone	— 0.2	— 2.4
Ironworks	— 3.1	— 1.8
	— 1.5	+ 21.7

Results for eight months to February 28th for the chief individual Undertakings are :

	Railways		Post, Telegraph and Telephone		Ironworks	
	1933-34	1932-33	1933-34	1932-33	1933-34	1932-33
	(Millions of pengö)					
Current expenditure ..	168.5	159.7	53.3	53.2	21.3	17.4
Current receipts	141.9	137.8	62.5	63.0	10.9	9.1
Balance, current items	— 26.6	— 21.9	+ 9.2	+ 9.8	— 10.4	— 8.3
Capital expenditure ..	6.7	3.6	2.8	3.3	—	—
Balance, all items..	— 33.3	— 25.5	+ 6.4	+ 6.5	— 10.4	— 8.3

The estimate for the Undertakings in the draft budget for 1934-35, recently introduced into Parliament, compare as follows with those for 1933-34 :

	1934-35	1933-34
	(Millions of pengö)	
Expenditure, current and capital together	404.0	408.3
Receipts	343.9	344.2
Balance	— 60.0	— 64.1

Here, as in the Administration budget, there is practically no change in total expenditure, and receipts are estimated for next year on the same basis as for 1933-34. The budgets of the more important individual Undertakings compare as follows :

Budget Estimates of the Undertakings.

	Railways		Post, Telegraph and Telephone		Ironworks		Others		Total	
	1933-34	1934-35	1933-34	1934-35	1933-34	1934-35	1933-34	1934-35	1933-34	1934-35
	(Millions of pengö)									
Current expenditure	266.0	261.4	84.9	81.9	24.7	28.5	24.8	22.2	398.5	394.2
Current receipts ..	210.6	211.3	97.8	92.6	12.0	17.0	23.8	23.0	344.3	344.0
Balance, current items	- 55.4	- 50.1	+ 12.9	+ 10.7	- 12.7	- 11.5	-	+ 0.8	- 54.2	- 50.2
Capital expenditure	6.5	6.5	3.4	3.4	-	-	-	-	9.9	9.8
Balance, all items	- 61.9	- 56.6	+ 9.5	+ 7.3	- 12.7	- 11.5	-	+ 0.8	- 64.1	- 60.0

(d) *Situation of the Treasury.*

(1) During the four months to March 31st, recourse has been had to borrowing, chiefly from the Foreign Creditors Fund and the Pledged Revenues Account at the National Bank, to a total of 24.7 million pengö. The Boletta Fund, at March 31st, still shows a surplus of 5.9 million pengö; its losses on the year amount to 3.4 million pengö, and may be expected to increase during the coming months. The balance at the end of March stands at almost exactly the same figure as it did at March 31st, 1933. The Treasury position has been as follows, month by month:

Situation of the Treasury.

<i>Receipts:</i>	November	December	January	February	March
	30th, 1933	31st, 1933	31st, 1934	28th, 1934	31st, 1934
	(Thousands of pengö)				
Balance at the beginning of the month.. ..	59,701	79,561	76,598	71,216	67,301
Budget account	77,901	68,938	58,430	64,271	57,019
Repayment of advances	-	-	-	-	1,500
Loan account	1,789	12,769	7,714	1,767	2,534
Surplus of the Boletta Fund	-	1,596	932	1,007	588
Total	139,391	162,864	143,675	138,261	128,942
<i>Expenditure:</i>					
Budget account	53,265	62,875	59,565	62,856	53,656
Funded investments (Law II, 1933)	101	596	887	1,714	620
Advances	1,061	11,812	6,110	6,390	11,044
Deficit of the Boletta Fund	5,403	-	-	-	-
Loans	-	10,953	5,896	-	804
Balance at the end of the month ..	79,561	76,598	71,216	67,301	62,813
Total	139,391	162,864	143,674	138,261	128,942

(2) *Administrative Claims and Liabilities.*—Tax arrears stood at 287.9 million pengö at February 28th last, or roughly the same level as at March 31st, 1933 (282.2 million pengö). At August 31st last, they amounted to 310.1 million pengö.

Commitments outstanding at March 31st last amounted to 202 million pengö, as against 217.8 million pengö a year previously. Only 5 million pengö of the present total is owed abroad.

Commitments outstanding on March 31st, 1934.

	Foreign	Domestic	Total
	(Millions of pengö)		
Expenses connected with land reform	-	50.8	50.8
Road-building	-	23.6	23.6
Post, Telegraph and Telephone: capital expenditure	-	7.5	7.5
State Railways: capital expenditure	-	2.4	2.4
Forests: capital expenditure	-	0.1	0.1
Other capital outlay	-	32.8	32.8
State Railways, increase of working fund	2.6	11.1	13.7
State ironworks, increase of working fund	1.5	11.6	13.1
Payments to the Central Corporation of Banking Companies ..	-	29.8	29.8
Other commitments	0.9	27.3	28.2
Total	5.0	197.0	202.0

(e) *Debt Position.*

At March 31st, foreign funded debt was calculated, at official rates, to amount to 934.5 million pengö, a decrease of 290.3 million pengö since a year ago being caused by sterling and dollar depreciation. Domestic funded debt remains practically unchanged at 120.4 million pengö. The total of State guaranteed debts is now given as 126 million pengö, of which 2.1 million pengö had fallen due but had not been paid. The comparable figure for a year ago was 188 million pengö. The State has also undertaken to repay to the Foreign Creditors

Fund, in the event of its liquidation, sums borrowed from it (see 5 (c) below). The total floating debt at March 31st last showed an increase over the last twelve months of 95 million pengö, and now reaches the very heavy figure of 555.7 million pengö, 335.6 million pengö being foreign and 220.1 million pengö domestic.

Floating Debt of the State on March 31st, 1934.

	Foreign	Domestic (Millions of pengö)	Total
£3 million Treasury Bills, 1930.. .. .	68.0	—	68.0
£5 million Treasury Bills, 1931.. .. .	100.7	43.0	143.7
Foreign currency loan	—	5.4	5.4
Loans for purchase of State Bonds	24.5	—	24.5
Loans for road-building	7.7	—	7.7
Loans for investments of State Railways	29.7	20.2	49.9
Loans for investments of ironworks.. .. .	1.9	3.0	4.9
Loans for investments of wine-shops abroad, etc	6.1	—	6.1
Loans for working balance of State Administration	29.0	—	29.0
Loans for working balance of State Railways	12.3	14.5	26.8
Loans for working balance of State ironworks	14.0	3.7	17.7
Treasury Bills, 1932	—	80.8	80.8
Treasury Bills, 1933	—	49.4	49.4
Treasury Bills deposited in connection with the 1932-33 interest service of the foreign debts ¹	22.2	—	22.2
Treasury Bills deposited in connection with the 1933-34 interest service of the foreign debts ²	14.1	—	14.1
Treasury Bills deposited in connection with the interest service of the League Loan ³	5.4	0.1	5.5
Total	335.6	220.1	555.7

(f) *Boletta Fund.*

The net losses on the fund during nine months to March 31st last have been less, at 3.4 million pengö, than had been expected. This is perhaps because incomings have been rather above estimates (see Seventh Report, page 8). The concluding quarter of the year will doubtless result in further losses, but it now seems likely that total losses on the year will be less than the 15 million pengö at one time anticipated.

It will have been seen in the section of this report dealing with the draft budget for 1934-35 (I, 2 (b), above) that it is intended to remodel the wheat-bounty mechanism, but that the new plan has not yet been worked out.

(g) *Reconstruction Loan 1924 and Assigned Revenues.*

Transfers have continued to be made to the Trustees of the 1924 Loan, month by month, in execution of the programme announced in a communiqué issued on July 15th last (Seventh Report, page 9).

On the whole, there has been a very slight improvement in the yield of the assigned revenues in the past four months this year as compared with last.

	1932					1933					Total
	Customs	Tobacco	Sugar	Salt	Total	Customs	Tobacco	Sugar	Salt		
December	3.3	8.6	3.1	2.1	17.2	3.2	8.4	3.7	1.6	16.9	
January	4.3	7.5	3.2	2.4	17.4	3.0	9.4	3.6	2.4	18.4	
February	2.5	8.9	3.8	2.5	17.4	2.7	7.6	3.1	2.0	15.4	
March	2.6	7.9	3.9	1.5	16.0	3.4	9.3	3.9	1.4	18.0	

3. BUDGETS OF THE LOCAL AUTHORITIES.

Figures are now available showing results of the local authorities' expenditure and receipts for 1933 and their budgets for 1934.

	Budapest		Ten cities		Counties		Country towns		Communes	
	1933 Closed accounts	1934 Budgets	1933 Closed accounts	1934 Budgets	1933 Closed accounts	1934 Budgets	1933 Closed accounts	1934 Budgets	1933 Closed accounts	1934 Budgets
	(Millions of pengö)									
Expenditure	155.7	156.7	45.1	42.3	18.5	18.9	41.8	42.0	73.1	76.1
Receipts	162.1	146.7	44.7	42.3	19.3	18.9	43.4	42.0	78.0	76.1
Balance	+ 6.4	— 10.0	— 0.4	—	+ 0.8	—	+ 1.6	—	+ 4.9	—

¹ Treasury Bills deposited in respect of amortisation (3.4 million pengö) have been included in the capital outstanding.

² The Treasury Bills deposited in respect of amortisation (3.6 million pengö) have been included in the capital outstanding.

³ The Treasury Bills deposited in respect of amortisation (9 million pengö) have been included in the capital outstanding.

According to the estimates for 1934, the local authorities' expenditure totals 337 million pengő. This, compared with the highest point reached (1929), represents a reduction of 20 per cent. The State's own expenditure, it will have been seen, has been reduced by 30 per cent—*i.e.*, half as much again, proportionately, as that of the local authorities.

The Government's determination not to allow matters to rest there resulted in the introduction into Parliament of a Bill making a number of changes in the municipal administration of Budapest. This Bill, which met determined opposition, has passed the Lower House, with amendments not considered to impair its effectiveness, and is now before the Upper House. Unless it suffers some new and radical alteration, this Bill should enable the Minister of the Interior to ensure, through the mayor, that the same standards of economy are enforced in the city, and its undertakings, as in the case of the State.

Pending the passing of this Bill, the level of Budapest's expenditure in 1934 cannot be taken as definitively settled. In general, the outcome of the Central Administration's efforts to reduce the burden which local expenditure places on the Hungarian taxpayer depends, where the other cities also are concerned, on what happens in the case of Budapest. The counties and communes have had their expenditure considerably reduced already.

4. STATE BORROWING.

Together with the floating debt table in 2 (*e*) above, it may be convenient to see the borrowing that has taken place in 1932, 1933 and the first quarter of 1934 :

Description	Amount (Millions of pengő)	Maturity
1. Treasury Bills placed under Law XXVI of 1931 :		
(a) With banks	67.8	January 28th, 1935
(b) With OTI (Social Insurance Institution).. ..	5.0	October 28th, 1934
(c) With MABI (Private Employees' Insurance Institution)	8.0	January 28th, 1935
2. Treasury Bills placed under Law II of 1932 :		
(a) 5% Treasury Bills	38.9	April 25th, 1935
(b) 4% Treasury Bills (deposited with Foreign Creditors' Fund in respect of investment loan).. .. .	10.5	October 15th, 1935
(c) 4% Treasury Bills (deposited with Foreign Creditors' Fund in respect of State debt service)	25.6	December 23rd, 1934
3. Treasury Bills placed under Law IX of 1933 :		
(a) 2% Treasury Bills deposited with the Foreign Creditors' Fund in respect of State debt service	17.6	December 23rd, 1934
(b) 2% Treasury Bills deposited in respect of non- transferred service of Reconstruction Loan 1924	14.3	From August 1st, 1934, to March 1st, 1935
Total	187.8	

This list does not include a loan of 10 million pengő from the Foreign Creditors' Fund to the State Railways (see I, 5 (*c*), below) which is in course of repayment, 6 million pengő remaining outstanding at March 31st last.

The Government still has authority to borrow (*a*) the difference between arrears of dues (98.5 million pengő at March 1st) and the total of bills already issued against these arrears (80.8 million pengő)—*i.e.*, 17.7 million pengő—and (*b*) any amount by which actual budget receipts for 1933-34 may fall short of estimated expenditure.

5. MONETARY AND FINANCIAL.

(a) Position of the National Bank.

No sign of increasing economic activity is as yet discernible here. The return at the end of March (see Appendix II, 2) shows a decrease in discounts, since the end of December last, of 53 million pengő, as against a decrease of 7 million pengő in the same period last year. This is due largely to a decline in the demand for credit, and, in part, to a decrease in "Other Liabilities" (— 15.3 million pengő), clearing balances and balances in the Foreign Creditors' Fund having decreased. Note circulation, which has decreased by 8.8 million pengő over the last quarter, stands 5.2 million pengő higher than it did a year ago. In considering the metal reserve and the items "Bills discounted" and "Cash certificates", the agreement concluded last October consolidating for three years credits given by the Bank for International Settlements and other Central Banks (Ninth Report, page 7) will be borne in mind.

The Bank paid a dividend of 8 per cent for 1933, as against 9 per cent for 1932. As the dividend for 1933 did not exceed 8 per cent, the State received no share in the profits.

(b) *Foreign Exchange Control.*

The position at the National Bank with regard to freely available foreign exchange is not improving. It was mentioned in the last of these reports (pages 7-9) that, in spite of a surplus of exports over imports, the first eleven months of 1933, as compared with the same period in 1932, had brought a decrease of 20 million pengö in the amount of exchange actually acquired by the National Bank. An increase of 70 million pengö in total foreign exchange incomings recorded had been offset by an increase of 90 million pengö in exports giving no exchange to the National Bank. The figures for the whole year 1933, compared with those for 1932, are a little less unfavourable; the decrease in exchange actually acquired being 17 million pengö (instead of 20 for the first eleven months)—2 million pengö in exchange from exports and 15 million pengö in exchange from other sources. It should be observed, however, that the exchange actually acquired included currency which cannot be freely exchanged. "Actually acquired" only means that the National Bank does obtain possession of the currency in question and can use it, where it is utilisable. On the other hand, exports through clearings, compensations and against pengö give no exchange to the National Bank.

The foreign exchange dealings recorded and transacted by the National Bank, in 1933, compare as follows with those in 1932 :

I. <i>Incomings :</i>	1933	1932 (Millions of pengö)	Difference for 1933
1. Foreign exchange recorded (including exchange for specific destination) :			
(a) Exports through clearings	147	94	+ 53
(b) Compensations	69	54	+ 15
(c) Exports against pengö	35	4	+ 31
Total of 1	251	152	+ 99
2. Foreign exchange actually acquired :			
(a) Export exchange	68	70	— 2
(b) Exchange receipts from other sources (State obligatory declaration, etc.) ..	17	29	— 12
Total of 2	85	99	— 14
3. Purchases by authorised banks	5	8	— 3
Total of 1, 2 and 3—i.e., total foreign exchange receipts recorded by the National Bank	341	259	+ 82
II. <i>Outgoings :</i>			
1. Foreign exchange allotments recorded :			
(a) Through the clearings	124	81	+ 43
(b) Through compensations	69	54	+ 15
Total of 1	193	135	+ 58
2. Allotments out of exchange actually acquired :			
(a) For imports :			
Out of National Bank's holdings ..	47	41	+ 6
Out of applicants' own holdings ..	—	3	— 3
Total of (a)	47	44	+ 3
(b) For other purposes :			
For debt service	20	21	— 1
To the State	20	28	— 8
To others	22	27	— 5
Total of (b)	62	76	— 14
Total of 2	109	120	— 11
3. Sales by authorised banks	6	8	— 2
Grand total of 1, 2 and 3	308	263	+ 45

There was an increase in total allotments of 45 million pengö, but a still larger increase (+ 58 million pengö) in allotments of exchange that was, in fact, never available to the Bank. Thus, allotments from the Bank's own exchange (including currencies that are not freely exchangeable) decreased by 13 million pengö. There was a net increase in exchange allotted for imports of 3 million pengö, but a decrease of 16 million pengö in that allotted for other purposes.

In view of the large grain harvest in 1933 and the recent improvement in the balance of Hungary's foreign trade as shown by the export and import returns (see Appendix II, 1), it is important to look closely into the National Bank's foreign exchange position. Figures for the first quarter of 1934 are compared below with those for the same period in 1933.

I. <i>Incomings</i> :	First quarter 1934	First quarter 1933 (Millions of pengő)	Difference for 1934
1. Foreign exchange recorded (including exchange for specific destination) :			
(a) Export through clearings	37	38	— 1
(b) Compensations	15	13	+ 2
(c) Export against pengő	11	2	+ 9
Total of 1	63	53	+ 10
2. Foreign exchange actually acquired :			
(a) Export exchange	28	14	+ 14
(b) Exchange receipts from other sources (State obligatory declaration, etc.) ..	4	5	— 1
Total of 2	32	19	+ 13
3. Purchases by authorised banks	1	1	—
Total of 1, 2 and 3—i.e., total foreign exchange receipts recorded by the National Bank	96	73	+ 23

Total foreign exchange incomings recorded by the National Bank increased by 23 million pengő. Of this sum, 10 million pengő is in exports giving no actual exchange to the National Bank (exports against pengő and compensations). In exchange actually acquired, there has been an increase of 13 million pengő. However, provisional returns indicate that, in January-March this year, 24 million pengő of the export exchange actually acquired was in currencies that are not freely available, as against 8 million pengő in the corresponding period last year. Therefore, even assuming that the whole "receipts from other sources" consists of *Edeldevisen*, and leaving aside "purchases from authorised banks", the comparison between the two periods from the freely available exchange point of view is as follows :

	First quarter 1934	First quarter 1933
	Millions of pengő	
Exchange actually acquired by the National Bank	32	19
Exchange of limited availability	24	8
Freely available exchange	8	11

Thus, in spite of the large increase in total export exchange, there was a decrease of 3 million pengő in exchange which is freely available for foreign debt payments.

II. <i>Outgoings</i> :	First quarter 1934	First quarter 1933 (Millions of pengő)	Difference for 1934
1. Foreign exchange allotments recorded :			
(a) Through the clearings	34	34	—
(b) Through compensation	15	13	+ 2
Total of 1	49	47	+ 2
2. Allotments out of exchange actually acquired :			
(a) For imports :			
Out of National Bank's holdings ..	21	10	+ 11
Out of applicants' own holdings ..	—	—	—
Total of (a)	21	10	+ 11
(b) For other purposes :			
For debt service	3	3	—
To the State	5	4	+ 1
To others	4	4	—
Total of (b)	12	11	+ 1
Total of 2	33	21	+ 12
3. Sales by authorised banks	1	1	—
Grand total of 1, 2 and 3 ..	83	69	+ 14

Total allotments increased by 14 million pengö, the greater part of which, 11 millions, was out of exchange actually acquired by the National Bank. However, of the 21 million pengö allotted for imports out of the National Bank's own holdings in the first quarter this year, upwards of 20 million pengö, according to provisional returns, were in currency of limited availability. In the corresponding period last year, of the 10 million pengö allotted out of own holdings, only 3 million pengö were in limited availability currency. Of the 12 million pengö allotted in the first quarter of this year for purposes other than imports, 6 million pengö were in limited availability currency, as against 4 million pengö out of 11 million pengö in the corresponding period last year.

The last four months have seen a marked increase in the turnover of the compensation scheme started in December 1932, under which exporters of selected articles receive a premium in pengö over and above the equivalent, at the official rate, of the foreign exchange they surrender to the National Bank, and importers pay a surcharge for the exchange allotted to them. For the first eleven months of the scheme's operation (at October 31st last), exports under it amounted to 30.6 million pengö at an average premium of 13.7 per cent, and imports to 25.6 million pengö at an average surcharge of 17.3 per cent. At February 28th last, total exports under the scheme amounted to 61.7 million pengö at an average premium of 16.1 per cent, and imports to 51.8 million pengö at an average surcharge of 19.8 per cent. Thus the scheme's turnover in four months to February 28th last was larger than it had been for the previous eleven months.

(c) *Foreign Debts.*

The position at March 31st of the Foreign Creditors' Fund, into which the Transfer Suspension Decree requires the deposit of pengö in respect of untransferred foreign debt service, was as follows:

I. *Payments to the Fund and out of the Fund.*

	State loans	Municipal and other public loans (Millions of pengö)	Other loans	Total
1. Payments to the Fund :				
(a) In cash	16.20	60.10	83.00	159.30
(b) In Treasury Bills	43.30	—	—	43.30
Total	59.50	60.10	83.00	202.60
2. Payments out of the Fund :				
(a) Coupons and bonds redeemed	4.70	31.30	58.40	94.40
(b) Refunded to debtor because not sub- ject to transfer moratorium	4.90	—	3.80	8.70
Total	9.60	31.30	62.20	103.10
3. Interest paid on the Fund :				
(a) By National Bank	0.10	1.29	1.00	2.39
(b) By the State Treasury	1.16	—	0.23	1.39
(c) By the issuing banks	—	—	0.06	0.06
(d) By State Railways	—	—	0.24	0.24
Total	1.26	1.29	1.53	4.08
4. Balance held :				
(a) In cash (originally)	7.86	30.09	22.33	60.28
(b) In Treasury Bills	43.30	—	—	43.30
Total	51.16	30.09	22.33	103.58

II. *Present Position of the Fund.*

Balance held by the Fund :	(Millions of pengö)
(a) In cash (originally)	60.28
(b) In Treasury Bills	43.30
Total	103.58
Thereof investments (out of cash) :	
(a) Loan to State for productive investments (secured by Treasury Bills of same amounts)	10.50
(b) Loan to State Railways (secured by bills)	6.00
(c) Deposits with issuing banks (under Farmer Debt Relief Decree) ..	1.40
Total	17.90
Net amount at present held in cash	42.38

III. Arrears to the Fund.¹

State loans	Other loans (Millions of pengő)	Total
—	22.06	22.06

The above-mentioned loan to the State Railways, secured by bills, of which 6 million pengő is outstanding, was of an original amount of 10 million pengő, and is in course of repayment at a monthly rate of 0.5 million pengő.

The amounts deposited, under the Standstill Agreement, in pengő with the National Bank to cover interest and commission on short-term banking debts, not satisfied in foreign exchange, totalled, on March 31st, 1934, 37.5 million pengő, out of which 30.5 millions had been paid to creditors accepting such payments in satisfaction. The balance held by the National Bank thus amounted to 7 million pengő. The amount deposited under the same agreement for capital repayments in pengő with the National Bank totalled, on March 31st, 1934, 11.5 million pengő, out of which 9.4 million pengő had been disposed of by the creditors. The balance held by the National Bank thus totalled 2.1 million pengő.

(d) *New Standstill Agreement.*

A new Standstill Agreement was concluded on April 4th with the British and American short-term banking creditors, providing for a reduction of interest payable by Hungarian debtors (a) by one-half of one per cent if interest is paid in pengő, and (b) by $\frac{1}{4}$ to $\frac{1}{8}$ per cent if it is paid in foreign exchange. The agreement also provides for a further compulsory capital repayment in pengő amounting to 5 per cent. The possibility of a second 5 per cent repayment may be discussed by the parties to the agreement prior to October 1st, 1934. An important point of the agreement is the discontinuation, in respect of voluntary capital repayments in pengő, of the principle of equal treatment. The agreement enables creditors to obtain information as to the financial position of their ultimate (commercial and industrial) debtors. In circumstances, it allows for a switch in the person both of the debtor and of the creditor (*Umschichtung*) and enables the National Bank to guard against any excessive creation of blocked pengő balances on account of voluntary capital repayments by suspending at short notice the voluntary capital repayment procedure. In this case, negotiations with the creditors are to be resumed at once. The agreement is to run until April 1st, 1935, but in certain conditions parties to it have the right to terminate it, after the first three months, at twenty-one days' notice.

II. ECONOMIC SITUATION.

I. GENERAL.

There are signs of economic revival : the goods traffic of the Railways, which for 1933 was only very slightly in excess of the 1932 mark, increased sharply in January and February 1934. The exceptional 1933 grain harvest partly accounts for this, no doubt, as for the increase in exports. Postal traffic has at last begun to improve somewhat ; the output of iron and steel shows a very large increase. However, the process of recovery is being delayed both by public charges, State and local, which are excessive in view of the country's capacity, and by the collapse in the purchasing power of the agricultural community.

The disparity between agrarian and industrial prices has been growing for the last four years ; in January 1934, according to the indices prepared by the Royal Hungarian Statistical Office, the general agricultural price index was 51.9 per cent of the general industrial price index (1913 = 100 for both indices)—i.e., in order to buy a given amount of industrial articles, the farmer gives nearly twice as much of his produce as he gave before the war. Calculated on the above basis, the disparity between industrial and agrarian prices averaged, for five years to 1929 inclusive, 90.2 per cent ; after which it grew in 1930 to 67.8 per cent. In 1931, the Boletta being calculated into the wheat price, the disparity showed some attenuation at 75.2 per cent ; in 1932 it remained at the same point, but in 1933 it reached 58.7 per cent.

The price disparity is perhaps greater at present in Hungary than in any other European country. Various causes have contributed to it. Hungarian industry is largely of recent growth, with new plant to amortise, and depends upon foreign countries for raw materials. Many industries could not have gained a foothold here without protection. Later, as the financial crisis developed, the lack of foreign means of payment and import restrictions devised to ease the strain on the national currency have given a further impulse to their development, which has also been aided by cartels having it in their power to control prices. Just as other Central European countries, formerly great importers of food, have artificially developed their agriculture, so Hungary has tried to make herself self-sufficient in industrial production. But in the meantime, for several reasons, it has proved increasingly difficult to retain foreign markets for Hungarian agriculture. The inland market has been glutted, food prices have been depressed, the farmer's purchasing power and ability to pay taxes and interest on his

¹ Allowing for £ and \$ depreciation.

debts have steadily declined. It has been considered necessary to give the more heavily burdened agrarian debtor some temporary relief where the service of his debts is concerned (Eighth Report, page 18). However, the agrarian shears have opened wider than ever.

The Government has attempted by various means to bring prices of manufactured goods nearer the reach of the Hungarian consumer, but the general industrial index remains appreciably higher than it was before the war. As a possible alternative to the reduction of industrial prices, it has been suggested that internal agricultural prices might be raised. A great difficulty here is that, even at present prices, there are classes of agrarian goods that cannot compete abroad, so that any further increase in internal prices may be expected to create still more obstacles to export. The risks involved may be judged by the decreases in export that took place, not in values only, but also in quantities, between 1929 and 1932, over which time cattle and live animals decreased from 434 thousand pieces to 262 thousand, wheat from 4.8 million quintals to 1.4 million quintals, and flour from 2.7 million quintals to 0.6 million quintals. With an exceptional grain harvest, 1933 somewhat improved the tendency, though not where flour is concerned.

Hungary cannot do without some supply of foreign exchange. Although it is true that industrial articles at present account for a much larger percentage of total exports than they did formerly, it is doubtful whether industry can in the long run produce the foreign exchange which agriculture now threatens to lose. In certain cases, industrial exports are only possible because the goods are offered abroad at prices which do not cover the costs of production, the resultant losses being covered by the margin of profit on inland sales. It would be healthier if the proportion between industrial and agricultural goods in Hungary's total exports were nearer what it was when Hungary was still able to market abroad the produce of her own soil.

The urgency for helping agriculture to recover its purchasing power must be recognised. However, even apart from the foreign exchange question, misgivings may be felt as to what the producer would gain by increases in the internal price of this or that article of food. Several attempts have been made in this direction, with results that appear rather to illustrate the difficulties of the undertaking than to encourage further efforts.

A wheat-bounty (the Boletta) has, under various forms, been in existence in Hungary for over three years. Through the Boletta Fund, which is outside the ordinary budget, support is provided, not for wheat-growers only, but for other agrarian interests also. Latterly, internal wheat prices have been considerably higher, at official exchange rates, than in other wheat-exporting countries or on free international markets. Even so, wheat-growers claim that they are working at a loss and that the inland price must be correspondingly increased. Meanwhile, the measures adopted or discussed for their benefit encourage the producers of other agricultural articles, hitherto unprotected, to demand that the State shall also intervene on their behalf.

In the last year and a half, attempts have been made to give satisfaction to some of these demands by enabling distributing organisations to control the prices to the Budapest consumer of certain agricultural products, the most important of which are milk (Seventh Report, page 15) and potatoes. It is doubtful whether the producer has profited thereby. The milk price to the direct consumer has remained pegged at 32 fillér a litre, and consumption in Budapest, smuggling apart, has declined sharply. Of the total delivered, the proportion used for industrial purposes continues to increase, and the price paid to the producer for it continues to decline, the producer gets less and less, in the aggregate, for the milk he delivers under this scheme. It should be added that it is claimed, in defence of the present arrangements, that the high price of milk to the direct consumer is compensated for in the price of butter.

In the case of potatoes, according to figures recently published by a well-known Hungarian economist (*Pester Lloyd*, April 1st, 1934, page 27), the changes in five months of price-fixing have been :

	Per cent
The price to the producer has increased by	36.0
The wholesale price has increased by	59.5
The margin between the price to the producer and the wholesale price has increased by	115.0
The retail price has increased by	33.5
And the margin between the wholesale and retail price has not changed.	

The increase in the price to the producer has, roughly speaking, been passed on to the consumer, the offer in the Budapest market has been restricted and consumption has decreased.

Returning for a moment to the question of industrial prices in Hungary, it may be of interest to enquire to what extent their present level is imputable to public contributions and social charges. In the case of sugar, it is true that, of the 121 pengő per quintal wholesale price, which has been maintained for years past, roughly one-half—*i.e.*, 60.05 pengő—corresponds to public contributions. However, when this deduction has been made, the remaining 60.95 pengő is higher than the total sugar price, including public contributions, ruling in many countries—*e.g.*, the United States of America, the United Kingdom, France, Sweden and Switzerland.

With regard to industry in general, the following figures, published in the Royal Hungarian Statistical Office's year-books, show, where joint-stock companies are concerned, the relative burden caused by public contributions and social charges (*a*) in the last year before the war, (*b*) in 1928 and (*c*) in 1932, the last year for which the relevant information is available. For the sake of simplification, expenditure for amortisation of plant and some other items has been omitted here :

Expenditure of Industrial Joint-Stock Companies.

	Total	Social charges and insurances	Public contributions	Wages	Raw material	General management and office expenditure
1913 (in millions of crowns, and omitting Croatia)	1,546	6.95	71.7	199.9	831.6	92.4
1913 (per cent)	100	0.5	4.6	12.9	53.8	6.0
1928 (millions of pengő)	1,981.9	16.3	48.7	243.1	1,044.2	148.7
1928 (per cent)	100	0.8	2.5	12.3	52.7	7.5
1932 (millions of pengő)	1,407.9	17.5	66.6	153.0	614.4	130.6
1932 (per cent)	100	1.2	4.7	10.9	43.6	9.3

It will be seen that public contributions, in 1932, represented almost exactly the same percentage as before the war, while social charges and insurance, though they had increased, still only amounted to 1.2 per cent of the total. Wages and raw materials had both decreased. On the other hand, there had been a 55 per cent increase in general management and office expenditure.

It should be added that, of the 3,324 factories operating in Hungary in 1932, 1,242 belonged to joint-stock companies. This is a high percentage. Hungary is not the only Central European country where there has been a development of joint-stock company-owned industrial concerns, and where cartels determine price policy. But, in Germany, for instance, the index of cartel-controlled industrial goods declined from 100 per cent in 1928 to 84.3 per cent in 1932 and 78.5 per cent in 1933 (yearly averages); while, in Hungary, there has been no appreciable aggregate reduction in controlled industrial prices, and, indeed, some have increased.

2. TRADE.

Visible foreign trade returns for the first months of 1934 will be found in Appendix II, 1, and Section I, 5 (b) contains information on the results from the foreign exchange point of view, showing that the improvement in the visible balance (see also Ninth Report, pages 7-9, 11) has not given the National Bank more freely available foreign exchange.

	Imports	Exports	Balance
	(Millions of pengő)		
1931	539.4	570.4	+ 31.0
1932	328.5	334.5	+ 6.0
1933	313.7	393.4	+ 79.7

With regard to the composition of Hungarian exports, the following table may be of interest:

Hungarian Exports in 1931, 1932 and 1933.

	Quantities			Values		
	1931	1932	1933	1931	1932	1933
	(Thousands of pieces)			(Millions of pengő)		
Cattle	101.3	51.9	71.8	56.5	18.3	21.8
Pigs	105.4	116.9	159.6	19.5	18.4	24.0
	(Thousands of quintals)					
Poultry	237.0	179.7	232.4	45.2	22.7	26.7
Wheat	3,608.5	1,439.1	4,502.5	42.0	21.0	42.9
Flour	1,290.0	612.1	522.8	29.5	13.9	9.2
Tobacco (raw)	93.5	121.2	91.5	7.5	7.3	5.1
Feathers	25.5	17.8	26.7	14.4	6.6	8.1
Half-manufactured iron articles	773.4	271.6	264.0	11.1	4.0	4.7
Maize	72.0	255.5	1,984.5	1.1	2.6	14.9

The sharp decline in flour exported illustrates the increasing difficulty experienced in finding a market for this commodity, which was once a great source of wealth to Hungary, but which is now milled in the regions which formerly imported it. Before the war, the Hungarian milling industry was the largest in Europe. In 1933, exports of flour amounted, in value, to only about one-third as much as exports of poultry. Another interesting point is the great increase in maize exports, although the 1933 maize harvest was a poor one. Foreign demand for maize has led to wheat being used internally for fodder, thus freeing maize for export. Wheat is not gaining what flour has lost. In 1928, wheat accounted for 10.8 per cent of the total value of exports, flour for 10.7 per cent, cattle for 10.5 per cent, poultry, eggs and feathers for 9.5 per cent. In 1933, total exports being much lower, cattle led with 13.7 per cent, then came poultry and by-products with 11.2 per cent, wheat with 10.9 per cent and flour with 2.3 per cent. Thus a radical change is taking place in the demand for Hungarian goods. Wheat and flour, which are produced for export mainly by large estates, are losing their place to poultry and live-stock.

Great changes also show in the direction of Hungary's exports. The following table compares returns for 1925, the first complete year after the 1924 currency stabilisation, 1932 and 1933.

Hungary's Foreign Trade in Values in Millions of Pengö (Imports to Hungary and Exports from Hungary).

		1925		1932		1933	
		Imports	Exports	Imports	Exports	Imports	Exports
Austria	Value	193.6	272.2	53.9	100.8	62.5	106.7
	Per cent	22.6	33.5	15.5	30.1	19.9	27.1
Italy	Value	39.2	32.5	18.6	26.2	23.1	34.1
	Per cent	4.6	4.0	5.6	7.8	7.4	8.7
Germany	Value	128.9	80.5	73.9	50.7	61.5	44.7
	Per cent	15.0	9.9	22.5	15.1	19.6	11.3
Switzerland	Value	29.4	18.2	12.0	15.7	5.5	21.2
	Per cent	3.4	2.2	3.7	4.7	1.7	5.4
Czechoslovakia	Value	213.0	195.8	34.3	22.7	32.4	29.3
	Per cent	25.1	24.1	10.4	6.8	10.3	7.4
France	Value	15.2	4.3	13.4	15.7	17.6	17.8
	Per cent	1.8	0.5	4.1	4.7	5.6	4.5
England.. .. .	Value	27.4	10.2	15.3	23.2	13.0	30.4
	Per cent	3.2	1.2	4.7	6.9	4.1	7.7
Other countries	Value	111.3	198.4	107.2	79.6	97.9	109.2
	Per cent	21.7	24.4	33.5	23.8	31.3	27.8
Total	Value	858.0	812.1	328.6	334.5	313.7	393.3
	Per cent	100	100	100	100	100	100

It will be seen that Hungary's exports to her traditional markets have fallen off sharply since 1925. To Austria, they have fallen from 33 per cent of the total to 27 per cent of a much smaller total, to Czechoslovakia from 24 per cent to 7 per cent. In the case of Germany, the percentage has increased somewhat, but values have greatly diminished. Italy and Switzerland have slightly increased their purchases from Hungary, in absolute figures, though considerably in percentages of the total. France and England have greatly increased theirs, in both absolute figures and percentages. Hungary's exports have to a great extent been forced out of her former markets. To a lesser extent, they have been able to find their way to new and more distant markets, and particularly to countries to which Hungary is indebted.

Where imports into Hungary are concerned, changes in direction are also great, and correspond roughly to those shown on the export side. It will be noticed, however, that countries other than those appearing separately in this table have maintained their place as suppliers of the Hungarian market, and have even increased very strikingly their percentage of total Hungarian imports. Among these are oversea countries supplying the raw material required by industry.

The State Railways' traffic returns for January and February show a great improvement over last year. With the Post, Telegraph and Telephone, the position is no longer deteriorating.

State Railways.

	Ton-kilometres			Receipts		
	1932	1933	1934	1932	1933	1934
	(Millions)			(Millions of pengö)		
November	175.9	207.5	—	18.7	19.8	—
December	139.3	157.9	—	15.5	16.8	—
Calendar year	1,673.7	1,762.3	—	205.7	195.5	—
January	134.2	117.7	139.3	15.3	13.4	15.2
February	128.3	114.1	132.4	13.9	12.9	13.8

Post, Telegraph and Telephone.

	Registered letters			Parcels			Receipts		
	1932	1933	1934	1932	1933	1934	1932	1933	1934
	(Millions)			(Millions)			(Millions of pengö)		
November	0.7	0.7	—	0.8	0.7	—	8.0	7.8	—
December	0.7	0.6	—	0.9	0.9	—	8.4	8.1	—
Calendar year	9.3	—	—	8.7	—	—	97.3	—	—
January	0.9	0.7	0.7	0.7	0.6	0.7	8.4	7.5	7.7
February	0.8	0.7	0.6	0.6	0.6	0.6	7.7	7.0	7.1

Figures illustrating consumption and production are only available up to the end of 1933. The tendency shown by them is irregular, but the increase in the output of iron, steel and coal deserves attention :

	Percentage of decrease or increase, 1932 to 1933 (fourth quarter)						
Sugar consumption	+ 5.4
Milk consumption	— 9.8
Beer consumption	— 18.4
Sales of household goods	—
Sales of artificial silk	+ 36.9
Sales of silk	— 28.4
Sales of cotton goods	+ 15.6
Sales of woollen goods	— 3.4
Sales of jute	+ 79.5

3. PRODUCTION.

Fourth quarter of :	Consumption of industrial products (Weighed index 1927=100)	Value of pawned objects sold at auction (in percentage of original total loans)	Output of iron	Output of steel	Output of coal
1931	81.4	7.0	34	70	2,155.8
1932	76.1	2.5	12	41	2,056.5
1933	84.9	2.4	29	68	2,216.9

4. PRICES.

	Wheat (per 100 kg.)	Live cattle (middling quality) (per kg.)	Calves (per kg.)	Pigs per (kg.)
	Pengö	Pengö	Pengö	Pengö
1933 :				
November 30th	7.78	0.46	0.84	0.78
December 31st	7.15	0.54	0.79	0.77
1934 :				
January 31st	8.28	0.52	0.85	0.88
February 28th	8.55	0.47	0.87	0.93
March 29th	10.10	0.38	0.73	0.91

The recent increase in wheat prices appears to be due to expectations of Government action in their support, and perhaps also to the hope that the economic negotiations between Italy, Austria and Hungary will provide a secure market for Hungary's export surplus of grain.

5. STOCK EXCHANGE.

The Royal Hungarian Statistical Office's index (1926 = 100) stood at 91.9 when the Bourse re-opened on September 20th, 1932. In February 1933, it was 80.8 ; in December 1933, 70.3 ; and in February 1934, 80 (monthly averages).

Budapest quotations of bonds, which on the whole had declined between March and December 1933, have risen sharply over the last quarter. The price of gold has stiffened of late. There appear to be seasonal causes that make for increase in the gold price in the spring, followed by some decrease in the autumn.

	End of March 1934	End of December 1933	End of March 1933
	(Prices in percentage of nominal value)		
1926 City of Budapest \$ bonds	47½	27½	34½
Consolidated Cities Loans :			
7% bonds	43½	25⅞	26
7½% bonds	44½	26⅞	27½
Hungarian Land Mortgage Institute :			
7½% £ bonds	57½	37½	44½
7½% \$ bonds, Series A and B	48	26	32½
Hungarian Counties Loans :			
6% bonds	51 ¹	34	30
7½% bonds	56 ¹	37	30

¹ For the middle of March, latest prices available.

6. BANKING, COMMERCIAL AND PRIVATE.

The Finance Minister, in his budget speech, again remarked that the banking structure of the country required simplification. Between 1931 and 1933, seventy banks, with an aggregate capital of 10 million pengő and balance-sheets totalling 111 million pengő, had disappeared, but there were too many left. The Minister emphasised the necessity for further reduction, especially in the provinces, and alluded to plans in course of elaboration by the banks themselves. This problem, he added, required careful handling ; its solution would be sought in consultation with the National Bank and the Geldinstitutzentrale.

Balance-sheets for 1933 have been published. Depreciation of sterling and the dollar has helped to improve their appearance, and there has been an appreciable amount of repayment of capital debt. Several of the leading banks again paid a dividend, but in most cases at a lower rate than that for 1932.

Bank Dividends for 1933 and 1932.

	1933	1932
	(Pengő)	
National Bank	9.27	10.43
Commercial Bank of Pest:	3.00	4.00
Credit Bank	—	—
First Savings Bank of Pest	3.00	5.00
Discount and Exchange Bank	1.50	2.50
British-Hungarian Bank	—	—
Hungarian-Italian Bank	1.50	2.50
Central Hungarian Savings Bank	1.00	1.00
General Hungarian Savings Bank	0.75	1.00

Current accounts and savings deposits, in the aggregate, stand at about the same level as they did at this time one year and two years ago, although there have been considerable changes as between individual institutions.

7. COMMERCIAL POLICY.

Following upon the signature of the Rome Protocols by the Prime Ministers of Hungary, Italy and Austria on March 17th last, negotiations began on April 5th, aiming at the extension of exchanges of goods between the three countries, at the overcoming of difficulties caused by the collapse of grain prices in Hungary and at the development of transit through the Adriatic ports. These negotiations are to be terminated not later than May 15th. It is hoped that, among other advantages, the wheat contingents granted by the other two countries concerned will be considerably increased. In the year ending June 30th, 1933, Hungary exported 670,932 quintals of wheat to Austria. In the year ending June 30th, 1934, Hungary has obtained from Austria wheat contingents amounting to 1,570,000 quintals. Exports of wheat to Italy, in the calendar year 1933, amounted to 451,000 quintals. Hungary's export surplus is some 5 or 6 million quintals in an average year, but was nearly double this amount in 1933.

With Germany, a new commercial treaty has been concluded, and entered into force on April 1st. It may be recalled that, in 1931, a treaty between Germany and Hungary was negotiated, including a preferential reduction of 25 per cent of the German duty in favour of Hungarian wheat, but could not take effect on account of the protests of several countries, based on the most-favoured-nation clause. The treaty that has just entered into force provides considerably increased opportunities for the export of Hungarian agricultural products to Germany. German exports to Hungary are also expected to profit by it to some extent. However, estimates of the consequent increase in trade between the two countries that have appeared in the Press are probably much exaggerated. A new clearing agreement in connection with this treaty makes possible Hungarian compensation exports to Germany, the proceeds of which are to go partly towards reduction of outstanding merchandise debts and partly to payment of current imports. The premium required is to be paid in part by German creditors in respect of old merchandise debts and in part by the Hungarian importer of goods from Germany.

New clearing agreements, aimed at disposing of difficulties experienced in the past, have been concluded with France and Switzerland.

Finally, in March last, the Czechoslovak Government proposed to re-open negotiations for a commercial treaty with Hungary. The Hungarian Government accepted in principle, and negotiations are expected to be resumed. It is greatly to be hoped, in the interest of both countries, that the negotiations now contemplated will result in a commercial treaty. The lack of such a treaty has been much felt by both countries during the last three years.

Appendix I.

BUDGET OF THE ADMINISTRATION FOR 1934-35.

(a) EXPENDITURE.

		Budget as voted for the year 1933-34	Budget as submitted to Parliament for the year 1934-35
		(Millions of pengö)	
Supreme organs of the State	Personnel	0.5	0.5
	Material	0.3	0.3
Parliament	Personnel	3.3	3.3
	Material	0.6	0.6
High Court of Accounts	Personnel	0.4	0.4
	Material	0.1	0.1
Administrative Tribunal	Personnel	0.6	0.6
	Material	0.1	0.1
Prime Minister's Office	Personnel	1.3	1.3
	Material	3.4	3.5
Ministry for Foreign Affairs	Personnel	4.6	4.8
	Material	4.8	4.8
Ministry of Interior	Personnel	72.2	70.0
	Material	46.0	45.1
Ministry of Finance	Personnel	34.4	33.2
	Material	55.6	53.9
Ministry of Commerce	Personnel	7.9	9.2
	Material	18.2	19.4
Ministry of Agriculture	Personnel	8.6	8.1
	Material	16.6	16.3
Ministry of Education and Worship	Personnel	41.4	41.3
	Material	20.8	21.4
Ministry of Justice	Personnel	27.2	26.4
	Material	6.3	6.2
Ministry of National Defence	Personnel	56.8	56.8
	Material	28.6	28.8
State Debts		101.2	87.2
Charges under the Peace Treaty		0.9	1.0
Subsidies to autonomous administrations (personnel)		47.4	47.0
Pensions		135.6	138.5
Investments		19.2	16.8
Total		764.9	746.7

(b) RECEIPTS.

	Budget as voted for the year 1933-34	Budget as submitted to Parliament for the year 1934-35.
	(Millions of pengö)	
Direct taxes	247.2	228.1
Tax on business turnover	87.3	91.9
Stamps and dues	101.9	102.0
Excise	81.9	82.3
Customs	32.5	34.0
Tobacco Monopoly	104.5	104.5
Salt Monopoly	24.3	24.3
Saccharine and Lottery Monopolies	2.1	2.0
Departmental receipts (receipts not derived from taxation)	71.2	71.5
Total	752.8	740.6

Appendix II.

**MONTHLY (QUARTERLY) RESULTS FOR THE YEAR 1933-34, COMPARED WITH
THE RESULTS FOR THE YEAR 1932-33.**

	July to December		January		February		March	
	1932	1933	1933	1934	1933	1934	1933	1934
(Millions of pengö)								
A. ADMINISTRATION.								
<i>Receipts.</i>								
Direct taxes	121.9	124.8	15.4	13.9	25.2	22.3	12.1	13.1
Customs duties	16.2	17.8	4.3	3.0	2.5	2.7	2.6	3.4
Excise duties	41.5	44.6	6.3	7.4	7.0	6.5	7.1	7.3
Turnover tax	46.6	49.0	8.3	8.4	7.2	8.5	6.6	7.4
Dues	43.2	49.4	8.0	8.4	8.9	10.4	6.9	8.1
Tobacco Monopoly	54.2	52.6	7.5	9.4	8.9	7.6	8.0	9.4
Salt Monopoly (gross)	12.8	12.8	2.8	2.8	2.4	2.2	1.5	1.7
Saccharine and lotteries	1.0	1.0	0.1	0.1	0.1	0.1	0.1	0.1
Administrative receipts	26.3	32.0	4.3	5.0	3.1	4.0	5.4	6.6
Total receipts	363.7	384.0	57.1	58.4	65.3	64.3	50.3	57.0
<i>Expenditure.</i>								
Army	53.4	39.7	8.7	5.1	7.0	8.4	8.8	
Foreign Affairs	4.3	4.3	1.1	1.1	0.6	0.6	0.5	
Justice	18.1	17.0	2.4	2.7	2.8	2.6	2.7	
Supreme organs of the State ¹ ..	—	—	—	—	—	—	—	
Interior	53.3	56.7	8.9	10.1	9.3	9.8	9.4	
Agriculture	14.2	14.6	3.1	3.5	2.7	2.6	2.7	
Commerce	19.0	15.6	2.4	1.6	5.8	6.3	2.6	
Education	32.0	29.9	5.7	5.6	5.3	5.3	5.2	
Finance	45.1	42.0	11.0	6.8	8.3	6.7	5.9	
Smaller departments	4.9	5.1	1.3	1.3	0.6	0.7	0.6	
Subsidies to local authorities	24.9	24.1	3.7	4.5	3.6	3.7	3.6	
Pensions	63.4	70.5	8.0	12.1	10.8	11.8	10.7	
Charges under Peace Treaty	—	—	—	—	—	—	—	
Debt service	18.6	24.8	7.1	5.2	6.7	4.4	5.9	
Investments	—	—	—	—	—	—	—	
Total expenditure	351.1	344.3	63.4	59.6	63.5	62.9	58.6	53.7
Balance	+ 12.6	+ 39.6	- 6.3	- 1.1	+ 1.8	+ 1.4	- 8.3	+ 3.3
B. UNDERTAKINGS.								
<i>Receipts.</i>								
Post and Telegraph	48.4	47.7	7.5	7.7	7.0	7.1	7.9	
Railways ²	109.9	112.7	13.4	15.2	12.5	13.8	14.5	
Ironworks	6.8	7.9	1.4	1.8	0.8	1.2	1.3	
Other undertakings	10.5	10.6	1.5	2.0	2.1	1.8	1.8	
Total receipts	175.5	178.9	23.8	26.7	22.4	23.9	25.5	
<i>Expenditure.</i>								
Post and Telegraph	45.1	43.8	5.4	6.1	6.0	6.3	5.9	
Railways ²	125.1	130.8	17.2	21.0	21.1	23.3	19.3	
Ironworks	13.1	16.3	2.1	2.6	2.2	2.4	2.5	
Other undertakings	10.2	9.6	1.2	1.5	1.4	1.3	4.3	
Total expenditure	193.5	200.5	25.9	31.2	30.7	33.3	32.0	
Balance	- 18.0	- 21.6	- 2.1	- 4.6	- 8.3	- 9.4	- 6.5	

¹ Included in " Smaller departments ".

² Returns of the Railways for current fiscal year are provisional.

Appendix III.

I. ECONOMIC INDICES.

(End of date given.)

		Fourth quarter	January	February	March
Index of industrial production ¹ ..	1934	—	—	—	—
	1933	90.5	—	—	69.0
	1932	79.6	—	—	77.7
Output of coal ²	1934	221,690	63,812	62,526	—
	1933	205,655	63,324	54,349	51,221
	1932	215,579	63,146	62,180	57,913
Unemployment ³	1934	—	26,280	26,066	—
	1933	25,113	31,431	30,955	29,771
	1932	30,967	32,711	32,645	31,340
Prices : Sensitive	1934	—	78.2	—	—
	1933	78.1	76.4	75.7	76.3
	1932	77.1	82.9	82.9	79.7
Wholesale	1934	—	71	74	—
	1933	71	82	83	82
	1932	81	98	99	99
Retail	1934	—	97.96	98.16	97.76
	1933	98.23	102.28	101.92	101.16
	1932	103.78	108.02	107.37	107.10
Stock Exchange index	1934	—	77.5	80.0	—
	1933	70.3	86.2	80.8	79.1
	1932	82.8	— ⁴	— ⁴	— ⁴
		(Millions of pengö)			
Savings deposits at the Post Office	1934	—	546.0	545.6	—
	1933	535.8	509.5	508.8	504.4
	1932	512.0	529.6	531.1	525.6
Savings Bank and the twelve leading commercial banks ..	1934	—	660.8	642.5	—
	1933	660.8	658.7	665.2	662.0
	1932	672.1	643.3	652.6	658.4
Current accounts at the Post Office	1934	—	1,206.8	1,188.1	—
	1933	1,196.6	1,168.1	1,174.0	1,166.4
	1932	1,184.1	1,172.3	1,183.7	1,184.0
Savings Bank and the twelve leading commercial banks ..	1934	—	—	—	—
	1933	—	—	—	—
	1932	—	—	—	—
Total	1934	—	—	—	—
	1933	—	—	—	—
	1932	—	—	—	—
		Per cent	Per cent	Per cent	Per cent
Official discount rates	1934	—	4.5	4.5	4.5
	1933	4.5	4.5	4.5	4.5
	1932	4.5	7	7	7
Market discount rates ⁵ :					
3-month bills (maximum) ..	1934	—	7.5	7.5	—
	1933	7.5	7.5	7.5	7.5
	1932	—	—	—	—
3-month bills (minimum) ..	1934	—	4.37	4.37	—
	1933	4.37	4.37	4.37	4.37
	1932	—	—	—	—
Foreign trade : ⁶		(Millions of pengö)			
Imports	1934	—	23.9	22.5	30.2
	1933	91.2	22.4	21.6	26.1
	1932	90.9	27.3	25.5	30.5
Exports	1934	—	29.3	29.3	38.9
	1933	125.0	23.3	25.9	29.4
	1932	97.4	24.1	23.6	25.4
Difference	1934	—	+ 5.4	+ 6.8	+ 8.7
	1933	+ 33.8	+ 0.9	+ 4.3	+ 3.3
	1932	+ 6.5	— 3.2	— 1.9	— 5.1

¹ The Economic Research Institute now publishes quarterly indices, calculated on a new basis, which cannot be compared with those reproduced in previous reports.

² Coal output in hundreds of quintals.

³ Unemployed.

⁴ Stock Exchange closed from July 13th, 1931, until September 1932.

⁵ Returns of the National Bank of Hungary. Previous reports gave those of the Economic Research Institute.

⁶ Figures for 1933 and 1932 are now definitive.

2. NATIONAL BANK.

		June 30th	September 30th	December 31st		January 31st	February 28th	March 31st
		(Millions of pengö)				(Millions of pengö)		
Note circulation ..	{ 1933	371.7	361.0	368.6	1934	348.4	347.0	359.8
	{ 1932	389.4	372.2	352.7	1933	350.2	343.5	354.6
Sight liabilities:								
Public	{ 1933	35.6	49.4	64.5	1934	65.7	65.7	49.0
	{ 1932	23.2	46.1	41.7	1933	34.1	42.2	29.8
Private	{ 1933	37.4	29.1	38.6	1934	25.5	23.9	26.7
	{ 1932	48.3	34.6	36.6	1933	29.0	27.8	29.4
“ Other liabilities ” (net)	{ 1933	175.1	169.8	155.8	1934	151.0	148.3	140.5
	{ 1932	108.6	138.5	176.7	1933	188.0	185.3	185.0
Metal reserve as shown	{ 1933	121.0	109.1	99.2	1934	105.1	105.3	104.6
	{ 1932	118.9	118.0	120.6	1933	120.0	122.2	120.4
Thereof gold	{ 1933	96.6	96.6	78.8	1934	78.8	78.9	78.9
	{ 1932	96.5	96.5	96.6	1933	96.6	96.6	96.6
Ratio of cover (per- centage)	{ 1933	30.8	28.0	23.5	1934	27.0	27.2	26.9
	{ 1932	29.2	29.4	31.8	1933	33.2	33.7	33.2
Commercial bills dis- counted	{ 1933	476.0 ²	476.9 ²	624.8 ⁴	1934	582.2 ⁴	577.0 ⁴	571.8 ⁴
	{ 1932	431.6 ²	452.7 ²	462.9 ⁷	1933	457.0 ⁷	453.9 ⁸	455.8 ⁸
Advances on securi- ties ¹	{ 1933	9.6	11.0	11.0	1934	11.0	11.0	11.0
	{ 1932	3.4	6.0	9.5	1933	9.5	9.5	9.5
Government debt ..	{ 1933	51.1	50.3	50.1	1934	50.0	49.5	49.5
	{ 1932	53.3	52.5	52.4	1933	52.4	51.2	51.1
Cash certificates ⁹ ..	{ 1933	—	—	119.7	1934	119.7	119.7	119.7
	{ 1932	—	—	—	1933	—	—	—

¹ Treasury Bonds.

² Thereof Treasury Bonds 25.3 million pengö.

³ " " " 30.3 " "

⁴ " " " 31.2 " "

⁵ " " " 20.1 " "

⁶ " " " 22.0 " "

⁷ " " " 23.8 " "

⁸ " " " 25.3 " "

⁹ Issued in connection with the consolidation of the Bank for International Settlements and Central Bank credits.

Appendix IV.

I. FOREIGN EXCHANGE : SALES AND PURCHASES OF THE NATIONAL BANK FOR THE YEAR 1933¹ AND FOR THE FIRST QUARTER OF 1934.

	1934				Total first quarter
	January	February	March		
<i>Purchases :</i>	(Millions of pengö)				
(a) Export Devisen received ..	23.60	20.17	20.97		64.74
Thereof <i>Edeldevisen</i> ²	51.7%	38.5%	30.3%		40.6%
(b) Under obligatory declaration	0.41	0.22	0.14		0.77
(c) From the State	1.61	0.40	0.49		2.50
(d) From others.. .. .	0.37	0.51	0.32		1.20
	25.99	21.30	21.92		69.21
Excess of sales	—	—	1.63		—
<i>Sales :</i>					
(a) For loan service	0.55	1.45	0.79		2.79
(b) For imports	18.44	17.36	19.67		55.47
(c) To the State.. .. .	1.87	1.47	1.45		4.79
(d) To others	1.35	1.02	1.64		4.01
	22.21	21.30	23.55		67.06
Excess of purchases	3.78	—	—		2.15

	1933					1934
	First quarter	Second quarter	Third quarter	Fourth quarter	Total year	First quarter
<i>Purchases :</i>	(Millions of pengö)					
(a) Export Devisen received ..	52.4	49.4	47.2	65.8	214.8	64.74
Thereof <i>Edeldevisen</i> ²	41.6%	36.0%	32.5%	45.9%	39.6%	40.6%
(b) Under obligatory declaration	1.5	0.9	1.0	0.9	4.3	0.77
(c) From the State	2.5	1.3	0.8	0.5	5.1	2.50
(d) From others.. .. .	1.1	2.6	2.0	2.0	7.7	1.20
	57.5	54.2	51.0	69.2	231.9	69.21
Excess of sales	—	—	10.5	—	1.4	—
<i>Sales :</i>						
(a) For loan service	2.9	3.3	3.7	9.9 ³	19.8	2.79
(b) For imports	44.2	34.0	44.4	48.4	171.0	55.47
(c) To the State.. .. .	4.0	4.7	4.9	6.4	20.0	4.79
(d) To others	4.1	5.6	8.5	4.3	22.5	4.01
	55.2	47.6	61.5	69.0	233.3	67.06
Excess of purchases	2.3	6.6	—	0.2	—	2.15

¹ Revised figures.

² The percentages given in this table of *Edeldevisen* to total export exchange received do not include exchange which the National Bank of Hungary has been credited with by the National Bank of Austria in respect of sales of grain in Austria. If this exchange is included, the *Edeldevisen* percentages are as follows :

1934 :		1933 :	
January	52.8	First quarter	42.3
February	40.8	Second quarter	38.9
March.. .. .	32.5	Third quarter.. .. .	35.5
First quarter	42.5	Fourth quarter	47.9
		Total for year : 41.8 per cent.	

³ Of this total, 7.4 million pengö were in connection with the consolidation of the Bank for International Settlements and Central Bank credits to the National Bank.

2. FOREIGN EXCHANGE CONTROL

	Actual exports	Exports notified	Percentage of exports notified to actual exports	Export Devisen received	Percentage of Devisen received to exports notified	Percentage of Devisen received to actual exports	Actual imports	Import Devisen allotted	Percentage of Devisen allotted to actual imports
(Millions of pengö)									
1931:									
October	62.4	40.5	64.9	15.7	38.8	25.2	40.4	5.3	13.1
November	63.3	30.8	48.7	15.0	48.7	23.7	34.6	8.0	23.1
December	43.4	20.8	47.9	14.3	68.7	32.9	41.0	7.9	19.3
1932:									
January	24.1	13.7	56.8	15.0	109.5	62.2	27.3	10.2	37.4
February	23.6	14.4	61.0	15.2	105.6	64.4	25.5	10.9	42.7
March	25.4	16.3	64.2	12.6	77.3	49.6	30.5	9.4	30.8
April	26.9	20.1	74.7	14.0	69.6	52.0	25.7	9.4	36.6
May	26.0	17.6	67.7	12.5	71.0	48.1	27.6	10.9	39.5
June	27.5	19.3	70.2	14.6	75.6	53.1	29.2	10.0	34.2
July	23.2	14.1	60.8	12.0	85.1	51.7	23.2	9.6	41.4
August	25.9	14.6	56.4	10.7	73.3	41.3	24.6	8.5	34.6
September	33.3	17.0	51.1	11.6	68.2	34.8	25.9	7.9	30.5
October	31.7	24.8	78.2	14.4	58.1	45.4	26.5	13.4	50.6
November	30.9	20.0	64.7	14.4	72.0	46.6	29.7	9.5	32.0
December	36.0	24.3	67.5	17.4	71.6	48.3	32.8	13.1	39.9
1933:									
January	23.3	17.1	73.4	14.9	87.1	63.9	22.4	13.0	58.0
February	25.9	21.2	81.9	19.3	91.0	74.5	21.6	14.9	69.0
March	29.4	21.9	74.5	18.2	83.1	61.9	26.1	16.3	62.5
April	23.2	14.8	63.8	17.7	119.6	76.3	22.8	11.2	49.1
May.. .. .	28.2	22.6	80.1	16.6	73.5	58.9	25.5	12.4	48.6
June	29.4	20.6	70.1	15.1	73.3	51.4	25.8	10.4	40.3
July.. .. .	30.1	18.9	62.8	14.6	77.2	48.5	25.3	14.5	57.3
August	34.7	17.7	51.0	15.5	87.6	44.7	26.6	13.6	51.1
September	44.2	29.4	66.5	17.1	58.2	38.7	26.4	16.3	61.7
October	42.3	27.5	65.0	21.7	78.9	51.3	32.7	14.6	44.6
November	44.4	34.3	77.2	21.9	63.8	49.3	32.2	17.0	52.8
December	40.4	30.9	76.5	22.2	71.8	54.9	27.0	16.8	62.2
1934:									
January	29.3	25.2	86.0	23.6	93.6	80.5	23.9	18.4	77.0
February	29.3	24.9	85.0	20.2	81.1	68.9	22.5	17.4	77.3
March	38.9	28.7	73.8	21.0	73.2	54.0	30.2	19.7	65.2

¹ Figures relating to exports and imports revised by the Hungarian Statistical Office.

Geneva, May 11th, 1934.

LEAGUE OF NATIONS

COMMITTEE OF STATISTICAL EXPERTS

**REPORT TO THE COUNCIL
ON THE WORK OF THE THIRD SESSION**

(Held in London from April 12th to 14th, 1934.)

The following members of the Committee were present :

Mr. E. D. DURAND,
Mr. A. W. FLUX,
M. C. GINI,
M. G. JAHN,
M. H. W. METHORST,
M. E. SZTUM DE SZTREM,

M. V. DORE,
Mr. J. W. NIXON.

Also present : M. GAYON, associated member of the Sub-Committee on the Classification of Commodities.

I. MINIMUM LIST OF COMMODITIES FOR INTERNATIONAL TRADE STATISTICS.

1. The Committee, in its last report (document C.672.M.322.1933.A.II), drew attention to the recommendation (Recommendation XII) of the Statistical Conference concerning the preparation of a minimum list of commodities, which reads as follows :

“ (1) When the work on tariff nomenclature is sufficiently advanced, the Committee of Experts should draft, for submission to the Governments of the High Contracting Parties, a minimum nomenclature for statistical purposes ;

“ (3) A standard statistical nomenclature should be adopted for returns of external trade, even in countries which are not in a position to adopt the new Customs tariff nomenclature ; ”

2. At its last meeting, the Committee adopted at first reading such a minimum statistical nomenclature and requested its members to submit in writing any comments to which a further study of this nomenclature might give rise. With a view to facilitating the completion of this list in time to allow it to be submitted to Governments not later than June 1st next, it empowered a sub-committee to complete it, if the comments received on the first draft did not raise points of major importance. In fact, however, the comments proved to be sufficiently numerous and important to render it desirable to afford occasion for a further discussion of the list by the Committee as a whole. It was accordingly decided to fix the date of the 1934 session of the Committee before the May meeting of the Council, and to convene the Committee in London a few days before the meeting of the International Institute of Statistics, which the majority of its members were attending.

3. The Committee, at its last meeting, further suggested that its sub-committee should, if possible, confer with the Sub-Committee of Experts for the Unification of Customs Tariff Nomenclature, with a view to securing as full a measure of agreement between the nomenclature for statistical purposes and the nomenclature drawn up for Customs purposes as the different

uses for which these nomenclatures were intended would permit. Unfortunately, it did not prove possible to arrange for a joint meeting. The Sub-Committee of Experts for the Unification of Customs Tariff Nomenclature, however, submitted a general statement of their views, which is annexed to this report (Appendix I).

4. It will be observed from a perusal of this statement that the Sub-Committee of Experts for the Unification of Customs Tariff Nomenclature expresses *inter alia* the views that complete parallelism between the Customs nomenclature and the statistical nomenclature is not essential; that the latter is likely to be applied with much greater ease and rapidity than the former; and that, in consequence, it would be undesirable to delay the statistical work pending the adoption of a uniform Customs nomenclature. The Committee of Statistical Experts is in general agreement with these views.

5. The Committee of Statistical Experts has devoted the major part of its third session to the completion of the minimum list of commodities for international trade statistics, which will be found at the end of this report, together with a statement regarding the principles which have guided the Committee in the preparation of the list (Appendices II and III). The Committee recommends that this list should, in accordance with the recommendation of the Statistical Conference quoted above, be submitted to Governments parties to the Statistical Convention for their observations.

6. As a number of Governments which have not yet ratified the Statistical Convention are in practice applying it, or a number of its provisions, the Committee considers that it would be desirable to communicate the attached list to all Governments of States Members and non-members of the League for their observations.

7. It would be of great help to the Committee if Governments, in commenting on the list, would express their views concerning the content of individual items, and not only on the general principles on which such a minimum list should be based or the method of grouping commodities. It is important that each item should be as clearly defined as possible, and that each so-called "combination-item" should (though with a few inevitable exceptions) embrace articles which are in fact closely related to one another.

8. The Committee has naturally endeavoured so to define the items as to minimise the necessity for any Government to change its present statistical practice. But it is obvious that international comparability in trade statistics cannot be achieved without some modification of existing practice. Indeed, were no modification required, it would not be necessary to compile the minimum list.

9. In this connection, the Committee desires to refer to the recommendation contained in its last report, that Governments should be notified that, if annual export trade in any of the numbered items of the list is ordinarily of a value less than the equivalent of twenty-five thousand Swiss francs, the item in question might be grouped, by the Government concerned, with some other suitable item in the same chapter. After studying the completed list further, the Committee considers that this principle might also be applied to import statistics.

10. The Committee desires also to recall the view it expressed in this same report that, whereas it is not intended to suggest that data for the lettered sub-items in the list should be compiled by all Governments, such compilation would, in its opinion, be very desirable whenever the trade in such items is of considerable magnitude.

11. The Committee thinks that this list should receive its definitive form early in 1935 in order that it may be put to practical use as soon as possible. It is anxious, therefore, that any comments which may be made should be received in time for circulation, not later than the end of November next, to the members of the Committee. The Committee would then, it hopes, be in a position to prepare the definitive draft, for submission to the Council at its first meeting in 1935.

II. INTERNATIONAL AUXILIARY TRADE STATISTICS.

1. In conformity with the suggestions made by the Committee at its last meeting, regarding the recording of foreign trade by countries of provenance and destination, the Council decided on January 15th, 1934,¹ to :

"(a) Recommend to all Governments parties to the Convention relating to Economic Statistics, which do not at present record their imports by countries of origin, to prepare a supplementary annual record of the commodities contained in the special list to be drawn up by the Committee based on that system ;

"(b) Invite all other Governments to collaborate in this field by taking similar measures, so that the information to be secured may become as comprehensive as possible ;

"(c) Authorise the Secretariat of the League of Nations, subject to the approval by the Assembly of the necessary budgetary provision, to collect, aggregate and publish the data in question."

¹ See document C./78th Session/P.V.1(1), item 3371.

2. At its present meeting, the Committee has prepared the list of commodities referred to above. It comprises some thirty-five basic commodities, for which the Committee considers that this supplementary annual record should at first be compiled. The Committee has also agreed in principle to the instructions relating to the technical application of the Council's recommendation, intended for circulation to the Governments together with the list. A special sub-committee, consisting of the President and two other members of the Committee, has been appointed to settle, before September 1st next, all questions of detail, including the determination of the statistical territories with reference to the imports from which Governments should be requested to supply the desired information. The Committee recommends that the list of selected commodities, together with the technical instructions referred to above, should be circulated to Governments early in the autumn of this year, in order to allow the various countries to arrange for making these import records as from January 1st, 1935.

3. If the fifteenth Assembly of the League approves the necessary budgetary provision for the collection and publication of the relevant data, the first publication by the League would relate to the year 1935 and be made in the course of the year 1936.

III. TIMBER STATISTICS.

The Sub-Committee on Timber Statistics, set up in December last, has taken advantage of the present session of the Committee to discuss its programme of work, and has laid down the general lines for the further study of this problem by the Committee, having regard to the work of the International Institute of Agriculture now in progress.

Appendix I.

STATEMENT OF THE SUB-COMMITTEE OF EXPERTS FOR THE UNIFICATION OF CUSTOMS TARIFF NOMENCLATURE CONCERNING THE RELATIONS BETWEEN THE CUSTOMS NOMENCLATURE AND THE MINIMUM LIST OF COMMODITIES.

1. The members of the Committee of Experts for the Unification of Customs Tariff Nomenclature have received the observations and suggestions of the Committee of Statistical Experts, to which they will, of course, give the most careful attention.

These suggestions will be examined by the Customs Nomenclature Committee, but the latter will hardly be in a position to do so until it has received the replies and observations of the Governments, to which the draft nomenclature has been communicated for this purpose.

2. This general examination of the different observations cannot take place for a considerable time, certainly longer than that at the disposal of the Committee of Statisticians for preparing a new statistical classification to take the place of the Brussels classification.

3. Moreover, the Chairman of the Committee of Experts on Customs Nomenclature feels it his duty to make the following observation immediately : While modifications of detail can be entertained, both he and his colleagues consider that there can be no question of profoundly modifying the actual framework of the Customs nomenclature which has been drawn up.

Apart from the fact that the Customs classification and the statistical classification pursue totally different aims, to which they must necessarily be adapted, the draft Customs nomenclature has long since been communicated to the Governments concerned, which have undertaken or are undertaking a series of enquiries both in the administration and in the circles concerned on the basis of this detailed draft.

It would consequently be impossible to upset the enquiries in progress or to have new enquiries undertaken in cases where they have already taken place on the basis of the present draft.

Moreover, it appears from the replies already received that a considerable number of important countries are prepared to support the draft Customs nomenclature as it now stands.

4. The Customs experts further wish to point out that complete identity between the Customs classification and the statistical classification only corresponds to a purely formal desire for symmetry. It would already constitute a considerable progress if a certain number of Governments accepted a uniform statistical classification on the one hand and a uniform Customs classification on the other. It would then only remain to establish the necessary link between these two classifications for considerable advantages to accrue.

5. Lastly, if we consider that the acceptance of a uniform statistical classification seems likely to be realised with much greater ease and rapidity than the unification of Customs nomenclature, it would be desirable to avoid any delay in the adoption of measures aimed at securing the acceptance of a uniform statistical classification.

Accordingly, the Committee on Customs Nomenclature, while it proposes to pay the greatest attention to the suggestions it has received, considers that the Committee of Statisticians should carry on its work without delay.

This is the more desirable, inasmuch as, in practice, there already exists a relationship between the two classifications, since the uniform statistical classification drawn up by the Committee of Statisticians is really an adaptation of the unified Customs classification, so that it should be easy to establish the desired relationship between them.

Appendix II.

MINIMUM LIST OF COMMODITIES FOR INTERNATIONAL TRADE STATISTICS

A. CLASSIFICATION OF THE SECTIONS AND CHAPTERS.

SECTION I. — FOOD.

1. Live animals, for food.
2. Meat and preparations thereof.
3. Dairy products, eggs and honey.
4. Fishery products, for food.
5. Cereals.
6. Milling products.
7. Vegetables, roots and tubers and their preparations.
8. Edible fruits and nuts.
9. Miscellaneous food products of vegetable origin, starches.
10. Sugar and sugar confectionery.
11. Coffee, tea, cocoa and preparations thereof; spices.
12. Beverages, vinegars and ice.
13. Feeding-stuffs for animals, n.e.s.

SECTION II. — TOBACCO.

14. Tobacco.

SECTION III. — FATTY SUBSTANCES (NON-MINERAL), WAXES, ETC.

15. Oil-seeds, nuts and kernels.
16. Greases, oils and waxes (other than mineral) and manufactures thereof n.e.s.

SECTION IV. — CHEMICALS AND ALLIED PRODUCTS.

17. Chemical elements and compounds; pharmaceutical products.
18. Dyeing and tanning substances; colours.
19. Essential oils, perfumery, soaps, cleaning materials, candles.
20. Fertilisers.

SECTION V. — RUBBER.

21. Rubber and manufactures thereof.

SECTION VI. — WOOD, CORK.

22. Wood, cork and manufactures thereof.

SECTION VII. — PAPER.

23. Pulp, paper and cardboard and manufactures thereof.

SECTION VIII. — HIDES AND SKINS AND MANUFACTURES THEREOF.

24. Hides and skins and leather.
25. Manufactures of leather, not including articles of clothing.
26. Fur skins not made-up.

SECTION IX. — TEXTILES.

27. Textile materials, raw or simply prepared.
28. Yarns.
29. Textile fabrics.
30. Special and technical textile articles.

SECTION X. — ARTICLES OF CLOTHING OF ALL MATERIALS, AND MISCELLANEOUS MADE-UP TEXTILE GOODS.

- 31. Clothing and underwear of textile materials ; hats of all materials.
- 32. Clothing of leather and fur.
- 33. Footwear.
- 34. Made-up articles of textile materials other than clothing.

SECTION XI. — NON-METALLIC MINERAL PRODUCTS.

- 35. Coal, petroleum and their derivatives, peat, asphalt.
- 36. Earths, clays, stones, etc., unworked and partly worked.
- 37. Articles of stone and of other non-metallic mineral materials n.e.s.
- 38. Pottery and other clay products.
- 39. Glass and glassware.

SECTION XII. — PRECIOUS METALS AND PRECIOUS STONES, PEARLS AND ARTICLES MADE OF THESE MATERIALS.

- 40. Precious metals and precious stones, pearls and articles made of these materials.

SECTION XIII. — BASE METALS AND THEIR PRODUCTS.

- 41. Ores, slag, cinder.
- 42. Iron and ferro-alloys, unworked.
- 43. Manufactures of iron and steel.
- 44. Non-ferrous base metals and manufactures thereof.
- 45. Manufactures of base metals n.e.s.

SECTION XIV. — MACHINERY AND VEHICLES.

- 46. Machinery and appliances, other than electrical.
- 47. Electrical machinery and appliances.
- 48. Vehicles and transport equipment.

SECTION XV. — MISCELLANEOUS CRUDE OR SIMPLY PREPARED PRODUCTS NOT ELSEWHERE SPECIFIED.

- 49. Products of animal origin, not for food, n.e.s.
- 50. Vegetable products, not for food, n.e.s.

SECTION XVI. — MANUFACTURED ARTICLES NOT ELSEWHERE SPECIFIED.

- 51. Manufactured articles n.e.s.

SECTION XVII. — ARTICLES WHICH CANNOT BE CLASSIFIED OR ARE SUBJECT TO SPECIAL CONDITIONS.

- 52. Articles which cannot be classified or are subject to special conditions.

SECTION XVIII. — GOLD AND SPECIE.

- 53. Gold and specie.

B. MINIMUM LIST OF GOODS FOR INTERNATIONAL TRADE STATISTICS.

The content of each item is indicated by a reference to the corresponding numbers of the draft Customs nomenclature (document C.921.M.486.1931.II.B). An item in the present list represents only a part of the corresponding item of the Customs nomenclature when the number of the latter is in parentheses.

SECTION I. — FOOD.

Chapter 1. — Live Animals, for Food.

- 1. Bulls, bullocks, cows and calves. 3.
- 2. Sheep and lambs 4.
- 3. Swine. 6.
- 4. Poultry 8.
- 5. Other kinds 5, 7, 9.

Chapter 2. — Meat and Preparations thereof.

Meat, fresh, chilled or frozen:

6. Beef and veal	13a.
7. Mutton and lamb	13b.
8. Pork	13c, 17a.
9. Poultry	14.
10. Other kinds	13d, 15, 16.

Meat, salted, dried, smoked, cooked or otherwise simply prepared:

11. Bacon and hams	17b, 18a.
12. Other kinds	18b.
13. Sausages of all kinds, not canned	116.
14. Canned meat, extracts and other meat preparations	117, 118.

Chapter 3. — Dairy Products, Eggs and Honey.

15. Milk and cream	22, 23.
16. Milk and cream, condensed or in powder	24.
17. Butter, fresh, melted or salt	25.
18. Cheese	26.
19. Eggs in the shell	27a.
20. Eggs, not in the shell, yolks of eggs	27b.
21. Natural honey	28.

Chapter 4. — Fishery Products, for Food.

22. Fish, fresh or refrigerated	19.
23. Fish, simply salted, dried or smoked	20.
24. Crustaceans and molluscs, fresh or simply cooked or salted	21.
25. Fish, crustaceans and molluscs, preserved or prepared in a manner not otherwise specified:	
(a) Caviar	119.
(b) Fish	120.
(c) Crustaceans and molluscs	121.

Chapter 5. — Cereals.

26. Wheat, spelt and meslin:	
(a) Wheat	(68).
(b) Spelt and meslin	(68).
27. Rye	69.
28. Rice, in the husk	70a.
29. Rice, husked, cleaned or polished	70b.
30. Barley	71.
31. Oats	72.
32. Maize	73.
33. Other cereals	74.

Chapter 6. — Milling Products.

34. Meal and flour of wheat, spelt and meslin	75a.
35. Rye flour	75b.
36. Flour of other cereals	75c-g.
37. Groats, semolina and cereal grains, husked, flaked or pearled	76.

38. Malt	80.
39. Macaroni, spaghetti and like cereal preparations	134.
40. Biscuits, cakes and other bakery products	135, 136.
41. Malt extracts and preparations of flour, fecula and malt extracts for infants' foods and dietetic and culinary use	81, 133.

Chapter 7. — Vegetables, Roots and Tubers and their Preparations.

42. Fresh potatoes	49.
43. Other fresh vegetables	45-48, 50.
44. Beans and peas, not fresh, in grains, including desiccated	51.
45. Other dried vegetables	52.
46. Flour, semolina and flakes of farinaceous substances other than cereals:	
(a) Of potatoes	79.
(b) Of other sorts	78.
47. Preserved vegetables	137-139.

Chapter 8. — Edible Fruits and Nuts.

48. Citrous fruits:	
(a) Oranges and mandarines	55a.
(b) Lemons	(55b).
(c) Other (grapefruit, etc.)	(55b).
49. Bananas	54b.
50. Other tropical fruits (pineapples, etc.), fresh	(54a), (54d), 56a.
51. Apples	(59).
52. Other fruits of temperate countries, fresh:	
(a) Grapes	57a.
(b) Orchard fruit, except apples	(59), 60.
(c) Other fruit (strawberries, gooseberries, currants, melons, etc.)	61.
53. Dried fruits:	
(a) Dates	(54a).
(b) Figs.	56b.
(c) Raisins	57b.
(d) Prunes	62b.
(e) Other	(54d), 62a, c.
54. Walnuts, chestnuts and other nuts, used as fruit:	
(a) Tropical (coconuts, Brazil nuts, etc.)	54c.
(b) Other	58.
55. Preserved fruits, fruit pulps, jams, etc.	140-142.

Chapter 9. — Miscellaneous Food Products of Vegetable Origin, Starches.

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312. Illuminating glassware and scientific glassware n.e.s. :	
(a) Bulbs for electric lamps and valves	672.
(b) Other illuminating glassware	673.
(c) Glassware for laboratory use	674.
313. Blown or pressed glassware n.e.s.	675.
314. Optical glass and spectacle glass, crude.	677.
315. Other glass products and manufactures of glass n.e.s.	676, 678-681.

SECTION XII. — PRECIOUS METALS AND PRECIOUS STONES, PEARLS AND ARTICLES MADE OF THESE MATERIALS.

Chapter 40. — Precious Metals and Precious Stones, Pearls and Articles made of these Materials.

316. Pearls, precious and semi-precious stones, not set :	
(a) Real pearls and cultured pearls, unworked or worked	682.
(b) Unworked stones	683a.
(c) Cut stones	683b, c.
317. Ores of precious metals	(195g).
318. Silver, crude :	
(a) In ingots or bars	(684).
(b) Other (powder, scrap, waste and ash)	(684).
<i>Note:</i> According to the practice of the country concerned, crude silver should be shown here or in Chapter 53 (item 440*).	
319. Silver, partly worked	687.
320. Gold, partly worked (for gold, metal, unworked, see Chapter 53)	688.
321. Platinum and other metals of the platinum group, crude or partly worked	686, 689.
322. Jewellery and other wares of precious metals (except watch cases)	690-692.

SECTION XIII. — BASE METALS AND THEIR PRODUCTS.

Chapter 41. — Ores, Slag, Cinder.

323. Iron ores (except pyrites not roasted)	195a.
324. Ores of metals chiefly used for alloying with iron :	
(a) Manganiferous and manganese ore.	(195g).
(b) Chromiferous and chromium ore	(195g).
(c) Other ferro-alloy ores	(195g).
325. Ores of non-ferrous base metals :	
(a) Of copper	195c.
(b) Of tin	(195g).
(c) Of aluminium (bauxite)	195d.
(d) Other	195b, e, f (195g).
326. Slag and other metal wastes, with the exception of phosphatic slag	196-198.

Chapter 42. — Iron and Ferro-Alloys, Unworked.

327. Pig-iron and ferro-alloys unworked :	
(a) Pig-iron	696.
(b) Ferro-alloys	697.
328. Scrap iron and steel	698.
329. Iron and steel, unworked or simply roughed out or bloomed (blooms, billets and slabs) other than of special steel	699, 700.

Chapter 43. — Manufactures of Iron and Steel.

330. Bars, rods and structural shapes :	
(a) Angles, shapes and sections	(701).
(b) Bars, rods, etc.	(701).
331. Wire :	
(a) Not barbed	702.
(b) Barbed	724.
332. Plates and sheets :	
(a) Tinned	704c.
(b) Zinc- or lead-coated	704b.
(c) Other	703, 704a, d, e, 705.
333. Hoops and strips	706.
334. Special steels	707.
335. Tubes, pipes and fittings :	
(a) Cast	708.
(b) Wrought	709-712.
336. Railway track material :	
(a) Rails	713.
(b) Other (points, switches and crossings, joints, fish-plates, chairs, sleepers, etc.)	714-716.
337. Wheels and axles for vehicles other than motor vehicles and cycles	717, 718.
338. Metallic structures and their finished or processed parts	719.
339. Wire cables and rope, not insulated	723.
340. Wire netting, wire fencing, wire mesh and expanded metal	725.
341. Nails, bolts, nuts, screws, etc. :	
(a) Nails, tacks and spikes	727.
(b) Bolts, nuts, rivets and washers, wood screws and screw eyes and hooks	728, 729.
342. Needles and pins	730, 731.
343. Hardware (locks and keys, door, window and trunk fittings, boxes of pressed metal, etc.)	733, 734.
344. Stoves, grates and ranges, boilers and radiators for central heating	735-737.
345. Safes, strong-room fittings and strong boxes	738.
346. Furniture of iron and steel	739.
347. Household utensils, etc., of sheet iron or sheet steel	740.
348. Hand tools :	
(a) Mainly for agricultural use (spades, shovels, picks, mattocks, hoes, forks, rakes, axes, hatchets, pruning-hooks, billhooks, cleavers, hand-choppers, scythes and sickles, hay or straw cutters)	741-743.
(b) Others, including circular saws and band-saws	744-751.
349. Other manufactures of iron or steel n.e.s. :	
(a) Containers for liquids and gases	720-722.
(b) Chains	726.
(c) Springs	732.
(d) Other	752-755.

Chapter 44. — Non-ferrous Base Metals and Manufactures thereof.

350. Copper, not refined, including scrap	(756a), 756b.
351. Copper, refined, unwrought.	(756a).
352. Copper, worked, in bars, rods, sheets, leaves, wire, pipes and tubes	757-762.
353. Manufactures of copper :	
(a) Hardware	767.
(b) Other articles n.e.s.	763-766, 768, 769.
354. Aluminium, crude, including scrap	774.
355. Manufactures of aluminium :	
(a) Bars, sheets, leaves, wire, pipes, tubes	775-780.
(b) Other manufactures	781-784.

356. Pig lead, refined or unrefined, and lead scrap	785.
357. Manufactures of lead :	
(a) Bars, wire, sheets, foil, pipes, tubes	786-788.
(b) Other manufactures	789.
358. Zinc, crude, refined or unrefined, and zinc scrap	790.
359. Manufactures of zinc :	
(a) Bars, wire, sheets, foil, pipes, tubes	791, 792.
(b) Other manufactures	793.
360. Tin, crude, and tin scrap	794.
361. Manufactures of tin :	
(a) Bars, wire, sheets, pipes, tubes	795-798.
(b) Other manufactures	799.
362. Other non-ferrous base metals, crude :	
(a) Nickel	770.
(b) Chromium	800c.
(c) Other	800a, b, d, e.
363. Manufactures of other non-ferrous base metals, n.e.s. :	
(a) Nickel	771-773.
(b) Chromium	(801).
(c) Other n.e.s.	(801).

Chapter 45. — Manufactures of Base Metals, n.e.s.

364. Cutlery	802-809.
365. Lamps and lanterns, gas fittings and electric-light fittings and parts thereof	812.
366. Other articles :	
(a) Printers' type, stereotypes, etc.	814, 815.
(b) Pens of base metal	817.
(c) Imitation jewellery	(819).
(d) Other descriptions n.e.s.	810, 811, 813, 816, 818, (819).

SECTION XIV. — MACHINERY AND VEHICLES.

Chapter 46. — Machinery and Appliances, other than Electrical
(detached parts to be included under each heading).

367. Prime movers :	
(a) Steam boilers and boiler-house plant.	820.
(b) Steam tractors and semi-stationary engines.	821.
(c) Steam engines without their boilers	822.
(d) Explosion and internal combustion motors	823.
(e) Hydraulic motors, windmills and motors driven by compressed air, by gas or by hot air	824, 825.
(f) Road-rollers	826.
368. Agricultural machinery and appliances :	
(a) Cultivators	834.
(b) Harvesters	835.
(c) Other	836.
369. Office machines and appliances :	
(a) Typewriters	852.
(b) Other sorts	853, 854.
370. Other machinery (chiefly industrial equipment) :	
(a) Pumps for liquids	827.
(b) Cranes, hoists and other lifting and excavating machinery n.e.s.	833.
(c) Printing machinery	843.
(d) Textile machinery	844-846, 858g, h.
(e) Sewing machines	847.
(f) Machine-tools (including pneumatic hand-tools)	848, 849.
(g) All others	828-832, 837-842, 850, 851, 855.
371. Machine parts not intended for specific classes of machines (bearings, cylinders, flywheels, gears, taps, valves)	856-858a-f, i.

Chapter 47. — Electrical Machinery and Appliances.

(as far as possible detached parts to be included under each heading).

372. Dynamos, motors, converters, transformers, etc.	859.
373. Electric batteries and accumulators	860, 861.
374. Bulbs and tubes for electric lighting, complete	866.
375. Apparatus for telegraphy and telephony, wireless or other :	
(a) Wireless	868.
(b) Other	869.
376. Insulated cables and wire for electricity	874.
377. Other appliances and apparatus :	
(a) Portable appliances and domestic apparatus, electrically driven	862.
(b) Electric appliances for motor vehicles, cycles and explosion motors	863, 864.
(c) Electric cooking and heating apparatus	865.
(d) Electric apparatus and appliances n.e.s.	867, 870-873.
378. Insulators, cut-outs, accessories and parts of electric machinery, apparatus and appliances not assignable to a particular class of machinery, apparatus, and appliances	875-878.

Chapter 48. — Vehicles and Transport Equipment.

379. Railway locomotives :	
(a) Steam	879.
(b) Electric	880.
(c) Other	(882).
380. Rail motors :	
(a) Electric	881.
(b) Other	(882).
381. Railway rolling-stock :	
(a) Tenders	883.
(b) Passenger carriages	884.
(c) Service cars and freight wagons, including mine wagons	885, 886.
382. Parts of railway rolling-stock, n.e.s. (not including electrical parts and parts of engines)	887.
383. Railway-track equipment n.e.s. excluding electric signalling equipment	888.
384. Tractors with explosion or internal combustion, including gas engines	889.
385. Self-propelled road vehicles, complete :	
(a) Automobiles for passenger transport	890a.
(b) Lorries and other vehicles for goods transport.	890b-d.
386. Automobile chassis, with engine mounted	891.
387. Bodies and other parts of automobiles :	
(a) Bodies	892.
(b) Other parts (except engines and chassis)	893.
388. Motor-cycles, side-cars :	
(a) Motor-cycles, complete, and side-cars, complete	894.
(b) Parts of motor-cycles and side-cars	(896).
389. Cycles foot or hand-driven :	
(a) Complete	895.
(b) Parts	(896).
390. Other vehicles (including detached parts and pieces n.e.s.)	897-899.
391. Aircraft :	
(a) Airships and balloons	900.
(b) Aeroplanes and gliders	901.
(c) Parts of aircraft (except engines)	902.
392. Ships and boats :	
(a) Exceeding 100 tons gross register	(903-907).
(b) Other	(903-907).

SECTION XV. — MISCELLANEOUS CRUDE OR SIMPLY PREPARED PRODUCTS NOT ELSEWHERE SPECIFIED.

Chapter 49. — Products of Animal Origin, not for Food, n.e.s.

393. Live horses, asses and mules	I, 2.
394. Other live animals	10, 11, 12.
395. Pigs' and boars' bristles	30.
396. Guts, bladders and stomachs	31.
397. Marine products n.e.s. :	
(a) Sponges	36.
(b) Shells, coral and other descriptions	(32), (35), (37), (38), (39).
398. Other products n.e.s. :	
(a) Human hair	29.
(b) Birds' skins, feathers, etc.	33.
(c) Bones, ivory, horns, hoofs, claws and similar products	34, (35).
(d) Products used in medicine and perfumery	(37).
(e) Other descriptions	(32), 38, 39.

Chapter 50. — Vegetable Products not for Food, n.e.s.

399. Products of horticulture, not for food :	
(a) Bulbs, tubers and rhizomes of flowering or foliage plants	40.
(b) Cuttings, slips and live plants	41-42.
(c) Cut flowers and foliage	43, 44.
400. Seeds and fruits for sowing	84.
401. Hops, hop cones and lupulin	87.
402. Plants, seeds, fruits and flowers, n.e.s. :	
(a) For medical use or for perfumery	88.
(b) Other kinds	89a-c, e.
403. Parts of plants for use in dyeing and tanning, whether ground or not	92.
404. Gums, resins and balsams :	
(a) Pine resin	(93).
(b) Gums for varnishes	(93).
(c) Others	(93).
405. Vegetable extracts, n.e.s. :	
(a) Opium	94b.
(b) Other	94a, c, d.
406. Materials for basketware and other plaited articles	95.
407. Vegetable products, n.e.s. :	
(a) Wine lees	167.
(b) Others	96-99.

SECTION XVI. — MANUFACTURED ARTICLES NOT ELSEWHERE SPECIFIED.

Chapter 51. — Manufactured Articles n.e.s.

408. Scientific, medical and optical instruments and appliances :	
(a) Optical	908-915.
(b) Surgical and medical, including artificial teeth	661, 923, 924.
(c) Other	916-922, 925-927.
409. Watches, watch-movements, cases and other parts of watches.	928-932.
410. Clocks, clock-movements and parts thereof	933-935.
411. Musical instruments and parts thereof :	
(a) Pianos, automatic pianos and mechanical parts	936 (938).
(b) Gramophones and records	943, 944a.
(c) Other, including parts n.e.s.	937, (938), 939-942, 944b, 945-950.

412. Firearms of war and ammunition for arms of war :	
(a) Arms	952.
(b) Ammunition	955.
413. Other arms and ammunition :	
(a) Side-arms	951.
(b) Firearms	953, 954.
(c) Ammunition, including cartridges, cartridge cases and bullets	956.
414. Propellant powders and high explosives	334-336.
415. Fuses, primers and detonators	337, 338.
416. Matches	340.
417. Pyrotechnical articles and inflammable articles n.e.s.	339, 341.
418. Umbrellas, walking-sticks, parasols, whips, and parts thereof .	617-621.
419. Articles made of feathers, artificial flowers, prepared human hair, fans	622-627
420. Buttons and studs	981.
421. Fancy articles of coral, tortoiseshell, mother-of-pearl, ivory, bone, horn, corozo, areca-nut, jet, yellow amber, amberoid, meerschaum, artificial plastic materials, and the like n.e.s. . .	957-967.
422. Articles of bamboo, of straw, grass, rush and other plaiting material n.e.s. :	
(a) Furniture	413.
(b) Mats and matting	412b.
(c) Other descriptions, including packing materials . . .	411, 412a, c, 414.
423. Brooms and brushes of all kinds and sieves	968-973.
424. Toys, games and sports goods n.e.s.	974-980.
425. Fountain-pens, pen-holders and propelling pencils	982, 983.
426. Pipes, cigar-holders and cigarette-holders.	984, 985.
427. Rolls or strips for films and films for cinematographs, blank .	293a, b.
428. Films, plates and paper sensitised for photography :	
(a) Films and plates	294, 295.
(b) Papers and cards	296.
429. Films, exposed or developed	293c, d.
430. Works of art and articles for collectors :	
(a) Works of art	986-988.
(b) Other articles for collections	989-991.
431. Booksellers' wares, n.e.s. :	
(a) Books and pamphlets	436a.
(b) Newspapers and periodicals	436b.
(c) Music, maps and other descriptions	436c, d.
432. Playing-cards.	438.
433. Pictures and designs on paper and cardboard :	
(a) Picture post-cards	437.
(b) Other	439.
434. Other printed matter n.e.s.	440.

SECTION XVII. — ARTICLES WHICH CANNOT BE CLASSIFIED OR ARE SUBJECT TO SPECIAL CONDITIONS.

Chapter 52. — Articles which cannot be classified or are subject to Special Conditions.

435. Electric energy	} Not covered by the Customs Nomenclature.
436. Heating and illuminating gas, natural or manufactured	
437. Returned goods	
438. Postal packages not classified according to kind	
439. Non-commercial transactions :	
(a) Personal effects of travellers and migrants	
(b) Samples and articles temporarily admitted	
(c) Other special cases	

SECTION XVIII. — GOLD AND SPECIE.

Chapter 53. — Gold and Specie.

440. Gold metal :	
(a) In bars (in the form accepted in inter-bank transactions)	(685).
(b) Other unworked gold	(685).
440*. According to the practice of the country concerned, crude silver should be shown here or in Chapter 40 (item 318).	
441. Gold coins	693.
442. Silver coins	694.
443. Base metal coins	695.

Appendix III.

STATEMENT REGARDING THE PRINCIPLES WHICH HAVE GUIDED THE
COMMITTEE OF STATISTICAL EXPERTS IN THE PREPARATION OF THE MINIMUM
LIST OF COMMODITIES FOR FOREIGN TRADE STATISTICS.

INTRODUCTION.

The Committee of Statistical Experts, in submitting the accompanying minimum list of commodities prepared in accordance with the provisions of Recommendation VI adopted by the Statistical Conference in 1928, deems it appropriate to set forth the general considerations which have guided the Committee in its preparation.

The Sub-Committee of Experts for the Unification of Customs Nomenclature has prepared a preliminary project for a unified list of commodities to be used in the Customs tariffs of the several nations, which had been submitted to the Governments for their observations. In accordance with the intimation contained in the resolution of the Conference on Economic Statistics, the Committee of Statistical Experts took the list of items in that project as the starting-point for its work. Broadly speaking, the present list is of the nature of a combination and re-arrangement of the items as listed in the project for Customs nomenclature. The minimum statistical list is necessarily much the more condensed.

A. INDIVIDUAL ITEMS IN THE LIST.

I. *Number of Items and Sub-items.*

The minimum statistical list, as herein submitted, contains 443 primary items. Of these, 124 have been subdivided into two or more sub-items each. The total number of these sub-items is 350. The net total number of items and sub-items is thus 669 (443+350-124, the last-mentioned figure representing the number of primary items which would not have to be listed if all the sub-items were distinguished).

It is not expected by the Committee that all countries which supply foreign trade statistics on the basis of this list will compile data for all the sub-items set forth. For certain countries, the total trade in a given item may be too small to justify a subdivision. In many cases, however, the data for the sub-items will be of great use. In this connection, the Committee recognises that many countries, owing to the nature of their trade falling under a given item of the nomenclature, will desire to subdivide it in greater detail than is here specified. It is to be hoped, however, that, with possible rare exceptions, the Governments may find it practicable to avoid the use of sub-items which are incapable of being combined in the form here suggested. Since the number of sub-items specified in this list is usually small, the difficulty and expense involved in conforming to them will be relatively insignificant.

II. *Principles considered in determining the Length of the List.*

In determining how many items should be distinguished in the minimum list, the Committee had to strike a balance between opposing considerations, certain of which favour a short and others a long list.

On the one hand, the shorter the list, the less burden is thrown upon the countries accepting it, both as regards the making of accurate distinctions among articles and as regards the expense of tabulation and publication. In the trade of any great commercial country there are very numerous items which appear in considerable quantities, but in the trade of some of the smaller countries the number of items which are of especial importance in the export trade may be much more restricted. The minimum list must be one adapted to the presentation of export as well as import statistics, and to small as well as to large countries.

On the other hand, important considerations favour a long list of commodities for the foreign trade statistics of all countries. In the first place, each country as an exporter desires as complete information as possible regarding the imports into all other countries of the articles important in its own export trade. The facts regarding even relatively small imports of these articles into any country may have much significance to the exporting country. In the second place, and more important, it is highly desirable, so far as possible, to avoid combining in a single item of the list articles which are essentially unrelated; the total for a mixture of dissimilar things is practically useless to producers and merchants, as well as to the general student and the law-maker. Since the number of articles which enter into the international

trade of the world, especially when regard is given to variations of style, size, quality, and the like, runs into the tens if not hundreds of thousands, there must necessarily be in the presentation of foreign trade statistics combinations of related articles, the separation of which would serve some more or less useful purpose. Condensation is imperative. But this condensation should not be carried so far as virtually to destroy the commercial and economic significance of a large fraction of the items. Furthermore, undue resort to combinations of articles precludes satisfactory grouping for the purposes of general statistical analysis. As more fully pointed out in Section B of this memorandum, it is desirable, in studying the economic position and trends of any country, to classify the commodities in its export and import trade according to several distinct principles, notably according to (a) the character of the basic material entering into the several commodities, (b) the stage of preparation (raw, semi-manufactured, manufactured) and (c) the use served. As far as practicable, no single item should include articles which fall into different classes according to any one of these basic principles of grouping.

The list presented by the Committee is perforce a compromise between these opposing considerations. It is not as long as the exporters of each country would like for the import statistics of other countries to which they sell, nor is it sufficiently long to avoid altogether illogical combinations of articles. On the other hand, the Committee believes that it does distinguish clearly the most important items in international trade, and that the number of "illogical" combination-items is relatively small. In other words, the Committee has restricted the list to what appeared to be the essential minimum. The Committee has endeavoured to lighten the burden which might confront certain countries in the use of the minimum list by the suggestion that, if they desire, they might omit from separate mention in their statistics those items in the list which are of insignificant amount in their own trade.

III. *Relation of Individual Items to Items in the Project for Customs Nomenclature.*

In the majority of cases, a given item in the present list is either actually identical with an item in the Customs nomenclature or represents a combination of two or more *successive* items in that nomenclature. In some cases, however, a given item consists of a combination of items of the Customs nomenclature which are not successive but are in the same chapter, or in contiguous chapters, of that nomenclature. Such combinations are attributable to the necessity of listing the more important commodities separately, leaving the less important to be grouped together. It is true, of course, that combinations of this sort sometimes involve a slight departure from logical order, but this is the inevitable result of the necessity for condensation.

There are a considerable number of cases in which items given a secondary rank in the Customs nomenclature have been made primary items in the present list (for example, certain major oil-seeds, such as pea-nuts, copra and flax-seed). In some instances, moreover, an item of the Customs nomenclature which contains no subdivisions has been broken down in the present list either by dividing it into two or more primary items or by showing sub-items—for example, item 206(b) of the Customs nomenclature includes all the liquid products of petroleum without subdivision; in the present list four principal classes are distinguished, not merely as secondary, but as primary items. This breaking-down of items is a natural result of the difference in point of view between the two nomenclatures.

B. SECTIONS AND CHAPTERS OF THE MINIMUM LIST.

I. *Purpose of the Grouping by Chapters.*

A proper grouping of the items of the minimum list of commodities for foreign trade statistics is important for three reasons: (1) Arrangement by chapters is almost essential in order to enable a person examining the statistics to find readily any particular item in which he is interested. (2) The fact that the list is a relatively short one makes it necessary to utilise many group items, which combine several or even many articles of commerce under a single heading with such a designation as "all other". These "all other" items must necessarily, if they are to be of any utility, be arranged along with the more specific items to which they are most nearly related, and that fact necessitates the designation of chapters in which related items are grouped. (3) It is important that foreign trade statistics be so presented as to make possible a summary view of the commerce of each country, and such a view cannot be obtained from any list of individual items, which, even though greatly condensed, will necessarily run into the hundreds; it requires logical grouping into chapters.

In determining the proper grouping of the items of exports and imports, it is essential to bear in mind the need of comparability between statistics of foreign trade and other classes of economic statistics. In order to afford a summary view of the economic conditions of any country, groupings of commodities in the statistics of production and of prices are quite as essential as groupings in foreign trade statistics; industries and occupations must likewise be arranged in groups. So far as practicable, the groupings used for these different series of

statistics should be made on parallel lines. This need adds to the importance of basing the "commodity framework" for foreign trade statistics on broad economic considerations.

The reasons which have led the Committee to the adoption of the system of sections and chapters used in the accompanying list can be understood only by a general consideration of the principles of classification of commodities. This is attempted, briefly, in what follows.

II. *General Principles of Commodity Classification.*

There is no one principle which should be the sole, or the dominant, basis in the classification of commodities. On the contrary, commodities should, if feasible, be classified in several different ways to meet different needs, and, if only one presentation of the data can be afforded, several different principles should be taken into consideration in determining the framework.

The most important of these principles are five in number, but three of them are so closely related that it is perhaps more proper to speak of three basic principles of classification, one of which embraces three sub-principles. They may be briefly defined as follows :

- (1) Nature and origin of the commodity or of its basic material :¹
 - (a) The natural kingdom under which the basic material of the commodity falls—animal, vegetable or mineral.
 - (b) The primary branch of industry by which the basic material of the commodity is produced—animal husbandry, agriculture (vegetable products), hunting and trapping, fishing, forestry, mining.
 - (c) The specific basic material of the commodity—such, for example, as cotton, wood, iron, petroleum—involving, of course, some miscellaneous groups embracing minor materials related as regards (a) or (b).
- (2) Stage of production—crude, semi-manufactured, fully manufactured.
- (3) Use to which the product is put, as for food, clothing, transport, etc.

Each of the above-mentioned principles of classification has its particular utility, and, so far as the items actually lend themselves thereto, the foreign trade of any country may advantageously be grouped according to all of them, separately or combined ("crossed") with one another. Each principle is, however, subject to limitations and difficulties, and in the case of the first and third principles these limitations virtually preclude their use as a basis of classification for considerable numbers of commodities.

(1) *Classification by Nature and Origin of Basic Material.* — Of the three sub-principles classified under (1) above, the most useful is obviously the third, (c). The grouping of commodities according to the specific raw material of which they are (wholly or principally) composed has the advantage of being far more definite than grouping according to the natural kingdom or the broad branch of industry under which that raw material falls. Moreover, it serves, in fact, to make classification according to these two broader bases readily possible, since, in practically all cases, a given raw material belongs to one only of the three natural kingdoms, and is the product of one only of the broad branches of industry.

Grouping of commodities according to the specific raw material of which they are composed corresponds in a large proportion of cases to the actual organisation of industry and commerce. For the most part, the products derived from a given raw material are made either in the same or in closely related industries, and are bought and sold either by the same or by closely related groups of merchants. Frequently, also, articles derived from a given raw material are wholly or chiefly devoted to a given human use, so that classification on this principle facilitates also classification according to use.

On the other hand, although classification of commodities according to the raw material entering into them is of the utmost utility in the case of simply manufactured products the value of which usually consists chiefly of the value of one major raw material, it ceases to have much significance in the case of highly elaborated articles the value of which has been contributed chiefly by manufacturing processes. It means little to class a book as a product of paper or as originating in the forestry industry, or to class a watch as a product of metal or as originating in the mining industry. Classification by material breaks down entirely where advanced products include several or many different raw materials no one of which predominates to such an extent as to justify naming it as the basic raw material. In practical application, the method of classification by material may properly be used with regard to a large proportion (perhaps two-thirds of world commerce considered as a whole, as measured by value) of the commodities entering into commerce, but many others must be thrown into miscellaneous groups comprising articles of mixed composition or of a highly elaborated character.

In the foreign trade statistics of every country, even although the most fundamental basis of classification used may be one of the other principles above mentioned, much regard

¹ Hereinafter, for brevity, the phrase "basic material of the commodity" will be used to include cases in which the commodity itself is a strictly raw and unmixed material.

is also paid to the principle of material. Articles obviously related by material will naturally be listed in juxtaposition.

(2) *Classification by Stage of Production.* — This method of classification is widely used in foreign trade statistics. Under the Brussels international classification, as well as under the practice of a number of important countries, one group of commodities based on use is first set apart—namely, that of food products—and other commodities are placed in groups according to stage of production. The Brussels classification, and those of several countries, distinguish only two groups: (a) crude materials and (b) more advanced products; other countries, such as the United States of America and Germany, introduce an intermediate group of semi-manufactured articles, including manufactured articles intended for further manufacture, and, according to the practice of certain countries, also articles which, although ready for final consumption, have been subjected only to very simple manufacturing processes. Where only two groups are distinguished, the practice of different countries varies as regards the allocation of certain highly important individual articles, such as pig-iron and so-called "raw" silk, which are semi-manufactured products. Even where an intermediate group is introduced, it is difficult, for a good many items, to draw the line between the first and second of the groups distinguished or to draw the line between the second and the third. Some experts have suggested that this difficulty may be lessened by the introduction of still a fourth group. It is impossible, however, by any device to obviate the necessity of making a more or less arbitrary allocation in the case of some few commodities a certain fraction of which is used without further manufacture, while the remainder is subjected to additional processes of transformation.

The classification of foreign trade according to stage of production furnishes information of much utility regarding the economic position of the country and the trends therein. Countries differ greatly as regards the general nature of their industries and their commerce. Some export chiefly raw or only slightly manufactured articles and import largely or chiefly advanced products. With some other countries the situation is substantially reversed. Gradual changes often take place in these conditions. Trade statistics grouped on this principle of stage of production bring out these facts with a considerable measure of accuracy.

(3) *Classification by Use.* — From the standpoint of the use which they serve, commodities have been viewed by economists and statisticians in two different ways. In the first place, there is classification according to the nature of the human want served by the commodity—for example, food, clothing, transportation. In the second place, the commodity may be classed according to whether it is for direct human use or whether it constitutes material or equipment, for the production of other commodities, thus serving human use indirectly rather than directly. This second form of use classification is sometimes expressed by the distinction between "producers' goods" and "consumers' goods". Producers' goods are taken as comprising (a) raw products for use in manufacture (or construction), (b) semi-manufactured products for further use in manufacture (or construction), and (c) machinery and other means of production. Consumers' goods, for the most part, are products which have been subjected to manufacture (though some are raw) and are for direct human use. The separation of these two groups is considered particularly significant as regards price movements, producers' goods tending to rise or fall in price more rapidly than consumers' goods. The further distinction is sometimes made, as regards those commodities which serve human use directly, between those which are less and those which are more enduring; food and clothing, for example, are of a less enduring character than motor-cars or houses.

The distinction between producers' and consumers' goods can be brought out quite clearly in connection with a system of classification by stage of production, provided that, in addition to the segregation of raw and semi-manufactured products, the finished manufactures are so classified that machinery and other capital goods are readily separable from articles which serve human consumption directly. Moreover, the segregation of consumers' goods according to the duration of their use may be fairly well brought out by defining the different consumers' goods in sufficient detail; in other words, most of the goods serving a given human want are likely by their nature to be either, on the one hand, chiefly of short duration or, on the other hand, chiefly of long duration in use.

Classification of commodities according to their use has very obvious utility from the economic and social standpoint, provided it is applied both to statistics of production, which must be available in sufficient degree of completeness, and to statistics of foreign trade. The consumption of a wealthy country is very different in character from that of a poor country; it includes a smaller proportion of necessities and a larger proportion of semi-luxuries and luxuries. By the use classification, much may be learned regarding the standard of living of the people.

On the other hand, the classification of commodities according to this principle is subject to important limitations. In the first place, there is the difficulty of multiple uses of the same commodity. Whereas classification according to the nature and origin of the basic material tends to break down in the case of more advanced commodities, classification according to use tends to break down in the case of raw materials and semi-manufactured products. The same raw material, elaborated in different ways, may serve widely different uses. Iron, for example, may become the material of a machine or of a building or of a motor-car. In some cases, as

with raw textile materials, one may perhaps be justified in throwing a crude product into a single use classification, on the ground that the greater part of it ultimately serves that use, but with certain other important materials the principle breaks down entirely. Even a finished article may serve two or more entirely different purposes, though the difficulty here arises less commonly than with raw materials. In the second place, any condensed statistical classification must necessarily include numerous "combination" items (especially the "all other" items), comprising a wide variety of minor articles which may serve entirely different uses. Only a country which is prepared to distinguish a very large number of items, many of decidedly minor importance, in its production and trade statistics can carry out the principle of classification according to use in thoroughgoing fashion, even as regards articles actually ready for use.

It follows that, if the use principle is applied as the basis for classifying commodities, there should be a large residual group to which are assigned items not properly falling under any of the more specific groups.

III. *Application of Principles of Classification in the Framework of the Minimum List.*

The above discussion indicates that it would be desirable, if practicable, that each country in the classification of commodities in its foreign trade statistics should make use—to the extent that they are respectively applicable—of all three of the principles set forth; namely, nature of the basic material, stage of production, and use. A country might do this either (a) by presenting the statistical items classified according to each of the three principles separately; (b) by making a cross-classification of the groups arising under the different principles, using these principles in pairs;¹ or (c) by making in a single framework a cross-classification of the groups arising under all three of the principles.

The first plan mentioned, that of using each of the three principles of classification independently, while it has the advantage of simplicity, fails to bring out many highly significant relationships. It is desirable, for example, to know, not merely the total value of the imports or exports of the products derived from a given material, but also the several uses to which the products of that material are devoted.

The third of these methods of arranging the statistics is obviously the most satisfactory. For example, having established a group consisting of articles of a given basic material, this group would be divided into sub-groups according to the stage of elaboration, and each of these sub-groups in turn would be further subdivided according to the different uses of the commodities. This triplex combination of the groupings arising under the different principles, if carried out with entire consistency, would result in a number of sub-groups so great as to be more or less unwieldy; but, by consolidating sub-groups where they are of minor importance, the framework might be brought within reasonable compass.

Although it is appropriate for the Committee of Statistical Experts to call attention to the advantages of classifying trade statistics according to these more elaborate methods, any plan for securing trade statistics for international comparison on a uniform basis must of necessity have a relatively simple framework. The Committee has, so far as practicable in so condensed a list, made use of all three of the principles of classification above discussed. It has reached the conclusion that, so far as practicable (the segregation of foodstuffs into a separate section constituting an exception), the principle of classification by nature or material should be dominant in determining the composition of a given chapter, and that, where this principle is less applicable, the principle of use should ordinarily dominate in that grouping. As pointed out above, many advanced commodities cannot be satisfactorily grouped according to material and many crude commodities cannot be satisfactorily grouped according to use. So far as a condensed framework permits, these two principles have been "crossed" with one another in the present plan. It so happens, moreover, that, in a considerable number of cases, the distinction by material is also tantamount to a distinction by use; all, or most, of the products of that material having the same use.

The chief reason which has led the Committee to give preference, in determining the content of the chapters, to the principle of material over the principle of stage of production lies in the convenience, from the practical commercial standpoint, of listing in the same place all articles closely related as regards material, whether they be themselves crude commodities or semi-manufactured or finished articles derived therefrom. This arrangement both facilitates the finding of a desired item in the list and brings together those articles which are of interest to a given group of producers or merchants.

The Committee has by no means wholly disregarded the principle of classification according to stage of production in the preparation of its framework. Wherever the number of commodities in a group based on the principle of material is sufficient to justify doing so, separate chapters have been introduced for the different stages of production—for example,

¹ That is to say: (1) by "crossing" the principle of material with the principle of stage of production; (2) by crossing material with use; and (3) by crossing stage of production with use [this last is perhaps somewhat less important than (1) and (2)].

there is a chapter on textile raw materials, another on yarns and a third on textile fabrics. Moreover, where a single chapter includes commodities of different stages of production, the crude articles have, in general, been listed first, followed by the semi-manufactured and the finished articles, so that sub-chapters can readily be marked off by those desiring to do so.

As a means of further facilitating international comparison of trade statistics, the Committee proposes, as soon as the minimum list of commodities is prepared in final form, to devise a project of classification by stage of production. This will involve a definition, in general terms, of the scope of each group distinguished, and an allocation of each article of the minimum list to the appropriate group.

The Committee of Statistical Experts is fully aware that the framework of the present list is not altogether logical or consistent within itself, but believes that it is as nearly logical and consistent as is practicable in view of the requirement of severe condensation.

IV. *Analysis of the Framework of the Minimum List.*

Section I deals with food products (except oils and fats, which are mentioned below). The principle of classification by use is here made dominant, both because of the great importance of this particular use and the frequency with which it is employed as a basis in existing trade statistics, and because of the ease with which most of the food products can be distinguished as serving that use. Within the section the chapters follow the principle of nature of material, and in two major cases the principle of stage of production is likewise introduced into the general chapter framework.

Sections II to IX relate to non-food products of animal or vegetable origin, and to chemicals, each section (except that of chemicals) representing the products of a given raw material or group of closely related materials; the numerous less important crude animal and vegetable products are kept apart from these sections, being thrown together in Section XV. The Committee deemed it necessary to place all oils and fats (not mineral), whether used for food or otherwise, in a single section; in practice precisely the same oil may be used for both food and non-food purposes. In most chapters in Sections II to IX, the classification by material corresponds, at least roughly, to a classification by use. Those products of hides, skins and furs which are used for clothing (including footwear) have been omitted from Section VIII and placed in Section X along with textile articles of clothing; the reason for this lies chiefly in the fact that many of these products consist of a combination of leather or fur with cloth.

In Section IV (Chemicals and Related Products), three of the four chapters are based primarily on the use of the commodities, while Chapter 17 embraces the great number of chemicals with less well-defined uses. In this section, it was found impracticable to follow the principle of classification by material, both because of the multiplicity of the materials and because several materials may enter into a single finished chemical article. The distinction according to stage of production cannot be made satisfactorily as regards chemicals, especially in a highly condensed list.

In the case of Section IX (Textiles), the Committee has deemed it wise to depart from its general policy of giving classification by material preference over classification by stage of production in determining the content of the chapters. Chapter 27 covers textile fibres of all kinds; Chapter 28, yarns derived from all fibres; and Chapter 29, fabrics derived from all fibres. This arrangement seems justified especially by reason of the very extensive and increasing practice of mixture of different textile fibres. Within each of these three chapters, the individual items are arranged, so far as practicable in view of such mixtures, according to the basic fibre, and it will be easily possible for those so desiring to combine the various products of a given textile fibre. The total value of exports or of imports for a given textile chapter is much more significant when the framework is based on the stage-of-production principle than when products of different stages of production are included in the same chapter.

In Section X (Finished Articles of Clothing), which, as a whole, is based on the use principle, the principle of classification by material is introduced into the chapter framework so far as practicable, but, in the footwear chapter (33), the distinction by material appears only in the individual items.

Section XI deals with non-metallic minerals. Here the distinctions according to material in some cases carry with themselves distinctions of use, and elsewhere the use principle was observed in the naming of the individual items of the list. Chapter 35 (Coal, Petroleum, etc.) comprises both crude and advanced products, the former being listed first. Chapter 36, on the other hand, consists exclusively of crude products, and Chapters 37 to 39 comprise more advanced products derived from those of Chapter 36.

Section XII deals with precious metals and stones. In accordance with the practice of most countries, the international movements of gold coin and bullion are not shown here, but in a special section (XVIII) dealing with monetary transactions. Silver bullion is mentioned both in Section XII and in Section XVIII, leaving the assignment to be determined according to the different practice of the several countries.

Section XIII covers the non-precious metals and their products, other than machinery and transport equipment. As many ores include several different metals, all ores (except of precious metals) have been placed in a single chapter. Iron and steel products are thrown into two groups—the crude (*i.e.*, semi-manufactured) and the more advanced. In the chapter on non-ferrous metals, each of the major semi-manufactured metals, in its cruder forms, is listed as an item, followed by one or more items for the products derived therefrom; since, in the case of copper, certain countries import large quantities of the unrefined metal and export large quantities of the refined, a distinction between the two has been made. The chapter on "Miscellaneous Metal Manufactures" (45) consists either of products in which two or more different metals are utilised or of products so highly elaborated that the value of the crude metal is an insignificant proportion of the total value. This latter chapter corresponds with Chapter 71 of the Customs nomenclature. The use principle cannot be very satisfactorily applied to the products of Section XIII; many of the cruder products serve, directly or after further elaboration, several quite distinct uses, and the need for condensation often results in throwing together, in a single item, advanced articles which serve different uses.

In Section XIV, which deals with machinery, electrical and transport equipment, all the products are, of course, of an advanced character and nearly all of them consist primarily of metals. The individual items under each chapter are so arranged that it is possible to distinguish, at least approximately, between commodities intended for capital use (that is, as means of production for other commodities) and those intended for direct human use, but it was deemed impracticable to make this distinction a basis for the chapter framework itself.

Sections XV and XVI consist of miscellaneous products, mostly of less importance than those comprised in the other sections. Section XV is confined to crude (raw or semi-manufactured) inedible animal and vegetable products, it being found impracticable to associate with these minor crude products the advanced products, also minor in importance, derived from them. Section XVI deals with miscellaneous manufactured products. Because of their minor importance as regards volume of trade, the number of items, and consequently the number of chapters, in Sections XV and XVI is much smaller in the minimum statistical list than in the corresponding sections of the project for uniform Customs nomenclature, extensive use being necessarily made of "combination items".

Geneva, May 14th, 1934.

LEAGUE OF NATIONS
FINANCIAL COMMITTEE

**REPORT TO THE COUNCIL ON THE WORK
OF THE FIFTY-FOURTH SESSION OF THE COMMITTEE**

(Geneva, May 7th-13th, 1934.)

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INTRODUCTION.

The Financial Committee has the honour to submit to the Council the following report on the various questions with which it has dealt during this session.

The following members were present:

- M. MLYNARSKI (*Chairman*);
- M. DAYRAS;
- M. JANSSEN;
- Sir Otto NIEMEYER;
- M. POSPIŠIL;
- M. RYGG;
- M. SHIMASUYE;
- Sir Henry STRAKOSCH;
- M. TUMEDEI.

There were also present:

I. For Austrian Questions:

- Dr. BURESCH, Federal Minister of Finance;
- Dr. GRUBER, Chief of the Budget Department of the Ministry of Finance;
- Dr. Kienböck, President of the Austrian National Bank;
- M. ROST VAN TONNINGEN, Representative of the League of Nations;
- M. FRÈRE, Adviser to the Austrian National Bank.

2. For Bulgarian Questions:

- M. STOYANOFF, Director of Public Debt;
- M. WATTEAU, Commissioner of the League of Nations in Bulgaria;
- Professor KÖSTNER, Adviser to the National Bank of Bulgaria.

3. For Greek Questions:

- M. FINLAYSON, Adviser to the National Bank of Greece.

4. For Hungarian Questions:

- Dr. IMREDY, Minister of Finance;
- Dr. BARANYAI, of the National Bank of Hungary;
- Mr. TYLER, Representative of the Financial Committee;
- Mr. BRUCE, Adviser to the National Bank of Hungary.

I. AUSTRIA.

1. The Financial Committee has had before it the ninth and tenth reports of M. Rost van Tonningen, representative of the League of Nations in Vienna. It had the advantage of hearing Dr. Buresch, Austrian Minister of Finance; Dr. Kienböck, President of the Austrian National Bank; Dr. Gruber, head of the Budget Section of the Ministry of Finance; M. Rost van Tonningen, Representative of the League of Nations in Vienna; and M. Frère, Adviser to the Austrian National Bank. The Committee noted with satisfaction the continued efforts of the Austrian Government to maintain the position of the Austrian finances.

2. The provisional budgetary figures now available for the first five months of the year show the following results:

	1933 Results	1934 Probable results
Millions of schillings		
Expenditure	802.88	837.3
Receipts	703.76	754.6
Deficit	99.12	82.7

The first five months are always difficult, the final deficit for the whole year 1933 being 81.6 million schillings.

Exceptional circumstances have led to expenditure in excess of that contemplated in the estimates, while the experience of the last few months has shown that the yield of certain items of revenue, notably Customs, will probably not reach the estimated level.

On the other hand, thanks largely to the efforts made by the management, the probable deficit of the railways will be less than that estimated.

The Committee notes the budgetary measures which the Government has already taken and hopes that these efforts will be continued.

The Austrian Government is proceeding with the execution of the programme of public works contained in the extraordinary budget financed from the domestic Lottery Loan.

3. The stability of the schilling was maintained during the whole period under consideration. The development of the economic situation and particularly of the foreign trade situation enabled the National Bank, while arranging for the full transfer of the State's foreign debt, to increase its reserves of gold and foreign exchange from 201.7 millions at the end of December 1933 to 214.5 millions on April 23rd.

4. The following table shows the variations in the principal items of the Bank's balance-sheet, the figures in the last column being established after the revaluation of the cash holdings.

	December 31st, 1933	March 31st, 1934	April 30th, 1934 (new parity)
Millions of schillings			
Gold	188.8	189.4	241.1
Foreign exchange not utilised as legal cover for the circulation	12.9	24.1	36.3
Total	201.7	213.5	277.4
Bill portfolio	275.0	307.8	200.6
Circulation	952.4	981.2	969.6
Sight deposits	142.3	153.7	163.0
	1,094.7	1,134.9	1,132.6

The increase in the bill portfolio and in the circulation which began at the end of February is due to the withdrawal of funds from the savings banks during the events of February, and to the fact that the State has utilised since that period part of the proceeds of the internal loan, which were deposited with the banks.

5. The revaluation of the gold and foreign exchange holdings on the basis of the real rate of the schilling (private clearing), which was made at that date, explains the considerable increase in the gold and foreign exchange holdings at the end of April, which brings the legal cover of the circulation up to 27.7 per cent against a statutory minimum of 20 per cent. This revaluation—which also applied to the capital of the Bank—was carried out in conjunction with the re-organisation of the big Viennese joint-stock banks, the profit derived from this revaluation partly covering the cost of re-organisation.

6. As a result of the banking re-organisation the Credit, Anstalt absorbs the Wiener-Bankverein and takes over the banking business of the Niederösterreichische Escompte-Gesellschaft,

which becomes an industrial holding company. This measure involves the disappearance of two out of the three big Viennese joint-stock banks, but it constitutes an important step towards the re-organisation of the Austrian banking structure.

II. BULGARIA.

The Financial Committee noted the thirtieth report of the League of Nations Commissioner in Bulgaria. It also heard statements by M. Stoyanoff, Director of the Bulgarian Public Debt; M. Jean Watteau, League of Nations Commissioner in Bulgaria; and Dr. Köstner, Adviser of the National Bank of Bulgaria.

1. The Committee examined the provisional results of the budgetary year 1933-34, the final closing of which will probably show a deficit appreciably lower than that of the previous year. This may be attributed to the reduction in the service of the debt, due to the depreciation of the pound sterling and the dollar, and to the Bulgarian Government's efforts, which have prevented any fresh falling-off in revenue as a whole, despite a big drop in Customs receipts, and have ensured a reduction of expenditure. The Committee explains these results by the application of part of the recommendations which it drew up in May 1933 in agreement with the Bulgarian Government. A portion of the deficit in question, it should be observed, will disappear owing to the considerable reductions agreed to by foreign creditors on account of the public debt.

2. The Committee also noted that Treasury difficulties have been less serious during the last few months; measures to ensure the regular payment of salaries and pensions, and the consolidation of certain other arrears, have been successfully applied. In addition, recourse has been had under the approved conditions to the facilities agreed to by the Council.

3. Continuous effort is required, however, if this improvement is to be sustained and extended. In this connection, the Committee noted with some apprehension the budget of the State for the year 1934-35 which has just been voted. The legislative text was promulgated within the prescribed date, which marks an improvement on previous budgets. It contains, under expenditure, the total credits estimated to be necessary for the complete service of the external public debt, and under revenue estimated amounts which fall by 485.4 million leva below the total credits voted. This difference represents the sum of the expenditure by which the Bulgarian Government expects the budget to be relieved as a result of concessions by holders of foreign loan bonds. Setting aside these features, the Committee desires to point out that the total revenue estimated for 1934-35—namely, 5,164 million leva—exceeds by approximately 450 millions the probable actual receipts for 1933-34, and relies on perhaps unduly optimistic results, more particularly with regard to the receipts from the Customs and the domains and other assets of the State. In the circumstances, the results anticipated can only be achieved by considerable efforts in improving receipts and cutting down expenditure. On this last point, the Committee endorses the policy of economy which has begun to permit of the exercise of supervision by the Minister of Finance over all public expenditure; but it would repeat that any appreciable reduction in the deficit must henceforth depend on organic reforms.

4. The Committee is still concerned at the danger to Bulgarian economic life from certain measures of Government intervention. In support of the cereals market, in particular, the Government instituted in January last a monopoly of wheat and rye, the first effect of which seems likely to be a reduction in the Treasury losses involved by the previous system. It is too soon, however, to say whether this result will actually be achieved; in any case, the Committee reiterates its previous reservations as regards the final consequences of an artificial regulation which lays an extra burden on part of the consumers, promotes the untimely extension of a production which hardly pays in the world as a whole, and may form an obstacle to export trade.

5. The Committee noted that the foreign currency position of the National Bank derives little benefit from the favourable trade balance, as Bulgaria's foreign trade transactions are tending increasingly to be in the form of clearing and compensation operations. The situation has not, however, grown worse since last year, but it still demands careful supervision on the part of the National Bank and effective centralisation under the latter.

At the same time, the Committee notes that there has been a marked improvement in the Bank's liquid position during the last few months and an increase in the total deposits; the recent legislation on indebtedness, by putting an end to all uncertainty in the matter, may have attributed towards this result.

M. Watteau has informed the Committee of his intention to resign from his duties as League of Nations Commissioner in Bulgaria. M. Watteau arrived in Sofia in November 1930. He has performed his duties there with competence and devotion, and in a highly conscientious manner, which the Financial Committee gratefully recognises. The Committee has the pleasant duty of expressing to him here its thanks.

The Committee is aware that, on the occasion of M. Watteau's retirement, the Bulgarian Government may raise the question whether the functions of League Commissioner and the Adviser at the Bank cannot be combined in one person. The Committee has had many discussions with the Bulgarian representatives on this matter and it thinks it only necessary to say that, in its opinion, it would be inopportune to make a change at the moment and in the present position of Bulgarian finance.

III. GREECE.

The Committee heard a statement on the position of the Bank of Greece made by the Adviser to the Bank, Mr. Finlayson, whom the Governor had asked to represent him at the session. From the information he gave to the Committee, it is clear that the situation, as a whole, shows a tendency towards improvement.

IV. HUNGARY.

The Financial Committee has taken note of the tenth report of the Representative of the Financial Committee of the League of Nations in Hungary. It examined the information which it contains on Hungary's economic and financial situation, with the assistance of Dr. Imredy, Finance Minister of Hungary; Dr. Baranyai, of the National Bank; Mr. Tyler, Representative of the Financial Committee of the League of Nations in Hungary; and Mr. Bruce, Adviser to the National Bank of Hungary.

1. The budgetary results of the ten months of the current financial year confirm the prudent administration noted by the Financial Committee in its last report; it now seems certain that the deficit estimated for the financial year as a whole—viz., 76 million pengő—will not be greatly exceeded. The 1932-33 financial year left a deficit of 138 million pengő. As regards the 1933-34 financial year, however, it should be added that the system of bounties to wheat producers in force in Hungary in the last four years, known as "Boletta", will this year impose a charge on the Treasury—as the Committee has repeatedly expressed the fear that it would—in the form of a surplus of expenditure estimated at 15 million pengő, which is counterbalanced to the extent of about 9 millions by a surplus of receipts during the previous year.

2. The budget laid before Parliament for the year beginning on July 1st next shows a deficit of 66 million pengő. Expenditure is estimated at a figure slightly lower than that of the previous financial year; this reduction is due almost entirely to the diminution in the service of the foreign debt in pengő, calculated at the official rate of the pound sterling and the dollar. Revenue is estimated on the basis of the yield obtained during the current financial year. The budget, as in previous years, is still heavily burdened by the operating deficit of the State undertakings, particularly the railways and the steel works. The Financial Committee has often had occasion to draw attention to this situation. It does not underestimate the efforts which have been made to remedy it, nor the partial success already achieved; but it is nevertheless not certain that the limit of possible cuts has been reached, either in the expenditure of these undertakings or in that of the administration proper.

The successive deficits have gone to increase the floating debt.

3. The Financial Committee wishes to make a further remark regarding the budget. The expenditure includes the full service of the Public Debt, whereas only about one-tenth is actually transferred to the creditors, except in cases in which agreements with the latter exempt the State from making any payments. The difference—i.e., the sum not transferred—is for the most part represented by the deposit of Treasury bonds either in the Pengő Fund of the foreign creditors or in the account of the revenues assigned as security for the 1924 Stabilisation Loan. These Treasury bonds do not appear in the budget receipts, but partially counterbalance the deficit. The Finance Minister has informed the Committee that he is obliged to continue the same procedure this year, which will naturally require the consent of the creditors concerned.

4. As a result of the exceptional harvest of last year, there are various signs of improvement in the economic situation of the country as a whole; commercial transactions within the country have increased and internal indebtedness has been reduced. The recent legislation on agricultural debts also seems to have had favourable results. A sign of this is the cessation in the constant decline in savings bank deposits, which had been going on for more than three years, and the reduction in the short-term debts of the commercial banks, particularly to the National Bank. The number and amount of bills protested in 1933 fell to nearly half the figures for the previous year, and the number of failures during the same period declined from 1368 to 525. Foreign trade also shows more favourable results, as will be seen from the following figures:

	1931	Exports		First quarter	
		Whole year 1932	1933	1933	1934
Thousands of metric tons	18,700	13,100	18,200	2,700	4,700
Numbers (millions)	1.7	2.1	2.3	0.5	0.7
Value (millions of pengő)	570	334	393	78	97

The aggregate figures are as follows:

Year	Imports	Exports Millions of pengő	Balance
1931	539.4	570.4	+ 31.0
1932	328.5	334.5	+ 6.0
1933	313.7	393.4	+ 79.7

This table shows that Hungary has been better able to sell her surplus production abroad and thus to relieve the congestion of the home market, not without favourable effects on the movement of internal prices. That a corresponding improvement has not taken place in the exchange reserves of the National Bank is due to the fact that commercial transactions with foreign countries are increasingly carried out on the basis of clearing and compensation agreements.

V. INVESTMENT COMMITTEE OF THE STAFF PENSIONS FUND
AND THE STAFF PROVIDENT FUND.

The term of office of Count de Chalendar, Mr. A. A. Jamieson and M. Odier, members of the Investment Committee of the Staff Pensions Fund and the Staff Provident Fund, having expired, the Financial Committee proposes that they be re-appointed, with the approval of the Council, for a further period of three years ending December 31st, 1936.

Genève, le 31 juillet 1934.

SOCIÉTÉ DES NATIONS

TRENTE ET UNIÈME RAPPORT
DU COMMISSAIRE DE LA SOCIÉTÉ DES NATIONS EN BULGARIE
(PÉRIODE MARS-JUILLET 1934.)

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1934. II. A. 14. ✓

INTRODUCTION.

I. Le trimestre étudié a été marqué, en Bulgarie, par la disparition du régime parlementaire et l'avènement d'un gouvernement autoritaire auquel sa nature même offre, aux points de vue économique et financier, des possibilités dont il a affirmé son intention de faire usage. Dans divers domaines, la situation héritée du régime précédent se présentait d'ailleurs sous un aspect assez satisfaisant.

II. L'exercice budgétaire 1933-34, en cours de clôture, se soldera par un déficit réel qui ne semble guère devoir dépasser 250 millions. Ce résultat, remarquable si on le compare aux antérieurs, est dû aux efforts persévérants de l'ancien Ministre des Finances, M. St. Stefanof, ainsi qu'aux sacrifices substantiels consentis par la plupart des porteurs de titres des emprunts extérieurs.

Le budget pour le nouvel exercice, révisé sévèrement, paraît comporter toutes les chances d'équilibre.

Le service des principaux emprunts composant la dette extérieure a fait l'objet, pour une nouvelle période de deux ans, d'accords comportant la reconduction des abattements déjà acquis.

La situation de la Trésorerie ne doit inspirer aucune inquiétude et ne requiert l'application d'aucune mesure non encore prévue.

III. La balance commerciale demeure favorable, mais, malheureusement, sans influence sur les disponibilités libres du pays en devises étrangères, qui restent extrêmement faibles.

IV. La situation des banques privées, comme celle des banques d'Etat, s'est améliorée depuis le vote de la loi sur les dettes. Un plan de fusion de certaines banques à capital indigène, comportant la participation du Gouvernement et de nouvelles responsabilités à la charge de la Banque nationale a été décrété par le cabinet. On se demande s'il est strictement respectueux des statuts de l'Institut d'émission et, en outre, susceptible de procurer les résultats qu'on en attend.

V. La récolte promet généralement un volume moyen et une bonne qualité : il faut donc espérer que la prohibition d'exportation des céréales en vigueur pourra être levée.

VI. Le nouveau Gouvernement a exprimé son intention de pratiquer une politique économique plus méthodique et plus appropriée aux intérêts du producteur et du consommateur. L'application d'un tel programme marquerait heureusement la fin du régime d'incohérence que nous avons souvent déploré.

VII. Le présent rapport a été établi par M. Jean Watteau, commissaire de la Société des Nations en Bulgarie, avec la collaboration de M. le professeur Kōstner, conseiller près la Banque nationale.

I. BUDGET.

a) RÉSULTATS PROVISOIRES DE L'EXERCICE 1933-34.

I. Cet exercice, dont la clôture définitive n'interviendra qu'à dater du 30 juin 1934, à l'expiration de la période complémentaire de trois mois, présentait au 31 mai 1934 les résultats ci-après :

	Millions de leva	
<i>Recette :</i>		
Etat	4.682,4	
Chemins de fer et ports	1.276,1	
	<hr/>	5.958,5
<i>Dépenses :</i>		
Etat	5.003,9	
Chemins de fer et ports	877,1	
Mandats en souffrance	630,6	
	<hr/>	6.511,6
Déficit provisoire		<hr/> 553,1

Si l'on tient compte des restitutions dont bénéficiera l'exercice, du fait des accords passés les 20 avril et 17 mai 1934 avec les représentants des porteurs de titres de certains emprunts extérieurs (*cf.* notre précédent rapport, page 3, et *infra*, Dette publique) et qui pourront atteindre 400 millions de leva, ce déficit serait réduit à environ 150

Il n'est pas impossible dans ces conditions que, compte tenu des dépenses de fin d'exercice qui apparaîtront en dernière heure, le déficit final reste limité à un chiffre de l'ordre de 250

2. Ce résultat probable prend toute sa valeur lorsqu'on le compare à ceux des exercices précédents dont le dernier, 1932-33, pourra bénéficier également, à concurrence d'environ 250 millions, de ristournes provenant du service non transféré d'emprunts extérieurs.

	Déficits (Millions de leva)
1930-31.	1.366
1931-32.	970
1932-33.	729
1933-34 (au 31 mai)	153

Ainsi, les efforts déployés par le Ministre des Finances au cours des trois dernières années, complétés ces derniers temps par de substantiels sacrifices des créanciers étrangers, ont abouti à une quasi-restauration de l'équilibre budgétaire.

L'exercice 1933-34 aura marqué une étape particulièrement active de ce redressement.

3. En effet, les recettes de cet exercice (budget de l'Etat) à 4.682 millions, ne subissent qu'un fléchissement de 1% par rapport à celles de l'exercice précédent, et ce malgré une chute sensible du produit des douanes (- 29%) et de celui des domaines et capitaux de l'Etat (- 42%). Par contre, les impôts directs (+ 13%), les accises (+ 7%), les taxes et autres impositions fiscales (+ 8%), les recouvrements sur exercices clos (+ 40%) accusent d'intéressantes plus-values. Les recettes des chemins de fer et ports doivent leur progrès (+ 14%) à l'incorporation de fonds précédemment autonomes.

Les dépenses globales, réglées ou en souffrance et non encore complètement ventilées entre le budget de l'Etat et celui des chemins de fer et ports, s'expriment par le chiffre provisoire de 6.512 millions, soit une diminution actuelle de 5% par rapport à celui de 1932-33. Si l'on compare pour les deux exercices les chiffres nets, c'est-à-dire allégés des ristournes escomptées au titre du service des emprunts extérieurs, celui de 1933-34 est en diminution de 474 millions, soit 7%, sur le précédent.

b) BUDGET DE 1934.

1. Lors du changement de régime, le budget de l'Etat pour l'exercice 1934-35 avait été voté par le Parlement et arrêté :

	Millions de leva
En recettes, à	5.164,2
En dépenses, à.	5.649,6

le solde déficitaire provenant du fait que la totalité des crédits correspondant au service plein de la dette extérieure avait été inscrite au budget. On sait (v. *infra* « Dette publique ») que pour la plupart des emprunts en cause, les dépenses effectives se limiteront pendant l'exercice à 32,5% du montant de l'intérêt.

Le budget autonome des chemins de fer et ports n'avait pas encore reçu la sanction législative.

Le nouveau Gouvernement a immédiatement entrepris la revision des évaluations budgétaires de ses prédécesseurs et a mis en vigueur, le 1^{er} juillet 1934, un budget applicable à la période 1^{er} avril-31 décembre 1934, l'année budgétaire devant, à partir du 1^{er} janvier 1935, se confondre avec l'année civile. Rapportées à douze mois, les nouvelles fixations concernant le budget de l'Etat (*cf.* appendice I, a)) se montent (chiffres officiels) :

	Millions de leva
En recettes, à	5.330
En dépenses, à.	5.330

2. En contre-partie de l'inscription parmi les dépenses du total des crédits correspondant au service plein de la dette extérieure, le budget des recettes reprend en recettes le montant de la fraction non transféré, soit 432 millions. Le volume des prévisions réelles doit donc être ramené à 4.898 millions contre 4.700 environ, résultat probable de 1933-34. L'augmentation escomptée de 200 millions, soit, pour neuf mois, 150 millions, doit être obtenue pendant les six mois restant à courir. Elle serait procurée par un accroissement du produit des accises, de celui des domaines et capitaux de l'Etat et de la participation des communes aux traitements des instituteurs et médecins. Peut-être ces prévisions sont-elles optimistes ; toutefois, le Gouvernement ayant l'intention et, désormais, les moyens de réprimer énergiquement la contrebande sur l'alcool et le tabac, pourra se ménager des plus-values dont il n'est pas encore fait état. Les autres prévisions de recettes ont été ramenées au niveau des résultats réels de 1933-34.

3. Le budget des dépenses porte la marque de compressions sévères : à 5.330 millions, il suppose au moins 300 millions d'économies par rapport aux résultats probables de 1933-34. Le Gouvernement a d'ailleurs annoncé sa volonté d'obtenir davantage, notamment de la réorganisation administrative du royaume et de la réforme de l'instruction publique. D'ores et déjà, il a procédé à de nombreuses suppressions d'emploi, à une nouvelle réduction des traitements, indemnités et pensions, à des fusions radicales de services publics : c'est ainsi que le Ministère de l'Economie nationale a absorbé les ci-devant départements de l'Agriculture et des Domaines, et du Commerce, de l'Industrie et du Travail ; que le Ministre des Communications administre désormais les Travaux publics et la Prestation, les Chemins de fer, les P. T. T. et l'Air. Deux portefeuilles ont disparu, ainsi qu'une Direction jadis pratiquement autonome, celle de la Dette publique, transformée en une section du Ministère des Finances.

4. Il est possible que la brève période restant à courir jusqu'à la fin de l'année ne permette pas à ces mesures de produire leur plein effet : il est possible également que l'évaluation mathé-

matique tirant de données annuelles des chiffres valables pour neuf mois soit quelque peu arbitraire ; il n'en est pas moins vrai que le rétablissement complet de l'équilibre pour 1935 semble, toutes choses égales d'ailleurs, sérieusement préparé.

5. Le Gouvernement annonce au surplus un programme de réforme fiscale et une réorganisation plus étendue des administrations publiques. A ce dernier effet, il a cru devoir suspendre, provisoirement on veut l'espérer, les dispositions de la récente loi sur la stabilité du personnel des Finances, qui réglementaient l'entrée des employés dans les cadres et les protégeaient contre les destitutions et mutations arbitraires. Signalons, notamment, la suspension de l'article II, paragraphe 2, de la loi qui stipulait : « Toute personne, pour occuper une certaine fonction au Département des Finances doit réunir les conditions prévues pour ce poste au tableau annexé à la présente loi... »

6. Le budget des Chemins de fer et ports a été fixé pour l'exercice 1934 selon la même méthode que celui de l'Etat, sur les chiffres de base annuels ci-après :

	Millions de leva
Recettes	1.456,9
Dépenses	1.214,9

Le montant des recettes réelles de 1933-34 ne dépassera pas 1.280 millions ; celui des dépenses, encore inconnu, paraît devoir rester en deçà de la prévision ci-dessus. Les évaluations pour 1934 marquent donc une augmentation dont nous ne connaissons pas encore l'explication.

c) SITUATION DE LA TRÉSORERIE (cf. appendice I, d)).

Cette situation s'est tendue aux approches de la fin de l'exercice, qui coïncide avec une échéance trimestrielle de pensions. Toutefois, l'ajournement des dépenses concernant l'exercice 1934, le recours aux recettes correspondantes et la perspective des bénéfices de frappe sur les monnaies divisionnaires, qui vont commencer à être mises en circulation, ont facilité, au cours de juin, le règlement des dépenses de 1933-34. Les traitements des fonctionnaires continuent à ne subir qu'un mois de retard : le quartier des pensions a pu être mis en paiement à l'échéance.

II. DIRECTION DES CÉRÉALES.

Le régime du monopole, qui venait à expiration le 30 juin 1934, a été prorogé pour trois ans. En même temps, le nouveau Gouvernement a décidé une sensible augmentation des prix d'achat : 3,20 leva par kilogramme pour le blé, contre 2,70 précédemment ; 2,40 leva pour le seigle, contre 1,40. Le relèvement apparaît plus substantiel encore si l'on prend garde que les nouveaux prix s'entendent franco entrepôts de la Direction et non plus franco mer Noire ou Danube, soit une réduction considérable des déductions auparavant appliquées pour frais de transport. Le prix de vente demeure inchangé pour le blé, à 3,80 leva, et passe, pour le seigle, de 2,40 à 2,85 leva. Malgré cet avantage supplémentaire accordé au producteur, le Conseil des Ministres maintient le prix du pain à son taux antérieur et la Direction espère, grâce aux perspectives moyennes de la récolte 1934, clôturer sans déficit ses opérations sur les campagnes 1933 et 1934.

Au 30 juin, les résultats provisoires concernant la campagne 1933 sont les suivants :

	Milliers de tonnes	Millions de leva
<i>Achats :</i>		
Blé	257	616,8
Seigle	7,7	8,5
Transports, frais généraux, etc.		80
		<hr/>
		705,3
<i>Vente :</i>		
Blé :		
Exportation	103	159,5
Intérieur.	100,3	358
Seigle :		
Exportation	0,26	0,3
Intérieur.	7,2	17
Taxes sur les stocks, amendes, etc.		21,3
<i>Stocks au 30 juin :</i>		
Blé	54,7	207,9
Seigle	0,2	0,5
		<hr/>
		764,5
Bénéfice prévu		<hr/>
		59,2

L'évaluation des stocks est opérée au nouveau prix de vente intérieur et suppose qu'aucune partie n'en sera cédée à prix réduits. En toute hypothèse, il semble que, du point de vue financier immédiat, la Direction ne constitue plus une source de déficit. Toutefois, il lui reste, sur ses bénéfices éventuels, à amortir sa dette envers la Banque agricole, soit 143 millions ; à contribuer à l'apurement des créances des communes résultant des perceptions antérieures, en bons, d'impôts leur revenant, soit 117 millions ; et à régler ses fournisseurs impayés, auxquels il paraît être dû une centaine de millions.

En somme, les conditions naturelles, qui s'opposent à l'exportation, favorisent, jusqu'à présent, ce régime artificiel ; mais l'équilibre financier en sera peut-être difficile à maintenir avec la pratique des nouveaux prix d'achat et au cas d'une reprise des exportations.

III. DETTE PUBLIQUE.

I. En ce qui concerne la liquidation des soldes non transférés sur les coupons échus entre les 1^{er}-15 avril 1932 et 14-15 avril 1934 des deux groupes d'emprunts ci-après :

7% 1926 et 7½% 1928, 6% 1892, 5% or 1902, 5% or 1904,
4½% or 1907, 4½% 1909 et 5% 1896 (Banque agricole de Bulgarie),

les modalités d'application des accords passés par le Gouvernement bulgare et les représentants des porteurs respectifs (cf. notre vingt-neuvième rapport, page 5) ont été définitivement mises au point, et la première échéance semestrielle des transferts à 10% intégralement honorée. A cet effet, pour chaque emprunt :

- a) La masse à liquider a été arrêtée au 15 avril 1934, intérêts accumulés inclus ;
- b) Le quart de cette masse a été viré au crédit d'un nouveau compte bloqué intitulé « Liquidation des soldes non transférés sur échéances avril 1932-avril 1934 » ;
- c) Dix pour cent du montant de ce virement ont fait l'objet de transferts aux banquiers payeurs ;
- d) Le solde de trois quarts de la masse à liquider est conservé au crédit du compte « service non transféré » sous forme de bons du Trésor à 2%, actuellement libellés au 15 juillet 1934 ;
- e) Le surplus du solde créditeur de ce compte a été restitué au Trésor ;
- f) Le solde de 90% du montant viré au compte « liquidation » y est conservé provisoirement sous forme de bons du Trésor au 15 octobre 1934.

II. Deux nouveaux accords conclus les 20 avril et 17 mai 1934 avec les représentants des porteurs de titres des deux groupes d'emprunts susvisés définissent comme suit le régime applicable dans l'avenir au service de ces emprunts :

a) Emprunts d'après guerre : les coupons à échéances du 1^{er} juillet 1934 au 1^{er} juillet 1936 inclus (emprunt 1926) et du 15 mai 1934 au 15 mai 1936 inclus (emprunt 1928) feront l'objet de transferts limités à 32,5% de l'intérêt, le solde, accru du montant de l'amortissement à 100%, étant reconnu au début de chacune des deux années financières par un bon du Trésor sans intérêts remis au commissaire de la Société des Nations et restitué au Gouvernement à la fin de chaque année financière, après exécution des transferts convenus.

Cet arrangement a reçu exécution : les coupons au 1^{er} juillet 1934 de l'emprunt 1926 et au 15 mai 1934 de l'emprunt 1928 ont été approvisionnés dans la proportion convenue et les bons du Trésor collatéraux restitués au Gouvernement. Les bons afférents à l'exercice 1934-35 ont été délivrés et l'approvisionnement des coupons correspondants a commencé sur la base prévue.

b) Emprunts d'avant guerre : pour la période 1^{er} avril 1933-31 mars 1936, l'amortissement demeure suspendu et l'annuité d'intérêt théorique reste calculée sur la base des pourcentages ayant été appliqués à la période 1^{er} avril 1930-31 mars 1933. Pour les échéances de coupons comprises entre les 14 mai 1934 et 14 mai 1936 inclus, les transferts seront limités à 32,5% des montants dus sur la base de ladite annuité, le solde étant reconnu par des bons du Trésor comme pour les emprunts d'après guerre ci-dessus.

Cet arrangement est également entré en exécution.

III. En ce qui concerne la plupart des autres emprunts extérieurs de l'Etat ou garantis par l'Etat, des négociations sont en cours avec les créanciers, tant au sujet de la liquidation des soldes non transférés depuis avril 1932 qu'en vue de la passation d'accords régissant le service futur, et il semble qu'elles doivent aboutir à des arrangements analogues à ceux qui sont décrits ci-dessus.

IV. MONNAIE ET CRÉDIT.

a) BANQUE NATIONALE.

Le total de l'escompte et des avances décroît, pendant le trimestre étudié, de 83 millions de leva, dont 80 millions dus au fait que les banques ont pu conserver en portefeuille des bons du Trésor qu'elles présentaient habituellement au réescompte. Cependant le poste « Bons du Trésor » du bilan de la Banque nationale a augmenté d'environ 200 millions depuis la même époque de l'an dernier. Le volume des billets en circulation s'est accru de 150 millions, sans parvenir à atteindre le niveau de cette époque, mais la circulation monétaire totale, comprenant

les monnaies divisionnaires, atteint un chiffre-record par rapport aux trois années précédentes (3.516 millions au 15 juin 1934, contre 3.491, 3.381 et 3.444 aux 15 juin 1933, 1932 et 1931). La circulation des seules monnaies divisionnaires est supérieure de 100 millions à celle de l'époque correspondante de 1933, et de 200 millions à celle de 1932. L'appendice II, a), montre que l'accroissement de la circulation globale est dû à des retraits — normaux en cette saison — opérés par les banques sur leurs dépôts à la Banque nationale.

La situation des avoirs en devises étrangères de la Banque nationale n'a cessé d'empirer au cours du trimestre, sinon en valeur absolue, du moins en ce qui concerne les devises libres. Nous ne pouvons que redire la position intenable où place la Bulgarie l'obligation simultanée d'exporter contre paiements en devises bloquées et d'assurer en devises libres le service de sa dette extérieure et de quelques autres dépenses. Les arrangements de clearing eux-mêmes s'avèrent inefficaces du fait des restrictions à l'importation qui sévissent de part et d'autre. Ainsi, en dépit de négociations continuelles, beaucoup de ces accords n'existent que sur le papier ou n'entrent en vigueur effective que pour être aussitôt dénoncés. A l'heure actuelle, deux d'entre eux seulement fonctionnent en fait.

b) BANQUES.

L'appendice II, d), montre de nouveaux progrès dans l'encaisse des banques privées, conséquence de règlements d'effets et de remboursements d'avances, ainsi que d'un léger gonflement des dépôts de toute nature. Dans le même temps, ces établissements ont diminué de 64 millions le volume de leur réescompte à la Banque nationale. La présentation des bilans de fin d'année fait ressortir un certain assainissement, qui se manifeste par une décroissance du contentieux et, dans certains cas, par des réductions de capital. Mais cet assainissement, pour être efficace, devra être poussé beaucoup plus loin. Un examen comparé des bilans révèle dans les banques à participation étrangères une situation de caisse plus satisfaisante et d'ailleurs récemment renforcée. Nombre d'établissements bulgares ont bénéficié à un degré moindre du retour de confiance du public et même, affaiblis par des retraits continus, n'assurent leur liquidité qu'en recourant à la Banque nationale. Des plans de réorganisation bancaire étaient débattus depuis plusieurs années sans résultat pratique. Un décret du 15 juin dernier a préparé la fusion d'un certain nombre de banques à capitaux indigènes qui seraient groupées sous le nom de « Crédit Bulgare », le nouvel organisme bénéficiant de l'appui matériel et moral du Gouvernement et de la Banque nationale. Le décret autorise la création d'une nouvelle banque au capital de 125 millions, dont l'Etat fournira 50 millions en trois versements répartis sur deux ans. Les actions correspondantes seront bloquées à la Banque nationale pendant toute la durée de l'existence de la banque et tous les droits y attachés seront acquis irrévocablement à la Banque nationale. Le capital net de chaque établissement absorbé sera évalué par une commission désignée par la Banque nationale et approuvée par le Gouvernement. Le Conseil d'administration du Crédit Bulgare sera composé avec l'agrément de la Banque nationale et comprendra un représentant de cette dernière, lequel jouira d'un droit de *veto* suspensif contre toute décision contraire aux lois, aux statuts ou à l'intérêt public. Le solution définitive des questions frappées de *veto* appartiendra au Conseil de la Banque nationale. L'Institut d'émission est autorisé à ouvrir à la nouvelle banque un crédit extraordinaire de 100 millions, contre sûretés suffisantes et garantie additionnelle de l'Etat. Ce crédit est indépendant de ceux dont l'octroi normal est prévu par les statuts de la Banque nationale. Toutes facilités fiscales sont prévues en faveur des opérations exigées par la fusion.

Bien que ce décret ne soit pas en contradiction flagrante avec les statuts de la Banque nationale de Bulgarie, trois points pourraient appeler des réserves :

a) La disposition portant cession irrévocable à la Banque nationale des droits attachés aux actions doit être rapprochée des prescriptions de l'article 37 des statuts, qui interdit à la Banque (paragraphe 4) de « s'intéresser directement à des entreprises commerciales ou industrielles » et (paragraphe 8) d'« acheter les actions de toute banque ou société » ;

b) La participation de la Banque nationale à la gestion du nouvel établissement exigera sans doute une interprétation libérale du paragraphe 4 susvisé ;

c) Le crédit extraordinaire de 100 millions serait vraisemblablement à long terme, et assorti de garanties autres que celles qu'exigent les statuts.

Sous réserve de cet aspect légal de la question, la réorganisation projetée dépend évidemment au premier chef de la façon dont seront évalués les actifs à combiner et de la qualité du nouveau Conseil d'administration. Dans ces deux domaines, la Banque nationale supportera une responsabilité qu'on ne peut sous-estimer.

Depuis janvier dernier, la Banque agricole de Bulgarie fournit les signes évidents d'une politique plus saine et plus énergique, qui porte déjà ses fruits. Le nouveau Gouvernement a annoncé son intention d'unifier et de centraliser le financement des coopératives, ce qui signifie la fusion des deux banques Agricole et Centrale coopérative. Ce projet doit être pleinement approuvé, mais la réalisation en devrait comporter une étude préalable minutieuse.

V. AGRICULTURE.

Le printemps a été marqué par une sécheresse prolongée, qui a inspiré des craintes au sujet des récoltes. Depuis le début de mai, les pluies ont réapparu en abondance dans tout le royaume, et les derniers renseignements sont assez favorables ; sauf imprévu, la récolte s'annonce dans

l'ensemble comme supérieure à la moyenne au point de vue qualité, et légèrement inférieure en quantité. Craignant une insuffisance pour l'hiver prochain, le Gouvernement avait prohibé l'exportation des céréales, dérivés et tourteaux et, d'autre part, a autorisé la pâture dans les forêts domaniales. Il est probable que la première de ces mesures sera rapportée, tout au moins quant au maïs, dès vérification des perspectives ci-dessus.

Un décret du 11 juin renforce le contrôle de l'abattage et de la vente du bois des forêts domaniales ; il est à espérer que les recettes publiques correspondantes en seront améliorées. Si l'on en croit la statistique, ces forêts, qui, en 1931, couvraient 595.000 hectares, n'ont fourni pendant cette année que 571.000 m³ de bois ; leurs frais d'entretien exigent en moyenne 60 millions par an (dont 42 millions pour le personnel), cependant que le revenu procuré ne dépasse pas 45 millions.

VI. INDUSTRIE.

L'industrie privée de l'essence de roses a été délibérément et complètement étouffée par la loi du 27 mai 1933, déjà analysée par notre vingt-septième rapport, dont les dispositions ont été prorogées pour la récente campagne. L'an dernier, 98% de la production provenaient des coopératives et ont été obligatoirement absorbés par la Banque agricole, qui a immobilisé de ce chef 80 millions. Le rapport de la Banque constate que « ...le but de la loi a été pleinement atteint... », mais que « ...le problème du placement est resté entier... ». Les stocks de la Banque datent, pour certains lots, de 1929 et la campagne 1934 vient d'y ajouter 1.500 kilogrammes. Depuis quelques années, la concurrence étrangère a joué avec succès et est parvenue à éliminer presque complètement la Bulgarie des marchés où elle détenait autrefois un véritable monopole.

Le nouveau Gouvernement a exprimé dans sa profession de foi sa volonté de mettre fin au désordre de la production, d'adapter l'industrie aux besoins économiques du pays et de réduire les prix des produits industriels.

VII. COMMERCE EXTÉRIEUR.

Une lacune très importante vient d'être comblée par la conclusion entre la Bulgarie et la Yougoslavie d'un traité de commerce et de navigation, ratifié à Sofia le 13 juin dernier.

Jusqu'à fin mai, la balance commerciale continue à être favorable, avec tendance à diminution du solde actif. Les exportations d'avril et mai sont très inférieures à celles des mêmes mois de l'an dernier, en raison de la contraction des exportations de tabacs ; pour ce dernier article, acheteurs et vendeurs se réservent en effet jusqu'à la réalisation de l'affaire de compensation tabacs-matériels divers qui vient d'être approuvée en principe par le Gouvernement.

Cette approbation a marqué la fin d'un premier stade des négociations qui s'est prolongé au milieu de difficultés diverses pendant plus de deux années. Des groupes allemand, autrichien, tchécoslovaque et hongrois s'engagent à livrer 909 millions de leva de produits fabriqués aux administrations bulgares des Chemins de fer, des Postes, de l'Armée, des Travaux publics, de l'Agriculture, ainsi qu'à la Municipalité de Sofia. Les fournisseurs se répartissent :

	Millions de leva
l'Allemagne	631
l'Autriche.	156
la Tchécoslovaquie	82
la Hongrie.	40

Le cahier des charges prévoit la livraison de ce matériel en deux ans. En paiement, le Gouvernement émet immédiatement des bons représentant 25% du total dû et répartis également sur des échéances à 6, 12, 18 et 24 mois ; le solde de 75% sera payé à la livraison, sous forme de bons échéant chaque six mois au cours des trois années subséquentes. Les fournisseurs s'obligent à acheter et exporter au moyen du produit de ces bons des tabacs des récoltes correspondantes, et, comme condition préalable, à acquérir immédiatement 4 millions et demi de kilogrammes de tabacs des récoltes 1928 à 1930 incluse, au prix moyen de 72 leva le kilogramme. Ces achats doivent être réglés à concurrence de 30% en devises libes et le solde faire l'objet de crédits aux comptes libes de la Banque nationale de Bulgarie dans les banques nationales respectives.

Le point faible du système réside dans cette opération préalable ; le prix exigé des anciens tabacs en cause atteint probablement le double de leur valeur marchande et il est inévitable que les importations opérées en contre-partie soient facturées en conséquence. Le sacrifice ainsi imposé aux administrations publiques profitera non pas au producteur paysan, qui a vendu ses tabacs après chaque récolte, mais aux intermédiaires qui les ont acquis et aux banques qui ont financé ces derniers.

Rappelons les réserves que nous avons exprimées de longue date au sujet de cette affaire et qui embrassent, outre les considérations ci-dessus, le volume sans doute excessif des commandes ainsi passées ; le fait que l'Etat contracte, par l'émission des bons, de véritables emprunts à court et moyen terme ; l'hypothèque dont sont grevées les futures récoltes de tabacs au point de vue des ressources de change qu'elles auraient pu procurer ; les difficultés que rencontreront probablement certains fournisseurs à remplir leurs engagements concernant les versements de devises libes. En bref, il aurait peut-être été préférable de limiter l'opération à un volume plus restreint, celui des seuls tabacs anciens estimés à leurs prix réels.

L'endettement commercial extérieur du pays, estimé d'après le volume des effets renouvelés chaque trimestre, est passé par un minimum en mars dernier (569,2 millions de leva, contre 1.095,7 en mars 1933), pour se relever à fin mai à 632,6 millions. Cet accroissement paraît le fruit d'une politique récente de la Banque nationale, qui oblige les importateurs titulaires de contingents normaux à s'assurer certains délais de crédit de la part de leurs fournisseurs étrangers.

VIII. ÉTABLISSEMENT DES RÉFUGIÉS BULGARES.

a) POSITION AU 31 MAI 1934 DU COMPTE BLOQUÉ DE L'EMPRUNT 1926.

	Leva
Produit net	1.614.296.149
Dont mis à la disposition du service d'établissement	1.604.824.302
	<hr/>
Solde en dépôt à la Banque nationale	9.471.847

b) RENDEMENT DES REVENUS ENGAGÉS. (En millions de leva.)

Chapitres du budget	Encaissements			1/12 des évaluations budgétaires
	Mars	Avril	Mai	
13. Accise sur le sel, le café importés	43,7	12,5	14,4	16,7
17. Accise sur le sel, le café indigènes		20,8	19,7	26,7
14. Accise sur l'alcool	3,2	5,1	6,7	4,2
19. Vente des allumettes	6,3	6,7	7,2	6,7
Total	53,2	45,1	48	54,3

Les versements des réfugiés affectés au remboursement des dépenses d'établissement ont atteint les montants ci-après (en leva) :

	Mars	Avril	Mai	Antérieurs	31 mai 1934
Intérêts	49.013	53.392	57.240	3.751.727	3.911.372
Amortissement et impôt foncier	20.596	31.716	19.839	15.624.025	15.696.176
Total	69.609	85.108	77.079	19.375.752	19.607.548

La moyenne mensuelle de ces recouvrements (77,3 millions) accuse un progrès par rapport à celle du trimestre précédent (60,6 millions).

c) UTILISATION DE L'EMPRUNT.

Sur les engagements contractés par le service d'établissement, il reste à payer, au 31 mai, 10,3 millions, compte tenu de la subvention de 6 millions réservée au Ministère de l'Agriculture, à titre de participation de l'emprunt à la construction de stations de pompage. Le solde disponible se monte au même chiffre, y compris la provision aux mains de l'Administration.

IX. EMPRUNT DE STABILISATION 7 1/2% 1928.

a) POSITION AU 31 MAI 1934 DU COMPTE BLOQUÉ DE L'EMPRUNT.

	Leva
Produit net	3.370.065.553
Dont mis à la disposition des administrations	3.362.427.028
	<hr/>
Solde en dépôt à la Banque nationale	7.638.525

b) RENDEMENT DES REVENUS GAGÉS (DOUANES). (En millions de leva.)

Mars	Avril	Mai	1/12 des évaluations budgétaires
66,5	53	58,7	54,6

soit une moyenne mensuelle de 59,4 millions, contre 53,4 pendant le trimestre précédent. Pour l'exercice 1933-34, le fléchissement de ces recettes est de 29% par rapport à 1932-33.

c) UTILISATION DU PRODUIT DE L'EMPRUNT.

	Leva	Leva
1. Chemins de fer et ports.		
La totalité de cette tranche s'est montée à		672.300.000
dont engagés au 31 mai 1934		671.681.406
		<hr/>
Solde non engagé.		618.594
Reste à payer sur engagements opérés		7.527.226
		<hr/>
Solde à engager ou à payer.		8.145.820
Sommes aux mains de l'Administration . . .	5.539.027	
Solde à recevoir du produit de l'emprunt . . .	2.606.793	
	<hr/>	8.145.820
2. Routes et ponts.		
La totalité de cette tranche s'est montée à		182.031.732
dont engagés au 31 mai 1934		181.127.754
		<hr/>
Solde non engagé.		903.973
Reste à payer sur engagements opérés		4.000.000
		<hr/>
Solde à engager ou à payer.		4.903.978
Sommes aux mains de l'Administration . . .	127.754	
Solde à recevoir du produit de l'emprunt . . .	5.031.732	
	<hr/>	4.903.978

Pour chaque tranche, le solde à engager est donc minime, et il en sera disposé au cours de la campagne de travaux qui s'ouvre.

Appendice I.

a) RÉSULTATS PROVISOIRES DE L'EXERCICE 1933-34 ET DES DEUX PREMIERS MOIS DE L'EXERCICE 1934.

(En millions de leva.)

	Données annuelles			Résultats provisoires 1 ^{er} avril-31 mai	
	Résultats provisoires		Prévisions budgétaires révisées 1934 (12/9)	1932-33	1934
	1933-34	1933-34 au 31 mai			
I. RECETTES					
A. Budget de l'Etat :					
Impôts directs	392,3	445,1	470	43,9	67,6
Douanes	883	626,3	655	102,6	124,3
Accises	1.229,	1.315,1	1.517	211,6	199
Taxes et perceptions Imposition fiscale.	508,8	552,5	185 320	85,6	70,2
Amendes et confisca- tions	51,1	71,9	73	9,2	8,3
Annuité des chemins de fer et recettes ports	125,1	118,6	60	—	—
P. T. T.	267,1	259,2	275	67,4	66
Domaines et capitaux de l'Etat	330,2	189,9	285,5	38,6	35,9
Participation des com- munes aux appointe- ments des institu- teurs et médecins.	294,9	329,6	368	70,1	39,6
Recettes diverses.	450,6	488,2	218,6	206,2	38,1
Revenus des fonds in- corporés.			170,9		
Recettes sur exercices clos.	203,2	286	300	53,7	16,9
Reprise en recettes des soldes non transférés du service de la dette publique extérieure			432		
Total.	4.735,4	4.682,4	5.330	888,9	665,9
B. Budget des chemins de fer et ports.	1.120,7	1.276,1	1.456,9	173,5	189,4
Total général.	5.856,1	5.958,5	6.786,9	1.062,4	855,3
II. DÉPENSES.					
A. Budget de l'Etat :					
Pouvoir suprême	77	67	46,5	—	
Cours des comptes	17,3	14,8	13,8	—	
Affaires étrangères et Cultes.	141,9	131,8	154,2	—	
Intérieur et Santé pu- blique.	343,3	334,6	384,7	—	
Instruction publique	867,8	823,3	741,5	—	
Finances et Dette pu- blique.	2.090	1.943,7	2.060,6	472,2	
Justice	182,3	165,3	159,6	—	
Guerre	831,9	687,6	927,2	—	
Economie nationale.	325,7	304,9	319,2	—	
Communications	493,3	432,4	522,7	—	
Crédits supplémentai- res divers	98	98,5		6,3	
Total.	5.468,5	5.003,9	5.330	478,5	503,2
B. Budget des chemins de fer et ports	1.138,6	877,1	1.214,9	—	—
C. Dépenses en souffrance	268,2	630,6	—	897,7	540,6
Total général.	6.875,3	6.511,6	6.544,9	1.376,2	1.043,8
Déficit budgétaire	1.019,2	553,1	—	313,8	188,5

b) RÉSULTATS MENSUELS DES TROIS DERNIERS MOIS.

(En millions de leva.)

	1933-34 1/12 du budget voté	Mars		Avril			Mai		
		1933	1934	1933	1934		1933 ^r	1934	
		sur 32-33	sur 33-34	sur 33-34	sur 33-34	sur 34-35	sur 33-34	sur 33-34	sur 34-35
RECETTES									
A. Budget de l'Etat :	35,3	17,5	25,7	10,8	6,4	23,4	33,1	4,5	44,2
Impôts directs	110,2	85,1	101,6	93,1	—	91,4	118,5	—	107,6
Impôts indirects	74,5	59,2	66,5	48,4	—	65,6	54,2	—	58,7
Douanes	67	43,5	49,2	37,2	—	33,3	48,4	—	36,9
Taxes et imposition fiscale	4,8	4,5	6,2	4,7	—	3,7	4,5	—	4,6
Amendes et confiscations	9,99	—	—	—	—	—	—	—	—
Annuité des chemins de fer	23	18,5	17,6	48,9	—	49,7	18,5	—	16,3
P. T. T.	28,9	10,9	13,5	12,2	—	23,7	26,4	—	12,2
Domaines et capitaux	—	—	—	—	—	—	—	—	—
Participation des communes aux appointements des instituteurs et médecins	25	35,6	29	—	—	30,4	70,1	—	9,2
Revenus divers	39,8	16,8	31,5	189,5	—	17,8	16,7	—	20,3
Recettes sur exercices clos	16,7	13,6	16	13,2	—	8,3	40,5	—	8,6
Total	435,1	305,3	356,8	458	6,4	347,3	430,9	4,5	318,6
B. Chemins de fer et ports	129,2	76,8	105,6	87,6	—	94,1	85,9	—	95,3
Total mensuel général	564,3	382,1	462,4	545,6	6,4	441,4	516,8	4,5	413,9
DÉPENSES									
A. — Budget de l'Etat	463,3	291,1	774,2	332,8	45,2	297,1	145,7	96,6	206,1
B. — Chemins de fer et ports	114,4	61,8	105,1	—	53,8	—	—	11,8	—
Total des dépenses réglées	—	352,9	879,3	332,8	99	297,1	145,7	108,4	206,1
Dépenses en souffrance (+ ou — au cours du mois)	—	+ 180	— 407,1	+ 373,8	— 365,5	+ 417,5	+ 476,1	+ 67,2	+ 123,2
Total mensuel général	577,7	532,9	472,2	706,6	— 266,5	714,6	621,8	175,6	329,3

**c) SITUATION DÉTAILLÉE ET COMPARÉE DU RECOUVREMENT
DES IMPÔTS DIRECTS.**

(En millions de leva.)

IMPÔTS	Exercices			
	1933-34		1932-33	
	Recouvrements	%	Recouvrements	%
Impôt foncier	35,1	117	28,6	14
Impôts cédulaires	219,1	110	179,7	86
Impôt sur le revenu global	19,6	98	17,5	58
Impôt sur les sociétés	24,7	82	27,5	69
Impôt sur les bâtiments	17,8	119	13,7	55
Impôt sur les bénéfiques de guerre	0,1	245	0,04	50
Impôt sur les brebis et chèvres	56,8	104	55,4	92
Impôt sur l'exemption de la prestation	23,9	85	26,2	58
Impôt militaire	24,6	117	19,4	55
Impôt sur les successions	23,4	93	24,2	81
	445,1	105	392,3	58

d) SITUATION DE LA TRÉSORERIE.
(En millions de leva.)

	1934		
	Mars	Avril	Mai
Solde au début du mois des comptes du Trésor à la Banque nationale.	337,7	28,7	178,5
RECETTES			
Budget de l'Etat	356,8	6,4 ¹ 347,3 ²	4,5 ¹ 318,6 ²
Chemins de fer et ports.	105,6	— 94,1 ²	— 95,3 ² 1 ¹
Recettes extrabudgétaires	3,4	—	3,8 ²
Emissions supplémentaires de bons du Trésor . . .	25	—	—
Emissions extraordinaires de bons du Trésor . . .	79,5	99,5	14,4
Total	908	576	616,1
DÉPENSES			
Budget de l'Etat	774,2	45,2 ¹ 297,1 ²	96,6 ¹ 206,1 ²
Chemins de fer et ports	105,1	53,8 ¹ —	11,8 ¹ —
Dépenses sur recettes extrabudgétaires.	—	1,4	—
Solde en fin de mois des comptes du Trésor à la Banque nationale.	28,7	178,5	301,6
Total	908	576	616,1
Solde en fin de mois des mandats de paiement en souffrance, environ	928,9	980,9	1.171,3
Solde déficitaire net, environ	900,2	802,4	869,7

Appendice II.

MONNAIE ET CRÉDIT.

a) SITUATION DE LA BANQUE NATIONALE DE BULGARIE EN 1932, 1933 ET 1934.
(En millions de leva.)

	15 juin 1932	15 juin 1933	15 mars 1934	15 juin 1934
Actif.				
Or monnayé et non monnayé.	1.514	1.521	1.547	1.547
Devises-or.	141	51	51	12
Autres devises	192	39	79	96
Monnaies divisionnaires.	514	414	322	314
Portefeuille et avances de commerce	439	363	352	349
Bons du Trésor.	279	493	768	688
Dette de l'Etat.	2.965	2.873	2.783	2.783
Passif.				
Capital versé et réserve	1.693	1.692	1.735	1.737
Billets de banque en circulation	2.654	2.664	2.438	2.589
Comptes courants et de dépôts	1.694	1.525	1.914	1.661
dont de banques	(1.158)	(1.008)	(1.016)	(816)
Exigibilités en devises.	113	64	41	44
Couverture %	35,47	36	35,77	35,65
Taux de l'escompte.	8	8	7	7

¹ 1933-34.
² 1934-35.

b) DEVICES ÉTRANGÈRES : ACHATS ET VENTES DE LA BANQUE NATIONALE DE BULGARIE.
(En millions de leva.)

	Premier trim. 1933	Premier trim. 1934	Avril 34	Mai 34
<i>Change acheté.</i>				
Exportations	332	373	132	121
Services et voyageurs	31	26	10	11
Revenus provenant de placements à l'étranger.	5	3	—	1
Autres revenus de particuliers	10	9	2	2
Revenus de l'Etat provenant de l'étran- ger.	—	5	—	—
Retour dans le pays de capitaux investis à long terme à l'étranger.	—	—	—	—
Importations de capitaux étrangers pour être investis à long terme	21	29	7	2
Crédits étrangers à court terme	8	5	7	1
Différences provenant de la réestimation des avoirs à l'étranger.	10	12	3	4
Divers	30	3	4	2
Dépôts retirés de la Banque nationale de Bulgarie	2	7	2	1
Total.	449	472	168	145
<i>Change vendu.</i>				
Importations	384	374	104	110
Services et voyageurs	9	10	2	4
Autres dépenses des particuliers	22	17	5	5
Intérêts et autres paiements sur les placements étrangers en Bulgarie	2	1	1	2
Paiements de l'Etat à l'étranger	82	33	44	35
Exportations de capitaux	—	—	—	—
Remboursements de crédits à court terme	1	35	9	1
Remboursements de crédits à long terme et de capitaux étrangers.	12	13	19	5
Différences provenant de la réestimation des avoirs à l'étranger	5	4	7	1
Divers	16	10	1	5
Dépôts entrés à la Banque nationale de Bulgarie	1	3	—	—
Total.	534	500	192	168

c) DEVICES ÉTRANGÈRES : ACHATS ET VENTES TRIMESTRIELS.
(En millions de leva.)

Trimestre	Bloquées	Libres	Total	% bloqué
<i>Achetées.</i>				
1932 : Premier	56,3	873,6	929,8	6,1
Deuxième	174,1	553,7	727,9	23,9
Troisième	149,2	420,1	569,3	26,2
Quatrième	270,3	457,2	727,5	37,3
1933 : Premier	220,8	219,7	440,4	50,1
Deuxième	369,8	229,3	599,1	61,7
Troisième	337,6	226,4	564,0	59,9
Quatrième	497,9	196,3	694,2	71,7
1934 : Premier	284,9	163,1	448,0	63,6
Avril 1934	108,4	54,4	162,8	66,6
Mai 1934	98,5	41,9	140,4	70,1
<i>Vendues.</i>				
1932 : Premier	20,7	1.000,3	1.021,1	2,0
Deuxième	128,3	602,5	730,8	17,6
Troisième	173,3	508,3	681,5	25,4
Quatrième	284,9	501,5	786,3	36,2
1933 : Premier	235,3	281,5	516,8	45,5
Deuxième	353,2	286,4	639,6	55,2
Troisième	334,2	204,0	538,2	62,1
Quatrième	378,2	263,7	641,9	58,9
1934 : Premier	308,3	174,2	482,5	63,9
Avril 1934	86,1	97,4	183,5	46,9
Mai 1934	93,0	71,6	164,6	56,5

d) SITUATION DES BANQUES PRIVÉES EN BULGARIE AUX 31 MARS 1933, 31 DÉCEMBRE 1933 ET 31 MARS 1934.

	Mars 1933	Décembre 1933	Mars 1934
<i>Actif.</i>			
Caisse et Banque nationale	508,5	535,2	620,9
Autres banques	178,1	169,4	166,2
Effets escomptés	1.235,6	1.204,6	1.116,8
Avances	2.162,7	1.934,3	1.920,4
Gages	318,6	308,3	204,5
Placements	254,9	235,3	195,6
Immeubles et mobilier	292,9	275,2	271,3
Contentieux et effets protestés	652,6	678,1	652,8
Divers	509,1	527,1	451,4
Balance	6.113,0	5.867,4	5.599,9
<i>Passif.</i>			
Capitaux	1.329,7	1.296,7	1.208,1
Dépôts d'épargne	1.474,1	1.241,1	1.308,3
Dépôts commerciaux	1.776,5	1.696,6	1.414,1
Autres créditeurs	318,2	353,4	607,0
Banques	70,0	54,6	51,5
Récompte	256,1	350,0	285,6
Gages	318,5	308,3	204,5
Succursales	193,9	200,3	204,3
Divers	376,0	366,3	316,5
Balance	6.113,0	5.867,4	5.599,9
% de l'encaisse envers dépôts	15,6	18,2	22,8
% du contentieux envers avances et effets escomptés	19,2	21,6	21,5

Appendice III.

COMMERCE.

a) CHEMINS DE FER.

Moyennes mensuelles	Voyageurs (milliers)	Marchandises (milliers de tonnes)	Recettes totales (millions de leva)
1931	668	366	97
1932	623	376	95
1933	544	343	95
Janvier-mai 1933	496	238	73
Janvier-mai 1934	478	280	86

b) INDICES DES PRIX DE GROS.

(1929 = 100.)

Années et Mois	Articles de consommation intérieure	Articles d'exportation	Articles d'importation	Indice général de gros	Indice général de détail
1930	84,01	72,83	89,43	80,66	—
1931	72,04	51,77	75,62	63,71	—
1932	65,97	45,27	72,87	57,78	—
1933	63,82	38,67	74,22	53,70	62,11
1934 : Janvier	65,24	38,32	71,56	53,79	63,84
Février	64,55	40,30	70,72	54,48	63,23
Mars	63,65	39,95	70,76	53,82	62,83
Avril	62,43	39,38	70,21	53,04	61,86
Mai	62,47	40,54	70,40	53,63	61,71

c) COMMERCE EXTÉRIEUR.

(En millions de leva.)

Mois	Importations			Exportations			Balance		
	1932	1933	1934	1932	1933	1934	1932	1933	1934
Janvier	247	239	139	307	135	248	+ 60	— 104	+ 109
Février	258	206	155	284	192	171	+ 26	— 14	+ 16
Mars	345	253	203	271	189	246	— 74	— 64	+ 43
Avril	337	211	189	322	363	202	— 15	+ 152	+ 13
Mai	373	180	172	292	277	178	— 81	+ 97	+ 6
Juin	274	150		208	231		— 66	+ 81	
Juillet	237	149		144	176		— 93	+ 27	
Août	275	134		192	150		— 83	+ 16	
Septembre	259	155		247	243		— 12	+ 88	
Octobre	283	168		360	314		+ 77	+ 146	
Novembre	295	173		336	322		+ 41	+ 149	
Décembre	288	184		420	247		+ 132	+ 63	
Année entière	3.471	2.202		3.383	2.846		— 88	+ 644	
Janvier-mai	1.560	1.089	858	1.476	1.156	1.045	— 84	+ 67	+ 188

Geneva, July 17th, 1934.

LEAGUE OF NATIONS

**FINANCIAL POSITION
OF AUSTRIA IN THE SECOND QUARTER OF 1934**

ELEVENTH QUARTERLY REPORT

By M. Rost van Tonningen, the Representative in Austria
of the League of Nations

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I. INTRODUCTION.

(1) The closed accounts for 1933 show an ordinary deficit of 81.81 million Schillings and an extraordinary deficit of 159.75 million Schillings. Cash reserves have in the main been drawn on to cover the ordinary deficit, while the extraordinary deficit has been met out of cash reserves, through Treasury bills, and out of the yield of loans contracted during 1933.

(2) Total ordinary expenditure during the first half of 1934 was 48.42 million Schillings more than in the corresponding period last year; receipts were 52.03 million Schillings higher. The probable deficit is 75.65 million Schillings, or 3.61 million Schillings less than during the first six months of 1933. Extraordinary expenditure during this period of 1934 amounted to 40.74 million Schillings and was met out of the yield of the 1933 Lottery Loan.

(3) The published accounts of the Federal Railways for 1933 show a deficit of 85.6 million Schillings. The amount which will have to be reimbursed by the State amounts, however, to 104 million Schillings. Gross ton-kilometres have fallen from 15,360,000 in 1930 to 11,445,000 in 1933 (— 25 per cent).

(4) Though railway car loadings continue to be higher than in 1933, goods receipts are falling off. This is apparently due to a large increase in the company's own traffic caused by heavier construction work.

(5) The Municipality of Vienna has introduced certain measures of fiscal reform and has raised a medium-term loan of 45 million Schillings to cover current deficiencies caused by non-recurrent items. A 60-million Schillings programme of public works is to be financed by a long-term mortgage loan.

(6) The National Bank revalorised at the end of April its gold and foreign exchange holdings on the basis of the private clearing rate. The net profit of some 20 million Schillings was applied to the reconstruction of the big Viennese banks.

(7) The foreign exchange situation has remained stable. The quotations of Austrian bonds on foreign markets have tended to rise.

(8) The gold cover of the currency rose from 16.69 per cent at the end of March to 21.71 per cent at the end of June. The Bank rate was lowered on June 28th from 5 per cent to 4½ per cent. Commercial banks equivalently lowered their lending rates, and the rate of interest on deposits was also lowered by ½ per cent. By the end of May, savings deposits had more than recovered the loss incurred during February 1934.

(9) In the spring of 1934 a further—it is to be hoped, a final—stage was reached in the work of reconstructing the Viennese banking system. With the help of funds provided by the State and the National Bank, the losses of the Wiener Bank Verein and the Niederösterreichische Escompte-Gesellschaft have been written off and the former has amalgamated with the Creditanstalt. This bank also takes over the deposit banking business of the Niederösterreichische Escompte-Gesellschaft, which is reorganized under the name of "Oesterreichische Industrie-Kredit-Aktiengesellschaft" and which passes under the control of the National Bank.

(10) The value of total trade for the first five months increased by 21 per cent, while excess imports fell by nearly 20 per cent from 166 million Schillings to 133 million Schillings.

(11) Unemployment remains considerably below the level of 1933, and certain branches of industry and trade show signs of improvement.

(12) The agreement between Austria, Hungary and Italy, based on the Rome Protocols of March, should shortly enter into force. The arrangement with Italy is expected to allow a considerable increase in certain Austrian exports. Austria has guaranteed to take a fixed quota of Hungarian wheat at a fixed price.

2. FEDERAL BUDGET.

(a) FEDERAL BUDGET FOR 1933.

The closed accounts for 1933 published by the Audit Court will show the following final results:

	Gross figures (In millions of Schillings)
A. Ordinary Budget.	
Expenditure	1,929.64
Receipts	1,847.83
Deficit A.. .. .	81.81
B. Extraordinary Budget.	
Expenditure (Deficit B).. .. .	159.75
Deficit A and B	241.56

This deficit was covered as follows :

	In millions of Schillings
(1) Cash reserves	120.01
(2) Treasury bills issued under the Decree of March 20th, 1933, for the banking action (cf. Sixth Quarterly Report, page 13)	75.00
(3) Advanced from the yield of the 1933-1953 Guaranteed Loan, principally to set the pledged revenue mechanism for the foreign debt in action.. .. .	21.29
(4) Loan from the Swiss Government in connection with an agreement over the embroidery trade in Vorarlberg	0.71
(5) Out of the yield of the Lottery Loan, for the public works programme	24.55
	<hr/> 241.56

(b) FEDERAL BUDGET FOR 1934.

A. Ordinary Budget.

The probable results for the first six months of 1934 are as follows :

	January-June 1934 Probable results	January-June 1933 Provisional results	Difference (+ or -)
	(In millions of Schillings)		
Expenditure :			
Personnel	351.64	351.91	— 0.27
Material	657.45	608.76	+ 48.69
	<hr/>	<hr/>	
Total	1,009.09	960.67	+ 48.42
Receipts	933.44	881.41	+ 52.03
	<hr/>	<hr/>	
Deficit.. .. .	75.65	79.26	— 3.61

The relatively larger receipts in 1934 are due to the yield of sources of revenue which were not available in 1933 (contribution from the municipality of Vienna, 33.3 million Schillings ; import duty on cattle fodder, 10.9 million Schillings ; security tax, 6.5 million Schillings).

The simultaneous increase in outgoings is mainly due to the additional requirements for army and police and auxiliary defence corps (in all, 23 million Schillings) and for certain measures of agricultural relief (hill farmers, 4.2 million Schillings ; sundry bounties, 6 million Schillings). Debt service requirements were also larger, as up to May 1933 the foreign exchange was purchasable at the more favourable "official rate". This and the service of the Lottery Loan caused an increase in outgoings amounting to 21.04 million Schillings, while deficit reimbursements to the Federal Railways required 9 million Schillings more than in 1933. These items were partly offset by the improvement in labour conditions, as expenditure on unemployment insurance was 25.2 million Schillings lower.

B. Extraordinary Budget.

Of the 103.06 million Schillings provided for public works in the extraordinary budget, 40.74 million Schillings have been spent during the first half-year, and are distributed as follows :

	In millions of Schillings
River and stream regulation and land reclamation	9.21
Road building	13.17
Investments :	
Post Office	2.12
Railways	16.24
	<hr/>
	18.36
	<hr/>
	40.74

(c) THE FEDERAL RAILWAYS, 1933.

According to the report of the Federal Railways for 1933, the deficit of the undertaking at the close of the year amounted to 85.6 million Schillings. In arriving at this figure, however, the management has excluded items amounting to 18.4 million Schillings for charges outside the normal budget (Gebarung) divided as follows :

	In millions of Schillings
Interest on earlier deficits not yet reimbursed by the State	4.2
Claim on the State for the operation of local lines	6.2
Summer passenger-ticket rebates under the Government Tourists Propaganda programme	3.0
First instalment on the amortisation of 25 million Schillings of renewals incurred in 1931	5.0
	<hr/>
	18.4

When these items are brought into the accounts, the deficit for 1933 is increased to 104 million Schillings, and it is this amount that the State will have to reimburse to the Railways, under the Railway Law.

If on the basis of a deficit of only 85.6 million Schillings full provision is made for amortisation and renewals, to the amount of 60 million Schillings suggested by Director Herold in his report, the deficit for the year rises to 115.1, as against 129.2 in 1932. After careful deliberation, however, the management has come to the conclusion that, under present conditions, 48 million Schillings is a sufficient provision for this purpose, as Director Herold's estimate of 60 million Schillings is based on traffic conditions in 1930. This was in many respects a peak year, and since then gross ton-kilometres have fallen over 25 per cent, from 15,360,000 to 11,445,000. At this lower rate of amortisation, the final deficit for 1933 comes to 103.1 million Schillings, as against 117.2 million Schillings in 1932, an improvement of 14.1 million Schillings.

The table below gives the detailed figures for the years 1932 and 1933 :

	Closed accounts	
	1932	1933
	(In millions of Schillings)	
Operating expenditure :		
Salaries	241.2	210.7
Pensions.. .. .	124.3	133.3
Fuel.. .. .	29.9	29.1
Sundry material expenditure	53.2	46.8
General expenditure	35.0	32.9
Total	483.6	452.8
Operating receipts.. .. .	465.1	439.3
Operating deficit	18.5	13.5
Debt service	77.3	72.0
Exchange fluctuation reserve	10.0	—
(—)Credit or (+)debit balance of sundry items (net)	— 4.5	+ 0.1
Total deficit	101.3	85.6
Shortage of provision for amortisation and renewals	15.9	17.5
Final deficit	117.2	103.1
<i>Charges outside the normal budget</i>		18.4
Final Deficit, 1933.. .. .		121.5
Passenger kilometres	2,527,000	2,284,000
Goods ton-kilometres	2,584,000	2,556,000
Gross ton-kilometres	11,684,000	11,445,000
Train kilometres	45,661	45,679
Axle kilometres	1,311,473	1,289,884

	1932	1933	Reduction
	(Schillings)		Per cent
Operating expenditure per :			
Kilometre of line operated	92,289	86,614	— 6.1
Thousand train kilometres	10,894	10,180	— 6.5
Thousand axle kilometres	379.30	360.50	— 5.0
Thousand gross ton-kilometres	42.60	40.60	— 4.7

These figures give testimony of the praiseworthy work carried out by the management. Carefully planned re-organisation and stricter discipline and control have caused expenditure to fall below the level to which it would naturally have sunk owing to the shrinkage of traffic. The above short statement of proportional traffic expenditure shows that, in spite of lighter traffic, the Federal Railways have increased in efficiency.

(d) THE FEDERAL RAILWAYS, 1934.

Goods traffic (total loaded	March	April	May	June
wagons)	147,658	133,900	149,037	144,679
	1933	1934	1933	1934
	157,898	145,527	153,777	166,869 ¹
Traffic receipts :				
		(In millions of Schillings)		
Goods	1933	21.8	19.4	21.2
	1934	22.6	20.7	21.1
Passengers	1933	10.4	12.8	11.7
	1934	10.9	11.1	11.9

¹ Provisional.

The above figures show how car loadings have consistently remained above the 1933 level. Goods traffic receipts, however, show a weakening tendency. The opposite trend of car-loadings and goods receipts is in great part due to a large increase in the company's own traffic due to heavier permanent-way repairs, bridge-building and other construction works. This naturally affects the tonnage and mileage figures but produces no cash.

Passenger traffic is not very satisfactory ; but, until figures for the summer months are available, no conclusions can be drawn as to the probable financial results for the current year.

(e) ASSIGNED REVENUES.

The yield of the revenues pledged for the service of the 1923-1943, 1930 and 1933-1953 loans and the service requirements of these loans during the first half-year of 1934 were as follows :

Yield	(In millions of Schillings)	Actual loan service requirements	(In millions of Schillings)
Customs	101.35	1923-1943 Loan	48.31
Tobacco	130.60	1930 Loan	17.85
		1933-1953 Loan	14.32
Total	231.95	Total.. .. .	80.48

The loan service was covered more than two, and three-quarter times by the yield of the pledged revenues.

3. LOCAL FINANCE.

The recent political changes in the municipality of Vienna have determined a revision of its financial policy. The changes, entailing the suppression of old taxes, the introduction of new ones, and the modification of already existing duties, have had the effect of altering slightly the incidence of taxation and simplifying procedure. The financial situation of the municipality allowed of no immediate remission of taxation, nor was a fundamental reform of the municipal fiscal system to be expected at that moment.

The tax on house property (Wohnbausteuer) has given place to a less steeply progressive tax on rents which gives a certain measure of relief in the case of unoccupied buildings and is rather more liberal in the matter of tax exemptions.

The municipality has accepted the Federal Decrees of 1933 (See Ninth Report, page 8), which abolished or modified several municipal taxes (foodstuffs and beverages, increment on real-estate values, domestic servants, carriage- and riding-horses). The increases in taxation include a higher water rate with a lower free water quantum and a garbage collection due.

The rents in the new municipal houses have been raised to the level of the rents paid in the older municipal houses. The municipality has declared its readiness to grant remissions or subsidies to families which find themselves in difficulties through this measure.

The municipality has now raised the short-term loan of 45 million Schillings mentioned in the previous report (Tenth Report, page 6). It was required to cover the following non-recurrent items of expenditure :

	(In millions of Schillings)
Contribution to the Federal Treasury in 1934 (Federal Decree of August 17th, 1933)	36
Settlement of arrears of contribution to Federal Hospitals	3
Completion of municipal houses under construction	6
	<hr/>
	45

The loan is for five years, repayable in ten half-yearly instalments, and the six months Treasury bonds issued by the municipality are exchangeable at any time against commercial bills of the municipal undertakings. Thirty million Schillings have been subscribed by the Zentral-Europäische Länder Bank, the remaining 15 millions by a syndicate comprising the Post Office Savings Bank, Creditanstalt, Merkurbank, Oesterreichisches Credit-Institut für öffentliche Unternehmungen und Arbeiten and the Zentral-Spar-Kasse of the municipality of Vienna.

The 1,000-Schilling bonds of the converted 6% Municipal Dollar Loan, which were first quoted on April 11th at 68.75, now stand at 71.25.

The municipality has further drawn up a programme of public works entailing an expenditure of some 60 million Schillings, of which only about half will be immediately required. Twenty-two million Schillings will be raised from mortgage loans on municipal dwelling-houses, 3.5 million Schillings from insurance companies, while the Federal Government cedes 10 million Schillings from the yield of the Lottery Loan. Thirty-eight million Schillings are to be spent on road construction and bridge repairs, 8.5 million Schillings on renovating administration and school buildings, 5 million Schillings on improving the water-supply, 5.5 million Schillings for the conversion of pre-war houses into small dwellings, and 1 million Schillings on improving the garbage collection service.

According to the accounts approved by the Government of Lower Austria, budgetary receipts at 89.5 million Schillings exceeded expenditure at 87.6 by 1.9 million Schillings. This is the first time in seven years that the budget of the province is not deficitary.

Styria, by retrenchment in all departments, has reduced its estimated deficit for the current year from 2.8 million Schillings to 1.9 million Schillings. This province has also taken advantage of the depreciation of the dollar to convert its 1926-46 7% External Secured Sinking Fund Gold Dollar Loan into 1934-59 6½% Gold Schilling bonds at 6 Schillings to the dollar, the current exchange rate for the dollar being 5.37 Schillings per \$. This rate of conversion implies actually, not a reduction of the effective interest rate to 6.5 per cent, but an increase to nearly 7.3 per cent. The finances of the provinces benefit to the extent that sinking fund payment is suspended until July 1937, the period of amortisation being prolonged to February 1959. The conversion appears to have been a success, the holders of about 75 per cent of the outstanding 3.2 million dollars having accepted the offer. It is necessary that the respite thus gained should be put to proper use, otherwise difficulties in maintaining full service will arise again when amortisation is renewed in 1937.

The municipality of Salzburg, by means of direct negotiations with the creditors, has obtained for its 1925-1955 7½% Swiss franc loan a reduction of interest to 5 per cent, and a lightening of amortisation until March 1944. This operation is sounder finance than the conversions previously mentioned in these reports, which were not based on cheaper money conditions, but were more in the nature of exchange speculations.

The constitutional reform which has been carried out in Austria implies a revision of the financial relations of the Federation, the provinces and the municipalities. The new Constitutional Finance Law (Finanzverfassungsgesetz), which will fix the main lines of these relations, is still the object of negotiations between the parties concerned. It will, in all certainty, bring about a greater centralisation, strengthening Federal control over provincial finances. Article III of the Constitution now requires all provincial legislation, including that affecting taxation, to be submitted to the Federal Chancellor before promulgation. The new Finanzverfassungsgesetz, it appears, will include an article requiring the approval of the Federal Minister of Finance for all foreign loan transactions of the provinces and municipalities and for domestic loans when total debt service exceeds 5 per cent of the budgetary estimates. These provisions put into effect paragraph 5 of the declaration made by the present Minister of Finance as Chancellor before the Financial Committee in September 1931 (L.O.N. document A.55(b).1931.II.A).

The Abgabenteilungsgesetz establishing the share of local authorities in Federal tax receipts should be published in the autumn, and come into force on January 1st, 1935.

A Federal Law of June 8th, 1934, unifies the provisions governing the beer tax in the provinces, and, by basing tax rates on the alcohol contents, favours the production of lighter beer.

4. CENTRAL BANK POSITION.

(This chapter has been drawn up in consultation with the Adviser to the National Bank, M. Maurice Frère.)

(a) THE REVALORISATION OF THE GOLD AND FOREIGN EXCHANGE HOLDINGS AND OF THE CAPITAL OF THE NATIONAL BANK.

	End of 1933	1934 End of :			
		First Quarter	April	May	June
(In millions of Schillings)					
1. Note circulation	952	981	970	931	955
2. Sight liabilities	142	154	163	190	156
3. Total 1 and 2	1,094	1,135	1,133	1,121	1,111
4. Blocked foreign debt accounts included in 2	14	15	14	14	15
5. Total 3 and 4	1,080	1,120	1,119	1,107	1,096
6. Gold and foreign exchange	202	213	277	279	277
7. Bills discounted	275	308	301	278	254

The new valuation of the Schilling was finally recognised for all current practical purposes when, at the end of April, the gold and foreign exchange assets and liabilities of the National Bank were entered on the weekly balance-sheet at the "private clearing" rates instead of as previously at the "official rates" based on the old gold parity.

The consequent visible effect on the balance-sheet was as follows :

Assets	April 1934		Liabilities	April 1934	
	23rd	30th		23rd	30th
	(In millions of Schillings)			(In millions of Schillings)	
Gold.. .. .	189.43	241.08	Share capital.. .. .	43.20	54.96
Foreign exchange	24.99	36.27	Other liabilities	1,280.17	1,306.65
Other assets ..	1,108.95	1,084.26			
Total.. ..	1,323.37	1,361.61	Total! ..	1,323.37	1,361.61

The basis for this operation had been provided when, in the spring of last year, official status was given to the "private clearing" exchange rate. The immediate occasion was twofold. The bank had been purchasing foreign exchange on the market at private clearing rates, which, however, it could only enter among its assets at the official rate, the difference being booked to sundry assets. This procedure, though not affecting the total assets of the bank, reduced the proportion which was eligible as cover for the circulation and could not be continued indefinitely. The banking reorganisation (see Chapter 5 below) offered an appropriate opportunity for carrying out this long-delayed and inevitable readjustment as the net profit which arose provided the National Bank with the funds which its participation in the scheme of reform required.

The share capital of the bank, which is expressed according to the Statutes in gold crowns, was revalorised at the same time as the gold and foreign exchange assets. The operation was based, not on the officially quoted gold price of 128 Schillings for 100 gold Schillings, but on what the gold holdings would actually fetch if sold, after deducting all commissions and expenses. This gave a rate of 127.25 Schillings per 100 gold Schillings. The foreign exchange holdings and the share capital were similarly converted.

Statistically, the revalorisation gave the following results :

	In millions of Schillings
Gross profit on all gold and foreign exchange assets	72.3
From this there must be deducted :	
(a) The paper loss on exchange purchased in the "private clearing" market and booked at "official" rates	34.3
(b) The loss arising out of the revalorisation of "gold" liabilities	5.5
(c) The increase in the share capital caused by recognising its gold character	11.8
	<u>51.6</u>
The whole operation therefore closed with a net profit of	20.7

which the National Bank has applied to the banking reorganisation.

(b) CURRENCY AND FOREIGN CREDIT POSITION.

The exchange position remained steady during the period under review, and the improvement in the Austrian currency and credit position is reflected in the higher quotations of Austrian loans on foreign Stock Exchanges.

The 1930 7% Investment Loan, being a security which does not rely on foreign guarantees, offers the best illustration of this trend :

End of	Vienna	New York	London
1932 December	71.50	53	55-56½
1933 December	76.37	51	74
1934 January	77.19	59	71-72½
February	78.13	64½	73½-74½
March	79.88	69	75½-77
April	83.52	74	78-79½
May	83.01	73	83½-85
June	82.42	66½	83

The conversion of dollar municipal and provincial loans, to which attention is drawn elsewhere (Chapter 3), affects mainly securities held within the country. They are, however, of some advantage from the point of view of the currency in that they reduce potential sources of foreign exchange requirements.

(c) THE DOMESTIC CREDIT POSITION.

As the table at the head of the chapter shows, the position of the National Bank has been strengthened during the period under review, not only by the book-keeping

entries connected with the revalorisation of the currency reserve, but by a reduction of the circulation and of bills discounted.

The latter development is closely connected with the banking re-organisation and with the mutual settlement of claims between the Creditanstalt, the Niederösterreichische Escompte-Gesellschaft, the Wiener Bank Verein and the National Bank (see Chapter 5). The gold cover of the currency rose consequently from 16.69 per cent at the end of March to 21.71 per cent at the end of June.

Savings deposits continued to increase and had, by the end of May, more than made good the loss incurred during February last.

(d) THE BANK RATE.

On June 28th, the National Bank lowered the discount rate by $\frac{1}{2}$ per cent to $4\frac{1}{2}$ per cent. It had remained at 5 per cent since March 24th, 1933.

This measure is part of a general reduction of interest rates throughout the country. The re-organisation of the banks and the return of hoarded deposits has placed the banks in a position to pass on to their clients the full benefit of the reduction. Deposit rates have also been reduced by $\frac{1}{4}$ per cent to 3 per cent for sight deposits and to $3\frac{1}{4}$ per cent for three-months deposits in Viennese banks. Foreign exchange deposits will bear $2\frac{1}{4}$ per cent interest.

5. THE AUSTRIAN BANKS.

(This chapter has been drawn up in consultation with the Adviser to the National Bank, M. Maurice Frère.)

In the seventh quarterly report, covering the second quarter of 1933, a review was given of the stage then reached in the re-organisation of the Austrian banking system.

It will be remembered that the prolonged negotiations concerning the refloating of the Creditanstalt were finally brought to a successful close by the ratification of the necessary agreement in May 1933. The Austrian State and the National Bank had also combined to reconstruct the two other big Austrian banks—the Wiener Bank Verein and the Niederösterreichische Escompte-Gesellschaft—through the intermediary of a trust company (Gesellschaft für Revision und treuhändige Verwaltung) which was affiliated to the National Bank. The particulars of this operation which involved an amount of 140 million Schillings, and the reconstructed balance-sheets were given in the seventh quarterly report.

Mere rearrangements of balance-sheets could not solve the banking problems. Attention was already drawn at the time to the necessity of a drastic reduction of expenses if, on the basis of the appalling shrinkage of assets, costs were to be covered by earnings.

The decree of March 19th, 1933, accordingly did away with the rigid collective and with certain individual contracts, thus enabling the management to diminish overhead expenses by reduction of both staff and salaries. As no agreement could be reached with the pensioned staff, the Finance Minister resolved the question of pensions by a decision of August 23rd, 1933.

Notwithstanding the unavoidable hardship which was thus inflicted, these various measures secured less than the hoped for economies.

In the autumn of 1933, the banking problem was re-examined and finally a new line of action was decided upon the basis of the balance-sheets for the end of 1933. The relative position of the three banks, Creditanstalt, Niederösterreichische Escompte-Gesellschaft and Wiener Bank Verein, had meanwhile radically changed. The Creditanstalt had made very great progress, due in part to the drastic scheme of reconstruction which was applied with the help of the Austrian State, and to the unabated efforts of its management.

(a) THE CREDITANSTALT.

The following figures show the position of the Creditanstalt :

Assets.	Balance-sheets at the end of		
	1930	1932	1933
	(In thousands of Schillings)		
Cash in hand	29,131	7,864	8,083
Cash holdings abroad	—	8,807	8,528
Bills	91,790	40,544	40,553
Securities	70,706	39,456	31,031
Participations	102,550	8,465	5,948
Debtors	1,382,153	448,727	336,517
Real estate	22,394	3,166	3,043
Mortgages	33,334	77,906	84,985
Cash paid up for new capital	152,500	—	—
Total	1,884,558	634,937	518,690

<i>Liabilities.</i>	Balance-sheets at the end of		
	1930	1932	1933
	(In thousands of Schillings)		
Share capital	177,500	142,000	142,000
Reserves	—	—	—
Creditors	1,358,997	328,410	253,246
Acceptances	1,455	61,019	8,000
Deposits	316,276	35,017	39,093
Mortgage bonds	30,329	68,490	75,735
Profit	—	—	616
Total	1,884,558	634,937	518,690

The shrinkage of the balance-sheet totals demonstrates the contraction from an inflated to a deflated position. Though, in absolute figures, the liquid assets have not increased, the liquidity of the bank has made amazing progress by the reimbursement of nearly all the 82 million Schillings of bills rediscounted at the end of 1932 with the National Bank, and of large Government and savings banks deposits. Progress in this respect continued during 1934.

The increase in the earning power was also very considerable, as the profit and loss account shows a profit of 616,420 Schillings against a loss of 8.5 million Schillings estimated in the tentative profit and loss account established in the spring of 1933.

A direct comparison with the profit and loss accounts of preceding years is not practicable as, for 1931-32, a joint account was published and, since then, the whole structure of the bank changed. In the following summary, the figures for these years are given where possible :

<i>Dr.</i>	Profit and loss accounts		
	1931	1932	1933
	(In thousands of Schillings)		
Interest on deposits	—	—	1,265
Salaries	21,100	11,400	8,552
Pensions	14,100	12,200	8,900
General expenses	5,100	2,500	2,185
Taxes	1,200	600	858
Profit	—	—	616
			<u>22,376</u>
<i>Cr.</i>			
Interest			13,180
Commissions			3,604
Profit from securities and participations			1,117
Profit on foreign exchange			3,511
Profit on mortgage business			52
Sundry receipts			912
			<u>22,376</u>

The effect of legislation on personnel expenditure is clearly seen. The active staff was reduced during 1933 from 1,113 to 1,087, the number of pensioners from 3,410 to 3,350.

* * *

Unfortunately, the position of the other two banks has deteriorated to such an extent that not only the capital was lost, but a further deficiency existed.

* * *

(b) THE WIENER BANK VEREIN.

For the sake of comparison, the published balance-sheets for 1932 and 1933 are given below :

<i>Assets.</i>	1932	1933
	(In thousands of Schillings)	
Cash	8,134.3	11,507.9
Bills receivable	23,390.8	23,872.2
Debtors	284,595.7	236,398.3
Permanent participations in banks	5,191.5	8,113.0
Syndicates and participations	28,829.8	32,848.5
Securities	7,441.2	6,911.8
Premises	7,488.6	7,355.2
Loss	—	3,762.2
Total	365,071.9	330,769.0

	1932	1933
	(In thousands of Schillings)	
Liabilities.		
Capital.. .. .	29,500.0	29,500.0
Reserve	1,062.4	1,062.4
Unpaid dividends	203.2	193.6
Bills (<i>aval</i>)	33.4	38.2
Deposit books and certificates	45,929.9	42,807.1
Creditors	288,343.0	257,167.7
	<hr/>	<hr/>
Total	365,071.9	330,769.0

Subsequent estimates showed that further amortisation of assets amounting to 16 million Schillings was necessary.

The profit and loss account showed considerable operating losses, thus demonstrating that the heavy overhead expenses could not be earned :

	1932	1933
	(In thousands of Schillings)	
Dr.		
Salaries.. .. .	10,451.0	7,421.6
Pensions and social charges	3,438.9	3,250.8
General expenditure	2,500.0	2,462.2
Taxes	1,744.6	1,111.0
Written off real estate	121.0	121.0
Written off debtors, securities, participations	22,336.4	—
	<hr/>	<hr/>
Total	40,591.9	14,366.6
Cr.		
Interest	8,333.4	4,436.4
Profit on foreign exchange	935.5	1,717.6
Commission	5,073.9	4,450.5
From reserves	5,129.0	—
Written off share capital	21,120.0	—
Loss	—	3,762.2
	<hr/>	<hr/>
Total	40,591.9	14,366.6

The Wiener Bank Verein was noticeably in a more liquid position at the end of 1933, owing partly to the reimbursement of the bank debts of the Government and the Railways out of the proceeds of the 1933 foreign loan, but rediscounts with the National Bank were still high.

(c) THE NIEDERÖSTERREICHISCHE ESCOMPTE-GESELLSCHAFT.

This bank had also incurred heavy losses. In the report, which was subsequently published, these losses were estimated at 38.5 million Schillings, covered by writing down the capital and reserves (32.35 million Schillings) and by the revaluation of real estate (2.5 million Schillings). The balance was covered by the remission by the National Bank of the interest previously paid on discounts.

The following table compares the reconstructed balance-sheet for 1933 with the 1932 balance-sheet :

	1932	1933
	(In thousands of Schillings)	
Assets.		
Cash	4,651.2	5,123.1
Bills receivable	6,946.1	9,333.5
Securities	4,474.8	18,609.2
Permanent participations	31,605.8	51,563.4
Other participations	440.0	
Syndicates	36,375.5	4,163.2
Debtors	316,819.7	286,236.1
Real estate.. .. .	—	2,500.0
Premises	—	
	<hr/>	<hr/>
Total	401,313.2	377,528.6
Liabilities.		
Share capital	29,500.0	10,000.0
Capital reserve fund	2,950.0	—
Max Feilchenfeld fund	50.0	50.0
Creditors	326,757.6	341,366.2
Deposit-books and certificates	42,042.7	26,103.8
Unpaid dividends	13.0	8.6
	<hr/>	<hr/>
Total	401,313.2	377,528.6

		<i>Profit and Loss Account.</i>	
		1932	1933
		(In thousands of Schillings)	
<i>Dr.</i>	Salaries	4,609.0	3,773.3
	Pensions	1,107.0	1,296.5
	Social charges	1,412.3	599.1
	General expenditure	1,479.1	1,397.8
	Taxes	2,629.2	621.4
	Written off debtors, securities, participations ..	—	38,463.7
	Total	11,236.6	46,151.8
<i>Cr.</i>	Carried forward	3,859.6	—
	Interest	3,573.5	8,737.2 ¹
	Commission and other profit	3,632.2	—
	Yield of real estate	171.3	167.0
	Profit on foreign exchange, securities and participations	—	2,397.6
	Revaluation of real estate	—	2,500.0
	Liquidation of capital reserve fund	—	2,950.0
	Written off share capital	—	29,400.0
	Total	11,236.6	46,151.8

(d) AMALGAMATION OF THE CREDITANSTALT AND THE WIENER BANK VEREIN.

In the face of such a situation, the idea of an independent reconstruction of the two banks (Wiener Bank Verein and Niederösterreichische Escompte-Gesellschaft) was finally abandoned, and it was decided to utilise the stronger position of the Creditanstalt to effect an amalgamation with the Wiener Bank Verein, transferring to the amalgamated bank the banking business of the Niederösterreichische Escompte-Gesellschaft. The National Bank undertook to make good to the Creditanstalt the deficiency of 16 million Schillings in Wiener Bank Verein assets (see above) and to purchase 25 million Schillings of new ordinary shares of the Creditanstalt.

The remainder of the Niederösterreichische Escompte-Gesellschaft ("Rest N.Oe.E.G.") will write its capital down to 100,000 Schillings and increase it again by a participation of the National Bank to 10 million Schillings.

To strengthen the capital structure and make any further amortisation possible, the National Bank will hand over to the remainder of the Niederösterreichische Escompte-Gesellschaft (to be called in the future "Oesterreichische Industriekredit Aktiengesellschaft") the 25 million Schillings new ordinary Creditanstalt shares. The State also guarantees industrial debentures of the institution up to 20 million Schillings.

Great efforts will be required to make the profit and loss account of the Oesterreichische Industriekredit A.G. balance.

6. ECONOMIC SITUATION.

(a) FOREIGN TRADE (Appendix III, Columns 1 to 5).

The foreign trade returns for the first five months of 1934 continue to show a favourable trend. The value of total trade increased by 12 per cent from 721 million Schillings in January-February 1933 to 809 million Schillings in 1934. The excess of imports fell during the same period by nearly 20 per cent from 166 million Schillings to 133 million Schillings.

Exports of finished goods rose from 197 million Schillings to 235 million Schillings (19 per cent) and raw material imports increased from 112 million Schillings to 152 million Schillings (36 per cent) mainly because of larger purchases of cotton (11 million Schillings in 1933, 21 million Schillings in 1934) and wool (14 million Schillings in 1933, 29 in 1934).

The following table shows the development of timber exports:

January-May	Total	Germany	Italy	Switzerland	Hungary	France
	(In millions of Schillings)					
1933	26.3	1.5	12.3	3.4	5.7	2.8
1934	34.3	5.8	12.0	5.6	7.8	2.1

(b) PRODUCTION (Appendix III, Columns 9 to 12).

The production figures for the iron and steel trade published in the June *Bulletin of the Institut für Konjunkturforschung* reflect the favourable conditions reigning in this industry.

¹ Including remission of interest by the National Bank previously paid on discounts.

		January	February	March	April	May
Iron ore (1.000 tons)	1933	0	0	0	7	34
	1934	30	15	7	35	39
Pig iron	1933	0	0	0	0	42
	1934	34	28	28	38	45
Steel	1923-1932 = 100.	1933	45	46	41	52
	1934	45	43	50	57	72
Rolled and half-finished goods	1933	39	41	38	41	50
	1934	44	43	57	61	77

The motor industry reports an increase both in domestic sales and in exports, and, owing to lower prices, bicycles are finding a readier market. Conditions in the textile trade are variable and new orders appear to be falling off.

Light on the economic situation in Vienna is thrown by the following figures reported by the municipal public utilities :

	1931	1932	1933
Gas delivered to private consumers (million cubic metres)	301	287	278
Electric power produced (million kw.h.)	541	503	478
Tramcar passengers (millions)	574	524	470

The downward trend in gas and electricity consumption is less pronounced than in 1932, but the number of tramcar passengers shows a considerable falling off. Electricity and gas prices were raised in October, while the price of tramway tickets was modified in March 1933, but, while passengers fell off by 10.3 per cent, car-miles could only be cut down by 5.1 per cent.

It appears that the downward trend in all three undertakings has continued during the first half of 1934, although recently an improvement has been noticeable in the industrial consumption of gas and electricity.

(c) CROPS.

The latest index published by the Ministry of Agriculture gives the following estimate for the main Austrian crops :

	1932	1933	1934
Winter wheat	2.5	2.1	2.4
Winter rye	2.4	2.1	2.5
Summer barley	2.5	2.1	2.3
Oats	2.5	2.4	2.6
Potatoes	2.0	2.4	2.3
Sugar beet	2.7	2.5	2.3
Clover	2.7	2.2	2.6
Apples	2.5	3.2	2.4
Vineyards	1.8	2.6	2.2

(Classification : 1 = very good, 2 = good, 3 = middling, 4 = poor, 5 = very poor.)

(d) EMPLOYMENT (Appendix III, Column 13).

Unemployment during the second quarter of 1934 has remained well below the level of 1933, but while in the middle of March the difference was — 56,119 the spread has been gradually diminishing until at the end of June it was — 43,990. This is not an unexpected phenomenon because the lower the total level of unemployment the more difficult each further reduction becomes.

The following figures give further information about the condition of the Austrian labour market :

	Unemployed applicants for work (In thousands)			Employed in Voluntary Labour Corps				
				1933		1934		
	1932	1933	1934	1933	1934	of which previously unemployed	1933	1934
January	423	478	440	—	14,106	—	—	3,128
February	427	480	435	—	12,872	—	—	2,729
March	417	455	403	—	14,838	—	—	3,183
April	368	423	376	—	15,569	—	—	3,176
May	335	392	—	1,185	—	520	—	—
June	328	381	—	2,701	—	1,317	—	—
July	329	375	—	7,264	—	2,816	—	—
August	334	366	—	12,412	—	4,186	—	—
September	345	355	—	17,344	—	5,709	—	—
October	370	358	—	20,359	—	6,036	—	—
November	410	383	—	19,133	—	5,352	—	—
December	450	422	—	16,454	—	3,788	—	—

(e) PRICES (Appendix III, Columns 7 and 8).

The following table shows the wholesale prices in Vienna of certain significant agricultural and industrial articles, as published by the Federal Statistical Office :

	Price in Schillings per 100 kg.						
	Middle of						
	1932	1933			1934		
	December	March	June	September	December	March	June
Wheat (domestic)	34.40	35.80	36.00	34.60	35.40	39.90	35.15
Potatoes	9.25	9.25	24.50 ¹	7.50	9.90	13.25	23.50 ¹
Sugar	119.00	119.00	119.00	119.00	119.25	119.25	119.25
Beef.. ..	240.00	220.00	220.00	230.00	230.00	220.00	210.00
Cotton	111.80	120.00	151.00	125.00	129.00	147.00	145.00
Wool	755.00	729.00	853.00	1,054.00	1,158.00	1,298.00	1,112.00
Rubber	76.80	84.00	127.00	122.70	143.60	157.10	197.60
Hard coal ..	8.56	8.56	8.56	8.56	8.56	8.56	8.56
Copper	98.00	100.00	130.00	108.00	99.00	102.00	100.00
Lead	51.00	55.00	55.00	52.00	52.00	51.00	50.00

(f) STOCK EXCHANGE.

	1923-43 Loan, Austrian tranche, 7%	1930 Loan, Austrian tranche, 7%	1933 Lottery Loan, 4%	1931 Building Loan, 5%	Niederösterr. Mortgage Bonds 5%
January	508	98.80	—	77.20	87
February	540	100	92	77	87
March	530	102.25	84	76	86.50
April	510	106.90	84	76.50	87.—
May	514	106.25	83.50	77.90	90.—
June	510	105.50	82.50	75.75	85.50

The bond market has shown a weakening tendency since the beginning of the year. Prices are slightly firmer since the end of June.

The Institut für Konjunkturforschung index of 35 industrial shares (1923-32 = 100) has risen from 45.1 at the end of March to 48.1 at the end of June. The volume of transactions is very reduced; the turnover from security transactions amounted to 25.8 million Schillings in March and to 21.4 million Schillings in May 1934.

(g) COMMERCIAL POLICY.

As provided in the Protocols of March last, the agreements between Austria, Hungary and Italy had been drafted by May 14th, and should enter into force during the first half of July.

The Austro-Italian agreement contains a list of about 115 articles for which Italy grants preferential Customs duties, amounting to between 10 and 50 per cent of the full rate. This preference will be applied, with a few exceptions, only to specified contingents. These, though a fraction of the total Italian imports of the articles affected, will allow of a considerable increase of the particular Austrian exports.

The classes of goods mainly affected are chemicals, half-finished and finished metal goods, leather and wooden articles, tools, textiles, sweets and musical instruments.

Austria grants to Italy the consolidation of the import duty on rice and certain other tariff concessions under the most-favoured-nation clause.

The direct negotiations between individual industries, for which the way was prepared in the Rome Protocols, are in progress and aim at fixing mutual import contingents and, in some cases, price conditions. It would appear that the kaolin trade has already concluded such an arrangement. Similar agreements are awaited by the autumn for rubber, fire-bricks, hats, glass and other articles.

The 1932 Italo-Austrian system of credit and freight preferences has been modified and extended and remains in force. The recent increase in the Italian import duty on timber, together with the preference granted to Austria, has led to an improvement in prices. This is of great importance as it affects nearly 50 per cent of Austrian timber exports.

¹ New Italian potatoes.

The French timber preference has also strengthened prices on this market.

Negotiations with other exporting countries have permitted Austria to sell increasing quantities of timber in Hungary. The two-year-old credit and freight preference agreement with Hungary has been extended to cover a wider range of articles.

The Rome agreements enable Hungary to dispose of the greater part of its wheat surplus at considerably above world prices, thus permitting the "Boletta" premium on domestic sales to be abolished. Austria has guaranteed to take up 2.2 million quintals of Hungarian wheat and flour. The price has been fixed at 20 Schillings per quintal for wheat (Theiss grain) at the Hungarian frontier. Total Austrian wheat and flour imports were 3.2 million quintals in each of the years 1933 and 1932, of which 1.4 and 1.5 million quintals respectively came from Hungary.

An arrangement affecting a certain quantity of wheat from the old harvest has been recently concluded with Yugoslavia.

The commercial policy steadily pursued by Austria in the face of many difficulties during the last two years can claim to be successful. Though the tangible results are as yet moderate, a greater freedom of trade has been achieved by means of bilateral and multilateral treaties based partly on traditional, partly on new, lines.

Exports during the first five months of the year amounted to 335 million Schillings, as against 277 in January-May 1933, while imports rose during the same period from 441 to 472 million Schillings.

APPENDICES

Appendix I.

ANALYSIS OF ANNUAL AND QUARTERLY BUDGET ACCOUNTS.

RECEIPTS	1933	1934	First quarter			Second quarter	
	Provisional results	Estimates	1933	1934		1933	1934
			Provisional results	Estimates	Provisional results	Provisional results	Estimates
ORDINARY BUDGET.							
(In millions of Schillings)							
A. Administration:							
Direct taxes	281.03	268.50	73.18	71.73	70.96	74.63	69.50
Customs	179.50	232.00	40.83	45.50	38.44	50.42	44.50
Excise duties	154.87	162.76	32.33	32.97	35.57	36.50	36.89
Turnover tax	133.98	129.00	33.09	35.51	35.19	32.64	32.80
Turnover tax, emergency surtax	117.98	119.00	27.72	29.20	31.22	29.15	29.30
Taxes on transactions, legal fees, etc.	99.62	101.26	25.35	24.80	25.51	23.59	24.95
Other receipts	2.40	3.17	0.46	0.80	0.58	0.65	0.79
Total taxes	969.38	1,015.69	232.96	240.51	237.27	249.58	238.73
Deduct:							
Shares of local authorities	164.22	163.75	47.89	42.59	42.24	38.26	35.35
Total : State taxation	805.16	851.94	185.07	197.92	195.03	211.32	203.38
Receipts of Social Administration	192.36	197.72	52.32	47.53	48.83	44.47	42.60
Other administrative receipts	100.00	100.90	15.67	28.21	30.45	15.94	25.74
Contribution towards Debt Service	107.70	111.00	12.66	21.66	21.59	38.26	30.17
Total receipts of the Administration	1,205.22	1,261.56	265.72	295.32	295.90	309.99	301.89
B. Monopolies:							
Tobacco	307.87	311.55	67.73	67.58	72.23	78.17	76.47
Salt	29.22	28.81	7.74	7.45	7.57	5.68	6.96
Lotteries and gunpowder	58.71	55.30	14.69	15.08	15.82	13.70	12.34
Total : Monopolies	395.80	395.66	90.16	90.11	95.62	97.55	95.77
C. Public Undertakings:							
Posts and Telegraphs	213.14	225.30	53.58	50.70	51.31	50.53	51.45
Forests	8.43	8.85	1.72	1.90	1.84	1.59	1.85
Federal theatres	5.72	6.55	1.54	1.73	1.90	1.64	1.60
Other	14.51	15.06	3.64	3.37	3.50	3.72	4.16
Total : Public Undertakings	241.80	255.76	60.48	57.70	58.55	57.48	59.06
D. Railways:							
Federal railways	—	—	—	—	—	—	—
Other railways	0.07	—	0.02	—	—	—	0.02
Total : Railways	0.07	—	0.02	—	—	—	0.02
Total ordinary receipts	1,842.89	1,912.98	416.38	443.13	450.07	465.02	456.74

ANALYSIS OF ANNUAL AND QUARTERLY BUDGET ACCOUNTS (continued).

EXPENDITURE	1933	1934	First quarter			Second quarter	
	Provisional results	Estimates	1933	1934		1933	1934
			Provisional results	Estimates	Provisional results	Provisional results	Estimates
ORDINARY BUDGET.							
(In millions of Schillings)							
A. Administration :							
Army	86.16	94.00	21.09	25.71	25.61	20.60	25.04
Foreign Affairs	5.80	6.23	1.24	1.54	1.55	1.37	1.50
Justice	49.85	50.35	12.44	12.54	12.57	12.23	12.88
Supreme organs	4.67	4.78	1.09	1.02	1.00	1.12	0.79
Chancellor's office	10.59	10.07	3.78	2.75	6.99	2.16	2.41
Interior	95.57	95.91	22.64	35.02	38.51	23.54	30.53
Social Administration	449.33	385.26	131.91	122.90	116.03	112.21	97.09
Agriculture	31.45	39.10	7.39	10.52	10.13	7.43	15.78
Commerce and Traffic	58.97	56.48	12.90	11.74	11.59	14.07	13.62
Education, Science, Church	72.93	71.50	17.30	18.83	18.82	19.46	17.87
Finance	60.40	57.86	17.11	14.92	14.45	15.96	14.36
Subsidy to Postal Savings Bank	3.00	2.50	0.75	0.63	0.63	0.75	0.63
Payments to local authorities	26.31	26.67	6.30	6.18	6.19	6.90	6.86
Pensions	212.37	210.00	53.99	54.21	54.32	53.07	53.52
Charges under the Peace Treaty	2.06	2.66	0.09	0.09	0.10	1.02	1.39
Debt Service	211.69	240.89	51.50	60.66	60.68	47.28	58.80
Total : Administration	1,381.15	1,354.26	361.52	379.26	379.17	339.17	353.07
B. Monopolies :							
Tobacco	107.42	111.04	23.73	24.93	25.44	26.62	27.78
Salt	14.82	14.33	3.59	4.04	4.02	3.60	3.94
Lotteries	37.79	35.76	8.92	8.66	9.00	9.92	9.17
Gunpowder	5.28	5.01	1.14	1.33	1.66	1.09	1.38
Total : Monopolies	165.31	166.14	37.38	38.96	40.12	41.23	42.27
C. Public Undertakings :							
Posts and Telegraphs	227.90	226.60	56.57	56.48	56.41	57.71	56.90
Forests	19.19	20.98	4.37	5.08	4.90	4.66	5.02
Federal theatres	10.92	10.64	2.73	2.57	2.71	3.03	2.78
Other undertakings	15.65	15.14	3.81	4.08	4.18	4.02	4.26
Total : Public Undertakings	273.66	273.36	67.48	68.21	68.20	69.42	68.96
D. Railways :							
Federal railways	84.95	100.00	21.00	25.00	25.00	19.00	23.98
Charges under the Südbahn Convention	14.69	15.51	2.40	3.10	3.09	0.01	3.10
Other railways	4.70	3.61	1.95	0.86	0.86	1.39	0.96
Total : Railways	104.34	119.12	25.35	28.96	28.95	20.40	28.04
Total ordinary expenditure	1,924.46	1,912.88	491.73	515.39	516.44	470.22	492.34
Total ordinary receipts	1,842.89	1,912.98	416.37	443.13	450.07	465.02	456.74
Ordinary budget balance	- 81.57	+ 0.10	- 75.36	- 72.26	- 66.37	- 5.20	- 35.60
EXTRAORDINARY BUDGET.							
Finance	120.00	—	140.00	—	—	—	—
Commerce and Traffic	22.61	38.16	—	3.12	3.67	0.80	8.70
Agriculture	12.56	18.00	—	5.10	4.22	0.80	3.00
Posts and Telegraphs	8.60	46.90	—	1.28	0.65	—	1.52
Railways	3.20	—	—	7.08	0.91	—	15.33
Total extraordinary expenditure	160.97	103.06	140.00	18.58	9.45	1.60	30.55
Total extraordinary receipts	—	—	—	—	—	0.80	—
Extraordinary budget balance	- 160.97	- 103.06	- 140.00	- 18.58	- 9.45	- 0.80	- 30.55
Total budget balance	- 242.54	- 102.96	- 215.36	- 90.84	- 75.82	- 6.00	- 66.15

Appendix II.

MONTHLY ESTIMATES AND PROVISIONAL RESULTS.

RECEIPTS	March			April			May		June	
	1933	1934		1933	1934		1933	1934	1933	1934
	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Estimates
(In millions of Schillings)										
ORDINARY BUDGET.										
A. Administration:										
Direct taxes	21.98	24.73	26.42	23.32	22.30	23.36	24.22	22.00	26.89	25.00
Customs	14.14	14.50	15.15	16.85	15.00	20.54	15.62	14.00	17.95	15.50
Excise duties	11.03	10.91	11.27	12.02	12.68	12.11	13.25	12.04	11.23	12.17
Turnover tax	11.06	13.31	12.23	10.43	10.80	10.60	11.56	11.20	10.65	10.80
Turnover tax, emergency surtax	9.13	9.60	10.87	9.43	9.60	9.57	10.21	10.00	9.51	9.70
Taxes on transactions, legal fees, etc.	7.91	7.80	8.30	9.55	9.20	9.27	7.99	7.80	8.05	7.95
Other receipts	0.17	0.27	0.23	0.18	0.27	0.24	0.27	0.26	0.20	0.26
Total taxes	75.42	81.12	84.47	81.98	80.05	85.69	83.12	77.30	84.48	81.38
Debit:										
Shares of local authorities	15.71	15.08	15.07	12.93	8.44	8.89	12.97	13.66	12.36	13.25
Total : State taxation	59.71	66.04	69.40	69.05	71.61	76.80	70.15	63.64	72.12	68.13
Receipts of Social Administration	14.68	15.03	13.96	14.54	12.39	16.87	14.87	14.76	13.06	15.45
Other administrative receipts	4.37	8.80	7.78	4.54	8.14	10.82	4.88	7.56	6.52	10.04
Contribution towards Debt Service	3.22	3.27	3.13	3.28	9.16	9.18	3.25	9.99	31.73	11.02
Total receipts of the Administration	81.98	93.14	94.27	91.41	101.30	113.67	93.15	95.93	125.43	104.64
B. Monopolies:										
Tobacco	23.37	25.02	24.98	27.01	25.47	24.87	25.44	25.55	25.72	25.45
Salt	2.48	2.40	2.38	2.39	2.89	2.77	1.52	1.97	1.77	2.10
Lotteries and gunpowder	2.37	5.08	5.65	5.69	4.61	5.03	2.27	2.47	5.74	5.26
Total : Monopolies	30.22	32.50	33.01	35.09	32.97	32.67	29.23	29.99	33.23	32.81
C. Public Undertakings:										
Posts and Telegraphs	18.69	18.20	19.62	17.33	17.60	16.27	16.39	16.42	16.81	17.43
Forests	0.58	0.65	0.68	0.46	0.65	0.77	0.49	0.60	0.64	0.60
Federal theatres	0.46	0.55	0.58	0.56	0.57	0.57	0.60	0.55	0.48	0.48
Other	1.25	1.19	1.27	1.26	1.42	1.36	1.42	1.53	1.04	1.21
Total : Public Undertakings	20.98	20.59	22.15	19.61	20.24	18.97	18.90	19.10	18.97	19.72
D. Railways:										
Federal railways	—	—	—	—	—	—	—	—	—	—
Other railways	—	—	—	—	—	—	—	—	—	0.02
Total : Railways	—	—	—	—	—	—	—	—	—	0.02
Total ordinary receipts	133.18	146.23	149.43	146.11	154.51	165.31	141.28	145.04	177.63	157.19

MONTHLY ESTIMATES AND PROVISIONAL RESULTS (continued).

EXPENDITURE	March			April			May		June	
	1933 Provisional results	1934		1933 Provisional results	1934		1933 Provisional results	1934 Estimates	1933 Provisional results	1934 Estimates
		Estimates	Provisional results		Estimates	Provisional results				
ORDINARY BUDGET.										
(In millions of Schillings)										
A. Administration:										
Army	6.76	8.61	8.40	6.95	7.92	7.70	6.83	8.65	6.82	8.47
Foreign Affairs .. .	0.43	0.54	0.54	0.40	0.50	0.50	0.47	0.50	0.50	0.50
Justice .. .	4.38	4.48	4.55	4.05	4.32	4.28	3.87	4.06	4.31	4.50
Supreme organs .. .	0.39	0.30	0.29	0.39	0.30	0.30	0.35	0.28	0.38	0.21
Chancellor's office .. .	1.33	1.16	2.31	0.93	0.90	0.71	0.52	0.81	0.71	0.70
Interior .. .	7.62	16.05	15.27	7.91	11.48	11.52	7.66	9.38	7.97	9.73
Social Administration .. .	49.61	43.66	41.71	39.82	32.90	32.28	36.52	31.54	35.87	32.65
Agriculture .. .	2.56	3.92	3.59	2.76	3.09	3.07	2.40	6.03	2.27	6.66
Commerce and Traffic .. .	4.41	4.14	4.01	4.17	4.07	4.11	4.62	4.29	5.28	5.26
Education, Science, Church .. .	5.76	7.03	7.05	5.74	5.55	5.57	5.70	5.82	8.02	6.50
Finance .. .	6.33	5.73	4.83	6.26	4.71	4.70	5.40	4.76	4.30	4.89
Subsidy to Postal Savings Bank .. .	0.25	0.21	0.21	0.25	0.21	0.21	0.25	0.21	0.25	0.21
Payments to local authorities .. .	2.06	2.06	2.07	2.09	2.11	2.10	2.06	2.09	2.73	2.66
Pensions .. .	17.67	17.76	17.82	17.65	17.83	17.82	17.67	17.82	17.75	17.87
Charges under the Peace Treaty .. .	0.03	0.03	0.05	0.37	0.23	0.19	0.04	0.06	0.61	1.10
Debt Service .. .	15.07	18.72	18.32	16.20	21.09	21.44	12.43	15.25	18.65	22.46
Total: Administration .. .	124.66	134.40	131.02	115.94	117.15	116.50	106.79	111.55	116.44	124.37
B. Monopolies:										
Tobacco .. .	7.87	8.83	8.92	8.20	8.99	9.15	9.44	9.73	8.98	9.06
Salt .. .	1.21	1.32	1.31	1.20	1.39	1.37	1.22	1.26	1.18	1.29
Lotteries .. .	5.09	5.14	5.33	6.92	6.30	5.89	1.16	1.30	1.84	1.57
Gunpowder .. .	0.34	0.48	0.62	0.38	0.46	0.50	0.33	0.45	0.38	0.47
Total: Monopolies .. .	14.51	15.77	16.18	16.70	17.14	16.91	12.15	12.74	12.38	12.39
C. Public Undertakings:										
Posts and Telegraphs .. .	19.36	19.01	18.97	19.67	18.88	18.90	19.00	18.98	19.04	19.04
Forests .. .	1.50	1.65	1.69	1.51	1.60	1.61	1.53	1.65	1.62	1.77
Federal theatres .. .	0.89	0.84	0.89	0.96	0.88	0.92	1.07	0.94	1.00	0.96
Other undertakings .. .	1.23	1.34	1.37	1.33	1.33	1.45	1.32	1.50	1.37	1.43
Total: Public Undertakings .. .	22.98	22.84	22.92	23.47	22.69	22.88	22.92	23.07	23.03	23.20
D. Railways:										
Federal railways .. .	7.00	8.34	8.34	7.00	8.33	9.10	5.00	7.56	7.00	8.09
Charges under the Südbahn Convention .. .	2.40	3.10	3.09	—	—	—	—	—	0.01	3.10
Other railways .. .	0.64	0.28	0.28	0.69	0.35	0.35	0.49	0.28	0.21	0.33
Total: Railways .. .	10.04	11.72	11.71	7.69	8.68	9.45	5.49	7.84	7.22	11.52
Total ordinary expenditure .. .	172.19	184.73	181.83	163.80	165.66	165.74	147.35	155.20	159.07	171.48
Total ordinary receipts .. .	133.18	146.23	149.43	146.11	154.51	165.31	141.38	145.04	177.63	157.19
Ordinary budget balance .. .	- 39.01	- 38.50	- 32.40	- 17.69	- 11.15	- 0.43	- 6.07	- 10.16	+ 18.56	- 14.89
EXTRAORDINARY BUDGET.										
Finance .. .	140.00	—	—	—	—	—	—	—	—	—
Commerce and Traffic .. .	—	1.60	0.75	—	1.30	2.09	—	2.60	0.80	4.80
Agriculture .. .	—	1.40	1.28	—	1.40	1.40	—	1.65	0.80	1.95
Posts and Telegraphs .. .	—	0.46	0.22	—	0.47	0.42	—	0.53	—	0.52
Railways .. .	—	0.91	0.91	—	—	—	—	11.10	—	4.23
Total extraordinary expenditure .. .	140.00	4.37	3.16	—	3.17	3.91	—	15.88	1.60	11.50
Total extraordinary receipts .. .	—	—	—	—	—	—	—	—	0.80	—
Extraordinary budget balance .. .	- 140.00	- 4.37	- 3.16	—	- 3.17	- 3.91	—	- 15.88	- 0.80	- 11.50
Total budget balance .. .	- 179.01	- 42.87	- 35.56	- 17.69	- 14.32	- 4.34	- 6.07	- 26.04	+ 17.76	- 25.79

Geneva, August 5th, 1934.

LEAGUE OF NATIONS

**FINANCIAL POSITION
OF HUNGARY IN THE SECOND QUARTER OF 1934**

ELEVENTH QUARTERLY REPORT

by Mr. Royall Tyler, the Representative in Hungary
of the Financial Committee

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I. GENERAL.

I. INTRODUCTORY.

(1) The cash deficit of the Administration for the fiscal year ended June 30th last (provisional figures) amounts to 38.1 million pengő, as against 87.8 million pengő for 1932-33. These figures include advances to the Undertakings, which in practice correspond to the Undertakings' deficit. The pengő equivalent of the non-transferred service of the Reconstruction Loan 1924 is included in expenditure. Where the other foreign debts of the State are concerned, the pengő equivalent, amounting to 43 million pengő for 1933-34, is not included. In the absence of arrangements with creditors making deposit unnecessary, the pengő equivalent (20.4 million pengő) has been reborrowed by the State. This marked progress in the budget position is due mainly to increases in receipts, economies in expenditure, and an improvement in the position of the State Railways. The abundant harvest of 1933 undoubtedly helped, but the result achieved is also imputable to fiscal measures taken by the Government in the early part of 1933, and to energetic collection of taxes.

The cash deficit arises entirely from the State Undertakings. It has been covered by internal short-term borrowing.

(2) The budget for 1934-35 has been voted by Parliament. It provides for an Administration deficit of 6 million pengő and a deficit for the Undertakings of 60 million pengő. The whole service of the State's foreign debts is provided in the budget. The Government intends to deposit Treasury bills in respect of non-transferred service, where other arrangements with the creditors have not been made. To the extent to which this procedure is resorted to, budget expenditure will be reduced. Budget receipts for 1934-35 are estimated at 740.6 million pengő, as against actual receipts in 1933-34 of 758.6 million pengő. These estimates, prepared during the winter, were based on the assumption that the 1934 grain crop would be an average one. In fact, it appears to be under the average. Autumn crops are so far reported to be doing well.

"The Boletta has been discontinued. The special taxes that fed it, with the exception of the wheat tax itself, are maintained and are still applied to the Agricultural Relief Fund, outside the budget."

(3) The considerable improvement in the budget for 1933-34 does not warrant the assumption that fundamental economic conditions are correspondingly better. The trade agreements recently concluded with Italy and Austria secure the marketing of a large part of Hungary's normal wheat surplus, but Hungary's other agricultural exports, such as cattle and pigs, the importance of which in foreign trade has in recent years been greater than that of wheat, are meeting ever-recurrent marketing difficulties, with the result that production is falling off. Hungarian industry is not in a position to make good the losses suffered in agricultural exports. Where it succeeds in exporting, it is in many cases only able to do so by keeping internal prices of its products at a level which is too high with regard to the purchasing power of the Hungarian consumer, and seriously impairs the competitive capacity of Hungarian agriculture. In general, the economic position is stagnant.

(4) The Bill giving the Administration greater powers to control the expenditure of the city of Budapest and its Undertakings has become law. This encourages the hope that the tax-payer may find some relief in a decrease of his contributions to local authorities.

(5) The composition procedure contemplated in the Agricultural Debts Decree (see Eighth Report, pages 14-16) is being worked out at present and is expected to take definitive form by the time Parliament meets in the autumn. It will be remembered in this connection that authority was given to the State to increase its debt to the National Bank by 100 million pengő.

(6) Exports continued to increase in value, and the export surplus to grow. Until recently the export surplus for the first half-year of 1934 was slightly larger than it was for the first half of 1933. Exports, however, from which the National Bank derives no foreign exchange are steadily increasing.

During the last two months, exports have fallen off and imports have continued to increase, May and June having both left an excess of imports over exports.

(7) Definitive returns of the grain harvest are not yet available, but it is certain that the crop this year will at best be a mediocre one. Internal prices are much higher than they were this time last year, but there has been no corresponding increase in prices abroad. The pengő prices paid for Hungarian wheat by countries which have contracted to buy stated quantities of it furnish no sort of indication of the amount of freely available foreign currency that will be acquired by the National Bank in connection with these exports.

(8) The National Bank has made transfers in appropriate currencies sufficient to provide for the payment of half of the interest (coupon) of the Reconstruction Loan up to and including that due on August 1st, 1934.

In respect of the following year, the Hungarian Government has indicated that it hopes, and will use its best endeavours, to provide for 50 per cent of the interest. Moreover, in respect of the service year ending August 1st, 1934, the Hungarian Government offers bond-holders to

purchase at 10 per cent of the unpaid amount the coupons on which 50 per cent has already been paid.

(9) There has been a small seasonal increase in the discounts of the National Bank, but these stand lower than they did a year ago, regard being had to the effects of the consolidation agreement with the Bank for International Settlements and other central banks. The Government has had less recourse this year to internal borrowing.

(10) I am indebted to Mr. Henry J. Bruce, Adviser to the National Bank, for the data on which are based the sections of this report dealing with the Bank, exchange control and compensation agreements, and Clearing Agreements.

2. STATE BUDGET.

(a) Administration Budget, 1933-34.

Provisional cash results of the Administration budget for the year ended June 30th last are now available (see Appendix I for the figures for each month separately). However, the essential fact about the Undertakings is the size of their deficit, which has to be met by the State ; and this deficit, in the form of advances by the Treasury to the Undertakings, constitutes the greater part of the extra-budgetary expenditure.

Estimates for 1933-34 were as follows :

	Administration (Millions of pengö)	Undertakings
Expenditure	764.9	408.4
Receipts	752.8	344.3
	<hr/>	<hr/>
Balance	— 12.1	— 64.1

the estimated total deficit thus being 76.2 million pengö.

Provisional results have been as follows, figures for 1932-33 being also given for comparison :

	1933-34 (Millions of pengö)	1932-33
<i>Expenditure :</i>		
Actual budgetary	717.0	733.0
Actual extra-budgetary	86.3	70.7
	<hr/>	<hr/>
	803.3	803.7
<i>Receipts :</i>		
Actual budgetary	758.6	708.9
Actual extra-budgetary	6.6	7.0
	<hr/>	<hr/>
	765.2	715.9
	<hr/>	<hr/>
Balance	— 38.1	— 87.8

Expenditure for neither of these two years includes non-transferred foreign debt service, except for 1933-34 where the Reconstruction Loan 1924 is concerned. Actual budgetary expenditure was less than the estimate by 47.9 million pengö. The full details making up this amount are not yet available, but it includes 20.4 million pengö. Treasury bills deposited in the Foreign Creditors' Fund in lieu of the pengö equivalent of non-transferred debt service, 9.6 million pengö in respect of a payment due to the British Clearing Office and which has been deferred by agreement, certain other non-transferred debt items and the exchange difference resulting from dollar and sterling depreciation.

Borrowings in 1933-34, amounting to 49.5 million pengö, as against 75.0 million pengö in 1932-33, include 19.5 million pengö in respect of the re-borrowed pengö equivalent of the non-transferred portion of the Reconstruction Loan service. Apart from this, this figure of 49.5 million pengö represents internal credit operations and has nothing to do with additions to the foreign floating debt (see 1, 2(e) below), resulting from borrowings from the Foreign Creditors' Fund.

The most striking change from 1932-33 to 1933-34 is an increase of 49.7 million pengö in actual budgetary receipts. This does not mean, however, that taxation in the fiscal year just ended produced 49.7 million pengö more than it did in 1932-33, for the 1933-34 receipts include 26.1 million pengö which do not proceed from taxation.

	Millions of pengö
1. Profits on coinage (in departmental receipts)	5.1
2. Repayment of debts of State Railways	11.4
3. Increase in dues paid by State Railways from 1932-33 to 1933-34	9.6
	<hr/>
	26.1

Items 2 and 3 above are really per-contra items, as the Treasury made corresponding advances to the State Railways.

Thus, in order to obtain a budgetary receipts figure for 1933-34 which is comparable with the 708.9 million pengö recorded for 1932-33, 26.1 million pengö must be deducted from 758.6 million pengö, leaving 732.5 million pengö. The increase from last year to this is 23.6 million pengö. It must further be observed that the rates of a number of taxes were increased, and some new taxes were imposed, during the second half of 1932-33. These new sources of revenue were only productive during four or five months of 1932-33. Thus the increase from

1932-33 to 1933-34 which can be attributed to an improvement in economic conditions is relatively very small, and it still remains to be noted that in 1933-34 the Boletta Fund, which is outside the budget, incurred a loss of some 10 million pengö, whilst the year before it made a small profit.

The insignificant increase in normal receipts following the exceptional grain harvest of 1933 does not seem to be adequately explained by low grain prices. It is true that low grain prices did much to offset the increase in the grain producers' purchasing power resulting from a big crop. However, low grain prices should have brought about a marked increase in the real incomes of the mass of consumers. There has been some such increase; the consumption of certain staple articles has gone up during recent months. However, as it has often been pointed out in these reports, some food prices are pegged, and industrial prices have not gone down sufficiently to bring about any real improvement in the consumers' position. Hungarian export is also beset by ever-renewed marketing difficulties, in view of which production in some branches—e.g., live-stock—is decreasing. It is therefore to be feared that such increase in consumption as there has been is a passing consequence of last year's big crop, and does not point to any lasting improvement in economic conditions.

One favourable sign deserves notice: as against an increase of roughly 10 million pengö in advances from the Treasury to the Undertakings in 1933-34 as compared with 1932-33, there has been an increase of 21 million pengö in receipts from the Undertakings in respect of debts and current dues. This improvement has taken place mainly in the Railways. It is due in part to the 1933 harvest, which increased traffic, and in part to reductions in expenditure, chiefly in salaries.

(b) *Budget for 1934-35.*

The draft estimates described in my last report:

	Administration	Undertakings
	(Millions of pengö)	
Expenditure	746.6	404.0
Receipts	740.6	343.9
	<hr/>	<hr/>
Balance	— 6.0	— 60.0

were voted by both Houses of Parliament and became law, without alteration, before the end of the last fiscal year.

The burden of taxation is a heavy one, having regard to the national income, and it is to be hoped that still further efforts will be made to ease the strain on the tax-payer by enforcing economies in the budgets of the local authorities and in all enterprises having State support.

(c) *State Undertakings.*

Results for the year ending June 30th last year and this year (provisional) compare as follows:

	July 1st to June 30th	
	1933-34	1932-33
	(Millions of pengö)	
Current expenditure	399.0	378.9
Current receipts	336.9	325.4
	<hr/>	<hr/>
Balance, current items	— 62.1	— 53.5
Capital expenditure	12.7	16.6
	<hr/>	<hr/>
Balance, all items	— 74.8	— 70.1

Receipts do not include advances from the Treasury and expenditure does not include refunds to the Treasury.

The above figures, showing an increase of some 4 million pengö in the deficit, do not disclose the true position, which is better than it was a year ago. Provisional cash figures show that, at June 30th last, the Undertakings had paid 9.6 million pengö more in transport dues and 11.4 million pengö more towards reduction of their debts than they did in 1932-33, making together an increase of 21 million pengö. Moreover, the outstanding commitments of the Undertakings decreased by 6.0 million pengö in 1933-34, as against an increase of 8.7 million pengö in the previous year. Here there is an improvement of 14.7 million pengö. Commitments apart, the position of the Undertakings may be roughly estimated as follows, figures for last year being given for comparison:

All Undertakings together:

	July 1st to June 30th	
	1933-34	1932-33
	(Millions of pengö)	
<i>Expenditure:</i>		
Actual, current budgetary	399.0	378.9
Actual capital expenditure	12.7	16.6
Refunds to the Treasury	6.6	7.0
	<hr/>	<hr/>
Total	418.3	402.5
Deduct 9.6 million pengö difference in transport tax payments and 11.4 million pengö debt repayment ..	21.0	—
	<hr/>	<hr/>
Comparable expenditure figures	397.3	402.5

Receipts :	July 1st to June 30th *	
	1933-34	1932-33
	(Millions of pengö)	
Actual budgetary	336.9	325.4
Balance	— 60.4	— 77.1
Advances by the Treasury	77.5	67.4
Balance	+ 17.1	— 9.7

Results for the chief individual Undertakings are only available to May 31st :

	Railways		Post, Telegraph and Telephone		Ironworks	
	1933-34	1932-33	1933-34	1932-33	1933-34	1932-33
	(Millions of pengö)					
Current expenditure	233.7	219.5	71.1	70.9	29.2	24.3
Current receipts	187.1	178.4	84.9	85.5	15.7	12.6
Balance, current items	— 46.6	— 41.1	+ 13.8	+ 14.6	— 13.5	— 11.7
Capital expenditure	8.4	6.1	3.0	3.6	—	—
Balance, all items.. .. .	— 55.0	— 47.2	+ 10.8	+ 11.0	— 13.5	— 11.7

The amount of advances from and refunds to the Treasury at June 30th are known. They are : 77.5 million pengö advances and 6.6 million pengö refunds. The details of advances, in 1933-34 and the previous year, were :

	1933-34	1932-33
	(Millions of pengö)	
To the State Railways	62.1	52.3
To the Ironworks	14.7	14.6
To the silk industry	0.6	0.5
Total	77.5	67.4

(d) *Situation of the Treasury.*

(1) The Treasury position over the last four months has been as follows. The balance at the end of June is roughly the same as it was a year previously. There was a sharp increase in the Loan Account in June, but it will be seen (1, 4, below) that additions to the public debt from internal borrowing have been considerably less in 1933-34 than they were in 1932-33 :

Receipts :	March 31st, 1934	April 30th, 1934	May 31st, 1934	June 30th, 1934
	(Thousands of pengö)			
Balance at the beginning of the month	67,301	62,813	48,998	52,743
Budget account	57,019	49,921	67,414	77,617
Repayment of advances	1,500	204	1,344	—
Loan account	2,534	4,208	1,719	29,828
Surplus of the Boletta Fund.. .. .	588	—	—	—
Total	128,942	117,146	119,475	160,188
<i>Expenditure :</i>				
Budget account	53,656	56,510	52,742	87,399
Funded investments (Law II, 1933)	620	736	1,155	1,438
Advances	11,044	8,157	7,914	12,302
Deficit of the Boletta Fund	—	265	4,921	3,322
Loans	809	2,480	—	281
Balance at the end of the month	62,813	48,998	52,743	55,446
Total	128,942	117,146	119,475	160,188

(2) *Administrative Claims and Liabilities.*—Tax arrears increased from 287.9 million pengö at February 28th last to 300.9 million pengö at May 31st. At August 31st, 1933, they stood at 310.1 million pengö.

There has been a decrease in commitments over the past year. They totalled 204.5 million pengö at June 30th, 1933, and 191.1 million pengö at June 30th last. The one item that constantly increases is the first on the list : " Expenses connected with land reform ", which represents liabilities falling on the State when beneficiaries of the land-reform measure fail to pay the annuities in respect of their holdings.

Commitments outstanding on June 30th, 1934.

	Foreign	Domestic (Millions of pengö)	Total
Expenses connected with land reform	—	52.9	52.9
Road-building	—	24.1	24.1
Post, Telegraph and Telephone : capital expenditure	—	7.0	7.0
State Railways : capital expenditure	—	2.4	2.4
Forests : capital expenditure	—	0.1	0.1
Other capital outlay	—	29.5	29.5
State Railways, increase of working fund ..	2.0	6.5	8.5
State Ironworks, increase of working fund ..	1.6	11.2	12.8
Payments to the Central Corporation of Banking Companies	—	30.0	30.0
Other commitments	2.4	21.4	23.8
Total	6.0	185.1	191.1

(e) *Debt Position.*

Depreciation of the dollar and sterling has brought about a further decrease in the pengö equivalent, at official rates, of Hungary's funded foreign debt, which stands at 930.2 million pengö at June 30th last, as compared with 1,064.2 million pengö a year before. Domestic funded debt, over the same period, decreased from 123.2 million pengö to 116 million pengö. State guarantees are given by the Ministry of Finance, at June 30th, as 125 million pengö, of which 2.5 million pengö had fallen due but remained unpaid.

Certain items of the foreign floating debt show a decrease over the last year on account of pound and dollar depreciation, but this decrease is more than offset by the Treasury bills deposited in lieu of untransferred service. Domestic floating debt has increased by 18 per cent since a year ago, and the total floating debt, domestic and foreign, now reaches the very heavy figure of 577.7 million pengö.

Floating Debt of the State on June 30th, 1934.

	Foreign	Domestic (Millions of pengö)	Total
£3 million Treasury bills, 1930	67.9	—	67.9
£5 million Treasury bills, 1931	100.7	43.1	143.8
Foreign currency loan	—	5.3	5.3
Loans for purchase of State bonds	24.3	—	24.3
Loans for road-building	7.7	—	7.7
Loans for investments of State Railways ..	29.7	20.2	49.9
Loans for investments of Ironworks	1.9	3.0	4.9
Loans for investments of wine-shops abroad	6.0	—	6.0
Loans for working balance of State adminis- tration	28.2	—	28.2
Loans for working balance of State Railways	10.4	14.5	24.9
Loans for working balance of State Ironworks	14.0	3.7	17.7
Treasury bills, 1932 ¹	—	90.8	90.8
Treasury bills, 1933, 5%, placed with agriculture, industry, etc.	—	—	38.9
Treasury bills, 1933, 4%, investment loan from Foreign Creditors' Fund	—	—	12.5
Treasury bills deposited in connection with 1932-33 foreign debt service (interest) ²	22.2	—	22.2
Treasury bills deposited in connection with the service of the League Loan ²	7.3	0.1	7.4
Treasury bills deposited in connection with 1933-34 foreign debt service (interest) ²	16.8	—	16.8
Loan in connection with agrarian debt settlement (Act 1933. XXVII)	—	3.0	3.0
Treasury bills (Act 1933. XXVII)	—	5.5	5.5
Total	337.1	240.6	577.7

(f) *Boletta Fund.*

Figures giving definite results for the Boletta Fund in 1933-34 are not yet available, but it appears that the Fund lost 11.9 million pengö over the year, grain exports having been large.

On June 24th last a Decree (No. 5.600 M.-E.) appeared discontinuing the Boletta. The price of wheat, in view of a mediocre crop this year and in consequence of arrangements for

¹ The total of arrears of dues amounted to 97.0 million pengö at the end of June 1934, against which Treasury bills of the face value of 90.8 million pengö have been issued as indicated above.

² The Treasury bills deposited in respect of amortisation have been added to the capital amounts outstanding.

marketing abroad, at fixed prices, the greater part of Hungary's normal export surplus, had risen to upwards of 14 pengő the quintal, which is considerably above the equivalent at official rates of the price for corresponding qualities on the open markets. However, the taxes formerly assigned to the Boletta Fund, other than the wheat-stamp (Boletta) itself, are maintained, outside the budget, and their proceeds are to be used to relieve agriculture, as set forth below. Receipts and expenditure of the Fund, which is now called the Agricultural Relief Fund, are estimated for 1934-35 as balancing at 45.2 million pengő. The Boletta Fund's budget for 1933-34 (see Seventh Report, page 8) balanced at 75 million pengő.

<i>Receipts :</i>	1934-35	Estimate 1933-34
	(Millions of pengő)	
1. Turnover tax on flour	22.1	(22.6)
2. Turnover tax on polished rice	1.3	(0.7)
3. Turnover tax on textiles and other goods, and contribution from textile firms.. .. .	12.4	(12.5)
4. Turnover tax on groceries and spices	0.3	(0.5)
5. Cartel dues	0.7	(1.4)
6. Coal tax	2.0	(2.0)
7. Contribution from concerns liable to company tax	5.0	(5.6)
8. Increase of turnover tax on yeast	1.4	(1.4)
Total	45.2	

<i>Expenditure :</i>		
1. Refund of tax on exported flour	3.6	— ? ¹
2. Refund of land tax	8.0	(9.5)
3. Refund of contribution in place of labour	5.0	(5.0)
4. Reduced railway rates for agricultural produce ..	2.5	(2.5)
5. Promotion of marketing of agricultural products and other relief to agriculture	22.1	(4.0)
6. Administrative expenses	3.0	(3.4)
7. Compensation to communes for their share in turnover tax on flour	1.0	(1.0)
Total	45.2	

It will be noted that there is a large increase in the credit provided for the "Promotion of marketing of agricultural products".

(g) Reconstruction Loan 1924 and Assigned Revenues.

On June 30th last the following communiqué was issued by the League Loans Committee (London) :

" State Loan of the Kingdom of Hungary 1924.

" 1. The League Loans Committee have the pleasure to announce that the Hungarian Government has duly carried out to date, and is continuing to carry out, the arrangements announced on July 15th, 1933, for the service of this League of Nations Loan for the period to August next. Consequently the Trustees were able to pay the coupon due February 1st, 1934, at 50 per cent of its value; and it may be anticipated that they will in due course pay the coupon due August 1st, 1934, at 50 per cent also.

" 2. The Committee have recently been in communication with the Hungarian Government as regards the future service and now make the following announcement :

" The Hungarian Government again expressly recognises the special position and claims of this loan; and it confidently hopes, and will use its best endeavours, to carry out the following arrangements for its service during the period August 2nd, 1934, to August 1st, 1935, inclusive :

" The Hungarian Government will transfer to the Trustees in foreign exchange 50 per cent of the interest service. It will continue to provide in its budget in pengő the equivalent of the full service of the loan, including interest and sinking fund, and to deposit these amounts, as at present, in an account at the National Bank of Hungary. It will be entitled as hitherto to reborrow the untransferred portion of the service against the deposit of 2% one-year pengő Treasury bills.

" The Hungarian Government, in view of the exceptional harvest results of last year, further offers to any bondholder who is willing to surrender on or after October 1st, 1934, the part-paid coupons due in February and/or August 1934 a cash payment in foreign exchange of 10 per cent of the unpaid portion of these coupons. A notice will be issued in due course with regard to the arrangements for this payment.

" 3. In all the circumstances the Committee consider that bondholders would be well advised to acquiesce in the present proposals of the Hungarian Government."

¹ Included in " Refunds on exported grain ".

It may be recalled that, during the year ended August 1st, 1933, transfers of appropriate foreign exchange took place at a rate corresponding to about one-quarter of the interest (coupon) of this loan. The Trustees of the loan, by using up the reserve fund still in their hands, were able to pay the full coupon for this period.

In respect of the year ending August 1st, 1934, transfers were increased from one-quarter to one-half of the interest.

The terms offered to the bondholders in respect of the forthcoming year, and recommended by the League Loans Committee, represent a further effort by the Hungarian Government. Neither the 1934 grain crop nor the prospects for acquiring foreign exchange utilisable for debt service promise to make the task easier in the coming year than it was in the past.

The revenues pledged as security for the Reconstruction Loan have been on practically the same level in 1933-34 as they were in 1932-33.

Assigned Revenues.

	1932-33					1933-34				
	Customs	Tobacco	Sugar	Salt	Total	Customs	Tobacco	Sugar	Salt	Total
	(Millions of pengő)									
July 1st to March 31st	25.6	78.5	34.0	15.4	153.5	26.9	78.9	33.9	15.2	154.9
April	3.0	8.1	2.9	1.4	15.4	3.2	8.4	2.8	1.4	15.8
May	2.8	9.9	3.4	1.2	17.3	2.7	9.3	3.3	1.4	16.7
June	2.8	8.8	3.2	1.8	16.6	3.7	9.3	2.9	1.4	17.3
Total, July 1st to June 30th	34.1	105.4	43.5	19.9	202.9	36.5	105.8	43.1	19.4	204.8

3. BUDGETS OF THE LOCAL AUTHORITIES.

The Bill mentioned in my last report, strengthening the hand of the State where control of the finances of Budapest is concerned, has now become law. Several measures of economy in the municipality and its Undertakings have already been carried out under it. For instance, the number of directors on the boards of the three chief Undertakings has been reduced from 82 to 18.

The fiscal year of the local authorities begins on January 1st, and it is too early as yet to form an opinion as to the execution of the local authorities' budgets given in my last report.

4. STATE BORROWING.

The following additions have been made to the public debt during the financial year 1933-34:

Description	Amount (Millions of pengő)	Maturity
1. £3 million Treasury bills, 1930	5.9 ¹	Three-month bills
2. £5 million Treasury bills, 1931	8.2 ¹	Three-month bills
3. 4½% Treasury bills placed with Hungarian banks (Law XXVI of 1931)	20.0	January 28th, 1935
4. Treasury bills placed under Law II of 1933:		
(a) 5% Treasury bills	1.5	April 25th, 1935
(b) 4% Treasury bills (Foreign Creditors' Fund, for investment 1932-33 programme)	2.0	October 15th, 1935
5. 3½% Treasury bills:		
(a) Under Law XXVII of 1933 (foreign Creditors' Fund, for investments 1933-34 programme)	5.5	February 15th, 1935
(b) 2½% Loan from the National Bank in connection with Agrarian Debts Settlement (Law XXVII of 1933)	3.0	December 31st, 1934
6. 2% Treasury bills (Law IX of 1933):		
(a) 2% Treasury bills deposited with the Foreign Creditors' Fund in respect of State debt service (interest only)	16.8	December 23rd, 1943
(b) 2% Treasury bills, deposited in respect of non-transferred service of Reconstruction Loan 1924 (interest only)	7.4	From August 1st, 1934, to July 1st, 1935
7. 5% Foreign currency loan	0.1	—
Total	70.419	

This total of 70.4 million pengő is not the same as the 69.9 million pengő given under 1, 2 (a) above: 49.5 million pengő internal borrowing plus 20.4 million pengő Treasury bills

¹ Interest accumulated.

deposited with the Foreign Creditors' Fund. In order to reconcile these figures, it is necessary to explain that :

(a) The above table, totalling 70.4 million pengö, includes three items—1, 2 and 5 (b)—which are not included in the total, 69.9 million pengö. Items 1 and 2 (5.9 million pengö + 8.2 million pengö), interest on the 1930 and 1931 Treasury bills, have been booked as additions to the capital debt. Item 5 (b) (3 million pengö) had not been booked to the borrowings account at June 30th. These three items make a total of 17.1 million pengö.

(b) The total given in 1, 2 (a)—69.9 million pengö— includes three items which are not included in the total, 70.4 million pengö. These are : amortisation of Reconstruction Loan 1924, 12.2 million pengö ; capital amounts falling due on other State debts, 3.6 million pengö ; and a sum of 0.8 million pengö representing the balance of borrowings and loans for 1932-33,

	Millions of pengö
totalling 16.6 million pengö. Adding to the	70.4
the items not included in it	16.6
	—
there results a total of	87.0
which is identical with that reached by adding to the	69.9
the items not included in it	17.1
	—
	87.0

Two loans of 15 million pengö each from the Foreign Creditors' Fund to the State for investment purposes, agreed to by the Administration of the Fund (Eighth Report, page 14), are in course of being availed of. Items 4 (b) and 5 (a) in the above list correspond to availments in respect of these loans during 1933-34. In addition, the Administration of the Fund has agreed in principle to a further investment loan of 10 million pengö.

5. MONETARY AND FINANCIAL.

(a) *Position of the National Bank.*

In my last report it was noted that there had been, during the quarter ended March 31st, a considerable decrease in discounts. This tendency continued to the end of May, but gave place to a slight increase in June (see summarised returns of the National Bank, Appendix II, 2). Regard being had to the effects on the bill portfolio of the three-year consolidation arrangement reached last October with the Bank for International Settlements and other Central Banks, described in my Ninth Report, page 7, the Hungarian National Bank's discounts, at June 30th last, show a decrease of 5.5 per cent as compared with June 30th, 1933. Note circulation increased very slightly over the last quarter ; last year the increase was larger. At June 30th, 1933, notes and token money together amounted to 439.4 million pengö, or 50.6 pengö per caput of population, as against 431.0 million pengö, or 49.6 per caput, at June 30th, 1934. The tendency where discounts and note circulation are concerned is to be explained by a relatively small grain harvest this year, resulting in small cash requirements.

Public sight liabilities, which increased over the period in question last year, decreased from 49 million pengö to 29.5 million pengö from March 31st to June 30th last, but it should be mentioned that 41.6 million pengö were borrowed internally during the quarter ended June 30th, 1933, the comparable figure this year being 10 million pengö. Private liabilities stand at a slightly higher figure at June 30th this year than last. They have increased over the past quarter, at a somewhat sharper rate than last year. "Other liabilities" have changed very little over the last quarter, but they now (June 30th) stand at 33 million pengö less than they were a year ago, the decrease being the result of larger facilities granted by the National Bank for the utilisation of pengö balances belonging to foreign creditors, and to employment of part of the Foreign Creditors' Fund.

(b) *Foreign Exchange Control.*

Last year's exceptionally large grain crop contributed to an increase in the value of Hungary's exports, which amounted to 168.3 million pengö in the first half of 1934, as against 159.4 million pengö in the corresponding period of 1933. It will be seen, however, from the analysis of exchange incomings and outgoings given below that the National Bank succeeded in acquiring almost exactly the same amount of freely convertible currency in the first half of 1934 as in the first half of 1933—*i.e.*, the increase in the value of exports was more than offset by an increase of 8 million pengö in exports giving no exchange to the National Bank (clearings, compensations and exports against pengö), of 16 million pengö in the amount of limited availability exchange included in exchange actually acquired, and by a decrease of 2 million pengö in exchange received from other sources than export = 26 million pengö, whilst the increase in the total of all exchange dealings transacted or recorded by the National Bank amounted to 25 million pengö.

On the outgoings side, allotments for imports out of exchange actually acquired by the National Bank increased by 18 million pengö, of which 12 million pengö was in limited availability exchange. Allotments for foreign debt service increased by 2 million pengö.

Foreign exchange dealings transacted and recorded by the National Bank were as follows in the six months to June 30th, 1934 and 1933 :

	First half-year 1934	1933 (Millions of pengö)	Difference for 1934
I. Incomings :			
1. Foreign exchange recorded (including exchange for specific destination) :			
(a) Exports through clearings	71	78	— 7
(b) Compensations.. .. .	32	28	+ 4
(c) Exports against pengö	19	8	+ 11
Total of 1	122	114	+ 8
2. Foreign exchange actually acquired :			
(a) Export exchange (including exchange of limited availability : 30 million pengö in the first half of 1934 ; 14 million pengö in the first half of 1933)	44	24	+ 20
(b) Exchange receipts from other sources (State obligatory declaration, etc.) ..	8	10	— 2
Total of 2	52	34	+ 18
3. Purchases by authorised banks	2	3	— 1
Total of 1, 2 and 3—i.e., total foreign exchange receipts recorded by the National Bank... .. .	176	151	+ 25
II. Outgoings :			
1. Foreign exchange allotments recorded :			
(a) Through the clearings	62	58	+ 4
(b) Through compensations	32	28	+ 4
Total of 1	94	86	+ 8
2. Allotments out of exchange actually acquired :			
(a) For imports :			
Out of National Bank's holdings (including exchange of limited availability : 20 million pengö in the first half of 1934 ; 8 million pengö in the first half of 1933).. .. .	38	20	+ 18
(b) For other purposes :			
For debt service	8	6	+ 2
To the State	9	9	—
To others	10	10	—
Total of (b)	27	25	+ 2
Total of 2	65	45	+ 20
3. Sales by authorised banks	2	3	— 1
Grand total of 1, 2 and 3	161	134	+ 27

The volume of transactions under the compensation scheme initiated in December 1932 continues to increase. Under it, exporters receive a premium, in pengö, over and above the official rate equivalent of foreign exchange surrendered by them to the National Bank, this premium being supplied by a surcharge paid by importers for exchange allotted to them.

Total exports under the scheme, since the beginning, amounted :

at October 31st, 1933 (11 months), to 30.6 million pengö at average premium of 14.0 per cent
„ February 28th, 1934 (15 „) „ 61.7 „ „ „ „ „ „ „ 16.1 „ „
„ May 31st, 1934 (18 „) „ 76.0 „ „ „ „ „ „ „ 16.6 „ „

Imports have amounted :

at October 31st, 1933 (11 months), to 25.4 million pengö at average surcharge of 17.3 per cent
„ February 28th, 1934 (15 „) „ 51.8 „ „ „ „ „ „ „ 19.8 „ „
„ May 31st, 1934 (18 „) „ 73.8 „ „ „ „ „ „ „ 20.7 „ „

(c) *Foreign Debts.*

The following table shows the position, at June 30th last, of the Foreign Creditors' Fund, into which the Transfer Suspension Decree requires the deposit of pengö in respect of non-transferred debt service :

I. Payments to the Fund and out of the Fund.

	State loans	Municipal and other public loans	Other loans	Total
	(Millions of pengö)			
1. Payments to the Fund :				
(a) In cash	16.20	65.30	88.90	170.40
(b) In Treasury bills	46.20	—	—	46.20
Total	62.40	65.30	88.90	216.60
2. Payments out of the Fund :				
(a) Coupons and bonds redeemed	4.90	34.20	62.70	101.80
(b) Refunded to debtor because not subject to transfer mo- ratorium	5.30	—	3.80	9.10
Total	10.20	34.20	66.50	110.90
3. Interest paid on the Fund :				
(a) By National Bank	0.10	1.29	1.00	2.39
(b) By the State Treasury	1.16	—	0.34	1.50
(c) By the issuing banks	—	—	0.07	0.07
(d) By State Railways	—	—	0.29	0.29
Total	1.26	1.29	1.70	4.25
4. Balance held :				
(a) In cash (originally)	7.26	32.39	24.10	63.75
(b) In Treasury bills	46.20	—	—	46.20
Total	53.46	32.39	24.10	109.95

II. Present Position of the Fund.

Balance held by the Fund :	Millions of pengö
(a) In cash (originally)	63.75
(b) In Treasury bills	46.20
Total	109.95
Thereof investments (out of cash) :	
(a) Loan to State for productive investments (secured by Treasury bills of same amounts)	18.00
(b) Loan to State Railways (secured by bills)	4.50
(c) Deposits with issuing banks (under Farmer Debt Relief Decree)	1.40
Total	23.90
Net amount at present held in cash	39.85

III. Arrears to the Fund.¹

	Millions of pengö
State loans	—
Other loans	20.94
Total	20.94

At June 30th the State had taken up 18 million pengö in respect of loans from the Fund for productive investments, totalling 30 million pengö, agreed to by the Administration of the Fund. For details of the relevant investment programmes, see my Eighth Report, page 14. A loan to the State Railways, originally of 10 million pengö, is in course of repayment, 4.5 million pengö remaining outstanding at June 30th. The Administration of the Fund has further given its assent in principle to a loan of 10 million pengö to the State, for investments, it being understood that availments in respect of this latter loan shall at no time exceed the amount repaid of the 10 million pengö State Railways Loan above mentioned. The pertinent formal agreement and the detailed programme of works are being prepared.

¹ Allowing for sterling and dollar depreciation.

The amounts deposited under the Standstill Agreement (see Tenth Report, page 13) in pengő with the National Bank to cover interest and commission on short-term banking debts, not satisfied in foreign exchange, totalled 41.5 million pengő at June 30th, out of which 36.4 millions had been paid to creditors accepting such payment in satisfaction. The balance held by the National Bank thus amounted to 5.1 million pengő. The amount paid into the National Bank under the same agreement for capital repayments in pengő totalled 16.2 million pengő, out of which 12.9 million pengő had been disposed of by creditors. The balance held by the National Bank amounted to 3.3 million pengő.

II. ECONOMIC SITUATION.

I. GENERAL.

The developments chiefly to be noted over the last few months are that this year's grain harvest is expected to be decidedly below the average for the last ten years, that wheat prices in pengő have risen sharply and that international agreements have been reached giving Hungary an assurance of being able to market abroad the greater part of her normal exportable wheat surplus. There is some connection between these phenomena.

With regard to this year's crop, the yield of recent years compares as follows with the Ministry of Agriculture's last estimate :

	Average 1926-1930	1931	1932 (Millions of quintals)	1933	Estimate July 22nd, 1934
Wheat	22.3	19.7	17.5	26.2	16.6
Rye	7.4	5.5	7.7	9.6	5.0
Barley	6.0	5.8	7.2	8.4	4.4
Oats	3.5	1.9	3.1	3.5	2.2
Maize	16.3	15.2	24.3	18.1	} prospects so far good.
Potatoes	18.7	14.5	15.6	18.6	

Although the official estimate is likely to prove to have been cautious, there is no doubt that this year's grain crop will be a light one. However, internal wheat requirements will doubtless be covered, and something left over. It may be recalled that in 1932 there was an export surplus of 1.5 million quintals. The carry-over this year may be estimated at 1.5 to 2 million quintals.

With regard to prices (see 4, below), the pengő price of wheat, which in the earlier months of this year had been much lower than it was in the corresponding months of 1933, rose in May to 14.25 pengő, as against 12.23 pengő a year previously. Now, this price movement in Hungary has not been accompanied by an equivalent rise on the open wheat markets, and the internal Hungarian price, at the official parity, is decidedly higher than the open market price. In the circumstances, this year's export surplus is likely to be absorbed by the markets which have agreed to take stated quantities of Hungarian wheat. It will be paid for through the clearings and will not produce corresponding foreign exchange of unlimited availability (*Edeldivisen*).

Price disparities have for a long time past exercised a depressing influence in Hungary. It may be interesting to enquire what effect the Rome agreements are likely to have on internal price relations. As the price of wheat is given great weight in the calculation of the Hungarian wholesale price index, this index has risen sharply—*i.e.*, from 75 in April to 83 in May—and the agricultural index has gone up still more abruptly : from 60 to 71. The industrial index rose one point to 107 from April to May. The discrepancy between agricultural and industrial prices, as expressed by these indices, while still very heavy, has thus been appreciably reduced over the last quarter. However, this does not mean that the farming community as a whole is correspondingly better off. The purchasing power of a large part of it, on the contrary, is still decreasing. The raising of cattle and pigs, rather than wheat-growing, is the main source of profit for large numbers of Hungarian farmers, especially the small farmers, and it will be seen (4, below) that the rise in wheat prices has not been followed by any increase in that quarter. Indeed, prices of cattle and pigs tend to remain on last year's level or even rather lower. The marketing of Hungarian live-stock, meat and meat products meets with ever greater difficulties ; under the pressure of these adverse circumstances stock continues to decrease year by year and the economic position of large sections of the agrarian population suffers correspondingly.

Hungarian Live-stock.

	Cattle (Millions of pieces)	Pigs
1911 (present territory)	2.14	3.3
1922	1.82	2.5
1928	1.81	2.7
1933	1.67	1.9

The importance of live-stock for Hungary's foreign trade may be judged by the fact that in 1931 cattle, pigs and poultry were exported to a total value of 121.2 million pengő, as against wheat and flour exports totalling 71.5 million pengő, the corresponding figures for 1933 being 72.5 million pengő and 52.1 million pengő. Another consideration is that the increase

in wheat prices is bound to have an effect on the price of bread ; indeed, the retail price of bread rose, from the end of April to the end of May, by 15 per cent. Over the same period the cost-of-living index went up from 89.3 to 92.1. Other things being equal, the bulk of the population, having to pay more for its bread, will be able to spend less on other articles, to the further reduction of consumption. This adverse effect could only be avoided if, when wheat prices go up, other prices went down. However, there is no decrease in the general level of industrial prices, and it is hardly to be expected, in the circumstances, that any increased facility of access to the Hungarian market given to Italian and Austrian industry will greatly affect prices in this country. The ills from which the Hungarian economic structure is suffering cannot be cured by pegging one group of prices here, and artificially raising another group of prices there, but only by correcting the disparities between group and group.

2. TRADE.

The visible foreign trade returns will be found in Appendix II. The first six months of 1934 produced an export surplus of 17.6 million pengő. Exports against pengő actually effected during the same period totalled 18.6 million pengő, but it should be added that this figure is not strictly comparable with that of the export surplus.

During the first four months of 1934, each month showed an increase in the value of exports over the corresponding month last year. In May and June the tendency has been reversed. Imports increased slightly in January and February, and more markedly in the following months. Thus the tendency in the last three months has been a rapidly increasing one in imports, while exports have tended to fall off. Imports during the first half-year of 1934, as compared with 1933, have increased in value by 24.1 million pengő. The greater part of this increase is accounted for by wood, which has increased by 8.6 million pengő ; mineral oil, 2.7 million pengő ; raw leather, 2.6 million pengő ; raw cotton, 2.2 million pengő ; and electrical apparatus, 2.1 million pengő, making together 18.2 million pengő out of the total increase of 24.1 million pengő. The present commercial treaty with Austria increased the quantities of wood Hungary takes from that country.

Figures for the traffic and receipts of the State Railways and the Post, Telegraph and Telephone are available for the first five months of 1934. They show an appreciable improvement this year over last in the case of the Railways, and hardly any change where the Post, Telegraph and Telephone are concerned.

State Railways.

	Ton-kilometres		Receipts	
	1933	1934	1933	1934
	(Millions)		(Millions of pengő)	
January	117.7	139.3	13.4	15.2
February	114.1	132.4	12.5	13.8
March	127.4	145.8	14.3	15.3
April	114.8	130.1	14.0	14.0
May	132.0	143.4	14.4	14.9

Post, Telegraph, Telephone.

	Registered letters		Parcels		Receipts	
	1933	1934	1933	1934	1933	1934
	(Millions)		(Millions)		(Millions of pengő)	
January	0.7	0.7	0.6	0.7	7.5	7.7
February	0.7	0.6	0.6	0.6	7.0	7.1
March	0.7	0.7	0.7	0.8	7.9	8.2
April	0.6	0.6	0.7	0.6	7.1	7.0
May	0.7	0.6	0.7	0.7	7.5	7.2

There has been an increase here and there in consumption of staple articles, and the industrial articles consumption index also shows an increase over last year, this being ascribable to the good harvest of 1933. The output of iron and steel has also increased from the very low point reached in 1932 :

	Percentage of increase or decrease, 1933 to 1934 (first quarter)
Sugar consumption	+ 3.5
Milk consumption	+ 2.2
Beer consumption	+ 22.3
Sales of artificial silk	+ 49.4
Sales of silk	- 14.2
Sales of cotton goods	+ 10.9
Sales of woollen goods	- 10.5
Sales of jute	- 57.9

3. PRODUCTION.

First quarter of :	Consumption of industrial products (weighed index 1927 = 100)		Value of pawned objects sold at auction (in percentage of total loans)	Output of iron and steel (Thousands of tons)	
	1933	1934		1933	1934
1932	75.1		5.7	28	62
1933	73.7		3.2	13	38
1934	85.4		2.8	32	61

4. PRICES.

In view of the recent sharp increase in internal wheat prices, it may be of interest to compare them, and also the prices of two other important Hungarian export articles—*i.e.*, cattle and pigs—month by month during the first half of this year and last :

	Wheat (per 100 kg.)		Live cattle (middling quality) (per kg.)		Calves (per kg.)		Pigs (per kg.)	
	1933	1934	1933	1934	1933	1934	1933	1934
			(Millions of pengő)					
January	14.85	8.28	0.52	0.52	0.79	0.85	0.85	0.88
February	15.23	8.55	0.47	0.47	0.87	0.87	1.06	0.93
March	14.83	10.18	0.49	0.49	0.73	0.82	0.95	0.91
April	14.33	10.08	0.44	0.51	0.72	0.72	0.94	0.84
May	12.50	14.25	0.45	0.49	0.73	0.74	0.97	0.77
June	12.23	12.78	0.49	0.51	0.77	0.62	0.85	0.76

5. STOCK EXCHANGE.

The Royal Hungarian Statistical Office's index (1926 = 100) stood at 91.9 when the Bourse reopened on September 20th, 1932. It then followed an uneven downward course, reaching 79.1 at March 31st, 76.7 at April 30th and 72.4 at May 31st.

Gold stood at an average price of 5,650 pengő in June last, as against 5,200 pengő in June 1933, the parity price being 3,794 pengő per kilo.

6. BANKING, COMMERCIAL AND PRIVATE.

It has been recorded in earlier reports that the Government expected the private banks to produce plans for the simplification of the banking structure and the reduction of overhead. These plans have not yet taken definitive shape.

7. COMMERCIAL POLICY.

The following points concerning Hungary emerge from published texts and from an official communiqué issued just after the signature of the Rome agreements between Hungary, Italy and Austria on May 14th last. The agreements entered into force on July 1st as between Hungary and Austria, and on July 15th as between Hungary and Italy.

(a) Italy undertakes to ensure the purchase, by an Italian organism, of 1 million quintals of Hungarian wheat at a remunerative price.

(b) Hungary gives the Italian organism above mentioned an option on a further 1 million quintals of Hungarian wheat, it being understood that, if the option is not exercised or only partially exercised, the Italian organism will pay Hungary an indemnity to be determined.

(c) In order that Italian exports may have equitable access to the Hungarian market, Hungary agrees to attenuate for their benefit the application of the import restrictions at present in force.

(d) Hungary agrees to give special consideration to Italian requests for the reduction of import duties on Italian goods or for alterations in Customs nomenclature.

(e) Already existing bilateral import agreements, known as the Semmering agreements, are to be revised.

(f) An agreement for the development of Hungarian transit through Fiume was initialled.

(g) Austria agrees to purchase 2.2 million quintals of Hungarian wheat, and Hungary agrees to enable Austrian industry to profit more fully by the Hungarian market.

Various unofficial reports have appeared in the Press as to the prices at which these wheat sales are to take place, the prices mentioned being considerably above the Hungarian market price at the time. It should be added that, independently of the Rome agreements, Germany is stated to have agreed to take 0.8 million quintals of Hungarian wheat. Thus the marketing abroad, this year, of 4 million quintals would appear to be assured, assuming that so much is available for export. It will of course be realised that there are exchange clearing agreements

between Hungary on the one hand and Italy, Austria and Germany, respectively, on the other, and that these agreements determine the balance of trade in each case and the manner in which Hungary's favourable balance may be availed of. In the case of Austria, the balance of trade which the commercial treaty is designed to maintain—*i.e.*, a relation of 1.5 to 1 in Hungary's favour—has in the last six months changed to Hungary's disadvantage, having become 1.3 to 1. The effects of the agreements here referred to cannot be accurately estimated at this stage. It does not seem likely that they will bring about a great increase in Hungary's power to acquire *Edeldevisen*.

It has not yet proved possible to negotiate a commercial treaty between Hungary and Czechoslovakia. On July 4th, a new compensation scheme was agreed to between the two countries, to apply for two and a half months, during which time Hungary may export to Czechoslovakia articles to a total value of 52 million Czech Kč., and Czechoslovakia may export to Hungary to a total of 36 million Czech Kč., the balance of 16 million Czech Kč. being applied to the reduction of outstanding merchandise debts. This agreement will not greatly change the volume of Hungarian-Czechoslovak trade. It is to be noticed that the Hungarian articles benefiting by it are fruit, vegetables, pigs, lard and semi-manufactured textiles. Formerly pigs constituted almost the entire contingent. Czechoslovak exports to Hungary are coal and coke, timber and industrial articles.

Appendix I.

**MONTHLY (QUARTERLY) RESULTS FOR THE YEAR 1933-34 COMPARED WITH
THE RESULTS FOR THE YEAR 1932-33.**

	July to March		April		May		June	
	1932-1933	1933-1934	1933	1934	1933	1934	1933	1934
	(Millions of pengö)							
A. ADMINISTRATION.								
<i>Receipts.</i>								
Direct taxes	174.6	174.0	11.3	12.0	29.7	26.1	13.9	16.3
Customs duties	25.6	26.9	3.0	3.2	2.8	2.7	2.8	3.7
Excise duties	61.8	65.8	5.7	5.5	5.9	6.5	5.7	6.3
Turnover tax	68.7	74.0	5.7	6.3	8.1	9.6	7.3	9.2
Dues	67.1	75.6	6.3	6.9	6.8	8.3	7.0	8.5
Tobacco Monopoly	78.5	78.9	8.1	8.4	9.9	9.3	8.8	9.3
Salt Monopoly (gross)	19.6	19.5	1.6	1.8	1.6	1.6	1.8	1.8
Saccharine and lotteries	1.4	1.4	0.5	0.5	0.01	0.01	0.1	0.1
Administrative receipts	39.0	47.6	3.2	5.3	3.6	3.4	11.0	22.4
Total receipts	536.4	563.7	45.4	49.9	68.5	67.4	58.6	77.6
<i>Expenditure.</i>								
Army	77.9	56.6	9.0	5.6	6.5	5.8	19.1	
Foreign Affairs	6.5	6.6	1.1	1.1	0.6	0.6	0.8	
Justice	26.1	25.0	2.8	2.7	2.7	2.8	3.0	
Supreme organs of the State ¹ ..	—	—	—	—	—	—	—	
Interior	81.0	86.6	9.4	10.2	10.7	9.2	11.8	
Agriculture	22.7	23.5	2.5	1.7	2.5	2.1	3.6	
Commerce	29.8	25.3	3.1	3.1	2.3	2.3	6.4	
Education	48.2	45.7	5.3	5.1	5.1	5.4	6.5	
Finance	70.3	64.3	5.9	5.7	7.3	6.4	6.7	
Smaller departments	7.4	8.1	1.3	1.6	0.8	0.8	1.2	
Subsidies to local authorities ..	35.8	35.9	3.9	4.1	3.6	3.6	4.0	
Pensions	92.8	105.7	10.6	11.9	10.6	11.2	9.5	
Debt service	38.3	37.1	5.9	3.5	2.8	2.7	7.3	
Total expenditure	536.8	520.4	60.8	56.5	55.5	52.7	79.9	87.4
Balance	- 0.4	+ 43.3	-15.4	- 6.6	+13.0	+14.7	-21.3	- 9.8
B. UNDERTAKINGS.								
<i>Receipts.</i>								
Post and Telegraph	70.8	70.7	7.1	7.0	7.5	7.2	8.7	
Railways ²	150.0	157.5	14.0	14.0	14.4	14.9	16.5	
Ironworks	10.4	12.5	1.2	1.7	1.0	1.5	1.2	
Other undertakings	15.7	15.7	1.6	1.7	1.5	1.9	3.0	
Total receipts	246.9	256.4	23.9	24.4	24.4	25.5	29.4	
<i>Expenditure.</i>								
Post and Telegraph	62.4	62.1	6.1	6.0	5.9	6.1	12.6	
Railways ²	182.6	199.2	21.1	20.0	21.9	22.2	34.0	
Ironworks	20.0	23.8	2.2	2.9	2.2	2.4	2.2	
Other undertakings	17.1	16.7	1.3	1.5	1.5	1.5	2.4	
Total expenditure	282.1	301.8	30.7	31.3	31.5	32.2	51.2	
Balance	- 35.2	- 45.5	- 6.7	- 6.9	-7.1	-6.7	-21.8	

¹ Included in "Smaller departments".

² Returns of the Railways for current fiscal year are provisional.

Appendix II.

I. ECONOMIC INDICES.
(End of date given.)

		First quarter	April	May	June
Index of industrial production ¹ ..	1934	83.8	—	—	—
	1933	69.0	—	—	81.2
	1932	77.7	—	—	67.8
Output of coal ²	1934	187.2	45.2	44.9	—
	1933	168.2	41.9	42.0	41.8
	1932	183.2	47.0	41.4	45.2
Unemployment ³	1934	24.235	23.586	22.848	—
	1933	29.771	28.521	26.478	26.209
	1932	31.340	30.057	28.835	28.372
Prices : Sensitive	1934	77.8	75.2	73.0	75.0
	1933	76.3	76.7	79.0	72.4
	1932	79.7	79.2	77.5	75.1
Wholesale	1934	74	75	83	81
	1933	82	80	79	79
	1932	99	97	97	96
Retail	1934	97.76	97.67	98.12	98.02
	1933	101.16	100.92	100.26	99.57
	1932	107.10	106.51	106.50	105.73
Stock Exchange index ⁴	1934	79.1	76.7	72.4	68.0
	1933	79.1	77.5	77.0	80.4
	1932	—	—	—	—
		(Millions of pengö)			
Savings deposits at the Post Office	1934	547.7	552.3	558.2	562.4
	1933	504.5	508.0	509.0	516.8
	1932	525.6	513.5	510.1	504.3
Savings Bank and the twelve leading commercial banks ..	1934	645.9	640.8	644.2	647.2
	1933	662.0	668.7	679.2	694.8
	1932	658.4	653.5	654.7	669.5
Current accounts at the Post Office	1934	1,193.6	1,193.0	1,197.4	1,209.6
	1933	1,166.4	1,176.7	1,182.2	1,211.6
	1932	1,184.0	1,156.9	1,164.8	1,173.8
Total	1934	—	—	—	—
	1933	—	—	—	—
	1932	—	—	—	—
		Per cent	Per cent	Per cent	Per cent
Official discount rates	1934	4.5	4.5	4.5	4.5
	1933	4.5	4.5	4.5	4.5
	1932	7	6	6	6
Market discount rates ⁵ :					
3-month bills (maximum) ..	1934	7.5	7.5	7.5	7.5
	1933	7.5	7.5	7.5	7.5
3-month bills (minimum) ..	1934	4.5	4.5	4.5	4.5
	1933	4.37	4.37	4.37	4.37
<i>Foreign trade :⁶</i>		(Millions of pengö)			
Imports	1934	76.5	30.5	29.3	32.0
	1933	70.1	22.8	25.5	25.8
	1932	85.0	25.7	27.6	29.2
Exports	1934	97.5	31.4	27.2	29.9
	1933	78.6	23.2	28.2	29.4
	1932	72.2	26.9	26.0	27.5
Difference	1934	+ 21.0	+ 0.9	— 2.1	— 2.1
	1933	+ 8.5	+ 0.4	+ 2.7	+ 3.6
	1932	— 12.8	+ 1.2	— 1.6	— 1.7

¹ The Economic Research Institute now publishes quarterly indices, calculated on a new basis, which cannot be compared with those reproduced in previous reports.
² Coal output in hundred thousands of quintals.
³ Unemployed Social-Democratic workmen.
⁴ Stock Exchange closed from July 13th, 1931, to September 1932. The present index calculated by the Office of Statistics includes eighteen shares (1926 = 100).
⁵ Returns of the National Bank of Hungary. Previous reports give those of the Economic Research Institute.
⁶ Figures for 1933 and 1932 are now definitive.

2. NATIONAL BANK.

		December 31st		March 31st	April 30th	May 31st	June 30th
		(Millions of pengö)			(Millions of pengö)		
Note circulation	{ 1933	368.6	1934	359.8	351.5	342.5	363.9
	{ 1932	352.7	1933	354.6	357.4	347.4	371.7
Sight liabilities :							
Public	{ 1933	64.5	1934	49.0	42.8	45.3	29.5
	{ 1932	41.7	1933	29.8	26.5	30.2	35.6
Private	{ 1933	38.6	1934	29.7	25.1	24.1	39.7
	{ 1932	36.6	1933	29.4	29.8	35.2	37.4
" Other liabilities " (net) ..	{ 1933	155.8	1934	140.5	146.7	149.5	142.1
	{ 1932	176.7	1933	185.0	190.4	188.9	175.1
Metal reserve as shown ..	{ 1933	99.2	1934	104.6	102.4	102.7	101.8
	{ 1932	120.6	1933	120.4	122.5	122.6	121.0
Thereof gold	{ 1933	78.8	1934	78.9	78.9	78.9	78.9
	{ 1932	96.6	1933	96.6	96.6	96.6	96.6
Ratio of cover (percentage) ..	{ 1933	23.5	1934	26.9	27.7	28.3	26.4
	{ 1932	31.8	1933	33.2	33.8	33.9	30.8
Commercial bills discounted	{ 1933	624.8 ¹	1934	571.8 ¹	559.2 ¹	554.0 ¹	569.5 ²
	{ 1932	462.9 ³	1933	455.8 ⁴	458.8 ⁴	456.3 ⁴	476.0 ⁴
Advances on securities ⁵ ..	{ 1933	11.0	1934	11.0	11.0	11.0	11.8
	{ 1932	9.5	1933	9.5	9.6	9.6	9.6
Government debt	{ 1933	50.1	1934	49.5	49.4	49.4	48.0
	{ 1932	52.4	1933	51.1	51.1	51.1	51.1
Cash certificates ⁶	{ 1933	119.7	1934	119.7	117.7	117.7	117.7
	{ 1932	—	1933	—	—	—	—

¹ Thereof Treasury bonds 31.2 million pengö.

² " " " 36.3 " "

³ " " " 23.8 " "

⁴ " " " 25.3 " "

⁵ All Treasury bonds.

⁶ Issued in connection with the consolidation of the Bank for International Settlements and Central Bank credits

Appendix III.

I. FOREIGN EXCHANGE : SALES AND PURCHASES OF THE NATIONAL BANK OF HUNGARY IN THE SECOND QUARTER OF 1934 AND IN THE FIRST HALF-YEAR OF 1933¹ AND 1934.

	1934		
	April	May	June
<i>Purchases :</i>			
	(Millions of pengő)		
(a) Export <i>Devisen</i> received	15.40	17.79	17.39
Thereof <i>Edeldevisen</i> ²	34.1%	39.5%	26.6%
(b) Under obligatory declaration	0.25	0.29	0.25
(c) From the State	0.22	0.30	0.15
(d) From others	0.31	0.72	0.67
Total	16.18	19.10	18.46
Excess of sales	5.62	0.75	—
<i>Sales :</i>			
(a) For loan service	3.98	0.91	0.76
(b) For imports	15.04	15.55	13.82
(c) To the State	1.24	1.77	1.28
(d) To others	1.54	1.62	2.39
Total	21.80	19.85	18.25
Excess of purchases	—	—	0.21

	1933	1934		Total first half-year
	First half-year	First quarter	Second quarter	
<i>Purchases :</i>				
	(Millions of pengő)			
(a) Export <i>Devisen</i> received	101.84	64.74	50.58	115.32
Thereof <i>Edeldevisen</i> ²	38.9%	40.6%	33.4%	37.5%
(b) Under obligatory declaration	2.35	0.77	0.79	1.56
(c) From the State	3.74	2.50	0.67	3.17
(d) From others	3.79	1.20	1.70	2.90
Total	111.72	69.21	53.74	122.95
Excess of sales	—	—	6.16	4.01
<i>Sales :</i>				
(a) For loan service	6.26	2.79	5.65	8.44
(b) For imports	78.01	55.47	44.41	99.88
(c) To the State	8.81	4.79	4.29	9.08
(d) To others	9.66	4.01	5.55	9.56
Total	102.74	67.06	59.90	126.96
Excess of purchases	8.98	2.15	—	—

¹ Revised figures.

² The percentages given in this table of *Edeldevisen* to total export exchange received do not include exchange which the National Bank has been credited with by the Austrian National Bank in respect of sales of grain in Austria. If this exchange is included, the *Edeldevisen* percentages are as follows :

1934		1933		1934	
April	38.2	First half-year ..	40.7	First quarter ..	42.5
May	46.6			Second quarter ..	38.0
June	29.2			First half-year ..	40.5

2. FOREIGN EXCHANGE CONTROL.¹

	Actual exports	Exports notified	Percentage of exports notified to actual exports	Export <i>Devisen</i> received	Percentage of <i>Devisen</i> received to exports notified	Percentage of <i>Devisen</i> received to actual exports	Actual imports	Import <i>Devisen</i> allotted	Percentage of <i>Devisen</i> allotted to actual imports
(Millions of pengö)									
1931:									
October	62.4	40.5	64.9	15.7	38.8	25.2	40.4	5.3	13.1
November	63.3	30.8	48.7	15.0	48.7	23.7	34.6	8.0	23.1
December	43.4	20.8	47.9	14.3	68.7	32.9	41.0	7.9	19.3
1932:									
January	24.1	13.7	56.8	15.0	109.5	62.2	27.3	10.2	37.4
February	23.6	14.4	61.0	15.2	105.6	64.4	25.5	10.9	42.7
March	25.4	16.3	62.4	12.6	77.3	49.6	30.5	9.4	30.8
April	26.9	20.1	74.7	14.0	69.6	52.0	25.7	9.4	36.6
May	26.0	17.6	67.7	12.5	71.0	48.1	27.6	10.9	39.5
June	27.5	19.3	70.2	14.6	75.6	53.1	29.2	10.0	34.2
July	23.2	14.1	60.8	12.0	85.1	51.7	23.2	9.6	41.4
August	25.9	14.6	56.4	10.7	73.3	41.3	24.6	8.5	34.6
September	33.3	17.0	51.1	11.6	68.2	34.8	25.9	7.9	30.5
October	31.7	24.8	78.2	14.4	58.1	45.4	26.5	13.4	50.6
November	30.9	20.0	64.7	14.4	72.0	46.6	29.7	9.5	32.0
December	36.0	24.3	67.5	17.4	71.6	48.3	32.8	13.1	39.9
1933:									
January	23.3	17.1	73.4	14.9	87.1	63.9	22.4	13.0	58.0
February	25.9	21.2	81.9	19.3	91.0	74.5	21.6	14.9	69.0
March	29.4	21.9	74.5	18.2	83.1	61.9	26.1	16.3	62.5
April	23.2	14.8	63.8	17.7	119.6	76.3	22.8	11.2	49.1
May	28.2	22.6	80.1	16.6	73.5	58.9	25.5	12.4	48.6
June	29.4	20.6	70.1	15.1	73.3	51.4	25.8	10.4	40.3
July	30.1	18.9	62.8	14.6	77.2	48.5	25.3	14.5	57.3
August	34.7	17.7	51.0	15.5	87.6	44.7	26.6	13.6	51.1
September	44.2	29.4	66.5	17.1	58.2	38.7	26.4	16.3	61.7
October	41.6	27.5	66.1	21.7	78.9	52.2	32.5	14.6	44.9
November	43.5	34.3	78.8	21.9	63.8	50.3	31.9	17.0	53.3
December	39.9	30.9	77.4	22.2	71.8	55.6	26.8	16.8	62.7
1934:									
January	29.3	25.2	86.0	23.6	93.6	80.5	23.9	18.4	77.0
February	29.3	24.9	85.0	20.2	81.1	68.9	22.5	17.4	77.3
March	38.9	28.7	73.8	21.0	73.2	54.0	30.1	19.7	65.4
April	31.4	23.3	74.2	15.4	66.1	49.0	30.5	15.0	49.2
May	27.2	19.3	71.0	17.8	92.2	65.4	29.3	15.5	52.9
June	29.9	20.8	69.5	17.4	83.7	58.1	32.0	13.8	43.1

¹ Figures relating to exports and imports revised by the Hungarian Statistical Office.

Geneva, September 10th, 1934.

LEAGUE OF NATIONS
FINANCIAL COMMITTEE

**REPORT TO THE COUNCIL ON THE WORK
OF THE FIFTY-FIFTH SESSION OF THE COMMITTEE**

(Geneva, September 3rd-10th, 1934.)

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INTRODUCTION.

The Financial Committee has the honour to submit to the Council the following report on the various questions with which it has dealt during this session.

The following members were present:

M. MLYNARSKI (*Chairman*);
M. DAYRAS;
M. JANSSEN;
M. TER MEULEN;
Sir Otto NIEMEYER;
M. POSPIŠIL;
M. SHIMASUYE;
Sir Henry STRAKOSCH;
M. TUMEDEI.

There were also present:

1. *For Austrian questions:*

Dr. BURESCH, Federal Minister of Finance;
Dr. KIENBÖCK, President of the Austrian National Bank;
M. ROST VAN TONNINGEN, Representative of the League of Nations;
M. FRÈRE, Adviser to the Austrian National Bank.

2. *For Bulgarian questions:*

M. BATOLOV, Minister for Foreign Affairs;
M. TODOROV, Minister of Finance;
M. WATTEAU, Commissioner of the League of Nations in Bulgaria;
Professor KÖSTNER, Adviser to the National Bank of Bulgaria.

3. *For Hungarian questions:*

Dr. IMREDY, Minister of Finance;
Dr. BARANYAI, of the National Bank of Hungary;
Mr. TYLER, Representative of the Financial Committee;
Mr. BRUCE, Adviser to the National Bank of Hungary.

I. AUSTRIA.

The Financial Committee has examined the financial situation of Austria together with Dr. Buresch, Federal Minister of Finance, and Dr. Kienböck, President of the Austrian National Bank (assisted by Dr. Gruber, Dr. Rizzi and Dr. Stangelberger, of the Ministry of Finance). They also had the advantage of hearing M. Rost van Tonningen, Representative of the League of Nations in Vienna, and M. Frère, Adviser to the Austrian National Bank.

The Committee had before it the eleventh quarterly report of M. Rost van Tonningen.

1. The Financial Committee has been impressed by the power of recovery which Austria is showing in the face of the world crisis, handicapped as it has been in the recent past by serious political difficulties.

It is particularly noteworthy that the stability of the currency has remained entirely unaffected; the reserve of the National Bank has continued to increase; and the upward trend of the savings deposits has also continued.

The gold and foreign exchange reserve, revalued on the basis of the new value of the schilling, rose from 257 million schillings at the end of 1933 to 272 millions at the end of March 1934, to 277 at the end of June, to 282 at the end of July and to 286 millions at the end of August 1934.

The bill portfolio of the National Bank has been reduced from 308 millions at the end of March 1934 to 253 millions at the end of August. The liquidity of the banks and savings institutes, including their liquid cash at the National Bank, has considerably increased in recent months.

Savings deposits rose from 2,058 millions at the end of 1933 to about 2,090 at the end of August 1934, of which 20 millions were added in August.

There are also other factors which have strengthened Austrian credit.

The service of the State loan issues is regularly and punctually being transferred. The service of private long- and medium-term loans has been paid either in schillings, into the foreign credits fund at the National Bank, or otherwise, by agreement. The balance of this fund (representing the unsettled portion) has decreased, as a result of withdrawals from it by the creditors, to 14 millions at the end of August 1934.

Several loans issued by local authorities and industries denominated in foreign currency have been successfully converted into schillings.

At the same time, the amount of short-term debts blocked under the standstill agreement (at one time 146 millions) has been so much reduced as no longer to constitute a serious problem.

2. While the total value of foreign trade, as elsewhere in the world, has in the last few years diminished, the balance of trade is constantly improving. Moreover, recently, both exports and, more latterly, imports have shown a tendency to increase, as will be seen from the following figures.

Years	Imports	Exports Schillings (ooo's)	Excess of Imports
1931	2,161	1,291	670
1932	1,383	764	629
1933	1,145	773	372
1933 (first half)	538	339	199
1934 (first half)	566	409	157

Statistics published by the Federal Railways show that the volume of goods traffic during 1934 was appreciably above that in the corresponding period of 1933, as the following daily averages of wagons loaded show.

	January	February	March	April	May	June
1933	3,846	3,702	3,943	4,162	4,130	4,617
1934	4,291	3,904	4,382	4,721	5,111	5,629

3. The Committee has also learned with satisfaction of the increased control of the Central Government over the finances and borrowing powers of the local authorities.

4. The budget and Treasury situation presents a less favourable picture.

When the budget for 1934 was voted, it was hoped that normal revenues would cover expenditure other than the special expenditure covered by the Internal Lottery Loan.

It was unavoidable that the political upheavals should leave traces in the budget.

Taking into account this and other factors, the final deficit over the year 1934 should, if the Government maintains a firm financial administration, not exceed some 140 million schillings. Of this sum, 82 millions have already been covered from various cash resources. In 1935, however, these expedients will not be available in the same measure, and there will be little or nothing left from the Lottery Loan so as to continue the programme of expenditure covered in 1934 from the extraordinary budget. The Committee are therefore conscious that the year 1935

will present serious budget problems for the Austrian Government. The Committee do not think these problems insuperable, but they call for a united effort from all concerned.

It is obvious that every effort should continue to be made to limit expenditure. The economies which have already been effected by the Austrian Government during the last few years are considerable. Mention must also be made in this connection of the work carried out by the management of the Federal Railways. Under circumstances of peculiar difficulty, of which the Committee is well aware, expenditure has been very appreciably reduced while increasing the efficiency of the system.

5. In these circumstances, it is natural, *inter alia*, to think of the possibility of converting part of the public debt. It will be remembered that, under the terms of the General Bond, it is now legally possible to proceed to the conversion of the Austrian Government Guaranteed Loan which was issued in 1923, on the basis of the 1922 Protocols. Over half the annuity covering the service of this loan, which now has run for ten years, is required for amortisation, and this portion will rapidly increase in the next few years.

A conversion of the loan, combined with such other terms as market conditions may permit, would be consistent with the original expectations when the 1923 loan was issued and the general trend of current conditions where debtors have maintained their solvency.

The Committee are glad to hear that the Committee of the Guarantor States have authorised the Austrian Government to proceed to the conversion and that the Governments which guaranteed the 1923 Loan have agreed to take measures to extend the existing guarantees to the various tranches of the conversion loan and to give all support to the conversion operations.

6. The Committee of the Guarantor States has expressed the desire that the Council should undertake to appoint the Trustees for the conversion loan. The Financial Committee recommend to the Council to accept this duty as it has done in the past.

II. BULGARIA.

The Financial Committee examined the financial and economic situation of Bulgaria, together with M. K. Batolov, Bulgarian Minister for Foreign Affairs, and M. P. Todorov, Bulgarian Minister of Finance, assisted by M. Antonov, permanent delegate of Bulgaria to the League of Nations. It also considered the thirty-first report of the League of Nations Commissioner in Bulgaria and heard the supplementary statements of M. Jean Watteau, the Commissioner, and of M. Köstner, the Adviser to the Bulgarian National Bank.

1. The Committee was informed of the results of the financial year 1933-34, which ended on June 30th, 1934. These results show considerable progress. As far as the State budget is concerned, the actual receipts totalled 4,693 million leva, a sum practically equal to the receipts for the preceding financial year, despite a very considerable reduction in the yield of Customs duties, which fell from 883 to 626 millions owing to a decrease in imports. On the other hand, most of the remaining items show an increase, particularly direct taxes, excise duties, sundry revenue and receipts due from the preceding financial years. The receipts of the railways and ports budget, which now includes those of a number of funds which had previously been separate, increased from 1,121 to 1,276 millions. The total receipts were thus 5,969 millions as against 5,856 millions in 1932-33.

Total expenditure fell from 6,875 to 6,496 millions, a decrease of over 5 per cent, despite the inclusion in the railways budget of the expenditure chargeable to the funds referred to above.

The deficit is thus 526 millions. In accordance, however, with the agreements now governing the service of the national foreign debt, 400 millions of the expenditure is represented by Treasury bonds. These may subsequently be withdrawn on the adoption of the proposal to pay 10 per cent on coupons in arrears. In this case, the final deficit would be one of about 126 millions only. The financial years 1932-33, 1931-32 and 1930-31 show deficits of 729, 970 and 1,366 millions respectively.

2. The Committee noted the budget estimates for the current year 1934, which have been revised by the new Government. Estimates of budget receipts are 4,898 millions, or 200 millions more than in the preceding financial year. The estimated increase is to be provided very largely by the introduction of the alcohol monopoly, which has just been decreed, and of the tobacco monopoly, which is now under consideration.

It should be mentioned that the Bulgarian Government's scheme to set up monopolies of certain products entails for it the obligation to obtain beforehand the consent of the representatives of the bondholders of loan issues, the service of which is secured on taxes and excise duties on the products in question.

As the financial year is to end on December 31st, 1934, in accordance with a decision to make the financial year coincide with the calendar year, it is not certain that reforms on such a scale can produce fresh resources in so short a time. It is also to be feared that the railway receipts will not fulfil the hopes expressed in the estimates, where the figure of 1,457 millions is given, as against 1,276 millions in 1933-34.

The expenditure authorised, on the other hand, has been severely cut down and is nearer the actual figures obtained in 1933-34.

The Committee noted the measures already applied, such as further salary cuts, dismissals of officials, administrative reform, beginning of the public educational reform, which seemed likely to contribute towards a general reduction of expenditure. It is, however, of the opinion that these will not suffice to avoid all deficit for the financial year 1934 and that determined efforts must still be made to carry out the programme of economies and of increased receipts and to avoid all further cause of expenditure. It is under these conditions that the 1935 budget can be prepared on a practical basis.

3. The Financial Committee was informed that the proposal contained in the report which it made to the Council in May 1933 concerning the issue of 200 million leva of five-year bonds with the object of paying off the arrears due to State purveyors had been carried out in a somewhat different manner and that the sum issued had been larger. The amount and the conditions were decided on in agreement with the Adviser to the National Bank. The Committee endorses this approval, which has enabled part of the floating debt to be consolidated within the country.

4. With certain reservations, the Financial Committee approved the proposed reduction from $33\frac{1}{3}$ to 25 per cent of the legal cover of the notes and sight liabilities of the Bulgarian National Bank. The Committee is aware that, in Austria and Hungary, this proportion is below $33\frac{1}{3}$. It would point out, in this connection, that, on June 28th, 1933, the Second Monetary and Financial Sub-Commission of the Monetary and Economic Conference adopted a resolution approving the principle of reducing the percentage cover but emphasising that such reduction should not be used as a pretext for unduly increasing the volume of notes and credits; in other words, the effect of the resolution should be to increase the free reserve of the Central Banks and thus strengthen its position.

The Bulgarian Government recognises that the amendment should be interpreted in this sense and undertakes not to alter the general provisions of the Bank's statutes concerning the control of credit in Bulgaria.

5. The Government also informed the Committee of its plan to create, by amalgamating various bodies, a larger banking institution calculated to play a part in the financial life of the country such as a large number of small banks could not undertake.

It is proposed that the State should contribute to the first instalment of the funds required for this reorganisation, and that the National Bank shall also give its support. In principle, the Committee is in favour of a measure of consolidation, on the understanding that the National Bank will not be called upon to exceed its normal functions as a note-issuing institution and that any aid which it may be induced to give will be strictly within the limits laid down by its present statutes.

6. With regard to Bulgaria's foreign trade, the balance of exports and imports, which had been favourable without interruption since April 1933, has for some months been tending in the other direction. There is no doubt that this unfavourable movement is due to the operation of clearing and compensation agreements, which entail for Bulgaria, as for other countries, an artificial increase of imports as compared with exports—a fact which the Committee has had occasion to observe. In this case, even exports have been adversely affected, particularly those of tobacco, by the uncertain future of the market conditions due to the negotiations which have been carried on in Bulgaria for over two years for the conclusion of compensation agreements with certain countries. Furthermore, the National Bank recently modified the old import licence scheme in such a way that a relative increase in these licences seems bound to result, and with it a more restricted provision of foreign currency in the National Bank.

7. The Financial Committee noted, not without misgivings regarding certain points, the principal features of the new Government's financial and economic programme. The Committee is in no way opposed to the establishment of monopolies for revenue purposes, but it cannot but be aware that this programme entails, on the whole, an increase in State intervention in the economic sphere and consequently a restriction of enterprise. The Committee has had the opportunity, at its previous session, of expressing its opinion on such a policy, which it regards as particularly dangerous in a country like Bulgaria—whose financial and economic structure is weak—and as likely to reduce the country's taxable capacity and lead the Treasury to incur expenditure out of proportion to its revenue.

8. The Committee regrets further that it should have been thought necessary to grant by decree further relief to debtors, particularly by reducing the capital of the debts. It fears that the constant changes in the provisions governing debts will result solely in aggravating the disorganisation of internal credit, retarding the return of confidence so urgently required and exercising excessive pressure on a number of credit establishments whose existence is indispensable to the development of Bulgarian agriculture.

9. The appointment of a new Commissioner in Bulgaria is on the agenda of the Council. The Committee must once more express its firm belief that close and continuous collaboration with the representatives of the League of Nations in Bulgaria may be of great value to the Bulgarian Government when difficulties connected with the Bank, economic life or public finance arise and the Government is called upon to solve problems which the Committee's reports have shown to be both numerous and difficult. The Committee further expresses its hope that recourse will always be had to the aid which its representatives can give if they are duly consulted by the Bulgarian Government.

III. HUNGARY.

The Financial Committee has taken note of the eleventh report of the representative of the Financial Committee of the League of Nations in Hungary. It examined the information which it contains on Hungary's economic and financial situation, with the assistance of Dr. Imredy, Finance Minister of Hungary; Dr. Baranyai, of the National Bank; Mr. Tyler, representative of the Financial Committee of the League of Nations in Hungary; and Mr. Bruce, adviser to the National Bank of Hungary.

1. The improvement observed in the position of the public finances since the summer of 1933 has continued. The budget deficit for the year which closed on June 30th, 1934, was 38 million pengő, as against 88 millions for the previous year, including the deficit on the administration of the State undertakings. The untransferred portion of the service of the 1924 Reconstruction Loan is included in this deficit. The untransferred service of the other foreign public debts is not included. The decrease in the deficit is caused both by reductions in expenditure which continued to be applied in the State administration and by increases in revenue due to the rearrangement of certain taxes and to greater energy in collecting them. Moreover, the State undertakings, though still a heavy charge on the budget, have been able to reduce their debts and to increase their payments to the State in respect of taxes and dues.

The provisional results for the first two months of the present year, beginning on July 1st, 1934, show the same tendency.

Although certain fundamental problems still have to be solved in order to consolidate the bases of the results already reached, the great improvement in the administration of the budget is calculated to attenuate any anxiety that might have been caused by the Treasury difficulties mentioned in previous reports.

Lastly, the Hungarian Government has introduced measures which had long been in contemplation for the purpose of strengthening Government control over the budgets of the local authorities.

2. In its previous report, the Committee pointed out various signs of improvement in the general economic position of the country.

The wheat harvest, which was exceptionally good in 1933, no doubt contributed to this improvement, which was reflected in industrial production and the output of coal. Those indices, after falling in the first half of 1933 as compared with 1932, show an appreciable rise for the same period of 1934. Industrial unemployment has also decreased. At the same time, mention must be made of other less favourable signs, such as the stagnation in the total of savings deposits and current accounts taken together and the fall in the Stock Exchange index.

In 1934, the wheat harvest is estimated at about 17 million quintals, as against 26 millions in 1933, a decrease of nearly 30 per cent. Although Hungary may find a certain compensation in the increased prices and in the autumn crops, such as maize and potatoes, which appear likely to give a better yield this year than in 1933, cereals are of primary importance, not only for foreign trade, but for the entire economic life of the country. The economic position as a whole is inevitably affected by the poor wheat harvest of 1934, and there may be grounds for expecting a certain stagnation as compared with the position previously reported.

3. One of the problems which at present cause the greatest anxiety in the position of Hungary is that of supplying the National Bank with entirely free foreign currency, which is required for the purchase of certain indispensable raw materials, for the State's expenses abroad, and for the transferred portion of the service of the foreign debt.

The following figures (in millions of pengő) show the position for the first seven months of the current year as compared with the same period of 1933:

	1933 First seven months	1934
Total proceeds from exports	190	215
Including: foreign exchange paid or notified to the National Bank	160	193
Of which: clearings, compensations, etc., represented	130	145
Acquired by the National Bank	30	48
Viz.: (a) Non-convertible currencies	16	31
(b) Free currencies available for foreign payments	14	17

Of the total amount of foreign exchange produced by exports and actually acquired by the National Bank, the proportion available for foreign payments fell from 47 per cent to 35 per cent.

At first sight, this table suggests that the proceeds from exports and also the proportion of those proceeds actually "controlled" by the National Bank have increased since last year.

It should be noted, however, that the excess of exports over imports during the first seven months of 1934 is slightly less than that obtained during the same period of 1933. The foreign trade figures during those two periods were as follows (in millions of pengö):

	1933 First seven months	1934
Exports	189.5	214.5
Imports	169.5	197.0
	+ 20	+ 17.5
Balance		

The upward trend was more marked in the case of imports than in that of exports, and a detailed examination of the statistics shows that this tendency has been accentuated during the last few months. This naturally constitutes one of the causes of the decrease in the balance at the Bank's disposal for foreign payments.

This development in Hungary's foreign trade, which has been particularly marked in the trade done with certain countries, appears to be due to the machinery of clearing agreements, which actually upsets the normal movement of trade and leads to an artificial increase in imports as compared with exports. This phenomenon is doubtless aggravated in a country such as Hungary by the fact that the price-level has remained high. Moreover, these agreements are frequently revised, and the changes made usually tend to reduce the percentage left by commercial compensations at the free disposal of the National Bank of Hungary.

It is questionable whether these clearing agreements, the object of which is to cope with an abnormal situation, can bring about any lasting improvement in the position. Generally speaking, while clearing agreements may serve as an expedient in the case of temporary necessities, they are likely in the long run to defeat their own object.

IV. DESIGNATION OF A TRUSTEE FOR THE PRIORITY BONDS FUND OF THE "ZELTWEG-WOLFSBERG AND UNTERDRAUBURG-WOELLAN RAILWAYS COMPANY".

Acting upon the decision of the Council of September 7th, 1934, the Financial Committee designated the "Société de banque suisse" at Basle as Trustee for the Priority Bonds Fund of the "Zeltweg-Wolfsberg and Unterdrauburg-Woellan Railways Company" instituted by the arbitral award of May 12th, 1934.

Geneva, November 12th, 1934.

LEAGUE OF NATIONS

**FINANCIAL POSITION
OF AUSTRIA IN THE THIRD QUARTER OF 1934**

TWELFTH QUARTERLY REPORT

By M. Rost van Tonningen, the Representative of the League
of Nations in Austria.

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I. INTRODUCTION.

The present report covers the last quarter of the third year of the process of reconstruction initiated in the summer of 1931 by the Government of the Chancellor, Dr. Buresch, in co-operation with the League of Nations. During more than two of these years, the reform work was carried out under the leadership of the late Chancellor Dollfuss. The events of July 25th last, culminating in his tragic death, deprived Austria of a very able leader. The unabated continuance of the world crisis keeps Austria in a difficult situation, but a review of the work that has been done during the last three years shows the immense progress realised and indicates the efforts still to be made.

Cut off from her natural export markets since the armistice, Austria has for many years tried to maintain commercial and financial relations with the Successor States, although it soon became apparent that a tendency towards "autarchy" was prevailing in many Central European countries and, to a lesser extent, in the rest of the world. The fatal effort to maintain pre-war industries at a capacity which was incompatible with the shrinking export markets was supported by liberal credits on the part of the banks which, as in certain other countries of Central Europe, were already involved in industry to an unjustifiable extent. This close connection between banking and industry led to the Creditanstalt crisis of 1931, and this disclosed the impoverished state into which Austria had fallen, owing to circumstances over which she had little or no control.

At that time, the Austrian problem appeared to many distinguished experts, both Austrian and foreign, almost insoluble. The panic flight of domestic capital threatened the very existence of the credit organisation of the country and exhausted the foreign exchange and gold reserves of the bank of issue. The currency was shaky, the budget in complete disorder and economic prospects were very black.

Three years of patient and almost desperate reform work have recreated a basis for positive reconstruction. It should be remembered that Austria was one of the few countries in Central Europe that withstood the shock of a banking panic without declaring an internal or external moratorium.

After very difficult negotiations, an agreement was concluded in the spring of 1933 which laid the basis for a reconstruction of the Creditanstalt, while almost simultaneously the Government reorganised the other two Viennese banks, the Wiener Bankverein and the Niederösterreichische Escompte-Gesellschaft. In the spring of 1934, a further step had to be taken whereby the Creditanstalt absorbed the Wiener Bankverein and the banking assets of the Niederösterreichische Escompte-Gesellschaft (the remainder of the Niederösterreichische Escompte-Gesellschaft will be liquidated). The total balance-sheet figures of these three banks fell from 3,000 million Schillings at the end of 1930 to approximately 1,000 million Schillings at the present date. Minor banks in Vienna and in the provinces have also been reorganised during the last three years, and it may now be said that the Viennese banking system is one of the soundest in Central Europe.

Similar progress has been made with regard to the National Bank. It may be safely estimated that the short-term foreign indebtedness of the Viennese banks amounted to nearly 1,000 million Schillings at the outbreak of the Creditanstalt crisis. It has now disappeared, either through consolidation, as in the case of the Creditanstalt, or otherwise, so that the currency is safe from any attack from abroad.

The National Bank, which had exhausted its foreign exchange and gold reserves by the middle of 1932, while the Schilling was falling rapidly on the black markets, has now reconstructed its reserves to a notable extent and has been able to keep the Schilling stable for nearly two years.

The thawing of frozen positions is progressing regularly, so that banks and savings banks are now more liquid. Quite recently, many depositors have shown their confidence in the long-term prospects of the country by turning away from savings deposits to Government and mortgage bonds. If this movement continues, it will eventually set in motion the constructive forces so far paralysed by the lack of interest in long-term investment.

The reconstruction of an internal bond market will further facilitate the conversion of the 1923-1943 League Loan, which, eleven years ago, was issued in Austria and in the principal world markets with the guarantee of several European creditor countries. The conversion, preliminaries for which have already reached an advanced stage, will reduce the annual foreign debt service of the State by a third, thus contributing to the solution of the very difficult debt and budget problem. An alleviation of the debt service was effected by the moratorium accepted by the foreign creditors of the Creditanstalt and by the veto of the Trustees of the 1923 Loan upon payments on the Relief Credits.

These alleviations were necessary in order to assist the country in the solution of its budget problem. Like all gold countries—*i.e.*, all countries with a stable currency—Austria is suffering from heavy budgetary pressure, and it is in that light that the alleviation of the burden of public debt payments should be viewed.

The progress in the various departments of finance outlined above, however valuable in itself, is only the indispensable spade work for laying the solid foundations for positive reconstruction. Everyone who looks more closely at the significance of the work realises the appalling hardship it entails for a population which has to cope not only with the world crisis, but with a structural crisis *sui generis* in order to adapt itself to the new post-war conditions of its small territory. The liquidation of the past, the measure of which is given by the shrinkage of industrial and banking assets, has deprived hundreds of thousands of the means of subsistence.

The late Chancellor suffered with his whole soul from his realisation of this situation. Long before his contemporaries, and long before he was entrusted with the leadership of his country, he was aware of the unfortunate international trend towards economic "autarchy", and at once drew the inevitable conclusions with regard to Austria. With indefatigable energy, he fostered for many years the agricultural development of his country. From being a heavy importer of dairy products, Austria has become more than self-sufficient.

The following table shows the increase of the output of agricultural products since 1924 in other domains :

	Wheat	Rye	Barley	Potatoes	Sugar-beet	Oats
	(In thousands of tons)					
1924	231.1	411.2	156.9	1,647.2	433.1	331.6
1925	290.4	550.1	200.7	2,068.4	492.6	388.4
1926	256.9	475.3	197.6	1,297.8	480.7	434.8
1927	325.5	511.2	238.1	2,666.4	722.7	438.8
1928	351.5	506.0	282.0	2,488.3	725.4	462.2
1929	314.6	510.5	269.4	2,803.0	691.2	451.0
1930	326.8	524.2	267.3	2,653.1	973.3	400.7
1931	299.6	480.9	216.6	2,716.8	977.7	332.0
1932	331.8	615.4	274.1	2,666.1	1,020.4	389.8
1933 ¹	397.8	686.9	332.9	2,355.0	1,073.0 ¹	502.8
1934 ¹	360.3	607.0	298.2	2,758.8	—	500.5
Average 1924-1933 ..	312.6	527.2	243.6	2,336.2	759.0	413.2

Faced with the danger of starvation at the end of the war, the Austrian population also tried to find other means of living, and, *inter alia*, patiently built up its hotel industry, which is now becoming a serious competitor in the European tourist traffic.

The late Chancellor also devoted all his efforts to the maintenance and the development of commercial relations with foreign countries ; the progress realised in that direction during the last twelve months is shown in Chapter 5 of this report.

In ten years, through the energy of her population and her leaders, Austria has won a special position in Central Europe. Surrounded by conditions of great instability and faced by almost insuperable obstacles, she has successfully employed none but strictly orthodox methods of reconstruction. The further work which remains to be done to mitigate the hardship of the population is enormous, but it can hardly exceed the task which the late Chancellor performed in the desperately hard years during which he directed the Government of his country.

The outstanding features of the development in the quarter under review are :

1. The total ordinary expenditure for the first ten months of 1934 will probably be 91.97 million Schillings higher than in 1933, mainly because of increased requirements for national defence, agricultural subsidies and debt service. Receipts should show an increase of 64.17 million Schillings, partly due to the 45.87 million Schillings contributed by the Municipality of Vienna, and partly to 15.45 million Schillings from seigniorage on new subsidiary coinage. The probable deficit amounts to 110.07 million Schillings, an increase of 27.8 million Schillings over 1933. This will be covered principally by the issue of Treasury bills.

2. The returns of the Federal Railways up to the month of June show a satisfactory development of goods traffic, but the trend is slightly less favourable in the third quarter. Passenger traffic during the summer has been disappointing and receipts for the period January-September 1934 show a decline of 7.3 per cent from the level of 1933.

3. The National Bank reports slight additions to its currency reserve, the volume of circulation and of discounts remaining practically unchanged. The increase in the sight liabilities of the Bank reflects the liquid position of the Viennese banks. Savings deposits at the end of September 1934 were 41 million Schillings higher than in 1933. A Law of July 20th, 1934, cancelled the Government guarantee of the deposit and current account liabilities of the Creditanstalt, given on May 28th, 1931.

4. The international valuation of the Schilling has remained unchanged, and the quotations of Austrian securities abroad have continued to rise.

5. The foreign trade returns show an increase in the total volume of trade and a reduction of the unfavourable balance for the first nine months of the year from 265.4 million Schillings in 1933 to 202.7 million Schillings in 1934 (24 per cent). A satisfactory feature is the increase in certain raw-material imports.

6. The 1934 harvest has been less abundant than that of 1933, but is, in most cases, well above the average of the last ten years.

7. Unemployment continues to be considerably below the 1933 level, although the spread has narrowed continuously since the end of May.

¹ Estimates.

2. FEDERAL BUDGET.

(Appendices I and II.)

(a) FEDERAL BUDGET FOR 1934.

A. Ordinary Budget.

The probable results for the first ten months of 1934 are as follows :

	January-October		
	1934 Probable results	1933 Provisional results	Difference (+ or —)
	(In millions of Schillings)		
Expenditure :			
Personnel	584.68	586.22	— 1.54
Material	1,102.12	1,008.61	+ 93.51
Total	1,686.80	1,594.83	+ 91.97
Receipts	1,576.73	1,512.56	+ 64.17
Deficit	110.07	82.27	+ 27.80

The increase of receipts in 1934 is primarily due to the yield of certain sources of revenue which were not fully available in the previous year (contribution from the Municipality of Vienna, 46.87 million Schillings, 9.06 in 1933; seigniorage on the issue of new coins, 15.45 million Schillings; security tax, 16 million Schillings; import duty on cattle fodder, 16.88 million Schillings, 0.51 in 1933). Detailed figures for tax receipts proper are available up to the end of August. They show that the yield of the sugar, petrol, spirits and turnover taxes were above, and that of the other main sources of direct or indirect revenue below, the level of 1933. The summary figures for September indicate no change in this general trend.

	1931	January-August		1934
		1932	1933	
	(In millions of Schillings)			
Direct taxes :				
Trade tax	31.67	25.52	20.58	15.62
Corporation tax	51.93	33.06	24.12	22.31
Tax on interest and annuities	13.12	14.85	12.46	10.47
General income tax	107.04	83.80	71.16	63.73
Tax on salaries	0.20	11.10	11.90	11.32
Property tax	8.24	7.93	5.81	5.88
House-rent tax	8.79	11.58	13.03	13.64
Motor-car tax	—	3.65	3.72	3.50
Surtax on income and property taxes	—	19.30	21.71	17.75
Security tax	—	—	—	10.88
Sundry taxes	6.66	5.37	4.24	4.06
Total	227.65	216.16	188.73	179.16
Excise duties :				
Spirits	22.15	20.32	12.60	13.60
Beer :				
(a)	17.29	12.96	10.39	9.69
(b) Since July 1934	—	—	—	2.54
(c) Extraordinary surtax	10.79	8.88	7.07	6.97
Wines	8.49	8.74	8.16	7.34
Sugar	49.63	34.44	30.61	35.24
Petrol	6.44	26.36	23.47	25.16
Sundry	3.93	1.68	2.70	5.78
Total	118.72	113.38	95.00	106.32
Taxes on transactions :				
Stamp duty	76.44	71.41	62.21	61.18
Turnover tax	144.05	120.71	87.19	90.03
Turnover tax, emergency surtax	—	0.19	75.90	80.15
Sundry	5.62	5.48	4.80	4.88
Total	226.11	197.79	230.10	236.24
Customs	166.72	157.26	121.48	130.59
Gross tax receipts	743.18	686.09	636.74	653.97
Deduct :				
Shares of local authorities	163.94	149.97	112.81	104.98
Net tax receipts	579.24	536.12	523.93	549.99

Although the increase in employment has reduced expenditure for social insurance by nearly 39 million Schillings, the additional requirements of other departments have increased material expenditure by some 91 million Schillings on the 1933 level. National defence and public security accounted for + 52.5 million Schillings, and agricultural relief and subsidies required + 19.67 million Schillings. State debt payments, though not exceeding the budget estimates, totalled 22.3 million Schillings more than in 1933, mainly owing to the service of the domestic Lottery Loan.

A decree of July 25th, 1934, laid down the principles governing the issue of new subsidiary coins. The five-Schilling bank-notes are to be replaced by coins weighing 15 grammes and containing 83.5 per cent silver. There were 40.76 million Schillings' worth of five-Schilling notes in circulation at the end of 1933—i.e., 4.28 per cent of the total note circulation.

The old Schilling and 50-Groschen pieces, which weighed 6 and 3 grammes respectively with a silver content of 64 per cent, are to be withdrawn and replaced by new coins. These will be made of an alloy containing 25 per cent nickel and 75 per cent copper, the weight of the new Schilling being 7 grammes, that of the 50-Groschen piece 5.5 grammes.

The total profit accruing to the State out of this operation is estimated at some 40 million Schillings; 15.45 million Schillings will already have been realised by the end of October, and it is hoped to reach 25 million Schillings by the end of 1934. These sums are booked under ordinary receipts.

On December 31st, 1933, there was 54.5 million Schillings' worth of one-Schilling pieces in circulation, being 55.1 per cent of the total subsidiary coinage; the 50-Groschen pieces on the same date amounted to 9.59 million Schillings, or 9.7 per cent of the total coin issue.

B. Extraordinary Budget.

Probable expenditure :	January-October 1934	+ or—ten twelfths of budget
	(In millions of Schillings)	
River and stream regulation and land improvement	16.03	+ 1.03
Road construction	30.38	+ 6.91
Buildings	0.30	— 8.03
Post Office	5.14	— 2.61
Railways	28.55	— 2.78
	80.40	— 5.48

These items have been financed out of the yield of the Lottery Loan. The estimated expenditure for the whole year is 103.06 million Schillings.

(b) DEBT SITUATION.

(Conversion of the 1923 Loan.)

By the end of September, it had been necessary to issue 65 million Schillings' worth of Treasury bills to assist in covering the ordinary budget. The position of the floating debt at the end of the third quarter of 1934 was the following :

	In millions of Schillings
(a) Collateral Loan from the Post Office Savings Bank	25
(b) Treasury bills issued for the banking reconstruction of 1933	67
(c) Treasury bills issued during 1934	65
	157

The Committee of Control of the Guarantor States of the Austrian Loan of 1923, on September 7th, 1934, authorised the Austrian Government to convert the outstanding portion of all the *tranches* of the loan. The representatives of the Guarantor States declared at the same time that their Governments were ready to guarantee the conversion loans and to give all the aid required for the success of the operation. Negotiations are at present in progress with the guaranteeing countries and the issuing banks. It is hoped that the preparations will proceed with sufficient speed to allow at least the principal *tranches* of the old loan to be called by December 1st next.

(c) THE FEDERAL RAILWAYS, 1934.

	June	July	August	September	January-September
Goodstraffic (total loaded wagons) {	1933 144,679	156,616	154,592	163,906	1,318,032
	1934 166,016	166,408	165,723	170,739	1,414,229
	(In millions of Schillings)				
Traffic receipts :					
Goods {	1933 20.7	21.3	21.8	23.28	188.93
	1934 22.1	21.7	21.9	23.03	195.34
Passengers {	1933 14.1	18.1	18.3	15.25	119.54
	1934 11.6	16.9	16.2	13.87	110.85

The available statistics show that the trend of goods traffic during the third quarter of 1934 was not unsatisfactory. Both car-loadings and receipts were higher than in the foregoing year. For the period January-September 1934, car loadings show an increase of 96,197, or 7.3 per cent, while receipts were 6.4 million Schillings, or 3.4 per cent, higher than in 1933.

The September receipts show a slight reduction as compared with last year, due mainly to a fall in transit traffic, which was 11 per cent lower than in 1933.

The summer has brought a decline in passenger traffic, and receipts for the first nine months of 1934 were 8.7 million Schillings, or 7.3 per cent, lower than in 1933. This has offset the higher goods traffic receipts, and the total income of the railways from all kinds of traffic during the period January-September 1934—306.19 million Schillings—was 2.3 million Schillings below the 1933 receipts.

(d) ASSIGNED REVENUES.

The yield of the revenues pledged for the service of the 1923-1943, 1930 and 1933-1953 Loans, and the service requirements of these loans during the first nine months of 1934, were as follows :

Yield (In millions of Schillings)		Actual loan service requirements (In millions of Schillings)	
Customs	129.10	1923-1943 Loan	73.07
Tobacco	200.61	1930 Loan	26.51
	<hr/>	1933-1953 Loan	21.38
Total	329.71		
		Total	<hr/> 120.96

The loan service was covered nearly two and three-quarter times by the yield of the pledged revenues.

3. LOCAL FINANCE.

Little worthy of mention has occurred in the sphere of local finance during the summer of 1934. The political disturbances of July have involved the provincial governments in certain increases in expenditure, but tax receipts do not seem to have suffered, and there are even indications that their downward trend during recent years has been at least checked.

Several provincial governments find themselves nevertheless in very straitened circumstances. No other remedy than retrenchment is possible, as in the present circumstances financial operations are out of the question and the Federal Government is not in a position to render effective aid.

The main provisions of the new Constitutional Finance Law came into force on August 1st last. Its centralising character was outlined in the previous report (Eleventh Quarterly Report, page 6). The Bill to regulate the share of local authorities in certain Federal taxes (*Abgabenteilungs-Gesetz*) has been drafted, and will be discussed at a provincial conference in the near future. It aims at simplifying procedure and strengthening the control of the central Government. Few changes in the actual ratio of distribution of the yield of joint taxes are to be expected, and the Federal Government will probably neither retain a pre-established minimum (*præcipuum*) from the yield of a tax nor guarantee a minimum income to any individual local authority.

The Municipality of Vienna has recently put into execution its so-called "immediate" programme of public works. Unemployment in Vienna, which had increased slightly at the end of June, consequently fell from 121,472 at the end of July to 110,688 at the end of September.

4. CENTRAL BANK POSITION.

(See Appendix III, Columns 14 to 20.)

(This chapter has been drawn up in consultation with the Adviser to the National Bank, M. Maurice Frère.)

	End of 1933	First quarter	Second quarter	July	August	September
	(In millions of Schillings)					
1. Note circulation	952	981	955	989	965	964
2. Sight liabilities	142	154	156	138	175	174
3. 1 plus 2	1,094	1,135	1,111	1,127	1,140	1,138
4. Blocked foreign debt accounts included in 2	14	15	15	15	14	13
5. 3 minus 4	1,080	1,120	1,096	1,112	1,126	1,125
6. Gold and foreign exchange	202	213	277	282	286	282
7. Bills discounted	275	308	254	248	253	254

The balance-sheets of the National Bank during the past quarter show few changes of interest. The bank has slightly increased its gold and foreign-exchange holdings and the volume of discounts has remained practically unchanged. The increase in sight liabilities is due to larger banker's deposits and reveals the easy condition of the Viennese money market. Advances on securities have fallen off rapidly during recent months. Never a very large item among its assets, they reached 31.7 million Schillings in November 1932. They have steadily fallen since and amounted in December 1933 to 12.9 million Schillings. By the end of September of this year, they had fallen to 4.1 million Schillings.

Mention is made in an earlier chapter (2(a)) of the replacement of the five-Schilling notes by new divisional coins under the Decree of July 25th, 1934.

The exchange position remained steady during the period under review. The improvement of Austrian credit abroad was interrupted in July by political events, but since then the quotations of the 1930 7% Investment Loan, which is not secured by foreign guarantees, have again risen.

End of :	Vienna	New York	London ¹
1932 December	71.50	53	55-56½
1933 December	76.37	51	74
1934 January	77.19	59	71-72½
February	78.13	64½	73½-74½
March	79.88	69	75½-77
April	83.52	74	78-79½
May	83.01	73	83½-85
June	82.42	68	83
July	82.23	66	72-73
August	83.44	62½	71-72½
September	85.55	69½	76

Mention has already been made above of the increased liquidity of Austrian banking institutions. Clear evidence of the progress which has been achieved in the banking field is the Law of July 20th, 1934, cancelling the Government guarantee of the deposit and current account liabilities of the Creditanstalt granted by the second Creditanstalt Law, of May 28th, 1931.

Owing to the political events, there was a more than seasonal fall of savings deposits in July,² though this affected almost entirely the Viennese institutions, but it was more than made good by August, and at the end of September they were 41 million Schillings higher than in 1933. The interest paid by the banks on deposits from the savings banks has recently been considerably reduced in Vienna (to 2 per cent). This measure should lead to an increase in the investments of these institutions.

An interesting sidelight on the effects of the reorganisation and fusion of the principal Viennese banking institutions is afforded by the changes in the volume of bank clearings.

	National Bank and Wiener Giro- und Kassenverein		Austrian Post Office Savings Bank	
	(In thousands of Schillings)			
Total first quarter ..	1933.. .. .	13,348,258	5,226,990	
	1934.. .. .	11,597,109	5,308,267	
Total second quarter ..	1933.. .. .	12,720,401	5,144,877	
	1934.. .. .	9,566,829	5,430,852	
Total third quarter ..	1933.. .. .	13,223,802	5,392,855	
	1934.. .. .	7,156,223	5,698,338	

The larger volume of clearings at the Post Office Savings Bank supports the evidence of other indexes of business and reflects the increase in general economic activity.

The 45.5 per cent drop in clearings at the National Bank and the Wiener Giro- und Kassenverein is not symptomatic of economic stagnation, but is entirely due to the fact that, owing to the amalgamation of the Creditanstalt and the Wiener Bankverein and the withdrawal of the Niederösterreichische Escompte-Gesellschaft from deposit banking, a large number of inter-bank payments have become purely internal transactions in the new unit Creditanstalt-Wiener Bankverein.

5. ECONOMIC SITUATION.

(a) FOREIGN TRADE.

(Appendix III, Columns 1 to 5.)

January-September	Imports		Exports		Excess imports (In millions of Schillings)
	(In thousands of tons)	(In millions of Schillings)	(In thousands of tons)	(In millions of Schillings)	
1933	4,008.9	813.8	1,518.2	548.4	265.4
1934	4,016.2	829.1	1,916.0	626.4	202.7

¹ Including accrued interest.

² See Appendix III, column 21.

The unfavourable balance has been reduced during the first nine months from 265.4 million Schillings to 202.7 million Schillings (24 per cent) in spite of a slight increase in the value of imports, and the total volume of trade has increased by about 405,000 tons (7.3 per cent).

Increased imports of raw materials and semi-finished goods would seem to indicate an increase in industrial activity. Cotton imports rose for the first eight months of 1934 from 15,568 tons in 1933, to 20,171 tons, rubber from 2,088 tons to 2,585 tons, iron and scrap-iron from 17,872 tons to 34,785 tons, other scrap metals from 8,397 tons to 10,451 tons. As a group, imports of raw materials (excluding fuel) rose from 695,000 tons to 730,000 tons and from 187 million Schillings to 226.1 million Schillings.

Timber exports showed a most satisfactory increase as the following figures illustrate :

January-August	Total	Germany	Italy	Switzerland	Hungary	France
			(In millions of Schillings)			
1933	45.12	3.12	20.87	6.31	9.21	4.46
1934	58.37	9.22	19.15	9.11	15.33	3.75

Exports of paper pulp rose from 77,143 tons to 87,043 tons, and of iron-ore from 10 tons to 33,554 tons, almost entirely to Germany and Czechoslovakia. Attention must be drawn to the fact that the largest single item on the export side is no longer timber but iron goods, which have risen from 31,992 tons and 41.6 million Schillings in 1933 to 46,106 tons and 60.3 million Schillings in 1934. As a group, finished goods exports have risen from 188,000 tons to 208,500 tons, and from 333.3 million Schillings to 376.4 million Schillings.

The following table gives the chief countries of origin and destination of Austrian trade and illustrates the changes which have taken place during the first nine months of 1934 :

	Imports			Exports		
	January-September		Difference + or -	January-September		Difference + or -
	1934	1933		1934	1933	
	(In millions of Schillings)		%	(In millions of Schillings)		%
Total	829.1	813.8	+ 1.9	626.4	548.4	+ 14.2
Germany	144.9	158.5	- 8.6	98.8	84.6	+ 16.8
Czechoslovakia	112.3	109.2	+ 2.8	47.3	42.8	+ 10.5
Hungary	91.7	93.8	- 2.3	70.6	56.1	+ 25.8
Italy	36.4	36.5	- 0.3	69.4	61.0	+ 13.8
Yugoslavia	71.4	76.0	- 6.1	38.3	39.8	- 3.9
Poland	47.8	46.9	+ 1.9	23.3	21.9	+ 6.4
Roumania	46.9	40.1	+ 16.9	36.6	28.3	+ 29.3
Switzerland	32.3	28.7	+ 12.5	46.6	43.5	+ 7.1
United Kingdom	31.8	22.4	+ 41.9	32.2	24.5	+ 31.4
France	24.0	18.4	+ 30.4	24.4	21.6	+ 13.0
Netherlands	1	9.4	-	11.8	11.6	+ 1.7
Australia	13.3	11.7	+ 13.7	1.4	0.9	+ 55.5
British India	1	8.9	-	10.3	9.9	+ 4.0
United States of America	46.4	44.5	+ 4.3	10.2	14.2	- 28.6

(b) PRODUCTION.

(Appendix III, Columns 9 to 12.)

		April	May	June	July	August
Iron ore (1,000 tons)	1933	7	34	34	36	37
	1934	35	39	49	56	52
Pig-iron	1933	0	42	43	46	44
	1934	38	45	48	48	49
Steel	1933	41	52	46	52	50
	1934	57	72	80	81	71
Rolled and semi-finished goods ..	1933	41	50	48	48	42
	1934	61	77	80	78	75

Source : Institut für Konjunkturforschung.

Statistical and other information from various branches of industry give the impression that the higher level of production is being maintained. Some firms, particularly those working for the export market, have orders on their books for many months ahead.

The increase in the production of electric power appears to be mainly for export. The production figures for the iron industry show no notable changes. Increased iron-ore figures

¹ Figures not yet published.

are due to higher exports. Conditions in the cotton trade show a weakening tendency ; raw material requirements are diminishing and stocks rising slightly.

(c) CROPS.

The latest figures published by the Ministry of Agriculture give the following estimates for the main Austrian crops in 1934 :

	Estimates 1934 (In thousands of tons)	Difference of yield per hectare ± 1933 (%)	Actual yield 1933 (In thousands of tons)	Average 1924-1933
Winter wheat	348.2	— 14	387.2	301.1
Spring wheat	12.1	+ 12	10.6	11.5
Winter rye	586.1	— 12	668.4	507.8
Spring rye	20.9	+ 15	18.5	19.4
Winter barley	12.0	— 5	13.1	12.9
Spring barley	286.2	— 9	319.8	230.7
Oats	500.5	+ 2	502.8	413.2
Potatoes	2,758.8	+ 17	2,354.9	2,336.2

Reports from the orchards indicate a heavy fruit crop of good quality. Export difficulties are to be offset by increased canning for domestic consumption. The beet-sugar production should be larger than last year, as the factories report a higher sugar content and a greater acreage was sown.

(d) THE LABOUR MARKET.

A. Unemployment.

The available statistics do not give a clear picture of the trend of unemployment. The spread between the number of unemployed receiving benefit in 1933 and 1934 reached a maximum of moins 54.036 at the end of March 1934 and has since narrowed continuously, as the following table shows :

Unemployed receiving Benefit in Austria.

End of :	1932	1933	1934	Difference between 1933 and 1934	
				Number	Percentage
January	358,114	397,920	357,291	— 40,629	10.2
February	361,948	401,321	352,451	— 48,870	12.2
March	352,444	379,693	325,657	— 54,036	14.2
April	303,888	350,552	295,814	— 54,738	15.6
May	271,481	320,955	273,576	— 47,379	14.7
June	265,040	307,873	263,883	— 43,990	14.3
July	266,365	300,762	257,213	— 43,549	14.4
August	269,179	291,224	248,028	— 43,196	14.8
September	275,825	279,053	243,847	— 35,179	12.6
October	297,791	280,381			
November	329,707	300,477			
December	367,829	335,919			

Previous reports have already pointed out that part of the reduction is due to the stricter administration of relief since the end of 1933 (Ninth Quarterly Report, page 11).

Allowance must also be made for the transference of insured workers who, on reaching the age-limit, are taken over by the old age pension organisation. The increase of old age pensioners between the middle of 1933 and the middle of 1934 has been estimated by the Social Administration at approximately 17,000, excluding 3,000 pensioned by the Federal Railways. Doubtlessly, some of these had been previously in receipt of benefit. Other unemployed persons have been absorbed by voluntary organisations and by the Government public work programme.

The following table illustrates the influence of this public work programme on the labour market :

Month	1933		1934	
	Total employed	Of which previously unemployed	Total employed	Of which previously unemployed
January	—	—	20,587	7,522
February	—	—	23,534	8,104
March	—	—	31,823	12,391
April	—	—	42,597	20,357
May	11,599	9,298	47,755	23,943
June	12,874	8,143	50,011	23,759
July	18,607	12,065	—	—
August	31,136	17,402	—	—
September	42,934	23,368	—	—
October	52,649	28,445	—	—
November	39,596	20,346	—	—
December	23,883	8,545	—	—

The above table shows that the Government programme provided employment, not only during the summer, but also in smaller measure in winter. The Social Administration authorities hold the view that further employment was indirectly provided owing to the increased consumption of those directly employed.

The Government programme was started in the late spring of 1933, and is still in progress. As in 1933, it would appear that the peak of employment may be expected in the late summer or early autumn of 1934. The Municipality of Vienna has put several pieces of work into execution relatively recently.

The figures for the unemployed receiving benefit naturally do not include all persons actually out of work. Unfortunately, complementary statistics, such as those of unemployed applicants for work, are also incomplete or misleading, because (a) not all the unemployed apply for work, (b) many who have found work do not cancel their applications, (c) many in family or agricultural employment apply for work in the hope of getting more satisfactory jobs.

Month	Unemployed applicants for work			
	1933	1934	Decrease	
			Number	Percentage
January	478,034	440,345	37,689	7.6
February	480,063	434,679	45,384	9.4
March	455,538	403,158	52,380	11.5
April	423,305	375,733	47,572	11.2
May	391,844	353,509	38,335	9.8
June	380,785	347,670	33,115	8.7
July	375,262	338,323	36,939	9.8
August	365,985	—	—	—
September	354,899	—	—	—
October	357,628	—	—	—
November	383,293	—	—	—
December	422,258	—	—	—

B. Employment.

The most accurate reflection of the actual volume of employment is given, according to the Social Administration, by the health insurance statistics. The table below compares, for the period 1923-1934, the number of persons insured against sickness with the number of unemployed receiving benefit.

	Employed insured against sickness ¹	Unemployed * receiving benefit	Total
Middle of :			
1923	1,297,137	92,789	1,389,926
1924	1,436,762	63,556	1,500,282
1925	1,389,361	118,366	1,507,727
1926	1,370,560	150,981	1,521,541
1927	1,418,300	145,136	1,563,436
1928	1,501,759	118,737	1,620,496
1929	1,517,752	110,266	1,628,018
1930	1,449,720	150,075	1,599,795
1931	1,337,639	191,150	1,528,789
1932	1,153,834	265,040	1,418,874
1933	1,041,333	307,873	1,349,206
1934	1,027,689	263,883	1,291,572
Middle of 1933 to 1934 :			
1933 :			
July 1st	1,041,333	307,873	1,349,206
August 1st	1,039,250	300,762	1,340,012
September 1st	1,044,876	291,224	1,336,100
October 1st	1,057,405	279,053	1,336,458
November 1st	1,054,023	280,381	1,334,404
December 1st	1,023,487	300,426	1,323,913
1934 :			
January 1st	976,219	335,919	1,312,138
February 1st	959,162	357,291	1,316,453
March 1st	955,302	352,451	1,307,753
April 1st	982,301	325,657	1,307,958
May 1st	1,021,792	295,750	1,317,542
June 1st	1,042,415	273,576	1,315,991
July 1st	1,027,689	263,883	1,291,572

The last column of the above table gives a rough indication of the working population of the country. This has varied considerably since 1923. The increase until 1929 is due to the normal increment of the pre-war generations, while the effects of the period 1914-1918 on the population are shown by the decline after 1929. Stricter administration of unemployment benefit, the greater number of old age pensioners in relation to the total population, the increase of employment in categories of labour where health insurance is not obligatory, and also the smaller war generations, reduce the number of people covered by the statistics and make 1933 another turning point in the series.

The reabsorption of labour during recent months has further been checked by rationalisation and by the reduction of short time.

Where statistics for particular industries are available, a distinct reduction of unemployment is in most cases noticeable.

Unemployed Applicants for Work classified according to Industries.

	Building		Iron and Steel		Machine		Electrical		Clothing		Printing		Chemical	
	(In thousands)													
	1933	1934	1933	1934	1933	1934	1933	1934	1933	1934	1933	1934	1933	1934
End of :														
January	119	106	41	38	22	19	9.2	7.5	35	32	7.1	7.1	7.9	7.4
February	118	103	42	38	22	19	9.2	7.7	35	30	7.2	7.5	8.0	7.5
March	107	93	42	35	21	18	9.0	7.3	28	23	7.3	7.8	7.8	7.0
April	92	78	40	34	20	17	8.8	7.2	26	23	7.2	8.0	7.5	6.8
May	80	68	38	32	20	16	8.7	7.0	24	23	7.1	7.8	6.9	6.6
June	78	66	38	31	19	17	8.5	6.8	26	28	6.7	7.8	6.9	6.8
July	77	63	37	30	19	16	8.3	6.2	29	29	6.8	7.7	6.6	6.8
August	73	—	36	—	19	—	7.7	—	28	—	7.2	—	6.3	—
September	72	—	35	—	19	—	7.4	—	24	—	7.4	—	6.4	—
October	74	—	33	—	19	—	6.9	—	23	—	7.2	—	6.3	—
November	87	—	34	—	19	—	6.7	—	25	—	7.0	—	6.5	—
December	104	—	36	—	19	—	6.9	—	29	—	7.0	—	6.9	—

¹ Not including agricultural workers.

(e) PRICES.

(Appendix III, Columns 7 and 8.)

The following table shows the wholesale prices in Vienna, of certain important agricultural and industrial articles, as published by the Federal Statistical Office :

	Price in Schillings per 100 kg.						
	Middle of						
	1932	1933		1934			
	December	June	December	June	July	August	September
Wheat (domestic)	34.40	36.00	35.40	35.15	33.75	35.60	35.50
Potatoes	9.25	24.50 ¹	9.90	23.50 ¹	12.00	12.00	11.00
Sugar	119.00	119.00	119.25	119.25	119.25	119.25	119.25
Beef	240.00	220.00	230.00	210.00	210.00	220.00	220.00
Cotton	111.80	151.00	129.00	145.00	151.00	163.00	154.40
Wool	755.00	853.00	1,158.00	1,112.00	1,112.00	1,112.00	740.00
Rubber	76.80	127.00	143.60	197.60	201.80	201.50	189.80
Hard coal.. .. .	8.56	8.56	8.56	8.56	8.56	8.56	8.56
Copper	98.00	130.00	99.00	100.00	95.00	90.00	88.00
Lead	51.00	55.00	52.00	50.00	47.00	48.00	46.00

(f) STOCK EXCHANGE.

	1923-1943 Loan, Austrian tranche, 7%	1930 Loan, Austrian tranche, 7%	1933 Lottery Loan, 4% (issued at 98)	1931 Building Loan, 5%	Niederöster- reichische Mortgage Bonds, 5%
	(Percentage of face value in paper Schillings)				
January	90.38	77.19	—	60.16	67.97
February.. .. .	100.11	78.13	92.00	60.16	67.97
March	98.20	79.88	84.00	59.06	67.58
April	95.34	83.52	84.00	59.77	67.97
May	95.57	83.01	83.50	60.86	70.31
June.. .. .	94.78	82.42	82.50	59.71	66.80
July.. .. .	95.27	82.23	82.50	58.59	67.97
August	93.20	83.44	84.50	58.63	69.53
September	92.99	85.55	84.00	59.38	71.88
October (12th)	97.68	86.72	84.75	60.55	71.88

Signs of greater activity have been noticeable lately in the bond market, and nearly all classes of fixed interest securities have risen, particularly the 1923 Loan, in connection with the announced conversion.

The Institut für Konjunkturforschung index of 35 industrial shares (1923-1932 = 100) stood at 49.4 at the middle of September as against 48.1 in June and 42.8 a year ago. The turnover from security transactions fell seasonally from 16 million Schillings in June to 11.7 million Schillings in August.

(g) COMMERCIAL POLICY.

On August 10th, a clearing agreement with Germany entered into force. Payments into the special accounts at the respective banks of issue must always be made in the national currencies irrespective of the currency of invoice. Conversion is based, not on a previously fixed rate of exchange, but on the market quotations. The agreement covers liabilities accrued previous to the date of its entry into force and is not applicable to transit traffic.

Commercial negotiations with France and Italy are foreseen for the near future.

The technical details concerning the delivery of Hungarian wheat under the Rome agreements have been settled by direct negotiations and periodical meetings under the treaties in force take place regularly. The smooth functioning of the 2½-year-old Austro-Hungarian clearing agreement had been interrupted by the accumulation of pengő deposits in Budapest in excess of Schilling payments in Vienna, thus delaying the settlement of the claims of Austrian exporters. The clearing mechanism has now been readjusted and it is hoped that the Austro-Hungarian payment machinery will now work smoothly.

¹ New Italian potatoes.

The Austro-Turkish Compensation Agreement of July 12th, 1933, expired on July 21st, 1934, and was replaced by two new agreements regulating commercial exchanges and establishing a clearing system of payments which were signed on August 10th, 1934. The commercial agreement contains two lists of goods; the articles contained in the first may be freely imported into Turkey,¹ while the second list establishes quotas for a further series of goods² and all other articles are subject to the general Turkish quota restrictions. Turkish imports into Austria are subject only to the general foreign trade regulations. The settlement of commercial claims which was previously unregulated, will, in future, be made through a clearing agreement based on French francs and covering also tourist expenditure and interest payments.

¹ Hat shapes, paper and cardboard, cotton yarn and cotton goods, rubber goods, glass and glassware, iron and metal goods, electrical goods and scientific instruments, motor-cars.

² Woollen and cotton tissues, finished hats, printed paper, tinplates, iron stoves.

Appendix I.

ANALYSIS OF ANNUAL AND QUARTERLY BUDGET ACCOUNTS.

RECEIPTS	1933	1934	First quarter			Second quarter			Third quarter	
	Closed accounts	Estimates	1933	1934		1933	1934		1933	1934
			Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates
ORDINARY BUDGET.										
(In millions of Schillings)										
A. Administration:										
Direct taxes	281.40	268.50	73.18	71.73	70.96	74.63	69.50	67.21	67.00	65.60
Customs	179.55	232.00	40.83	45.50	58.44	50.42	44.50	59.28	44.53	49.00
Excise duties	154.90	162.76	32.33	32.97	35.37	36.50	36.89	37.30	40.94	42.54
Turnover tax	133.96	129.00	33.09	35.51	35.19	32.64	32.80	32.96	30.12	32.60
Turnover tax, emergency surtax	118.02	119.00	27.72	29.20	31.22	29.15	27.30	28.79	27.99	28.85
Taxes on transactions, legal fees, etc.	99.97	101.26	25.35	24.80	25.51	25.59	24.95	24.89	22.36	23.20
Other receipts	2.38	3.17	0.46	0.80	0.58	0.65	0.79	0.57	0.53	0.79
Total taxes	970.18	1,013.69	232.96	240.51	237.27	249.58	238.73	251.00	233.47	242.58
Debit:										
Shares of local authorities	164.25	163.75	47.89	42.59	42.24	38.26	35.35	35.78	37.97	39.95
Total : State taxation	805.93	851.94	185.07	197.92	195.03	211.32	203.38	215.22	195.50	202.63
Receipts of Social Administration	192.97	197.72	12.32	47.53	48.83	44.47	42.60	47.14	50.13	47.80
Other administrative receipts	102.84	100.90	15.67	28.21	30.45	25.94	25.74	39.21	31.90	28.09
Contribution towards Debt Service	107.79	111.00	12.66	21.66	21.59	38.26	30.17	31.57	27.01	28.68
Total receipts of the Administration	1,209.53	1,261.56	265.72	295.32	295.90	309.99	301.89	333.14	304.54	307.20
B. Monopolies:										
Tobacco	308.09	311.55	67.73	67.58	72.23	78.17	76.47	76.98	80.72	78.72
Salt	20.22	28.81	7.74	7.45	7.57	5.68	6.96	6.88	7.12	6.81
Lotteries and gunpowder	58.71	55.39	14.69	15.08	15.82	13.70	12.34	13.20	16.42	15.58
Total : Monopolies	396.02	395.66	90.16	90.11	95.62	97.55	95.77	97.06	104.26	100.91
C. Public Undertakings:										
Posts and Telegraphs	213.43	225.30	53.58	50.70	51.31	50.53	51.45	49.60	55.69	51.85
Forests	8.41	8.85	1.72	1.90	1.84	1.53	1.85	2.01	2.07	1.80
Federal theatres	5.81	6.55	1.54	1.73	1.90	1.64	1.60	1.51	0.79	0.93
Other	14.56	15.06	3.64	3.37	3.50	3.72	4.16	3.93	3.26	4.31
Total : Public Undertakings	242.21	255.75	60.48	57.70	58.55	57.48	59.06	57.05	61.81	58.89
D. Railways:										
Federal railways	—	—	—	—	—	—	—	—	—	—
Other railways	0.07	—	0.02	—	—	—	0.02	0.02	0.02	—
Total : Railways	0.07	—	0.02	—	—	—	0.02	0.02	0.02	—
Total ordinary receipts	1,847.83	1,912.98	416.38	443.13	450.07	465.02	456.74	487.27	470.63	467.00

ANALYSIS OF ANNUAL AND QUARTERLY BUDGET ACCOUNTS (continued).

EXPENDITURE	1933	1934	First quarter			Second quarter			Third quarter	
	Closed accounts	Estimates	1933	1934		1933	1934		1933	1934
			Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates
ORDINARY BUDGET.										
(In millions of Schillings)										
A. Administration:										
Army	86.12	94.00	21.09	25.71	25.61	20.60	25.04	24.37	20.98	25.80
Foreign Affairs .. .	5.75	6.23	1.24	1.54	1.55	1.37	1.50	1.49	1.55	1.67
Justice .. .	49.97	50.35	12.44	12.54	12.57	12.23	12.88	12.69	12.31	12.97
Supreme organs .. .	4.67	4.78	1.09	1.02	1.00	1.12	0.79	0.82	1.40	0.81
Chancellor's office .. .	11.16	10.07	3.78	2.75	6.99	2.16	2.41	3.31	1.98	4.48
Interior .. .	95.52	95.91	22.64	35.02	38.51	23.54	30.53	30.55	24.31	32.91
Social Administration .. .	449.85	385.26	131.91	122.90	116.03	112.21	97.09	97.52	104.69	95.02
Agriculture .. .	32.57	39.10	7.39	10.32	10.13	7.43	15.78	15.70	7.49	16.86
Commerce and Traffic .. .	59.22	56.48	12.90	11.74	11.59	14.07	13.62	14.79	14.67	16.81
Education, Science, Church .. .	73.26	71.50	17.30	18.83	18.82	19.46	17.87	17.73	16.87	17.70
Finance .. .	61.40	57.86	17.11	14.92	14.45	15.96	14.36	14.35	15.54	14.00
Subsidies to Postal Savings Bank .. .	3.00	2.30	0.75	0.63	0.63	0.75	0.63	0.63	0.75	0.63
Payments to local authorities .. .	26.19	26.67	6.30	6.18	6.19	6.90	6.86	6.83	6.20	6.45
Pensions .. .	212.26	210.00	53.99	54.21	54.32	53.07	53.52	53.46	52.02	53.39
Charges under the Peace Treaty .. .	2.05	2.66	0.09	0.09	0.10	1.02	1.39	1.33	0.25	0.10
Debt Service .. .	215.22	240.89	51.50	60.66	60.68	47.28	58.80	57.78	62.46	54.92
Total: Administration .. .	1,386.01	1,354.26	351.52	379.26	379.17	339.17	353.07	353.35	344.37	354.52
B. Monopolies:										
Tobacco .. .	107.54	111.04	23.73	24.93	25.44	26.62	27.78	28.19	27.27	30.38
Salt .. .	14.81	14.53	3.59	4.04	4.02	3.60	3.94	3.92	3.65	4.05
Lotteries .. .	37.80	35.76	8.92	8.66	9.00	9.92	9.17	8.55	8.23	7.92
Gunpowder .. .	5.28	5.01	1.14	1.33	1.66	1.09	1.38	1.59	1.21	1.43
Total: Monopolies .. .	165.43	166.14	37.38	38.96	40.12	41.23	42.27	42.24	40.36	43.78
C. Undertakings:										
Posts and Telegraphs .. .	230.61	226.60	56.57	56.42	56.41	57.71	56.90	56.90	58.33	58.77
Forests .. .	19.18	20.98	4.57	5.03	4.90	4.66	5.02	5.05	4.85	5.32
Federal theatres .. .	10.92	10.64	2.73	2.57	2.71	3.03	2.78	2.85	2.42	2.42
Other undertakings .. .	13.14	15.74	3.81	4.08	4.18	4.02	4.26	4.12	3.77	4.50
Total: Undertakings .. .	273.85	273.96	67.68	68.21	68.20	69.42	68.96	68.92	69.57	71.01
D. Railways:										
Federal Railways .. .	84.94	100.00	21.00	25.00	25.00	19.00	23.98	25.00	18.87	24.99
Charges under the Südbahn Convention .. .	14.70	15.51	2.40	3.20	3.09	0.02	3.10	3.07	2.91	3.10
Other railways .. .	4.71	3.61	1.95	0.86	0.86	1.39	0.96	0.96	0.69	0.86
Total: Railways .. .	104.35	119.12	25.35	28.96	28.95	20.40	28.04	29.03	28.47	28.95
Total ordinary expenditure .. .	1,929.64	1,912.88	491.73	515.39	516.44	470.22	492.34	493.54	482.57	498.26
Total ordinary receipts .. .	1,847.83	1,912.98	416.57	443.13	450.07	465.02	456.74	487.27	470.63	467.00
Ordinary budget balance .. .	- 81.81	+ 0.10	- 75.16	- 72.26	- 66.37	- 5.20	- 35.60	- 6.27	- 11.94	- 31.26
EXTRAORDINARY BUDGET.										
Finance .. .	120.00	—	140.00	—	—	—	—	—	—	—
Commerce and Traffic .. .	21.58	38.16	—	5.12	3.67	0.80	8.70	7.96	9.04	14.90
Agriculture .. .	12.56	18.00	—	5.10	4.22	0.80	5.00	4.75	6.90	5.62
Posts and Telegraphs .. .	2.60	—	—	1.28	0.63	—	1.52	1.29	—	1.95
Railways .. .	3.20	46.90	—	7.08	0.91	—	15.33	15.33	—	9.52
Total extraordinary expenditure .. .	159.74	103.06	140.00	18.58	9.45	0.80	30.55	29.33	15.94	31.97
Total extraordinary receipts .. .	—	—	—	—	—	—	—	—	6.95	—
Extraordinary budget balance .. .	- 159.74	- 103.06	- 140.00	- 18.58	- 9.45	- 0.80	- 30.55	- 29.33	- 8.99	- 31.97
Total budget balance .. .	- 241.55	- 102.96	- 215.16	- 90.84	- 75.82	- 6.00	- 66.15	- 35.60	- 20.93	- 63.23

Appendix II.

MONTHLY ESTIMATES AND PROVISIONAL RESULTS.

RECEIPTS	June			July			August			September	
	1933	1934		1933	1934		1933	1934		1933	1934
	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates
(In millions of Schillings)											
ORDINARY BUDGET.											
A. Administration:											
Direct taxes	26.89	25.00	23.74	22.32	23.00	24.56	18.59	18.60	20.43	26.09	24.00
Customs	17.95	15.50	18.25	17.20	16.00	15.41	13.03	17.00	13.47	14.30	16.00
Excise duties	11.23	12.17	12.96	13.65	13.12	16.00	12.52	14.72	17.64	14.77	14.68
Turnover tax	10.65	10.80	11.18	11.12	11.10	10.94	10.35	10.80	10.94	8.65	10.70
Turnover tax, emergency surtax	9.51	9.70	9.60	9.77	9.75	10.13	9.25	9.60	10.00	8.07	9.10
Taxes on transactions, legal fees, etc.	80.5	7.95	7.83	9.33	9.30	9.02	6.74	7.10	6.64	6.29	6.80
Other receipts	0.20	0.26	0.10	0.16	0.27	0.23	0.17	0.25	0.26	0.20	0.26
Total taxes	84.48	81.38	83.66	83.55	82.54	86.31	70.65	78.10	79.38	79.27	81.94
Deduct:											
Shares of local authorities	12.56	13.25	13.23	12.82	10.86	10.90	13.84	13.25	16.05	11.31	15.24
Total: State taxation	71.90	68.13	70.43	70.73	71.68	75.41	56.81	64.85	63.33	67.96	66.70
Receipts of Social Administration	15.06	15.45	16.42	17.88	15.43	16.01	16.69	16.63	16.52	15.56	15.74
Other administrative receipts	6.52	10.04	18.78	8.16	9.64	11.71	8.84	6.93	15.16	14.90	11.52
Contribution towards Debt Service	31.73	11.02	11.67	10.22	10.68	10.65	8.36	9.01	9.02	8.43	8.99
Total receipts of the Administration	125.43	104.64	117.50	106.99	107.43	113.78	90.70	96.82	104.03	106.85	102.93
B. Monopolies:											
Tobacco	25.72	25.45	25.21	30.54	27.37	29.06	25.38	25.08	26.32	24.80	25.37
Salt	1.77	2.10	2.12	2.22	2.13	2.15	2.02	2.38	2.37	2.88	2.50
Lotteries and gunpowder	5.74	5.26	5.34	5.52	4.98	5.06	7.48	5.25	5.18	3.62	5.15
Total: Monopolies	33.23	32.81	32.67	38.28	34.48	36.27	34.88	33.61	33.87	31.30	32.82
C. Public Undertakings:											
Posts and Telegraphs	16.81	17.43	17.91	20.83	17.73	17.54	16.52	16.13	16.06	18.33	17.99
Forests	0.64	0.50	0.65	0.71	0.60	1.11	0.69	0.60	0.81	0.67	0.60
Federal theatres	0.48	0.48	0.45	0.13	0.13	0.14	0.04	0.08	0.08	0.62	0.72
Other	1.04	1.21	1.33	1.10	1.23	1.09	1.16	1.44	1.34	1.00	1.64
Total: Public Undertakings	18.97	19.72	20.34	22.77	19.69	19.88	18.42	18.25	18.29	20.62	20.95
D. Railways:											
Federal railways	—	—	—	—	—	—	—	—	—	—	—
Other railways	—	0.02	0.02	—	—	—	—	—	—	0.02	—
Total: Railways	—	0.02	0.02	—	—	—	—	—	—	0.02	—
Total ordinary receipts	177.63	157.19	170.23	167.84	161.60	169.93	144.00	148.68	156.19	158.79	156.72

MONTHLY ESTIMATES AND PROVISIONAL RESULTS (continued).

EXPENDITURE	June			July			August			September	
	1933	1934		1933	1934		1933	1934		1933	1934
	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates
(In millions of Schillings)											
A. Administration:											
Army	6.82	8.47	8.14	7.22	8.74	8.45	6.87	8.26	8.12	6.89	8.80
Foreign Affairs	0.50	0.50	0.50	0.51	0.59	0.59	0.56	0.58	0.58	0.48	0.50
Justice	4.31	4.50	4.43	4.15	4.28	4.20	3.92	4.02	3.97	4.24	4.67
Supreme organs	0.58	0.21	0.21	0.70	0.56	0.55	0.56	0.23	0.24	0.34	0.22
Chancellor's office	0.71	0.70	1.51	0.58	1.90	1.90	0.87	1.26	2.31	0.53	1.32
Interior	7.97	9.73	9.61	8.35	10.47	11.53	7.98	10.22	11.40	7.98	12.32
Social Administration	35.87	32.65	33.83	33.67	29.67	29.99	33.96	30.54	31.01	37.06	34.81
Agriculture	2.27	6.66	6.62	3.55	5.45	5.07	2.46	6.44	6.69	2.48	4.97
Commerce and Traffic	5.28	3.26	3.48	4.85	5.64	5.41	5.04	5.47	5.59	4.78	5.20
Education, Science, Church	8.02	6.50	6.44	5.70	5.51	5.49	5.60	5.33	5.42	5.57	6.86
Finance	4.30	4.89	4.93	6.01	4.66	4.93	4.51	4.51	4.41	5.08	4.83
Subsidy to Postal Savings Bank	0.25	0.21	0.21	0.25	0.21	0.46	0.25	0.21	0.21	0.25	0.21
Payments to local authorities	8.75	2.66	2.64	2.06	2.23	2.13	2.08	2.06	2.06	2.06	2.16
Pensions	17.75	17.87	17.86	17.59	17.79	17.78	17.64	17.79	17.82	17.69	17.81
Charges under the Peace Treaty	0.61	1.10	1.07	0.18	0.03	0.04	0.07	0.04	0.01	—	0.03
Debt Service	18.65	22.46	21.82	26.09	28.57	22.62	16.50	16.58	15.97	19.87	19.97
Total: Administration	116.44	124.37	125.24	120.46	116.10	120.94	108.67	113.24	115.81	115.24	125.18
B. Monopolies:											
Tobacco	8.98	9.06	9.13	9.39	11.24	11.24	8.92	9.52	9.77	8.96	9.62
Salt	1.18	1.29	1.27	1.22	1.23	1.37	1.21	1.37	1.30	1.22	1.45
Lotteries	1.84	1.57	1.56	1.96	1.51	1.54	2.71	1.71	1.80	3.56	4.70
Gunpowder	0.38	0.47	0.64	0.56	0.46	0.46	0.40	0.49	0.49	0.45	0.48
Total: Monopolies	12.38	12.39	12.60	12.93	14.44	14.41	13.24	13.09	13.36	14.19	16.25
C. Public Undertakings:											
Posts and Telegraphs	19.04	19.04	19.05	20.04	20.26	20.30	19.26	19.31	19.34	19.03	19.20
Forests	1.62	1.77	1.74	1.63	1.75	1.69	1.57	1.83	1.79	1.65	1.74
Federal theatres	1.00	0.96	0.96	0.85	0.82	0.81	0.69	0.72	0.70	0.88	0.88
Other undertakings	1.37	1.43	1.53	1.56	1.47	1.56	1.14	1.42	1.42	1.27	1.62
Total: Public Undertakings	23.03	23.20	23.28	23.88	24.30	24.16	22.66	23.28	23.25	22.83	23.43
D. Railways:											
Federal railways	7.00	8.09	8.09	7.83	8.33	8.33	5.04	8.33	8.33	6.00	8.33
Charges under the Südbahn Convention	0.01	3.10	5.07	2.41	—	—	3.42	—	—	3.08	3.10
Other railways	0.21	0.33	0.33	0.26	0.29	0.29	0.22	0.31	0.31	0.21	0.26
Total: Railways	7.22	11.52	13.49	10.50	8.62	8.62	8.68	8.64	8.64	9.29	11.69
Total ordinary expenditure	159.07	171.48	172.21	167.77	165.46	168.13	153.25	158.25	161.06	161.55	176.55
Total ordinary receipts	177.63	157.19	170.23	167.84	161.60	169.93	144.00	148.68	156.19	158.79	156.72
Ordinary budget balance	+ 18.56	- 14.29	- 1.98	+ 0.07	- 1.86	+ 1.80	- 9.25	- 9.57	- 4.87	- 2.76	- 19.83
EXTRAORDINARY BUDGET:											
Finance	—	—	—	—	—	—	—	—	—	—	—
Commerce and Traffic	0.80	4.80	5.54	1.60	4.50	4.62	2.25	5.00	4.41	5.19	5.30
Agriculture	0.80	1.95	1.71	2.50	2.03	1.89	2.73	1.79	1.69	2.67	1.80
Posts and Telegraphs	—	0.52	0.45	—	0.53	0.53	—	0.58	0.58	—	0.82
Railways	—	4.23	4.23	—	2.98	2.98	—	4.06	4.06	—	2.48
Total extraordinary expenditure	1.60	11.50	9.93	4.10	10.04	10.02	3.98	11.43	10.74	7.86	10.50
Total extraordinary receipts	0.80	—	—	1.60	—	—	2.25	—	—	3.10	—
Extraordinary budget balance	- 0.80	- 11.50	- 9.93	2.50	- 10.04	- 10.02	- 1.73	- 11.43	- 10.74	- 4.76	- 10.50
Total budget balance	+ 17.76	- 25.79	- 11.91	- 2.43	- 11.90	- 8.22	- 10.98	- 21.00	- 15.61	- 7.52	- 30.33

Geneva, October 13th, 1934. •

LEAGUE OF NATIONS

**FINANCIAL POSITION
OF HUNGARY IN THE THIRD QUARTER OF 1934**

TWELFTH QUARTERLY REPORT

By Mr. Royall Tyler, the Representative in Hungary
of the Financial Committee.

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I. GENERAL.

I. INTRODUCTORY.

(1) The State's financial position appears, in the light of provisional returns for the first quarter of the fiscal year that began on July 1st last, to be stationary. There is no longer the marked improvement that was taking place at this time last year as compared with the corresponding period of the year before, nor is further progress to be expected without some economic revival.

(2) Over the last two years, however, there has been a great change for the better, as may be appreciated when it is recalled that, for the fiscal year 1932-33, when the estimates balanced on paper, there was, in fact, a cash deficit of 88 million pengő, whilst, for 1933-34, results were within a very few million pengő of the estimates, allowances being made for reborrowings from the Foreign Creditors' Fund, and the cash deficit had been reduced to 38 million pengő. Also, less recourse was had to internal borrowing. With expenditure and receipts on the present level, the cash deficit is caused entirely by the losses of the State Railways and Ironworks.

(3) This improvement is due partly to the energy with which expenditure has been curtailed and receipts increased, and partly to the abundant harvest of 1933, which gave a badly needed impetus to trade, production and consumption. The relief in respect of interest charges granted by the State to the most heavily indebted farmers has no doubt also made it easier for the beneficiaries to pay their taxes.

(4) It is doubtful whether the present level of expenditure can be further lowered, except very gradually by reducing the numbers of civil servants—a process which can hardly bring about any considerable economy for years to come. In any case, expenditure cannot be allowed to start growing again without imperilling the improvement in the State's finances which has been achieved at the price of considerable efforts on the part of both the Administration and the taxpayer. The fiscal burden which the country has now to bear is a heavy one, and it would probably do no good, at this stage, to attempt to increase taxation.

(5) Fundamental economic conditions, generally speaking, show no improvement. There has been a sharp increase in inland grain prices, benefiting those farmers who have grain to sell; but, in spite of attempts to raise the price of various commodities, other agricultural prices, some of them of prime importance, have remained stationary or have declined. The 1934 cereal crop is a light one. Some compensation will be found in maize and potatoes, which are well above the average.

(6) In spite of the striking progress achieved in the direction of budgetary stability, the position is not assured. It demands both that a strict watch be kept to prevent any relaxation of the will to enforce economy, and that no effort be spared to make it easier for the taxpayer to discharge his obligations to the State. The measures taken to control expenditure of the city of Budapest are in the right direction. The taxpayer throughout the country would profit if the budgets of all the local authorities, and of their enterprises, could be adapted to the requirements of the present time.

(7) The total volume of Hungary's foreign trade has recently not been increasing as it did up to a few months ago. Imports are still showing an increase over the corresponding months of last year. Exports are falling off, both in volume and in value.

(8) Repeated revision of clearing and other trade agreements has notably cut down the balances of free available foreign currencies of which the National Bank was formerly able to dispose. It is becoming increasingly difficult to meet requirements, even on the present greatly reduced basis.

(9) I am indebted to Mr. Henry J. Bruce, Adviser to the National Bank, for the data on which are based the sections of this report dealing with the Bank, exchange control and compensation agreements, and clearing agreements.

2. STATE BUDGET.

(a) Administration Budget, 1934-35.

Provisional results for the first three months of the fiscal year that began on July 1st last are very much the same as they were for the corresponding period last year. An important difference, however, is that last year there was a marked improvement as compared with the year before. This is no longer the case at present.

It will be recalled that the estimates voted by Parliament for 1934-35 were :

	Administration	Undertakings
	(Millions of pengő)	
Estimated expenditure	746.6	404.0
Estimated receipts	740.6	343.9
Balance	— 6.0	— 60.0

the total deficit being estimated at 66 million pengö. The pengö equivalent of the State's entire foreign debt service is included in expenditure. The Government intends, however, to reborrow the equivalent of non-transferred debt service, except where arrangements are made with the creditors rendering deposit in pengö unnecessary. Part of the estimated deficit will be covered in this manner, the floating debt increasing correspondingly.

Estimates in the preliminary monthly budgets (Administration) have been :

	July	August	September	July-September
		1934		
		(Millions of pengö)		
Estimated expenditure ..	60.9	61.4	58.4	180.7
Estimated receipts	46.6	66.8	57.0	170.4
Balance	- 14.3	+ 5.4	- 1.4	- 10.3

Actual results, last year's figures being given as well for comparison :

	July		August		September		July-September	
	1934	1933	1934	1933	1934	1933	1934	1933
	(Millions of pengö)							
Actual budgetary expenditure ..	60.8	56.9	58.5	55.9	55.5	53.5	174.7	166.3
Actual budgetary receipts	52.3	49.5	68.9	67.7	58.6	58.2	179.8	175.3
Balance	- 8.5	- 7.3	+ 10.4	+ 11.7	+ 3.1	+ 4.6	+ 5.1	+ 9.0

If expenditure outside the budget and deferred expenditure are included, and borrowing and refunds are shown in the receipts, for both Administration and Undertakings, the comparison is as follows :

	July 1st to September 30th,		Difference
	1934	1933	for 1934
	(Millions of pengö)		
<i>Expenditure :</i>			
Actual budgetary	174.7	166.3	+ 8.4
Deferred budgetary :			
Administration	5.5	12.4	- 6.9
Undertakings (estimate)	1.8	0.9	+ 0.9
Actual extra-budgetary ..	12.1	9.1	+ 3.0
	194.1	188.7	+ 5.4
<i>Receipts :</i>			
Actual budgetary	179.8	175.3	+ 4.5
Refunds	1.3	2.1	- 0.8
Borrowings	7.1	5.7	+ 1.4
	188.2	183.1	+ 5.1
Balance	- 5.9	- 5.6	- 0.3

Actual expenditure, in and outside the budget, has increased by 11.4 million pengö in the first quarter 1934-35, as compared with the same period last year. On the other hand, budget receipts are larger this year by 4.5 million pengö, and deferred expenditure is less by 6 million pengö. An analysis of budget receipts, reproduced in Appendix I, shows, in comparison with the first quarter of 1933-34, an appreciable increase in Customs and in turnover tax. There has also been an increase, less marked, in excise. Dues and tobacco have been lower. The increase in Customs receipts is mainly due to alterations in the commercial agreements between Hungary and other countries, where Hungary has agreed to take increased quantities of foreign goods in order to place her own products abroad. Modification of the mechanism of collection has tended to increase the yield of turnover tax. Both turnover tax and excise were probably still profiting, in the period under review, from the purchasing power created by the 1933 bumper crop in wide circles which, for a couple of years previously, had been able to buy little or nothing.

Direct taxes have remained at a standstill, and so, practically, have the receipts of the tobacco monopoly, where the falling off, slight though it is, has a symptomatic importance that should not be overlooked. On the whole, results for the last three months, taken in conjunction with the mediocre grain crop and with other economic indications, show that the curve is no longer upwards, as it was at this season last year and remained for some time longer. Indeed, in view of all the circumstances, there may before long be a weakening in receipts.

Borrowings, amounting in the last quarter to 7.1 million pengö, include Treasury Bills deposited with the Pledged Revenues Account (Reconstruction Loan 1924), but not Treasury Bills deposited with the Foreign Creditors' Fund. These latter amount to 5.3 million pengö.

(b) *State Undertakings.*

Provisional results for July and August confirm the impression conveyed by the Administration budget figures—i.e., that the position is stationary here also.

	Railways		Post, Telegraph and Telephone		Ironworks	
	1934	1933	1934	1933	1934	1933
	(Millions of pengö)					
Current expenditure	37.4	37.8	11.7	12.2	5.5	5.2
Current receipts	35.4	35.8	15.2	16.2	3.3	2.8
Balance, current items	- 2.0	- 2.0	+ 3.5	+ 4.0	- 2.2	- 2.4
Capital expenditure	2.7	2.5	0.7	0.6	—	—
Balance, all items	- 4.7	- 4.5	+ 2.8	+ 3.4	- 2.2	- 2.4

All undertakings together :	July-August	
	1934	1933
	(Millions of pengö)	
Current expenditure	58.0	58.6
Current receipts	58.5	58.9
Balance, current items	+ 0.5	+ 0.3
Capital expenditure	3.4	3.1
Balance, all items	- 2.9	- 2.8

Advances from the Treasury have been as follows in July, August and September :

	State Railways		Ironworks		Silk Industry		Total	
	1934	1933	1934	1933	1934	1933	1934	1933
	(Millions of pengö)							
July	0.6	0.2	1.9	2.5	0.1	—	2.6	2.7
August	0.8	2.3	0.1	1.5	—	—	0.9	3.8
September	5.0	—	1.9	1.6	—	—	6.9	1.6
Total	6.4	2.5	3.9	5.6	0.1	—	10.4	8.1

The position of all the undertakings together, deferred expenditure and advances being taken into consideration, may be estimated as follows at August 31st :

	1934	1933	Difference for 1934
	(Millions of pengö)		
<i>Expenditure :</i>			
Actual, current budgetary	58.0	58.6	- 0.6
Deferred, current budgetary	1.8	—	+ 1.8
Actual, capital expenditure, budgetary	3.4	3.1	+ 0.3
Deferred, capital expenditure	0.8	0.9	- 0.1
Refunds to Treasury	0.2	1.1	- 0.9
Capital expenditure from loans	1.0	—	+ 1.0
Total	65.2	63.7	+ 1.5
<i>Receipts :</i>			
Actual, current budgetary	58.5	58.9	- 0.4
Balance	- 6.7	- 4.8	- 1.9
<i>Borrowings :</i>			
Advances from the Treasury	3.5	6.5	- 3.0
Treasury bills placed with banks	5.0	—	+ 5.0

The recommendations made by Dr. A. Schrafl, President of the Swiss Federal Railways (see Sixth Quarterly Report, page 7), have in great part been carried out by the management of the Hungarian State Railways. Numbers of officials employed are still being reduced, the present total of 28,996 marking a reduction of 2,048, or 6.4 per cent, over the total of two years ago. Workmen are no longer given the status of established employees. Any who are taken on now can be dismissed if no longer needed. In general, the management is being de-bureaucratised. Remarkable progress has been made in replacing trains, on lines where the traffic is light, by motor-driven vehicles, and a Hungarian patent for a type of motor consuming crude oil has been bought by several countries. Traffic was better during the first six months of this year than it was in the same period last year, but has fallen off somewhat since then. It is to be expected that the deficit for the whole year will not be less than the estimate (56.6 million pengö).

The ironworks are now incurring a deficit which is approximately the equivalent of what the State would have to pay annually in pensions if this undertaking were discontinued. This

burden, in the event of suppression of the ironworks, would have gradually decreased as the pensioners died off. As it is, there is no prospect of getting rid of the average monthly charge of 1 million pengö which it imposes on the Treasury.

(c) *Situation of the Treasury.*

(1) Borrowing over the quarter ending September 30th amounts to 12.4 million pengö, as against 5.7 million pengö in the July-September quarter 1933. Expenditure, including advances, as is shown in (a) above, has been slightly higher this year.

<i>Receipts :</i>	June	July 1934 (Thousands of pengö)	August	September
Balance at the beginning of the month	52,743	55,446	48,418	61,633
Budget account	77,617	52,270	68,936	58,568
Repayment of advances	—	210	—	1,059
Loan account	29,828	8,433	1,707	2,279
Surplus of the Agricultural Fund ..	—	541	2,515	3,448
Total	160,188	116,900	121,576	126,987
 <i>Expenditure :</i>				
Budget account	87,399	60,759	58,478	55,508
Capital expenditure from loans	1,438	424	531	683
Advances	12,302	2,577	934	6,890
Deficit of the Agricultural Fund	3,322	—	—	—
Loans	281	4,722	—	585
Balance at the end of the month	55,446	48,418	61,633	63,321
Total	160,188	116,900	121,576	126,987

(2) *Administrative Claims and Liabilities.*—Tax arrears, at August 31st, stood at 309.5 million pengö. At August 31st, 1933, they amounted to 310.1 million pengö. Commitments have decreased, over the year ending September 30th, by 15.7 million pengö to 188.6 million pengö, the lowest figure recorded for the last three years :

Commitments outstanding on September 30th, 1934.

	Foreign	Domestic	Total
	(Millions of pengö)		
Expenses connected with land reform	—	55.8	55.8
Road-building	—	22.6	22.6
Post, Telegraph and Telephone : capital expenditure ..	—	5.7	5.7
State Railways : capital expenditure	—	0.3	0.3
Forests : capital expenditure	—	0.1	0.1
Other capital outlay	—	28.0	28.0
State Railways, increase of working fund	2.1	9.1	11.2
State ironworks, increase of working fund	2.4	11.4	13.4
Payments to the Central Corporation of Banking Companies	—	30.1	30.1
Other commitments	—	21.4	21.4
Total	4.5	184.1	188.6

(d) *Debt Position.*

The foreign funded debt has continued to decrease, as expressed in pengö at the official rate, in consequence of dollar and sterling depreciation. At September 30th, it stands at 921.2 million pengö, as against 981.9 million pengö a year previously. Domestic funded debt only amounts to 115.2 million pengö.

Foreign floating debt goes on increasing, as further Treasury bills are issued in respect of accruing interest, and stands at 340.7 million pengö at September 30th last, as against 314.8 million pengö at September 30th, 1933. State guarantees are given by the Ministry of Finance as amounting to 121.4 million pengö (as against 150 million pengö a year ago), of which 6 million pengö had fallen due but remained unpaid at September 30th (11.9 million pengö a year ago). In addition to this, the State has undertaken to repay to the Foreign Creditors' Fund, in the event of its liquidation, the sums borrowed from that fund for public works (see 5 (c) below).

Internal floating debt has increased over the past year from 216.8 million pengö to 251 million pengö, and the total, foreign and domestic, from 531.6 million pengö to 591.7 million pengö.

Floating Debt of the State on September 30th, 1934.

	Foreign	Domestic	Total
	(Millions of pengö)		
	66.4	—	66.4
£3 million Treasury bills, 1930	100.7	43.1	143.8
£5 million Treasury bills, 1931	—	5.3	5.3
Foreign currency loan	24.3	—	24.3
Loans for the purchase of State bonds	7.7	—	7.7
Loans for road-building	29.6	20.8	50.4
Loans for investments of State Railways	1.8	3.0	4.8
Loans for investments of ironworks	6.0	—	6.0
Loans for investments of wine-shops abroad, etc.	27.7	1.0	28.7
Loans for working balance of State administration	10.4	17.9	28.3
Loans for working balance of State Railways	14.0	3.7	17.7
Loans for working balance of State ironworks	—	90.8	90.8
Treasury bills, 1932 ¹	—	—	—
Treasury bills, 1933, 5%, placed with agriculture, industry, etc.	—	39.5	39.5
Treasury bills, 1933, 4%, investment loan from Foreign Creditors' Fund	—	12.5	12.5
Treasury bills deposited in connection with 1932-33 foreign debt service (interest) ²	22.2	—	22.2
Treasury bills deposited in connection with the service of the League Loan (interest) ²	7.3	0.1	7.4
Treasury bills deposited in connection with 1933-34 foreign debt service (interest) ²	16.8	—	16.8
Loan in connection with agrarian debt settlement (Act XXVII, 1933)	—	3.0	3.0
Treasury bills, investment loan from Foreign Creditors' Fund (Act XXVII, 1933)	—	7.5	7.5
Treasury bills deposited in connection with 1934-35 foreign debt service (interest) ²	3.9	—	3.9
Treasury bills deposited in connection with 1934-35 service of the League Loan (interest) ²	1.9	—	1.9
Loan for Co-operative Societies § 3, Act XXI, 1934	—	2.8	2.8
Total.. .. .	340.7	251.0	591.7

(e) *Reconstruction Loan and Assigned Revenues.*

The National Bank has continued to make transfers, month by month, at a rate sufficient to carry out the programme announced in its *communiqué* of June 30th last (see Eleventh Report, page 7), and has also transferred a sufficient amount to provide for the purchase, at 10 per cent of its face value, of the partly paid (50 per cent) coupon for the service year ending August 1st last.

The assigned revenues have been as follows, during the three months ending September 30th, this year and last.

Assigned Revenues.

	1934					1933				
	Customs	Tobacco	Sugar	Salt	Total	Customs	Tobacco	Sugar	Salt	Total
	(Millions of pengö)									
July	3.0	9.5	3.7	1.5	17.7	2.7	9.0	2.9	1.4	16.1
August	3.0	9.5	4.2	1.5	18.3	2.8	9.7	3.6	1.7	17.9
September	4.1	8.4	5.5	1.3	19.6	2.7	9.1	5.6	1.6	18.9
Total	10.3	27.4	13.5	4.3	55.5	8.3	27.8	12.1	4.7	52.9

3. BUDGETS OF THE LOCAL AUTHORITIES.

The local authorities, whose fiscal year is the calendar year, are preparing their 1935 budgets for submission to the Ministries of the Interior and of Finance. It is too early as yet to attempt to review the budgets, nor are there any figures available as to the execution of the budgets for 1934. The city of Budapest has already published its 1935 estimates, which, like those for 1934, show an uncovered deficit of 10 million pengö. However, these estimates are subject to revision, and it is to be hoped that both for 1934 and 1935 results will show that expenditure has not been permitted to exceed receipts.

¹ The total of arrears of dues amounted to 94 million pengö at the end of September 1934, against which Treasury bills of the face value of 90.8 million pengö have been issued as indicated above.

² The Treasury bills deposited in respect of amortisation are included in the capital amounts outstanding.

4. STATE BORROWING.

Additions to the public debt during the quarter ended September 30th last amount, it will have been seen from the Treasury position, to 12.4 million pengö. The greater part of this sum is accounted for by borrowings from the Foreign Creditors' Fund and the Assigned Revenues Account (Reconstruction Loan, 1924). Besides this sum, 5 million pengö in Treasury bills were placed on behalf of the State Railways.

5. MONETARY AND FINANCIAL.

(a) Position of the National Bank.

A table giving summarised returns of the National Bank will be found in Appendix II, 2. Note circulation has slightly increased over the last quarter, whilst the corresponding months of 1933 showed a contraction. Discounts have also increased somewhat, whereas last year at this season they were stationary. However, allowance being made for 127 million pengö of bills formerly held as collateral for Bank for International Settlements and other central banks' credits and placed again at the free disposal of the National Bank under the consolidation agreement of October 1933 (see Ninth Report, page 7), discounts are 22 million pengö lower, at September 30th, than they were a year ago. Public sight liabilities have increased sharply over the quarter, and now stand at approximately the same level as at September 30th, 1933, but there has been a marked decrease in private deposits. "Other liabilities" have remained stationary over the quarter, but show a decrease of 24.3 million pengö (to 145.5 million pengö), as compared with September of last year. The metal reserve and gold holdings have decreased over the year, but not in the last quarter. The percentage of cover has varied within narrow limits, standing on September 30th at 25.7 per cent, the legal minimum now being 24 per cent.

(b) Foreign Exchange Control.

The effect of 1933's exceptionally large grain crop on Hungary's exchange position, and also the situation arising out of the light crop of 1934, may be judged by the fact that exports rose in value, from the first half of 1933 to the first half of 1934, from 159.5 million pengö to 185.9 million pengö, and that, from the third quarter of 1933 to the corresponding period in 1934, they decreased from 109.6 million pengö to 97.5 million pengö. The value of exports thus rose by 16 per cent in the first six months of this year, as compared with the first six months of last year, and declined by 11 per cent in the July-September quarter, from 1933 to 1934.

Foreign exchange incomings and outgoings for the first nine months of this year and last are compared in the following tables. The total value of exports increased in the period under review, in 1934, by 14 million pengö. However, this increase is more than compensated by an increase of 6 million pengö in exports bringing no exchange to the National Bank, an increase of 9 million pengö in limited availability exchange incomings, and a decrease of 3 million pengö in exchange receipts from other sources than export = 18 million pengö, whilst there was an increase of 17 million pengö in the total of all exchange dealings transacted or recorded by the National Bank. It should further be noted that the percentage of *Edeldevisen* to total export exchange (see Appendix III, 1) is declining sharply. Including credits to the National Bank in respect of sales of grain to Austria, *Edeldevisen* only amounts to 21.1 per cent of the whole during the July-September quarter this year, as against 34 per cent for the first nine months of 1934 and 39.1 per cent for the first nine months of 1933.

On the outgoings side, allotments for imports out of exchange actually acquired by the National Bank increased by 13 million pengö, of which increase 7 million pengö was in limited availability exchange.

The following figures summarise foreign exchange dealings transacted or recorded by the National Bank in the first nine months of 1934 and of 1933 :

	1934	First nine months 1933 (Millions of pengö)	Difference for 1934
Export values	283.4	269.1	+ 14.3

I. Incomings :

I. Foreign exchange recorded (including exchange non-available or for specific destination) :

(a) Export through clearings	118	111	+ 7
(b) Compensations	40	49	— 9
(c) Export against pengö	27	19	+ 8
	<hr/>	<hr/>	<hr/>
Total of I	185	179	+ 6

	First nine months 1934	1933 (Millions of pengö)	Difference for 1934
2. Foreign exchange actually acquired :			
(a) Export exchange (including exchange of limited availability : 37 million pengö in the first nine months of 1934 ; 28 million pengö in the first nine months of 1933)	55	41	+ 14
(b) Exchange receipts from other sources (State, obligatory declaration, etc.) ..	10	11	— 1
Total of 2	<u>65</u>	<u>52</u>	<u>+ 13</u>
3. Purchases by authorised banks	<u>3</u>	<u>5</u>	<u>— 2</u>
Total of 1, 2 and 3—i.e., total of foreign exchange receipts recorded by the National Bank	253	236	+ 17

II. Outgoings :

1. Foreign exchange allotments recorded :			
(a) Through the clearings	100	91	+ 9
(b) Through compensations	40	49	— 9
Total of 1	<u>140</u>	<u>140</u>	<u>—</u>
2. Foreign exchange allotments out of exchange actually acquired :			
(a) For imports : out of National Bank's holdings (including limited availability exchange : 24 million pengö in the first nine months of 1934 ; 17 million pengö in the first nine months of 1933)	47	34	+ 13
Out of applicants' own holdings	<u>—</u>	<u>—</u>	<u>—</u>
Total of (a)	47	34	+ 13
(b) For other purposes :			
For debt service	11	10	+ 1
To the State	12	11	+ 1
To others	16	18	— 2
Total of (b)	<u>39</u>	<u>39</u>	<u>—</u>
Total of 2	86	73	+ 13
3. Sales by authorised banks	<u>4</u>	<u>5</u>	<u>— 1</u>
Grand total of 1, 2 and 3 ..	230	218	+ 12

(c) Foreign Debts.

At September 30th, the position of the Foreign Creditors' Fund into which the pengö equivalent of the untransferred service of long-term loans is paid under the Decree for the partial suspension of transfers was as follows :

I. Payments to the Fund and out of the Fund.

	State loans	Municipal and other public loans	Other loans	Total
	(Millions of pengö)			
1. Payments to the Fund :				
(a) In cash	16.50	69.40	93.00	178.90
(b) In Treasury bills	51.30	—	—	51.30
Total	<u>67.80</u>	<u>69.40</u>	<u>93.00</u>	<u>230.20</u>
2. Payments out of the Fund :				
(a) Coupons and bonds redeemed	5.90	41.20	66.70	113.80
(b) Refunded to debtor because not subject to Transfer Moratorium	5.20	—	3.80	9.00
Total	<u>11.10</u>	<u>41.20</u>	<u>70.50</u>	<u>122.80</u>

	State loans	Municipal and other public loans (Millions of pengő)	Other loans	Total
3. Interest paid on the Fund :				
(a) By National Bank	0.10	1.50	1.10	2.70
(b) By the State Treasury	1.20	—	0.30	1.50
(c) By the issuing banks	—	—	0.10	0.10
(d) By State Railways	—	—	0.30	0.30
Total	1.30	1.50	1.80	4.60
4. Balance held :				
(a) In cash (originally)	6.70	29.70	24.30	60.70
(b) In Treasury bills	51.30	—	—	51.30
Total	58.00	29.70	24.30	112.00

II. Present Position of the Fund.

Balance held by the Fund :		(Millions of pengő)
(a) In cash (originally)		60.70
(b) In Treasury bills		51.30
Total		112.00
Thereof investments (out of cash) :		
(a) Loan to State for productive investments (secured by Treasury bills of same amounts)		20.00
(b) Loan to State Railways (secured by bills)		3.00
(c) Deposits with issuing banks (under Farmer Debt Relief Decree) ..		1.40
Total		24.40
Net amount at present held in cash		36.30

III. Arrears to the Fund.

	(Millions of pengő)
State loans	—
Other loans	23.95
Total	23.95

The net amount held in cash has decreased from 47.3 million pengő to 36.3 million pengő in the course of the last year.

The total of which the State had availed itself under the two 15 million pengő credits (see Eighth Report, page 14) granted to it by the Fund increased, during the period under review, from 18 to 20 million pengő, no availment having taken place as yet under the new 10 million credit. Repayments in respect of the 10 million pengő rediscount credit of the State Railways totalled, on September 30th, 7 million pengő, the total credit to be redeemed in full by March 31st, 1935.

The amounts deposited under the Standstill Agreement in pengő with the National Bank to cover interest and commission on short-term banking debts, not satisfied in foreign exchange, totalled on September 30th, 1934, 45.2 million pengő, out of which 40.2 millions had been paid to creditors accepting such payments in satisfaction. The balance held by the National Bank thus amounted to 5.0 million pengő. The amount paid under the same agreement for capital repayments in pengő to the National Bank totalled, on September 30th, 20.2 million pengő, out of which 16.8 million pengő had been disposed of by the creditors. The balance held by the National Bank amounted to 3.4 million pengő.

II. ECONOMIC SITUATION.

I. GENERAL.

Internal wheat prices now stand at about 16 pengő, as against 8 pengő the quintal plus 3 pengő for the Boletta (11 pengő) at the beginning of last year. Although wheat prices on the open international markets have increased somewhat, the Hungarian internal price, at the official rate, is more than double the price, deducting freight, obtainable for Hungarian wheat on those markets. This increase in the internal price is due in part to a light crop this year, and in part to the Rome agreements (see Eleventh Report, page 14), under which Italy and Austria agreed to take, at more than the open market price, amounts of Hungarian grain which together make up the greater part of this country's normal export surplus. In exchange, Hungary admits increased quantities of Italian and Austrian goods. The Rome agreements have only been in force since July 1st last, and returns analysing Hungary's foreign trade

according to countries, which are issued quarterly, are not yet available for the third quarter of 1934. The effects of the Rome agreements themselves on Hungary's trade with Austria and Italy cannot yet be measured. However, efforts to intensify trade between these countries were already being made previously. At the same time, the balance of Hungary's visible trade, in both these directions, was shifting. In the first half of 1933, Hungary had a favourable balance of 17.8 million pengő with Austria and of 3.5 million pengő with Italy. In the first half of 1934, the favourable balance with Austria had fallen to 10.4 million pengő and the balance with Italy had become unfavourable to the extent of 3.2 million pengő. Hungary's favourable balance with the two countries concerned had thus declined from 21.3 million pengő to 7.2 million pengő although, during the first three months of 1934, the bumper crop of 1933 was still stimulating exports. If the Rome agreements, besides increasing internal grain prices, are to preserve the favourable balance Hungary formerly had with Italy as well as Austria, the tendency that prevailed in the first six months of 1934 will have to be reversed.

Attempts have been made to raise internal prices of other agricultural commodities besides grain—*e.g.*, milk, potatoes and firewood, but this has been done by burdening the internal consumer (see Tenth Report, pages 13-16). There has been no assistance in the form of fixed quantities taken over by foreign countries at higher prices than those obtaining on the free markets. In other groups there has been no increase, for instance in live-stock and meat, the importance of which for Hungary's foreign trade has of recent years been greater than that of grain and flour. However, the National Bank pays exporters a premium in pengő, calculated separately on each class of goods, and this premium in Hungary, where the amount of many agricultural commodities exported forms a large proportion of the total amount sold on the market, cannot fail to have an influence on internal prices.

It should be remembered in this connection that prices of industrial articles in Hungary have remained at an extremely high level, the general industrial index still standing at 108 (1913 = 100), while in most countries it has dropped well under the pre-war point. The agricultural index, after the rise in grain prices, stands at 71 against 54 a year ago. The disparity between the two is thus still very large: the agrarian shears are wide open, with the result that the farmer, for any given amount of his produce, can buy much less than he could a few years ago. A certain amount of relief has no doubt been given, to those farmers who have grain to sell, by the large increase of prices over the past year. However, it is doubtful whether increases in the inland price of this or that article of food will be of general benefit to the country in the long run, especially when the result is to raise the internal price above the level ruling on the open markets. Hungary produces a large exportable surplus of food, in many different forms, and the prosperity of the country must depend, in the main, on the power to export this surplus at a profit. Now, it is remarkable that, just at the time, last spring, when inland grain prices were mounting high, the improving tendency in Hungary's foreign trade that had been taking place during the preceding year began to slow down. Imports increased, both in value and in quantities, but exports declined, and the total volume ceased to expand. The six months from April to September last year produced a favourable balance of 38.6 million pengő. This year, for the same period, there is a favourable balance of only 8.5 million pengő. The total value of exports and imports in these six months was 342.2 million pengő in 1933 and 363.4 million pengő in 1934, the total volume (quantities) having been 18 million quintals in 1933 and 21.4 million quintals in 1934. In the July-September quarter, however, the total volume in quantities declined from 10.6 million quintals last year to 9.8 million quintals this year. The general level of inland agricultural prices has increased, grain being a factor of prime importance, as have the retail price index and the cost-of-living index. Many commodities cannot be sold abroad, except in the form of additional exports (financed by the foreign creditor, who takes the loss), unless a premium is paid to the exporter, and there is constant pressure from the producer to increase the premium, with effects on the internal price resulting in their turn in demands for a still higher premium.

The course taken by Hungary's foreign trade since the internal wheat price started soaring and since attempts have been made to raise the prices of other agricultural products suggests that, if similar advantages could gradually be conferred all round, Hungary would gradually cease to acquire freely available foreign exchange with which to purchase that part (the greater part) of her indispensable raw materials which she has so far been unable to acquire through the clearings. Export would only be possible either in the form of barter, leaving no available exchange balance, or in reduction of foreign indebtedness. The dangers of the position are not escaping the competent authorities, and it is to be hoped that measures recently devised may succeed in remedying it.

When considering Hungary's present foreign trade and exchange troubles, it should not be forgotten that this country has had to face, and is still facing, very serious obstacles to the marketing of its surplus food. Some of its former best markets have been to a great extent closed to it. More distant markets have had to be sought, where increased freights cut down profits. Also, having to import not only most of the raw materials required by industry but also wood, the better qualities of coal, and salt, and being an exporter of food, markets for which are sluggish, Hungary is in a difficult position with regard to her commercial policy. The following table, giving Hungary's foreign trade, in values and in percentages of the total, for 1925, the first complete year after the 1924 currency stabilisation, for 1933, and for the first half of 1933 and of 1934, shows how her export trade has been scattered. It will be noticed that the percentage of Hungary's exports going to her immediate neighbours has in every case been reduced, while the percentage of exports going to countries not even mentioned on this list has more than doubled, these remote countries, taken together, now constituting Hungary's second best customer, second only to Austria:

Hungary's Foreign Trade (Values) in Millions of Pengö (Imports to Hungary and Exports from Hungary).

		Whole year of				First six months of			
		1925		1933		1933		1934	
		Im-ports	Ex-ports	Im-ports	Ex-ports	Im-ports	Ex-ports	Im-ports	Ex-ports
Austria :	Value	193.6	272.2	62.5	106.7	29.8	47.6	35.1	45.5
	Per cent	22.6	33.5	19.9	27.1	20.6	29.8	20.7	24.2
Italy :	Value	39.2	32.5	23.1	34.1	11.6	15.1	21.6	18.4
	Per cent	4.6	4.0	7.4	8.7	8.0	9.5	12.8	9.9
Germany :	Value	128.9	80.5	61.5	44.7	30.2	15.9	28.2	28.7
	Per cent	15.0	9.9	19.6	11.3	20.9	9.9	16.7	15.2
Switzerland :	Value	29.4	18.2	5.5	21.2	2.4	9.2	2.4	3.9
	Per cent	3.4	2.2	1.7	5.4	1.6	5.7	1.5	2.2
Czecho-slovakia :	Value	213.0	195.8	32.4	29.3	13.2	14.4	12.2	8.7
	Per cent	25.1	24.1	10.3	7.4	9.1	9.1	7.1	4.7
France :	Value	15.2	4.3	17.6	17.8	9.0	7.4	6.3	5.7
	Per cent	1.8	0.5	5.6	4.5	6.4	4.7	3.8	3.3
England :	Value	27.4	10.2	13.0	30.4	6.2	9.3	9.5	12.5
	Per cent	3.2	1.2	4.1	7.7	4.3	5.8	5.6	6.8
Yugoslavia :	Value	28.9	63.4	19.4	21.4	8.5	9.7	9.1	8.0
	Per cent	3.3	7.8	6.2	5.4	5.8	6.1	5.4	4.5
Roumania :	Value	69.6	32.6	24.4	12.6	9.8	6.3	16.9	8.6
	Per cent	8.0	4.0	7.8	3.2	7.0	3.9	10.0	4.7
Poland :	Value	42.3	38.6	4.3	3.7	2.1	1.5	2.0	1.3
	Per cent	5.0	4.75	1.4	0.1	1.4	0.9	2.1	0.8
Other countries :	Value	70.5	63.8	49.8	71.5	21.4	23.0	23.5	34.0
	Per cent	8.0	7.8	15.9	19.1	14.9	13.2	13.4	18.0
Total :	Value	858.0	812.1	313.7	393.3	144.2	159.4	168.3	185.9
	Per cent	100	100	100	100	100	100	100	100

2. TRADE.

It may be of interest, in addition to the foreign trade returns in values given in Appendix II, I, to give some figures showing changes in those imports and exports, which can be expressed in quantities :

	Import (Millions of quintals)	Export
1931 whole year	32.9	19.7
1932 whole year	21.1	13.9
1933 whole year	17.5	18.6
1933 January-June	7.0	6.4
1934 January-June	10.8	8.9
1933 July-September	4.8	5.7
1934 July-September	6.3	3.4

These figures confirm the tendency revealed by the returns in values : since the spring of 1934, imports have been increasing, exports decreasing.

The improvement in traffic and receipts of the State Railways, appreciable up to May of this year, has since then given place to a stationary position. Receipts of the Post, Telegraph and Telephone are 10 per cent lower, in the three months June-August, this year than they were in 1933.

State Railways.

	Ton-kilometres		Receipts	
	1934 Millions	1933	1934 Millions of pengö	1933
June	145.2	134.0	16.9	17.0
July	138.5	142.4	16.1	16.7
August	167.8	166.9	19.2	19.0

Post, Telegraph and Telephone.

	Registered letters Millions		Parcels Millions		Receipts Millions of pengö	
	1934	1933	1934	1933	1934	1933
June	0.61	0.62	0.69	0.65	7.4	8.7
July	0.59	0.64	0.67	0.65	7.6	8.4
August	0.58	0.65	0.69	0.65	7.4	7.8

Returns showing the consumption of staple articles are not yet available for the July-September quarter. The proceeds of turnover-tax and excise indicate, however, that on the whole consumption continued to increase somewhat during that period.

3. PRODUCTION.

Second quarter of:	Consumption of industrial products (weighted index 1927 = 100)	Value of pawned objects sold at auction (in percentage of total loans)	Output of iron (Thousands of tons)	Output of steel (Thousands of tons)
1932	74.5	3.3	13.0	35.3
1933	82.1	3.2	28.2	56.6
1934	101.6	2.7	33.6	85.6

The most recent estimates of the grain crop do not differ materially from those published in my last report. The following figures may be of interest :

	Average 1926-1930	1933	Estimate July 22nd 1934	Estimate October 6th 1934
		(Millions of quintals)		
Wheat	22.3	26.2	16.6	16.7
Rye	7.4	9.6	5.0	5.2
Barley	6.0	8.4	4.4	4.6
Oats	3.5	3.5	2.2	2.2
Maize	16.3	18.1	—	20.9
Potatoes	18.7	18.6	—	23.4
Sugar beet	14.6	9.4	9.4	9.4

Maize and potatoes have done very well this year, and it seems that there will be an export surplus of maize of some 3 million quintals. But the inland price of maize, though no special measures have been taken to support it, is appreciably higher, at present, than the Rotterdam c.i.f. price.

4. PRICES.

Grain prices have continued to rise since the last of these reports was published. The wholesale index, the retail index (see Appendix II, 1) and the cost-of-living index have also increased, though of course in a much lesser degree. The cost-of-living index (1913 = 100) declined from 100.3 at the end of 1931 to 87.8 at the end of 1933, and stood at 89.3 in September. Wheat prices have moved as follows, some other important agricultural prices (in pengő) being also shown for comparison :

	Wheat (per 100 kg.)		Live cattle (middling quality) (per kg.)		Calves (per kg.)		Pigs (per kg.)	
	1934	1933	1934	1933	1934	1933	1934	1933
July	16.10	9.92	0.49	0.52	0.58	0.72	0.76	0.79
August	16.40	8.47	0.49	0.54	0.64	0.77	0.79	0.79
September	16.30	8.00	0.53	0.53	0.75	0.80	0.81	0.74

Wheat prices show a very large increase, even allowing for the 3 pengő Boletta bounty, which existed in 1933 and has been discontinued. The general agricultural price index, on the other hand, is now at 71, as against 81 in August 1930.

5. STOCK EXCHANGE.

The Royal Hungarian Statistical Office's index (1926 = 100) stood at 91.9 when the Bourse re-opened, after having been closed for fourteen months, on September 20th, 1932. It has declined on the whole since then, the point reached for September last being 68, as against 66.3 in August, which was the lowest recorded in the two years since re-opening.

6. BANKING, COMMERCIAL AND PRIVATE.

There are no new developments of importance to be recorded here. Savings deposits and current accounts, the distinction between which in Hungary is not always clear, stand almost exactly where they did at this time last year and the year before. The chief banks have published balance-sheets as at June 30th last. These balance-sheets do not disclose how much of the debts of the banks are owed abroad, and how much foreign indebtedness has been paid off can only be guessed at. In any case, the position of several banks may now, with the dollar and sterling depreciated by nearly one half, appear in a better light than it did when the crisis of 1931 occurred.

The price of gold stands at the time of writing at 5,550 pengö per kilogram as against 5,650 pengö three months ago.

7. COMMERCIAL POLICY.

It is now normal that commercial negotiations should be taking place, almost continuously, between Hungary and the countries with which she has trade relations.

In the case of Austria, the clearing agreement which entered into force at the beginning of 1933 began, a few months ago, to work badly, and it has proved necessary to alter its mechanism, provisionally, in order to provide for the reduction of Austrian exporters' claims on the clearing account at the Austrian National Bank. When this result has been achieved, it is provided that the clearing agreement will work normally where Hungary's balance freely exchangeable into foreign currencies is concerned. Negotiations are going on at present with a view to re-establishing the 1 : 1.5 relation in Hungary's favour, which the commercial treaty aimed at keeping up.

With Italy, a new clearing agreement entered into force on July 15th last. Negotiations are taking place with the object of enlarging trade between the two countries.

Switzerland has denounced her clearing with Hungary, to take effect on October 31st. Negotiations are in course.

Belgium has denounced her clearing agreement with Hungary, as from October 15th. Negotiations for a new arrangement have not yet begun.

With Czechoslovakia, the compensation arrangement now in force has recently been extended until November 30th.

Negotiations are taking place with Germany and Roumania.

In general, the freely exchangeable balances which Hungary manages to stipulate for in these agreements tend to diminish, with results that may be appreciated from the returns given in I, 5(b) above, and in Appendix III, 1.

Appendix I.

**MONTHLY (QUARTERLY) RESULTS FOR THE YEAR 1934-35 COMPARED WITH
THE RESULTS FOR THE YEAR 1933-34.**

	Financial year July-June		July		August		September	
	1932-1933	1933-1934	1933	1934	1933	1934	1933	1934
(Millions of pengö)								
A. ADMINISTRATION.								
<i>Receipts.</i>								
Direct taxes	229.5	228.4	10.4	11.9	25.5	25.4	17.4	16.0
Customs duties	34.1	36.5	2.7	3.0	2.8	3.0	2.7	4.3
Excise duties	79.1	84.1	6.2	6.7	6.6	7.2	9.1	9.4
Turnover tax	89.9	99.1	7.6	8.0	8.9	9.3	7.4	8.5
Dues	87.3	99.3	6.9	7.9	9.5	8.3	7.8	7.4
Tobacco Monopoly	105.4	105.8	9.0	9.5	9.7	9.5	9.1	8.4
Salt Monopoly (gross)	24.6	24.7	1.8	1.9	2.2	2.2	2.1	2.0
Saccharine and lotteries	2.1	2.0	0.1	0.1	0.1	0.1	0.1	0.1
Administrative receipts	56.9	78.7	4.6	3.2	2.4	3.9	2.5	2.3
Total receipts	708.9	758.6	49.5	52.3	67.7	68.9	58.2	58.6
<i>Expenditure.</i>								
Army	112.5	84.7	5.6	6.6	6.1	7.3	6.4	
Foreign Affairs	8.9	9.1	1.1	1.3	0.5	0.5	0.5	
Justice	34.6	33.4	3.0	2.9	2.6	2.5	2.6	
Supreme organs of the State ¹ ..	—	—	—	—	—	—	—	
Interior	112.9	117.6	8.2	8.0	8.7	8.5	9.0	
Agriculture	31.3	32.9	1.8	1.7	1.8	2.2	2.3	
Commerce	41.6	36.5	1.4	2.2	4.8	6.2	1.7	
Education	65.0	62.2	4.9	5.0	4.6	4.6	4.9	
Finance	90.2	86.5	6.1	7.3	6.7	6.6	6.2	
Smaller departments	10.7	11.2	1.3	1.4	0.6	0.6	0.6	
Subsidies to local authorities ..	47.4	47.8	4.7	4.7	3.6	3.6	3.9	
Pensions	123.5	141.1	12.8	12.7	11.7	11.7	11.3	
Debt service	54.3	54.1	5.9	6.9	4.2	4.1	4.2	
Total expenditure	733.0	717.0	56.9	60.8	55.9	58.5	53.5	55.5
Balance	- 24.1	+ 41.6	- 7.4	- 8.5	+ 11.8	+ 10.5	+ 4.6	+ 3.1
B. UNDERTAKINGS.								
<i>Receipts.</i>								
Post and Telegraph	94.2	92.4	8.4	7.7	7.9	7.5	7.7	
Railways ²	195.4	204.8	16.8	16.2	19.0	19.2	19.2	
Ironworks	13.9	17.3	1.0	1.9	1.7	1.5	1.4	
Other undertakings	21.9	22.4	2.6	3.0	1.7	1.5	1.3	
Total receipts	325.4	336.9	28.8	28.8	30.2	29.7	29.6	
<i>Expenditure.</i>								
Post and Telegraph	87.2	87.2	7.1	6.6	5.8	5.8	6.5	
Railways ²	259.5	270.4	22.3	21.7	18.0	19.0	19.9	
Ironworks	26.5	32.0	2.3	2.9	2.9	2.6	2.8	
Other undertakings	22.3	22.1	1.8	1.5	1.5	1.9	1.4	
Total expenditure	395.5	411.7	33.5	32.7	28.2	29.4	30.6	
Balance	- 70.1	- 74.8	- 4.7	- 3.9	- 2.0	- 0.3	- 1.0	

¹ Included in "Smaller departments".

² Returns of the Railways for current fiscal year are provisional.

Appendix II.

I. ECONOMIC INDICES.
(End of date given.)

		Second quarter	July	August	September	
Index of industrial production ¹ ..	1934	98.1	—	—	—	
	1933	79.1	—	—	89.2	
	1932	67.8	—	—	74.4	
Output of coal ²	1934	138.7	48.3	49.2	—	
	1933	126.5	42.6	50.1	60.9	
	1932	133.7	45.7	52.8	61.4	
Unemployment ³	1934	22.467	21.212	21.123	—	
	1933	26.209	24.881	24.031	24.112	
	1932	28.372	28.297	28.186	28.716	
Prices : Sensitive	1934	75.0	74.4	75.0	—	
	1933	72.4	72.4	72.9	78.6	
	1932	75.1	73.9	76.0	77.3	
Wholesale	1934	81	79	81	83	
	1933	79	73	71	70	
	1932	96	94	89	90	
Retail	1934	97.90	97.34	96.90	97.23	
	1933	99.57	99.46	99.82	98.43	
	1932	105.73	105.67	106.00	106.12	
Stock Exchange index ⁴	1934	68.0	67.9	66.3	68.0	
	1933	80.2	89.4	85.5	78.1	
	1932	—	—	—	—	
(Millions of pengö)						
Savings deposits at the Post Office Savings Bank and the twelve leading commercial banks ..	1934	562.4	567.3	569.1	565.9	
	1933	516.8	526.0	525.1	522.8	
	1932	504.3	509.6	503.9	499.4	
Current accounts at the Post Office Savings Bank and the twelve leading commercial banks ..	1934	647.2	654.7	651.6	657.6	
	1933	694.8	681.3	681.6	677.1	
	1932	669.5	696.5	672.4	671.2	
Total	1934	1,209.6	1,221.9	1,220.7	1,223.5	
	1933	1,211.6	1,207.3	1,206.7	1,199.9	
	1932	1,173.8	1,206.1	1,176.3	1,170.6	
Per cent						
Official discount rates: per cent: ..	1934	4½	4½	4½	4½	
	1933	4½	4½	4½	4½	
	1932	6	5	5	5	
Market discount rates: ⁵						
	3-month bills (maximum) ..	1934	7.5	7.5	7.5	—
		1933	7.5	7.5	7.5	7.5
3-month bills (minimum) ..	1934	4.5	4.5	4.5	—	
	1933	4.37	4.37	4.37	4.37	
(Millions of pengö)						
<i>Foreign trade: ⁶</i>						
Imports	1934	91.8	28.7	28.6	28.3	
	1933	74.2	25.3	26.6	26.5	
	1932	84.2	23.7	25.1	26.4	
Exports	1934	88.4	28.6	33.2	35.7	
	1933	81.5	30.1	34.9	44.4	
	1932	79.5	22.9	25.6	32.9	
Difference	1934	— 3.4	— 0.1	+ 4.6	+ 7.4	
	1933	+ 7.3	+ 4.8	+ 8.3	+ 17.9	
	1932	— 4.7	+ 0.8	+ 0.5	+ 6.5	

¹ The Economic Research Institute now publishes quarterly indices, calculated on a new basis, which cannot be compared with those reproduced in previous reports.
² Coal output in hundred thousands of quintals.
³ Unemployed Social-Democratic workmen.
⁴ Stock Exchange closed from July 13th, 1931, to September 1932. The present index calculated by the Office of Statistics includes eighteen shares (1926 = 100).
⁵ Returns of the National Bank of Hungary. Previous reports give those of the Economic Research Institute.
⁶ Figures for 1933 and 1932 are now definitive.

Appendix II.

2. NATIONAL BANK.

	December 31st		June 30th	July 31st	August 31st	September 30th
	(Millions of pengö)					
Note circulation	{ 1933 368.6 1932 352.7	1934 1933	363.9 371.7	363.6 364.3	368.9 353.9	372.8 361.0
Sight liabilities :						
Public	{ 1933 64.5 1932 41.7	1934 1933	29.5 35.6	24.5 39.5	40.4 44.0	47.8 49.4
Private	{ 1933 38.6 1932 36.6	1934 1933	39.7 37.4	20.2 32.7	19.6 32.1	20.3 29.1
Other liabilities (net)	{ 1933 155.8 1932 176.7	1934 1933	142.1 175.1	143.7 171.4	144.6 174.1	145.5 169.8
Metal reserve as shown ..	{ 1933 99.2 1932 120.6	1934 1933	101.8 121.0	102.1 116.8	103.0 114.4	101.1 109.1
Thereof gold	{ 1933 78.8 1932 96.6	1934 1933	78.9 96.6	78.9 96.6	78.9 96.6	78.9 96.6
Ratio of cover (percentage) ..	{ 1933 23.5 1932 31.8	1934 1933	26.4 30.8	28.3 30.3	27.0 30.1	25.7 28.0
Commercial bills discounted	{ 1933 624.8 ¹ 1932 462.9 ²	1934 1933	569.5 ³ 476.0 ³	546.5 ³ 468.2 ³	567.0 ³ 466.9 ³	582.0 ³ 476.9 ³
Advances on securities ⁷ ..	{ 1933 11.0 1932 9.5	1934 1933	11.8 9.6	11.8 10.4	11.8 10.4	11.8 11.0
Government debt	{ 1933 50.1 1932 52.4	1934 1933	48.0 51.1	47.5 50.3	47.4 50.3	47.3 50.3
Cash certificates ⁸	{ 1933 119.7 1932 —	1934 1933	117.7 —	117.7 —	117.7 —	117.7 —

¹ Thereof Treasury bonds 31.2 million pengö.

² " " " 36.3 " "

³ " " " 34.1 " "

⁴ " " " 23.8 " "

⁵ " " " 25.3 " "

⁶ " " " 30.3 " "

⁷ All Treasury bonds.

⁸ Issued in connection with the consolidation of the Bank for International Settlements and other central banks' credits.

Appendix III.

I. FOREIGN EXCHANGE : SALES AND PURCHASES OF THE NATIONAL BANK OF HUNGARY FOR THE FIRST THREE QUARTERS OF 1934 AND FOR THE FIRST NINE MONTHS OF 1933 AND 1934.

	1934		
	July	August	September
<i>Purchases :</i>			
	(Millions of pengö)		
(a) Export <i>Devisen</i> received	19.02	17.96	18.44
Thereof <i>Edeldevisen</i> ¹	28.3%	17.6%	17.0%
(b) Under obligatory declaration	0.59	0.30	0.13
(c) From the State	0.33	0.16	0.12
(d) From others	0.78	1.18	0.64
Total	20.72	19.60	19.33
Excess of sales	—	—	3.49
<i>Sales :</i>			
(a) For loan service	0.35	0.70	1.52
(b) For imports	12.73	12.14	18.14
(c) To the State	2.05	2.13	1.85
(d) To others	3.41	2.28	1.31
Total	18.54	17.25	22.82
Excess of purchases	2.18	2.35	—

	1933	1934			First nine months
	First nine months	First quarter	Second quarter	Third quarter	
<i>Purchases :</i>					
	(Millions of pengö)				
(a) Export <i>Devisen</i> received	149.11	64.74	50.58	55.42	170.74
Thereof <i>Edeldevisen</i> ¹	36.9%	40.6%	33.4%	21.1%	32.1%
(b) Under obligatory declaration	3.37	0.77	0.79	1.02	2.58
(c) From the State	4.51	2.50	0.67	0.61	3.78
(d) From others	5.80	1.20	1.70	2.60	5.50
Total	162.79	69.21	53.74	59.65	182.60
Excess of sales	1.52	—	6.16	—	2.97
<i>Sales :</i>					
(a) For loan service	10.05	2.79	5.65	2.57	11.01
(b) For imports	122.42	55.47	44.41	43.01	142.89
(c) To the State	13.68	4.78	4.29	6.03	15.10
(d) To others	18.16	4.02	5.55	7.00	16.57
Total	164.31	67.06	59.90	58.61	185.57
Excess of purchases	—	2.15	—	1.04	—

¹ The percentages of *Edeldevisen* to total export exchange received do not include exchange which the National Bank of Hungary has been credited with by the Austrian National Bank in respect of sales of grain in Austria. If this exchange is included, the *Edeldevisen* percentages are as follows :

1934		1933		1934	
July	28.5	First nine months ..	39.1	First quarter	42.5
August	17.6			Second quarter	38.0
September	17.0			Third quarter	21.1
				First nine months ..	34.2

Appendix III.

2. FOREIGN EXCHANGE CONTROL.¹

	Actual exports	Exports notified	Percentage exports notified to actual exports	Export Devisen received	Percentage of Devisen received to exports notified	Percentage of Devisen received to actual exports	Actual imports	Import Devisen allotted	Percentage of Devisen allotted to actual imports	
(Millions of pengö)										
1931:										
October	62.4	40.5	64.9	15.7	38.8	25.2	40.4	5.3	13.1	
November	63.3	30.8	48.7	15.0	48.7	23.7	34.6	8.0	23.1	
December	43.4	20.8	47.9	14.3	68.7	32.9	41.0	7.9	19.3	
1932:										
January	24.1	13.7	56.8	15.0	109.5	62.2	27.3	10.2	37.4	
February	23.6	14.4	61.0	15.2	105.6	64.4	25.5	10.9	42.7	
March	25.4	16.3	64.2	12.6	77.3	49.6	30.5	9.4	30.8	
April	26.9	20.1	74.7	14.0	69.6	52.0	25.7	9.4	36.6	
May	26.0	17.6	67.7	12.5	71.0	48.1	27.6	10.9	39.5	
June	27.5	19.3	70.2	14.6	75.6	53.1	29.2	10.0	34.2	
July	23.2	14.1	60.8	12.0	85.1	51.7	23.2	9.6	41.4	
August	25.9	14.6	56.4	10.7	73.3	41.3	24.6	8.5	34.6	
September	33.3	17.0	51.1	11.6	68.2	34.8	25.9	7.9	30.5	
October	31.7	24.8	78.2	14.4	58.1	45.4	26.5	13.4	50.6	
November	30.9	20.0	64.7	14.4	72.0	46.6	29.7	9.5	32.0	
December	36.0	24.3	67.5	17.4	71.6	48.3	32.8	13.1	39.9	
1933:										
January	23.3	17.1	73.4	14.9	87.1	63.9	22.4	13.0	58.0	
February	25.9	21.2	81.9	19.3	91.0	74.5	21.6	14.9	69.0	
March	29.4	21.9	74.5	18.2	83.1	61.9	26.1	16.3	62.5	
April	23.2	14.8	63.8	17.7	119.6	76.3	22.8	11.2	49.1	
May.. ..	28.2	22.6	80.1	16.6	73.5	58.9	25.5	12.4	48.6	
June	29.4	20.6	70.1	15.1	73.3	51.4	25.8	10.4	40.3	
July.. ..	30.1	18.9	62.8	14.6	77.2	48.5	25.3	14.5	57.3	
August	34.7	17.7	51.0	15.5	87.6	44.7	26.6	13.6	51.1	
September	44.2	29.4	66.5	17.1	58.2	38.7	26.4	16.3	61.7	
October	41.6	27.5	66.1	21.7	78.9	52.2	32.5	14.6	44.9	
November	43.5	34.3	78.8	21.9	63.8	50.3	31.9	17.0	53.3	
December	39.9	30.9	77.4	22.2	71.8	55.6	26.8	16.8	62.7	
1934:										
January	29.3	25.2	86.0	23.6	93.6	80.5	23.9	18.4	77.0	
February	29.3	24.9	85.0	20.2	81.1	68.9	22.5	17.4	77.3	
March	38.9	28.7	73.8	21.0	73.2	54.0	30.1	19.7	65.4	
April	31.4	23.3	74.2	15.4	66.1	49.0	30.5	15.0	49.2	
May	27.1	19.3	71.2	17.8	92.2	65.7	29.3	15.5	52.9	
June	29.9	20.8	69.6	17.4	83.7	58.2	32.0	13.8	43.1	
July	28.6	22.1	77.3	19.0	86.0	66.4	28.7	12.7	44.2	
August	33.2	23.9	72.0	18.0	75.3	54.2	28.6	12.1	42.3	
September	35.7	18.9	52.9	18.4	97.3	51.5	28.3	18.1	63.9	

¹ Figures relating to exports and imports revised by the Hungarian Statistical Office.

Genève, le 17 novembre 1934.

SOCIÉTÉ DES NATIONS

TRENTE-DEUXIÈME RAPPORT
DU COMMISSAIRE DE LA SOCIÉTÉ DES NATIONS EN BULGARIE
(PÉRIODE JUILLET-SEPTEMBRE 1934.)

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INTRODUCTION.

I. Le nouveau Gouvernement a poursuivi avec la plus grande activité et la plus grande énergie la réalisation de son programme. Ses interventions se sont manifestées dans tous les domaines : règlement des dettes privées, réorganisation et fusion des banques (Crédit bulgare), nouveau statut des coopératives et réorganisation du grand institut qui les finance et qui est désormais chargé de les contrôler (Banque agricole), monopoles intéressant la production agricole (céréales, tournesol, chanvre, coton, riz), monopoles fiscaux réalisés (alcool) ou à l'étude (tabac, sel, pétrole). Il joue non seulement le rôle de commerçant à l'intérieur du pays par ses différents monopoles, mais il intervient dans la balance commerciale par un accord particulièrement important, portant sur plus d'un milliard de leva, avec des fournisseurs étrangers qui acceptent d'être payés en tabac bulgare. Il envisage de grands travaux.

II. Ce programme n'a pas encore eu de répercussion importante sur les finances de l'Etat, et, pour le moment, le budget 1934-35 se développe à peu près dans les conditions indiquées par le précédent rapport et dans l'exposé fait par le ministre des Finances bulgare devant le Comité financier au cours de sa réunion de septembre. C'est dire que si le budget n'a pas à supporter des dépenses supplémentaires, il devrait normalement se clore par un déficit d'assez faible importance.

III. Les mesures prises par le Gouvernement sont encore trop récentes pour qu'on puisse en apprécier les résultats. Néanmoins, elles ont déjà renforcé l'appareil bureaucratique. D'autre part, elles ont une tendance à modifier la structure économique du pays ; le paysan est poussé à abandonner des cultures anciennes pour celles qui font l'objet des monopoles ; des industriels se trouvent surchargés par rapport à d'autres. Cette perturbation d'un état de choses établi par une longue expérience des besoins du pays peut être lourde de conséquences.

IV. La balance commerciale au cours du trimestre observé est très défavorable. L'augmentation des exportations constatée en septembre a un caractère saisonnier et ne permet pas encore d'espérer une amélioration de la situation. Cette situation et l'augmentation du pourcentage des devises bloquées par les accords de compensation et de clearing raréfient les devises libres disponibles.

V. Jusqu'à présent, la Banque nationale a néanmoins pu effectuer tous les transferts prévus par les accords signés récemment avec les représentants des porteurs d'emprunts de la dette extérieure.

VI. Le présent rapport a été établi par M. Pierre Cheysson, commissaire de la Société des Nations en Bulgarie, avec la collaboration de M. Köstner, conseiller près la Banque nationale.

I. BUDGET.

a) RÉSULTATS DÉFINITIFS DE L'EXERCICE 1933-34.

1. Les chiffres définitifs après la clôture du budget, le 30 juin 1934, à l'expiration de la période complémentaire de trois mois, sont de :

<i>Recettes :</i>	<i>Millions de leva</i>	
Etat	4.986,9	
Chemins de fer et ports	1.276,1	
	<hr/>	6.253,0
<i>Dépenses :</i>		
Etat	5.391,6	
Chemins de fer et ports	1.104,3	
	<hr/>	6.495,9
Déficit de l'année		<hr/>
		232,9

L'exercice a bénéficié de restitutions égales à la différence entre les sommes inscrites au budget pour le service de la dette extérieure et le montant des sommes effectivement versées en exécution des accords passés avec les porteurs les 20 avril et 17 mai 1934, soit 293,8 millions.

2. Les déficits comparés des quatre derniers exercices sont les suivants :

	<i>Millions de leva</i>
1930-31.	1.366
1931-32.	970
1932-33.	752
1933-34.	233

3. Les recettes ont été dans leur ensemble légèrement supérieures (+ 5%) à celles de l'exercice précédent. Seuls les douanes et les revenus du domaine et des capitaux de l'Etat marquent un fléchissement sensible (près de 30% pour les douanes et de 45% pour les domaines). Ces diminutions sont compensées par une amélioration des recettes provenant des impôts directs (+ 14%), des accises (+ 7%) et des recouvrements sur exercices clos (40%). L'accroissement des recettes de chemins de fer (13%) est dû à l'incorporation dans le budget autonome de recettes qui étaient autrefois comptabilisées ailleurs.

Les dépenses sont en légère régression de 111 millions sur celles de l'exercice précédent (— 2%).

b) BUDGET 1934.

1. Le précédent rapport a exposé comment le budget 1934-35, voté par le Parlement, avait été modifié par le nouveau Gouvernement. En premier lieu, le budget est établi non plus pour douze mois, comme les budgets antérieurs, mais pour une période de neuf mois se terminant au 31 décembre 1934. Les exercices budgétaires coïncideront à l'avenir avec l'année légale.

En second lieu, il a donné lieu à une réévaluation, tant des prévisions de recettes que des crédits autorisés. Les unes et les autres ont été arrêtées (rapportées à un exercice de douze mois) à 5.330 millions. Le précédent rapport a indiqué les principes de cette réévaluation.

2. Les 26 juillet et 4 août, des décrets ont promulgué un budget extraordinaire de 260 millions destiné à permettre aux différents départements ministériels le règlement de dépenses restées en souffrance sur le budget 1933-34. Les sommes nécessaires à ce budget extraordinaire ont été procurées au moyen d'une souscription publique d'obligations d'Etat, portant intérêts à 6%, remboursables en trois ans par tirage au sort. Les intérêts et l'amortissement sont assurés par un fonds spécial alimenté par des retenues opérées sur les recettes ordinaires de l'Etat.

3. Les recettes des cinq premiers mois de l'exercice sont les suivantes :

	Millions de leva	
Etat	1.894,4	
Chemins de fer.	484,0	
	<hr/>	
Budget extraordinaire.	2.378,4	
	230,0	
	<hr/>	
Les recettes des cinq mois correspondants de l'année 1933 s'élevaient à		2.608,4
		<hr/>
		2.450,3
		<hr/>
Soit en faveur de 1934 une augmentation de		158,1 ou + 6%

Compte non tenu des ressources d'emprunt (budget extraordinaire), les recettes des cinq premiers mois 1934 seraient inférieures aux recettes de 1933 de 81,4 millions de leva (— 3%).

On constate une augmentation sur l'année précédente du produit des impôts directs (+ 18%), des douanes (+ 12%), des revenus du domaine (+ 60%). Par contre, sont en régression les accises (— 5%), les taxes et droits de timbre (— 5%), les versements des communes pour leur participation aux appointements des instituteurs (— 21%), les produits divers (— 80%).

Comparées aux prévisions budgétaires (cinq douzièmes des prévisions totales), les recettes réelles sont inférieures de 167,2 millions de leva aux prévisions (— 6%). Compte non tenu des ressources d'emprunt (budget extraordinaire), les recettes sont inférieures de 397,2 millions aux prévisions (— 14%). Il y a lieu, toutefois, de remarquer que les prévisions font état, en premier lieu, d'une partie de l'annuité due au budget par les chemins de fer et les ports (25 millions) et, en second lieu, de la reprise en recette des soldes non transférés du service de la dette extérieure (180 millions) qui n'ont pas encore été comptabilisés.

En réalité, donc, les recettes des cinq premiers mois, en y comprenant les ressources d'emprunt, sont supérieures de 37,8 millions aux prévisions (+ 1,5%). Si l'on n'y comprend pas le produit de l'emprunt, elles sont inférieures de 192,2 millions aux prévisions (— 7,5%).

Les plus-values de recettes portent principalement sur les revenus du domaine pour 41 millions (+ 35%) et sur les impôts directs pour 52 millions (+ 26%). En ce qui concerne les impôts directs, il résulte de l'Appendice I (tableaux b) et c)) que :

1° Si le produit global des cinq premiers mois est supérieur de 26% aux cinq douzièmes des prévisions budgétaires pour l'exercice entier, il est rigoureusement égal au total des prévisions de recettes figurant aux budgets préliminaires mensuels.

2° Les recouvrements sur l'impôt foncier sont seulement de 57% des sommes exigibles, mais représentent 250% des rentrées correspondantes de 1933. Par contre, le produit de l'impôt sur les bâtiments est de 251% des prévisions des budgets préliminaires.

Un monopole de l'alcool a été créé le 8 septembre 1934. Le but poursuivi est d'éviter la contrebande et d'assurer au fisc des rentrées plus importantes. Les premiers résultats obtenus paraissent encourageants. Des monopoles du tabac, du sel et du pétrole sont à l'étude.

4. Les dépenses des cinq premiers mois de l'exercice 1934-35 sont de :

	Millions de leva
Budget de l'Etat	1.816,8
Chemins de fer et ports	146,7
	<hr/>
	1.963,5

Comparées aux dépenses des cinq mois correspondants (1.526,1 millions), elles dénotent une économie de 437,4 millions, ou 22%. Comparées à la fraction (cinq douzièmes) des crédits budgétaires afférente aux mois étudiés (2.697,1 millions), elles lui sont inférieures de 733,6 millions, ou 27%.

Les principales réductions de dépenses portent sur les Ministères des Affaires étrangères et des Cultes (48%), de l'Intérieur et de la Santé publique (41%), des Finances (38%), de la Justice (40%), de l'Economie nationale (46%), des Communications (50%), et sur le budget autonome des chemins de fer et des ports (69%). Il est vrai que des dépenses complémentaires s'élevant à 389,7 millions ont été effectuées au titre de crédits supplémentaires ou de dépenses à régulariser.

5. Les dépenses en souffrance au 31 août 1934 sont de 818,1 millions de leva, se décomposant en

	Millions
Appointements du mois d'août	264,0
Pensions	200,0
Fournisseurs	354,1
	<hr/>
	818,1

Elles s'élevaient à 895,2 millions fin juillet.

6. A la fin du cinquième mois, le budget 1934-35 présentait un déficit de 173,2 millions :

		Millions	
Recettes		2.608,4	
Dépenses effectuées	1.963,5		
Dépenses en souffrance	818,1		
		<hr/>	
		2.781,6	— 173,2

L'effort de compression des dépenses budgétaires a déjà donné un résultat très appréciable au cours de la période considérée ; suivant les probabilités, il devrait avoir un effet plus sensible encore au cours des derniers mois de l'exercice.

Par contre, certains crédits supplémentaires devront être accordés pour régulariser des opérations déjà effectuées. Enfin, il est difficile de prévoir les conséquences directes ou indirectes sur le budget de la politique fiscale, économique et sociale du Gouvernement. Une prévision du déficit probable en fin d'exercice est donc difficile. Le déficit normal de l'exercice de neuf mois devrait être inférieur au déficit de l'exercice précédent ; un déficit supplémentaire ne pourrait résulter que des dépenses nouvelles entraînées par les réformes de tous ordres introduites par le nouveau Gouvernement.

c) SITUATION DE LA TRÉSORERIE (cf. Appendice I, d)).

La Trésorerie s'est sensiblement améliorée. Elle a bénéficié, entre autres, d'un prélèvement de 571 millions sur les premières rentrées de l'exercice 1934 destiné à la liquidation de l'exercice 1933-34, de la frappe des monnaies d'argent (204,1 millions) et des ressources d'un emprunt intérieur (230 millions). La souscription des titres de cet emprunt, ouverte le 4 août 1934, a été close le 7 et a couvert plus de deux fois le nominal de l'emprunt.

Le montant des dépenses en souffrance a été réduit. Le paiement des appointements subit un retard d'un mois, celui des pensions d'environ deux mois.

II. DETTE PUBLIQUE.

1. Les arrangements conclus avec les représentants des porteurs d'emprunts de la dette extérieure de l'Etat ou garantis par lui, en avril et mai 1934, relativement à la réduction du service, ont été exécutés, et l'approvisionnement des coupons à 32 ½ % a été régulièrement effectué.

2. Un décret-loi du 5 juillet 1934 a promulgué l'accord conclu avec le délégué des porteurs (colonel Eaux) pour « la liquidation des sommes non transférées de l'emprunt 6 ½ % 1923 au cours de la période avril 1932-avril 1934 et pour le paiement des intérêts et de l'amortissement échus le 15 mai 1934 ».

Les arriérés non transférés sont rachetés moyennant un transfert de 10% de leur montant augmenté des intérêts accumulés en quatre fois, les 1^{er} septembre, 5 novembre 1934, 5 mai et 15 novembre 1935. Le transfert au 1^{er} septembre a été régulièrement fait.

L'échéance du 15 mai 1934 est liquidée par un transfert de 32,5%. La provision déjà effectuée de 25% a été complétée par un nouveau transfert de 7 ½ %.

Le paiement de l'intérêt et de l'amortissement à l'échéance du 15 novembre 1934 et aux échéances suivantes sera réglé par un accord ultérieur.

3. D'après les déclarations du ministre des Finances, le monopole institué sur l'alcool devrait avoir pour résultat d'augmenter le gage donné aux porteurs de l'emprunt 7 ½ % 1926 sur l'accise de l'alcool. Le règlement assurant le plein jeu de cette garantie est actuellement à l'étude et doit être prochainement soumis à l'agrément des représentants des porteurs de l'emprunt 1926.

Il a été également déclaré que les projets de monopoles sur le sel et le tabac ne porteraient aucune atteinte aux droits des porteurs des emprunts gagés sur l'accise du sel et sur le tabac.

III. SITUATION ÉCONOMIQUE.

a) BANQUE NATIONALE.

Le portefeuille commercial et les avances sont en légère augmentation, due moins à un développement de l'activité commerciale du pays qu'à l'activité accrue du Gouvernement comme marchand de céréales et d'autres produits (voir chapitre VIII, « Législation économique »).

Le poste « autres devises », qui comprend surtout les avoirs bloqués dans les comptes de « clearing », s'est considérablement enflé. Le montant des « devises-or », au contraire, est tombé à rien, ce qui rend les transferts plus difficiles pour la Banque.

Le montant des billets émis, accru de 254 millions, est supérieur à celui des deux précédentes années à la même époque. Le total des billets et des monnaies en circulation (1.141 millions pour ces dernières au 1^{er} octobre) est de quatre milliards et dépasse tous les chiffres correspondants depuis 1929.

La marge entre le cours officiel du lev et les cours pratiqués à la « bourse noire » devient plus grande ; la raison principale doit être attribuée aux difficultés accrues du commerce extérieur qui raréfie les devises libres.

Les échanges commerciaux sont réglés, pour la plus grande partie, en espèces ; et il est à remarquer que pendant la première moitié de 1934, les chiffres de la compensation oscillent aux environs de 300 millions de leva par mois contre 1.450 en 1929. La valeur des effets protestés en juillet de l'année courante est de 36 millions de leva contre 153 millions en juillet 1929.

b) BANQUES.

Les bilans des banques privées, au 30 juin, dénotent dans leur ensemble une nouvelle diminution du portefeuille commercial et des avances, et une réduction des dépôts commerciaux. Cette dernière est toutefois en partie compensée par l'augmentation du poste « autres créditeurs » ; il semble donc qu'il s'agisse surtout d'un transfert d'écritures d'un poste à un autre.

Les comptes de profits et pertes font apparaître une faible perte ; mais l'examen du compte « contentieux et effets protestés » montre qu'il n'a pas été procédé en fin de l'année à des amortissements réels.

La nouvelle banque « Crédit bulgare » (cf. trente et unième rapport, page 6) a été créée le 8 octobre par la fusion de huit banques anciennes. Peu après, d'autres établissements bancaires ont suivi l'exemple, et l'on étudie actuellement un projet d'après lequel 120 petites banques environ entreraient, plus ou moins spontanément, dans cette combinaison. Fort heureusement, l'idée semble admise que, pour les banques qui ont totalement perdu leur capital, la nouvelle banque interviendra seulement comme organisme de liquidation. La tâche de la nouvelle banque apparaît difficile, puisque son capital actuel consiste principalement, sinon exclusivement, en actifs contentieux et effets protestés.

c) FUSION DES BANQUES GOUVERNEMENTALES.

La fusion de la Banque agricole et de la Banque centrale coopérative sous le nom de Banque agricole et coopérative de Bulgarie, annoncée dans la proclamation du nouveau Gouvernement à son arrivée au pouvoir le 19 mai dernier, a été réalisée le 19 octobre. Elle se réduit à l'addition des bilans des deux banques sous une direction commune, sans qu'il ait été procédé à une évaluation de l'actif réel de chacune d'elles. La gestion en est confiée à un Conseil de direction composé de treize membres, dont neuf sont désignés par le Gouvernement et les autres par les coopératives.

Les attributions de la Banque sont très larges : elle peut même consentir des avances à des particuliers sans garanties ni avals. Tous les fonds publics ou municipaux disponibles, ainsi que ceux des Caisses d'épargne postales sont obligatoirement employés en bons de la Banque agricole à court et à long terme. Il y a là, du reste, une modification des dispositions légales qui ont confié à un comité spécial le soin de décider l'emploi des fonds disponibles des Caisses publiques et d'épargne postales.

La Banque dispose de pouvoirs très étendus à l'égard des coopératives actuelles ou futures. Elles ne peuvent être créées qu'avec l'autorisation de la Banque, elles sont contrôlées par elle, elles ne peuvent nommer ou révoquer leurs directeurs sans elle, elles ne peuvent obtenir de crédits ni effectuer de dépôts en dehors d'elle. Seuls des crédits-marchandises peuvent leur être accordés par d'autres, mais avec son autorisation. Les crédits donnés aux coopératives, en violation de cette prescription, viennent, en cas de faillite, après toutes les autres créances. En cas de nécessité, la Banque peut révoquer le Conseil de direction d'une coopérative, infliger une pénalité à ses membres si elle les juge fautifs. Elle autorise ou décide la nomination des directeurs et des principaux employés.

L'intervention constante de la Banque, organisme d'Etat, géré par des employés nommés par l'Etat, aura pour conséquence une étatisation et une bureaucratisation progressive des coopératives. Or, les principes essentiels du coopérativisme sont la collaboration mutuelle et l'indépendance des membres. Ils sont difficilement conciliables avec la politique suivie en Bulgarie, et il est à craindre que, dans un délai plus ou moins long, les coopératives bulgares ne soient plus coopératives que de nom.

IV. COMMERCE EXTÉRIEUR.

Les chiffres font apparaître deux tendances : la diminution des exportations et l'augmentation des importations.

Depuis avril, le montant des exportations reste loin derrière le montant des mois correspondants de l'année précédente ; en juillet, il tombe à 76 millions. Simultanément, le chiffre des importations s'élève au-dessus de celui de l'année précédente. La baisse générale des exportations s'explique par la diminution des exportations de tabac pendant la négociation du grand accord de compensation des tabacs dont il sera question plus loin ; la prohibition d'exportation des céréales en est également une raison majeure.

Les chiffres de septembre semblent plus encourageants : mais l'augmentation constatée provient principalement des exportations de raisin (les exportations prévues sont de 3.700 wagons contre 2.000 l'année précédente).

En ce qui concerne les importations, l'accroissement est dû, tout au moins en partie, à une pression des pays acheteurs pour arriver à équilibrer bilatéralement leurs échanges commerciaux avec la Bulgarie. Les statistiques le démontrent :

COMMERCE EXTÉRIEUR DE LA BULGARIE AVEC CERTAINS PAYS.

Janvier-septembre.

(En millions de leva.)

Pays	Années	Importations	Exportations	Balance
Autriche	1933	89,9	197,5	+ 107,7
	1934	70,7	104,6	+ 33,9
Belgique	1933	44,2	157	+ 112,8
	1934	143,3	78,2	— 56,1
Allemagne	1933	647,8	702,2	+ 54,4
	1934	688,7	612,7	— 76
Espagne	1933	3,1	118	+ 114,9
	1934	31,2	76,6	+ 45,4
Pologne	1933	9,9	38,1	+ 28,2
	1934	24,5	27,5	+ 3

Le nivellement des exportations et des importations pendant les deux années est remarquable. Parfois même, des balances qui étaient normalement positives comme les balances bulgare-belges et bulgare-allemandes sont devenues négatives.

Il faut noter également que les deux dernières ordonnances de la Banque nationale sur le commerce extérieur et le change, en dates des 21 août et 7 septembre, sont moins strictes en ce qui concerne les licences d'importation et la remise à la Banque des devises provenant de l'exportation.

Accord de compensation.

L'accord de compensation, dont il a été question dans le trente et unième rapport, page 7, prend effet de septembre pour l'accord allemand et d'octobre pour les accords autrichiens, hongrois et tchécoslovaque. Les parties contractantes s'engagent à acheter 5.460.000 kilogrammes de tabac des récoltes 1928-1930, au prix de 72 leva franco magasin, et à répartir cet achat entre elles au prorata des fournitures qu'elles auront à effectuer. Sur un total d'achats représentant 393 millions de leva, les Autrichiens, les Hongrois et les Tchèques payent leur part, s'élevant à 121 millions, à concurrence de 20% en devises libes, 18% en leurs propres devises disponibles pour l'achat chez chacun d'eux de diverses matières premières, telles que cellulose, laine, fer, acier, aluminium ; les 62% restants sont crédités au compte des « clearing » déjà existants. La part de l'Allemagne, représentant 272 millions de leva, est réglée à concurrence de 70% par inscription au « clearing » ancien ; les 30% restants sont payés en marks « libes », dont il n'est pas possible de transférer plus d'un million (sur 3 millions environ) en devises libes ; le surplus peut être employé à l'achat de matières premières.

Si on le compare à ceux qui avaient été primitivement envisagés, l'accord, définitivement conclu, présente l'inconvénient de ne donner qu'un montant de devises à peine suffisant pour rembourser les avances en devises étrangères antérieurement consenties sur les tabacs, objet de l'accord. En outre, la Banque nationale ne recevra aucune devise sur des exportations bulgares qui atteindront en cinq années près de 1 milliard 300 millions de leva.

Les fournitures à la Bulgarie pour 909,9 millions seront payées en bons, dont quatre séries, représentant chacune 6,25% du montant des commandes passées, vont être émises à échéance de trois, treize, dix-huit et vingt-quatre mois. Les 75% restants seront réglés, au fur et à mesure des livraisons, en bons dont les échéances sont réparties sur les cinq ans prévus au contrat. Ces bons porteront intérêts à 6%. Les bénéficiaires de bons s'engagent à en remployer le produit à l'échéance en achats de tabacs bulgares.

L'accord constitue pour les budgets à venir un engagement d'au moins 200 millions par an. Il est à remarquer que la moyenne des commandes passées par le Gouvernement à l'étranger au cours des dernières années est très inférieure à 200 millions.

V. AGRICULTURE.

La sécheresse prolongée du printemps a fait grand mal à toutes les céréales. Les chiffres provisoires du Bureau central de statistique pour les deux plus importantes cultures sont les suivants :

	Surfaces ensemencées (Milliers d'hectares)			Récolte Milliers de tonnes			Rendement en quintaux (Par hectare)		
	1934	1933	1932	1934	1933	1932	1934	1933	1932
Froment	1.250	1.235	1.263	1.131	1.552	1.310	9,1	12,6	10,6
Maïs	669	713	744	820	850	886	12,2	11,9	11,9

Les surfaces ensemencées en maïs ont diminué de 10% en trois ans. La raison en est que, d'une part, le maïs ne peut atteindre les hauts prix du blé acheté par le monopole, et que, d'autre part, en cas d'exportation, les devises produites sont strictement remises à la Banque nationale. Ces deux facteurs introduisent une perturbation artificielle dans l'organisation normale de la production du pays. L'on a déjà eu à constater dans un précédent rapport (cf. trentième rapport, « Agriculture ») des exemples analogues.

Aux prohibitions d'exportation de céréales précédemment indiquées s'est ajoutée celle du son à partir du 18 octobre. L'autorisation d'exporter 50.000 tonnes de maïs de la dernière récolte a été récemment donnée ; les devises obtenues doivent être employées uniquement à payer les importations de coton.

VI. INDUSTRIE.

La stagnation de l'industrie, dont les premiers signes étaient apparus en 1933, s'est accentuée. Bien que le nombre des ouvriers et des employés n'ait que peu varié, la production a diminué de 10 à 15% par rapport à l'année précédente. Le manque des matières premières qui doivent être importées est sensible. Cette pénurie atteint particulièrement l'industrie du cuir, qui dépend de l'importation des peaux brutes coloniales *via* Hambourg, jusqu'ici payées en devises libres. Les importateurs allemands éprouvent des difficultés à payer leurs achats et ne peuvent assurer le ravitaillement régulier des fabricants de cuir bulgares. Simultanément, les marchands de peaux brutes du pays se plaignent de mévente et ont réclamé sans succès la prohibition de l'importation de peaux brutes.

Aucune mesure n'a été prise pour réduire les hauts prix des produits industriels — principale cause du resserrement du marché. Bien au contraire, une hausse des prix actuellement pratiqués pour certains articles résultera probablement des dispositions adoptées récemment (cf. chapitre VIII, « Législation sociale »).

VII. DIRECTION DES CÉRÉALES.

A la fin d'août, le résultat des opérations étaient les suivants :

Achats :

	Tonnes	Millions de leva
Récolte 1933	266.800	767,4
Récolte 1934	111.693	357,4
Total	378.493	1.124,8

Ventes :

Récolte 1933 :		
Exportation	100.281	156,2
Intérieur	118.000	448,4
A l'Etat	22.112	51,1
Récolte 1934 :		
Intérieur	6.897	26,2
A l'Etat	135	0,4
Total	247.425	684,4

Les frais de l'organisation (en y comprenant ceux relatifs à 11.000 tonnes environ de seigle) ont été de 34.974.933 leva, représentant environ 5% de la valeur des quantités vendues. A la fin d'août, la Direction dispose de 26.407 tonnes de la récolte de 1933 et de 104.661 tonnes de la récolte de 1934 qu'elle a payées approximativement 473 millions de leva, soit environ 3,6 leva par kilogramme. A ce prix, le stock ne peut être liquidé sans perte que sur le marché intérieur : la vente à l'exportation représenterait une perte d'environ 2 leva par kilogramme. Il est, à l'heure actuelle, difficile de dire si le marché intérieur absorbera la totalité des stocks.

VIII. LÉGISLATION ÉCONOMIQUE ET SOCIALE.

Le nouveau Gouvernement applique jusqu'à présent les mêmes principes en cette matière que ses prédécesseurs, mais, libéré de toute politique de partis, il peut prendre une série de mesures dont le développement et les fins apparaissent nettement. La nationalisation des ressources économiques du pays et la réglementation stricte des entreprises privées avaient été déclarées être des moyens provisoires appropriés aux temps de crise. Pour le nouveau Gouvernement, ils sont devenus le principal objet de son programme, et le caractère permanent de la politique suivie peut difficilement être mis en doute.

De nombreux décrets ont multiplié les monopoles de l'Etat, légaux ou de fait, ou renforcé les mesures législatives déjà existantes. D'autres sont en préparation.

Le décret-loi du 27 août charge la Direction des céréales d'acheter toutes les graines de tournesol qui seront offertes par les paysans ou les marchands au prix de 3,20 leva par kilogramme franco wagon dans les différentes gares. La Direction pourra vendre la marchandise achetée à l'étranger ou dans le pays, et dans ce dernier cas à un prix au moins égal au prix de revient. Tous les contrats relatifs à la graine de tournesol de la récolte 1934 antérieurs à la publication de la loi sont déclarés nuls et non avenus, si l'acheteur n'accepte pas de payer le prix minimum fixé par la loi. Les pertes éventuelles de la Direction des céréales sur les ventes des graines de tournesol à l'étranger seront couvertes par une taxe spéciale de 0,50 lev par kilogramme sur les tourteaux de tournesol exportés. La même taxe est imposée aux usines d'extraction, qui doivent également payer à la Direction des céréales une taxe de 0,20 lev par kg. sur la graine de tournesol employée comme matière première. Ces dispositions favorisent l'exportation de la graine de tournesol par rapport à l'exportation des tourteaux et tendent à éviter l'extraction de l'huile des tourteaux par les usines locales. En protégeant la rudimentaire presse à huile contre les usines d'extraction, le décret risque d'élever le prix du tourteau pour le paysan et le prix de l'huile pour l'habitant des villes. Si le revenu des taxes excède les pertes sur ventes à l'étranger, le solde est versé à la Banque agricole, à un compte ouvert à la Direction des céréales sous l'intitulé « Fonds pour le développement de la production du tournesol ». Le Gouvernement peut disposer à sa convenance de ce fonds.

Le décret-loi du 14 septembre a établi le monopole du chanvre produit dans le pays. Les achats sont réservés à la Banque agricole et aux coopératives autorisées par elle à un prix fixé par le décret. Les règles du monopole sont sensiblement les mêmes que pour le monopole de la graine de tournesol. Mais, en outre, pour assurer l'écoulement du chanvre acheté, la toile à sac, faite jusqu'alors en jute, devra désormais comprendre 35% de chanvre du pays. Le prix de cette toile, le contrôle de sa fabrication, des importations de jute, des ristournes en cas d'exportation de toile chanvre-jute, sont déterminés par le ministre de l'Economie nationale.

Un décret-loi du 20 septembre établit sur le coton produit dans le pays un monopole d'achat par la Banque agricole et les coopératives autorisées par elle à un prix fixé par le décret. Les règles en sont analogues à celles des deux monopoles précédents. Les filateurs doivent acheter le coton à la Banque agricole à un prix minimum, déterminé soit par le coût de revient à la Banque du coton acheté dans le pays, soit par le cours mondial du coton auquel sont ajoutés des frais forfaitaires de transfert.

Un décret-loi du 26 septembre fixe le prix minimum d'achat du riz dans le pays, oblige la Banque agricole à acheter à ce prix le riz qui lui est offert et établit un contrôle rigoureux de tous les achats de riz au cultivateur. Les pertes éventuelles sont couvertes par une taxe sur les personnes ou moulins qui décortiquent le riz.

Ces monopoles ou semi-monopoles, générateurs de taxes nombreuses et de fonds en marge du budget de l'Etat, soustraient à l'industrie privée un grand nombre de richesses nationales; ils développent l'intervention de la bureaucratie dans le domaine économique et, en définitive, ils risquent de contrarier, de plus en plus, le jeu normal des forces productrices et de la division du travail.

Les dispositions prises dans d'autres domaines (cf. ci-dessus chapitre V, « Agriculture ») comportent des risques semblables. Il est à craindre, dans ces conditions, que des efforts mal orientés ne puissent conduire à des surprises.

Certaines branches de la production, particulièrement importantes pour la balance des paiements, comme l'élevage de la volaille ou du bétail, la production des fourrages et la culture des vignes et des fruits, ne reçoivent pas d'encouragement direct et sont laissées plus ou moins libres de se développer par elles-mêmes. Il serait regrettable qu'elles aient, en définitive, à faire les frais des expériences tentées par ailleurs.

Après le coup d'Etat du 19 mai, fut créée une nouvelle « Direction de la rénovation sociale », directement rattachée au premier ministre et qui a la charge de l'organisation sociale du pays. Elle contrôle la presse et fonctionne comme organisme de propagande. Un décret-loi sur les organisations professionnelles, publié le 13 septembre, jette quelque lumière sur le programme de cette direction. D'après ce décret, tout agriculteur, ouvrier, artisan, commerçant, industriel, toute personne appartenant à une profession libérale, tout employé de banque ou de compagnie d'assurances peut être membre d'une organisation professionnelle. Ces organisations sont au nombre de sept : une pour chacune des professions énumérées. Elles ont pour rôle : 1° de représenter la profession dans les institutions municipales et gouvernementales ; 2° d'être les agents d'exécution de la politique économique et sociale de l'Etat ; 3° de défendre les intérêts de la profession ; 4° de créer des fonds d'entraide mutuelle ; 5° d'assurer l'éducation technique et morale de leurs membres.

Le ministre dispose d'un droit général de contrôle sur la gestion des organisations professionnelles. Ces organisations peuvent taxer tous ceux qui appartiennent à la profession. Elles deviennent propriétaires des avoirs ou revenus des anciennes organisations déjà existantes, au cas où celles-ci auraient été liquidées, comme faisant double emploi avec l'organisation professionnelle seule autorisée ou ne répondant pas aux prescriptions légales.

IX. ÉTABLISSEMENT DES RÉFUGIÉS BULGARES.

a) POSITION AU 31 AOUT 1934 DU COMPTE BLOQUÉ DE L'EMPRUNT 1926.

	Leva
Produit net	1.614.296.149
Dont mis à la disposition du service d'établissement	1.606.824.302
Solde en dépôt à la Banque nationale	<u>7.471.847</u>

b) RENDEMENT DES REVENUS GAGÉS.

(En millions de leva.)

Chapitres du budget	Encaissements			1/12 des évaluations budgétaires
	Juin	Juillet	Août	
13. Accise sur le sel, le café importés	14,8	10,1	8,6	16,7
17. Accise sur le sel, le café indigènes	28,8	23,2	23,5	26,7
14. Accise sur l'alcool	6,3	6,5	5,7	4,2
19. Vente des allumettes	6,1	6,6	7,6	6,7
Total	56	46,4	45,4	54,3

Les versements des réfugiés affectés au remboursement des dépenses d'établissement ont atteint les montants ci-après (en leva) :

	Juin	Juillet	Août	Antérieurs	31 août 1934
Intérêts	156.539	310.928	45.835	3.911.372	4.424.674
Amortissement et impôt foncier	42.778	21.625	18.480	15.696.176	15.779.059
Total	199.317	332.553	64.315	19.607.548	20.203.733

La moyenne mensuelle de ces recouvrements (198.700 leva) accuse un progrès très sensible par rapport à celle des deux trimestres précédents (77.300 et 65.400).

c) UTILISATION DE L'EMPRUNT.

Les engagements restant à régler s'élèvent à 7.899.600 leva. Les deux millions mis à la disposition de la Direction de la dette publique au cours du dernier trimestre ont servi en quasi-totalité à payer des dépenses pour assèchement de marais.

X. EMPRUNT DE STABILISATION 7 ½ % 1928.

a) POSITION AU 31 AOUT 1934 DU COMPTE BLOQUÉ DE L'EMPRUNT.

	Leva
Produit net	3.370.065.553
Dont mis à la disposition des administrations	3.364.427.028
Solde en dépôt à la Banque nationale	<u>5.638.525</u>

b) RENDEMENT DES REVENUS GAGÉS (DOUANES).

Juin	Juillet	Août	1/12 des évaluations budgétaires
60,4	52,8	53,5	54,6

soit une moyenne mensuelle de 55,5 millions contre 59,4 pendant le trimestre précédent.

c) UTILISATION DU PRODUIT DE L'EMPRUNT.

		Leva
1. Chemins de fer et ports.		
La totalité de cette tranche s'est montée à		672.300.000
dont engagés au 31 août 1934.		<u>671.681.406</u>
Solde non engagé		618.594
Reste à payer sur engagements opérés		<u>6.858.271</u>
Solde à engager ou à payer		7.476.865
	Leva	
Sommes aux mains de l'Administration	4.870.072	
Solde à recevoir du produit de l'emprunt	<u>2.606.793</u>	
		7.476.865
2. Routes et ponts.		
La totalité de cette tranche s'est montée à		182.031.732
dont engagés au 31 août 1934.		<u>181.241.222</u>
Solde non engagé		790.510
Reste à payer sur engagements opérés		<u>3.200.000</u>
Solde à engager ou à payer		3.990.510
	Leva	
Sommes aux mains de l'Administration	958.778	
Solde à recevoir du produit de l'emprunt	<u>3.031.732</u>	
		3.990.510

Appendice I.

a) RÉSULTATS DE L'EXERCICE 1933-34 ET DES CINQ PREMIERS MOIS DE L'EXERCICE 1934.

(En millions de leva.)

	Données annuelles		1 ^{er} avril-31 août			
	Résultats définitifs		Résultats provisoires		Prévisions budgétaires révisées 1934 (5/12)	a) %
	1932-33	1933-34	1933	1934		
	1 ^{er} avril 1932 au 30 juin 1933	1 ^{er} avril 1933 au 30 juin 1934				
I. RECETTES.						
A. Budget de l'Etat:						
Impôts directs	392,3	455,7	209,2	247,7	195,8	126
Douanes	882,9	626,3	303,1	338,8	356,3	95
Accises	1.229,2	1.315,1	532,7	505,7	548,6	92
Taxes et droits de timbre	508,8	552,5	192,1	182,4	210,4	86
Amendes et confiscations	51,1	71,9	23,4	30	30,4	98
Annuité des chemins de fer et recettes ports	125,1	118,6	—	—	25	—
P. T. T.	267,1	259,2	123	118,9	114,6	104
Domaines et capitaux de l'Etat.	330,2	189,9	99	160,7	119,1	135
Participation des communes aux appointements des instituteurs et médecins	294,9	329,6	155,6	122,3	153,3	80
Recettes diverses	450,6	488,3	196,5	36,2	91,1	41
Revenus des fonds incorporés	203,2	286	62,4	61,8	71,2	87
Recettes sur exercices clos	—	—	112,2	89,9	125	72
Reprises en recettes des soldes non transférés du service de la dette extérieure	—	293,8	—	—	180	—
Total	4.735,4	4.986,9	2.009,2	1.894,4	2.220,8	85
B. Budget des chemins de fer et ports	1.120,7	1.276,1	441,1	484	554,8	87
C. Budget extraordinaire	—	—	—	230	—	—
Total général	5.856,1	6.263	2.450,3	2.608,4	2.775,6	94
II. DÉPENSES.						
A. Budget de l'Etat:						
Pouvoir suprême	77	66,9	24,5	15,4	20	72
Cours des comptes	17,3	15,2	2,9	4,6	5,8	82
Affaires étrangères et Cultes	141,9	140,4	32	33	64,2	52
Intérieur et Santé publique	343,3	367,9	43,9	94,6	160,3	59
Instruction publique	867,8	838,3	115,2	225,5	308,9	73
Finances et Dette publique	2.090	2.037,8	635,3	533,3	858	62
Justice	182,3	178,8	23,6	40,2	66,5	60
Guerre	831,9	793	182,1	299	386,3	76
Economie nationale	325,7	328	45,7	73,6	133	54
Communications	493,3	499,7	65,2	107,9	217,8	50
Crédits supplémentaires divers	98	125,6	233,7	389,7	—	—
Total	5.468,5	5.391,6	1.404,1	1.816,8	2.220,8	82
B. Budget des chemins de fer et ports	1.138,6	1.104,3	122	146,7	476,3	31
C. Dépenses en souffrance	—	—	1.198,9	818,1	—	—
Total général	6.607,1	6.495,9	2.725	2.781,6	2.697,1	—
Déficit budgétaire	751	232,9	274,7	173,2	—	—

a) Résultats provisoires en pourcentage des prévisions.

b) RÉSULTATS MENSUELS DES TROIS DERNIERS MOIS.
(Millions de leva.)

	1934-35 1/12 du budget voté	Juin		Juillet		Août	
		1933	1934	1933	1934	1933	1934
		sur 33-34	sur 34-35	sur 33-34	sur 34-35	sur 33-34	sur 34-35
RECETTES.							
A. Budget de l'Etat :							
Impôts directs	39,2	97,7	106,9	36,6	43,2	31,1	30,1
Douanes	71,3	53,6	60,4	52	63	59,2	62
Accises	109,8	117,2	128,7	110	101,7	113,6	105,5
Taxes et droits de timbre .	42,1	46,4	40,8	39,2	36,2	36,8	35,3
Amendes et confiscations	6,1	6,2	7,5	3,8	6	4,2	8,1
Annuité des chemins de fer	5	—	—	—	—	—	—
P. T. T.	22,9	19,3	17,7	18,5	17	17,9	18,2
Domaines et capitaux . . .	23,8	34,1	94,1	12,5	13,4	13,7	17,3
Participation des commu- nes aux appointements des instituteurs et mé- decins	30,6	12	21,3	46	36,3	27,5	25,1
Revenus divers	18,2	6,6	19	4,9	6,6	5,9	5,2
Revenus des fonds incor- porés	14,2	17,6	19	8,8	10,8	8,9	9,9
Revenus sur exercices clos	25	35,3	32,2	11,2	16,1	12	24,5
Reprises en recettes des soldes non transférés de la dette publique exté- rieure	36	—	—	—	—	—	—
Total	444,2	446	547,6	343,5	350,3	330,8	341,2
B. Chemins de fer et ports . . .	110,9	92,6	95,8	63	96	112,1	102,8
Total mensuel général	555,1	538,6	643,4	406,5	446,3	442,9	444
DÉPENSES.							
A. Budget de l'Etat							
B. Chemins de fer et ports . . .	95,3	—	—	—	—	72,8	77,8
Total des dépenses ré- glées	—	63,6	361,4	248,5	368,3	705,2	730,5
Dépenses en souffrance (+ ou — au cours du mois)	—	+ 330,4	+ 186,9	+ 194,8	+ 167,7	— 224,1	— 77,1
Total mensuel général.	539,4	394	548,3	443,3	536	481,1	653,4

**c) SITUATION DÉTAILLÉE A FIN AOÛT ET COMPARÉE DU RECOUVREMENT
DES IMPÔTS DIRECTS.**
(En millions de leva.)

IMPÔTS	Données annuelles				Résultats des cinq premiers mois 1 ^{er} avril-31 août			
	1932-1933		1933-1934		1933-1934		1934-1935	
	Recouv- rements	%	Recouv- rements	%	Recouv- rements	%	Recouv- rements	%
Impôt foncier	28,6	14	37,6	125	5,7	40	14,2	57
Impôts cédulaires	179,7	86	223,7	111	81,5	97	103,3	103
Impôt sur le revenu global	17,5	58	20,2	100	10,8	130	11,7	104
Impôt sur les sociétés . . .	27,5	69	26,4	87	14,2	113	13	82
Impôt sur les bâtiments	13,7	55	18,7	124	6,2	48	17,3	251
Impôt sur les bénéfices de guerre	0,04	47	0,1	252	0,002	8	—	—
Impôt sur les brebis et les chèvres	55,5	92	57	104	54,3	98	55,1	95
Impôt sur l'exemption de la prestation	26,2	59	23,9	85	12,4	107	15,3	119
Impôt militaire	19,4	55	24,7	112	6,3	72	8,5	78
Impôt sur les succes- sions	24,2	80	23,4	94	9,2	88	—	—
Centimes additionnels et revenus des conseils départementaux	—	—	—	—	8,6	161	9,3	88
Total	392,3	58	455,7	107,5	209,2	96	247,7	100

¹ Les pourcentages sont calculés par rapport aux prévisions des budgets préliminaires mensuels.

d) SITUATION DE LA TRÉSORERIE.

(En millions de leva.)

	1934		
	Juin	Juillet	Août
Solde au début du mois des comptes du Trésor à la Banque nationale.	301,6	77,5	309,9
RECETTES.			
Budget de l'Etat	29 ¹	339,6	341,2
Chemins de fer et ports.	547,6 ²	96	102,8
Recettes extrabudgétaires	95,8	165	204,1
Emissions supplémentaires de bons du Trésor	57,4	—	—
Emissions d'obligations	38,7	—	230
Total	1.070,1	678,1	1.188
DÉPENSES.			
Budget de l'Etat	382 ¹	368,2	652,7
Chemins de fer et ports.	361,4 ²	—	77,8
Dépenses sur recettes extrabudgétaires.	232,9	—	131
Solde en fin de mois des comptes du Trésor à la Banque nationale.	16,3	309,9	326,5
Total	1.070,1	678,1	1.188
Solde en fin du mois des mandats de paiement en souffrance, environ	727,5	895,2	818,1
Solde déficitaire net, environ	650,9	585,3	491,6

Appendice II.

MONNAIE, CRÉDIT, SITUATION ÉCONOMIQUE.

a) SITUATION DE LA BANQUE NATIONALE DE BULGARIE EN 1932, 1933 ET 1934.

(En millions de leva.)

	1 ^{er} octobre 1932	1 ^{er} octobre 1933	1 ^{er} juillet 1934	1 ^{er} octobre 1934
Actif.				
Or monnayé et non monnayé.	1.517	1.522	1.547	1.547
Devises-or	107	106	3	7
Autres devises	147	37	77	150
Monnaies divisionnaires	361	334	299	349
Portefeuille et avances de commerce	406	377	367	477
Bons du Trésor	378	648	693	666
Dette de l'Etat	2.945	2.873	2.783	2.755
Passif.				
Capital versé et réserve	1.692	1.694	1.737	1.738
Billets de banque en circulation	2.773	2.738	2.605	2.859
Comptes courants et de dépôts	1.478	1.606	1.645	1.623
dont de banques	(939)	(815)	(736)	(538)
Exigibilités en devises	99	69	47	58
Couverture %	35,87	35,89	35,34	33,38
Taux de l'escompte	8	8	7	7
Circulation totale (billets de banque et monnaie divisionnaire)	3.653	3.645	3.547	4.000

¹ 1933-34.

² 1934-35.

b) DEVICES ÉTRANGÈRES : ACHATS ET VENTES DE LA BANQUE NATIONALE DE BULGARIE PAR TRIMESTRES.

(En millions de leva.)

	Troisième trimestre 1933	Premier trimestre 1934	Deuxième trimestre 1934	Troisième trimestre 1934
<i>Change acheté.</i>				
Exportations	477	373	382	471
Services et voyageurs	41	26	30	45
Revenus provenant de placements à l'étranger	4	3	1	2
Autres revenus de particuliers	10	9	7	14
Revenus de l'Etat provenant de l'étranger	—	5	2	2
Retour dans le pays de capitaux investis à long terme à l'étranger	—	—	—	—
Importations de capitaux étrangers pour être investis à long terme	15	29	12	14
Crédits étrangers à court terme	28	5	8	1
Différences provenant de la réestimation des avoirs à l'étranger	14	12	15	15
Divers	91	3	15	26
Dépôts retirés de la Banque nationale de Bulgarie	10	7	4	2
Total.	690	472	476	592
<i>Change vendu.</i>				
Importations	302	374	353	353
Services et voyageurs	12	10	8	9
Autres dépenses des particuliers	13	17	15	9
Intérêts et autres paiements sur les placements étrangers en Bulgarie	8	1	4	5
Paiements de l'Etat à l'étranger	55	61	120	66
Exportations de capitaux	—	—	—	—
Remboursements de crédits à court terme	11	7	11	30
Remboursements de crédits à long terme et de capitaux étrangers	11	13	26	12
Différences provenant de la réestimation des avoirs à l'étranger	7	4	10	6
Divers	206	10	10	35
Dépôts entrés à la Banque nationale de Bulgarie	22	3	—	—
Total.	647	500	557	525

c) DEVISES ÉTRANGÈRES : ACHATS ET VENTES TRIMESTRIELS.

(En millions de leva.)

Trimestre	Bloquées	Libres	Total	% bloqué
<i>Achetées.</i>				
1932 : Premier	56,3	873,6	929,8	6,1
Deuxième	174,1	553,7	727,9	23,9
Troisième	149,2	420,1	569,3	26,2
Quatrième	270,3	457,2	727,5	37,3
1933 : Premier	220,8	219,7	440,4	50,1
Deuxième	369,8	229,3	599,1	61,7
Troisième	337,6	226,4	564,0	59,9
Quatrième	497,9	196,3	694,2	71,7
1934 : Premier	284,9	163,1	448,0	63,6
Deuxième	321,7	130,6	452,3	71,1
Troisième	392,7	161,2	553,9	70,9
<i>Vendues.</i>				
1932 : Premier	20,7	1.000,3	1.021,1	2,0
Deuxième	128,3	602,5	730,8	17,6
Troisième	173,3	508,3	681,5	25,4
Quatrième	284,9	501,5	786,3	36,2
1933 : Premier	235,3	281,5	516,8	45,5
Deuxième	353,2	286,4	639,6	55,2
Troisième	334,2	204,0	538,2	62,1
Quatrième	378,2	263,7	641,9	58,9
1934 : Premier	308,3	174,2	482,5	63,9
Deuxième	294,4	248,5	542,9	54,2
Troisième	319,1	197,9	517,0	61,7

d) SITUATION DES BANQUES PRIVÉES EN BULGARIE AUX 30 AVRIL 1933, 31 DÉCEMBRE 1933 ET 30 JUIN 1934.

	30 juin 1933	31 décembre 1933	30 juin 1934
<i>Actif.</i>			
Caisse et Banque nationale	408,9	534,4	514,8
Autres banques	193,4	165,4	140,4
Effets escomptés	1.195,3	1.202,2	1.135,1
Avances	2.219,6	1.953,3	1.903,7
Gages	276,0	307,0	232,8
Placements	244,3	228,0	194,3
Immeubles et mobilier	291,7	270,7	280,6
Contentieux et effets protestés	637,4	662,1	651,3
Divers	505,7	379,1	456,7
Pertes	—	29,1	—
Balance	5.972,3	5.731,3	5.509,7
<i>Passif.</i>			
Capitaux	1.339,4	1.276,7	1.209,5
Dépôts d'épargne	1.421,4	1.255,9	1.268,3
Dépôts commerciaux	1.767,8	1.638,7	1.345,4
Autres créditeurs	327,6	398,7	595,0
Banques	61,2	54,3	51,0
Récompte	272,7	352,5	304,2
Gages	276,0	307,0	232,8
Succursales	182,3	176,4	191,3
Divers	323,8	249,1	312,2
Profits	—	22,0	—
Balance	5.972,3	5.731,3	5.509,7
% de l'encaisse envers dépôts	12,8	18,5	19,7
% du contentieux envers avances et effets escomptés	18,6	21,0	21,4

Appendice III.

COMMERCE.

a) RENSEIGNEMENTS GÉNÉRAUX.

Chemins de fer.

Moyenne mensuelle	Voyageurs partis (milliers)	Marchandises arrivées (milliers de tonnes)	Production de houille (milliers de tonnes)	Personnes occupées dans l'industrie (milliers)	Consommation intérieure du sucre (tonnes)
1932	623	376	141	68	2.100
1933	544	343	124	59	1.822
1934 : Premier trimestre	439	282	115	48	1.918
Deuxième trimestre	510	298	102	54	1.791
Troisième trimestre	614	367	124	66	1.505
1933 : Troisième trimestre	671	397	130	64	1.833

b) INDICES DES PRIX DE GROS.

(1929 = 100.)

Années et mois	Articles de consommation intérieure	Articles d'exportation	Articles d'importation	Indice général de gros	Indice général de détail
1930	84,01	72,83	89,43	80,66	—
1931	72,04	51,77	75,62	63,71	—
1932	65,97	45,27	72,87	57,78	—
1933	63,82	38,67	74,22	53,70	62,11
1934 : Janvier	65,24	38,32	71,56	53,79	63,84
Mars	63,65	39,95	70,76	53,82	62,83
Mai	62,47	40,54	70,40	53,63	61,71
Juillet	62,50	42,60	69,89	54,60	63,80
Septembre	62,71	45,93	69,83	56,35	64,16

c) COMMERCE EXTÉRIEUR.

(En millions de leva.)

Mois	Importations			Exportations			Balance		
	1932	1933	1934	1932	1933	1934	1932	1933	1934
Janvier	247	239	139	307	135	248	+ 60	— 104	+ 109
Février	258	206	155	284	192	171	+ 26	— 14	+ 16
Mars	345	253	203	271	189	246	— 74	— 64	+ 43
Avril	337	211	189	322	363	202	— 15	+ 152	+ 13
Mai	373	180	172	292	277	178	— 81	+ 97	+ 6
Juin	274	150	183	208	231	131	— 66	+ 81	— 52
Juillet	237	149	181	144	176	76	— 93	+ 27	— 105
Août	275	134	200	192	150	125	— 83	+ 16	— 75
Septembre	259	155	211	247	251	260	— 12	+ 96	+ 49
Octobre	283	168		360	314		+ 77	+ 146	
Novembre	295	173		336	322		+ 41	+ 149	
Décembre	288	184		420	247		+ 132	+ 63	
Année entière	3.471	2.202		3.383	2.854		— 88	+ 652	
Janvier-sept.	2.605	1.677	1.633	2.267	1.964	1.637	— 338	+ 287	+ 5

Geneva, December 29th, 1934.

LEAGUE OF NATIONS

**FINANCIAL POSITION
OF HUNGARY IN THE FOURTH QUARTER OF 1934**

THIRTEENTH QUARTERLY REPORT

by Mr. Royall Tyler, the Representative in Hungary
of the Financial Committee.

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I. GENERAL.

I. INTRODUCTORY.

(1) Up to and including October, budget receipts had been on a slightly higher level this fiscal year (beginning July 1st) than last. For November, they are slightly less, in spite of the fact that rising prices in several important branches have made for increases in the proceeds of turnover tax and excise.

(2) Expenditure shows a slight increase over the level that obtained during the same months last year.

(3) Treasury advances to the Undertakings are increasing, as compared with last year, and there has been some borrowing by the Undertakings from other sources.

(4) Fundamental economic conditions being what they are, the level of receipts cannot be expected to be higher from now on than it was last year. If expenditure increases, it is to be feared that the relative improvement in the budget achieved last year will not be maintained. In spite of that improvement, it should be remembered, the domestic floating debt of the State increased by 18 per cent in 1933-34.

(5) The volume of Hungary's foreign trade has recently tended to decrease, both in value and in quantity; 1934 will show an excess of exports over imports, in values, but a much smaller excess than that recorded for 1933.

(6) The agrarian price index has risen by 22 per cent over the past year. The decline in the industrial price-index, which had continued from the beginning of 1932 until the middle of 1934, has latterly given place to a slight increase, and the disparity between agrarian and industrial prices, although it has decreased over the last two years, still remains relatively large in comparison with other countries.

(7) The position after a couple of years of agrarian price-raising suggests a question: How far is it possible to go towards relieving agricultural depression by manipulating internal agrarian prices, with a view to effecting a redistribution of income, in a country where the industrial price-level is excessively high, without adversely affecting the earning power of the country as a whole, and thereby defeating the object in view?

(8) The returns of the National Bank for eleven months of 1934 show a further accentuation of the tendency noted in recent reports: freely available exchange receipts are lower than they were in the corresponding period of 1933. In the last couple of months, however, the National Bank's efforts to redress this tendency has met with some success. At the same time, progress has been made towards assuring the necessary supply of raw material.

(9) I am indebted to Mr. Henry J. Bruce, Adviser to the National Bank, for the data on which are based the sections of this report dealing with the Bank, exchange control and compensation agreements, and clearing agreements.

2. STATE BUDGET.

(a) Budget of the Administration.

The estimates for the fiscal year that began on July 1st last were as follows:

	Administration	Undertakings
	(Millions of pengő)	
Estimated expenditure	746.6	404.0
Estimated receipts	740.6	343.9
Balance	- 6.0	- 60.0

The total estimated deficit which has to be faced by the Treasury is therefore 66 million pengő. As to the cover for this deficit, it will be remembered that expenditure includes the service of the State's foreign debts. In respect of some of these, arrangements have been made with the creditors rendering deposit during 1934-35 unnecessary. For the rest, the Government reborrows, as it has done since 1932, the pengő equivalent of non-transferred service (see I, 2(d), below). It is hoped thus to reduce internal borrowing to a minimum.

Preliminary monthly estimates, for October and November, have been (Administration):

	October 1934	November 1934	July 1st to November 30th, 1934
	(Millions of pengő)		
Estimated expenditure	62.9	54.9	298.5
Estimated receipts	60.1	74.1	304.6
Balance	- 2.8	+ 19.2	+ 6.1

Actual (provisional) results, last year's returns being added for comparison :

	October		November		July-November	
	1934	1933	1934	1933	1934	1933
Actual budgetary expenditure	59.6	61.8	55.0	53.3	289.4	281.4
Actual budgetary receipts ..	63.1	61.7	76.3	77.9	319.1	315.0
Balance	+ 3.5	—	+ 21.3	+ 24.6	+ 29.7	+ 33.6

Including expenditure outside the budget, as well as borrowings and refunds, for both Administration and Undertakings, the position at November 30th may be roughly stated as follows, figures for 1932 also being given :

Expenditure :	1934	July 1st to November 30th	
		1933	1932
Actual budgetary	289.4	281.4	293.2
Deferred budgetary :			
(a) Administration ..	9.1	14.2	29.1
(b) Undertakings ¹ ..	1.1	0.2	5.7
Actual extra-budgetary ..	18.9	15.4	15.1
Total	318.5	311.2	343.1
Receipts :			
Actual budgetary	319.1	315.0	299.3
Refunds	1.9	3.6	1.9
Borrowings	10.5	9.4	24.1
Total	331.5	328.0	325.3
Balance	+ 13.0	+ 16.8	— 17.8

Borrowings in the above table include Treasury bills deposited with the Pledged Revenue Account (Reconstruction Loan, 1924), but not those, amounting to 7.8 million pengö at November 30th, deposited with the Foreign Creditors' Fund.

The first five months of the present fiscal year, as compared with the same period in 1933, show a slight increase in expenditure, and in receipts an even slighter increase, the balance at November 30th, 1934, being a shade less favourable than it was a year before. November itself, this year, has produced 1.6 million pengö (2 per cent) less receipts than it did in 1933. These indications suggest that the improving trend in Hungary's State finances which began in July 1933, to continue throughout the fiscal year 1933-34, has now been flattened out. Receipts are no longer rising. Expenditure, which at November 30th, 1933, had been reduced appreciably below the point reached a year before, is slightly increasing once more. Taken together with weakening receipts, this tendency is not altogether reassuring where future prospects are concerned, especially in view of the fact that the next fiscal year will see an increase in expenditure in connection with the repayment of the National Bank advance for the purposes of the Agrarian Debts Relief scheme (see I, 4, below). For an analysis of receipts in the months July-November, see Appendix I. In connection with this year's increase in turnover tax proceeds and excise, it will be remembered that there has been a marked rise in some prices. Direct taxes, down to the end of October, remained on the same level as last year, but fell off noticeably in November. Customs, which had previously been increasing at a smart rate, were, in November 1934, only very slightly more than in November 1933.

(b) *State Undertakings.*

The tendency that is beginning to show in the expenditure and receipts of the Administration is rather more marked in the Undertakings, Treasury advances on behalf of which are appreciably (roughly 16 per cent) higher during the five months to November 30th this year than they were last, while refunds to the Treasury have been reduced by half.

	1934	1933
	(Millions of pengö)	
To the State Railways	10.2	5.5
To the Ironworks	5.9	8.3
Total	16.1	13.9
Refunds (from the Post, Telegraph and Telephone)	1.9	3.6

Moreover, this year, 5 million pengö have been borrowed from the banks on behalf of the Railways. In the period under review, however, 2.5 million pengö have been paid by the State towards the reduction of the rediscount credit granted by the Administration of the Foreign Creditors Fund (see page 8).

¹ At October 31st, current and capital expenditure together.

Provisional figures for the Undertakings are available up to October 31st only, and for these four months there is hardly any difference, in normal receipts and expenditure, between this year and last :

All Undertakings together (July-October) :

	July 1st to October 31st	
	1934-35	1933-34
	(Millions of pengö)	
Actual expenditure, current	119.9	118.4
Actual receipts, current	120.4	120.1
Balance, current items	+ 0.5	+ 1.7
Capital expenditure	5.0	4.7
Balance, all items	- 4.5	- 3.0

Results for the chief individual Undertakings (July-October) :

	Railways		Post, Telegraph and Telephone		Ironworks	
	1934	1933	1934	1933	1934	1933
	(Millions of pengö)					
Current expenditure	78.9	76.7	23.1	23.9	11.6	10.9
Current receipts	74.0	76.2	30.8	31.8	7.6	5.1
Balance, current items	- 4.9	- 0.5	+ 7.7	+ 7.9	- 4.0	- 5.8
Capital expenditure	3.8	1.7	1.5	1.4	—	—
Balance, all items	- 8.7	- 2.2	+ 6.2	+ 6.5	- 4.0	- 5.8

It may be convenient to tabulate the Undertakings' incomings and outgoings for the four months to October 31st this year and last. Expenditure and borrowing show an increase (July-October) :

	1934	1933	Difference for 1934
	(Millions of pengö)		
<i>Expenditure :</i>			
Actual, current budgetary	119.9	118.4	+ 1.5
Deferred, current budgetary	0.3	—	+ 0.3
Actual, capital expenditure, budgetary	5.0	4.7	+ 0.3
Deferred, capital expenditure	0.8	0.2	+ 0.6
Refunds to Treasury	1.9	3.6	- 1.7
Capital expenditure from loans	2.4	—	+ 2.4
Total	130.3	126.9	+ 3.4
<i>Receipts :</i>			
Actual, current budgetary	120.4	120.1	+ 0.3
Balance	- 9.9	- 6.8	- 3.1
<i>Borrowings :</i>			
Advances from the Treasury	12.8	12.7	+ 0.1
Treasury bills, placed with banks	5.0	—	+ 5.0

(c) *Situation of the Treasury.*

(1) For five months to November 30th, borrowing amounts to 18.3 million pengö (12.4 million pengö in the quarter to September 30th, + 5.8 million pengö in October and November) this year as against 9.4 million pengö last year (see Ninth Report, page 6), and there has been an increase in Advances and Loans :

	September 30th, 1934	October 31st, 1934	November 30th, 1934
	(Thousands of pengö)		
<i>Receipts :</i>			
Balance at the beginning of the month	61,633	63,321	66,679
Budget account	58,568	63,099	76,253
Repayment of advances	1,059	638	—
Loan account	2,279	4,135	1,697
Surplus of the Agricultural Fund	3,448	464	—
Total	126,987	131,657	144,629
<i>Expenditure :</i>			
Budget account	55,508	59,625	55,039
Capital expenditure from loans	683	520	469
Advances	6,890	2,385	3,474
Deficit of the Agricultural Fund	—	—	215
Loans	585	2,448	—
Balance at the end of the month	63,321	66,679	85,432
Total	126,987	131,657	144,629

(2) *Administrative Claims and Liabilities.*—Tax arrears, at October 31st, stood at 328.3 million pengö, as against 336.1 million pengö on October 31st, 1933.

Returns of commitments are prepared quarterly : those for September 30th were given in my last report.

(d) *Debt Position.*

No complete statement of the State's debts is available more recent than that, as at September 30th, printed in my last report. New borrowings, in October and November, appear in the Treasury situation (c) above.

(e) *Reconstruction Loan and Assigned Revenues.*

Transfers have continued to be made by the National Bank, in the appropriate currencies, each month, at a rate sufficient to carry out the programme announced in the communiqué of June 30th last (see Eleventh Report, page 7).

The Assigned Revenues have been as follows :

	1934-35					1933-34				
	Customs	Tobacco	Sugar	Salt	Total	Customs	Tobacco	Sugar	Salt	Total
	(Millions of pengö)									
First quarter ..	10.3	27.4	13.5	4.3	55.5	8.3	27.8	12.1	4.7	52.9
October	3.8	9.0	4.0	1.4	18.2	3.1	8.5	3.7	1.5	16.8
November	3.4	8.2	2.9	1.9	16.4	3.3	8.0	3.7	1.5	16.5

3. BUDGETS OF THE LOCAL AUTHORITIES.

No indications can as yet be given as to the execution of the budgets for 1934, the local authorities' fiscal year being the calendar year.

Allusion has been made in previous reports to the City of Budapest's draft budget for 1935, showing an uncovered deficit of 10 million pengö. This budget has not received the approval of the Ministers of the Interior and of Finance.

The 1935 budgets of the other local authorities are not yet available, with the exception of those of the counties, where the position is as follows :

	1933 Closed accounts	1934 Revised estimates	1935 Estimates
	(Millions of pengö)		
Expenditure	18.5	18.9	18.7
Receipts	19.3	18.9	18.7
Balance	+ 0.8	—	—

4. STATE BORROWING.

Increases in the floating debt are shown in 2(c) above.

A scheme for relieving excessively encumbered agricultural debtors was adopted, it may be remembered, in October 1933 (see Eighth Report, pages 14 to 16) and entered into force on January 1st, 1934. The cost of this scheme to the State was estimated at the time at 100 million pengö for three years, this sum to be advanced by the National Bank. Up to the present, only 3 million pengö of these 100 million pengö have actually been taken up. It is expected, however, that, in the early months of 1935, some 25 million pengö will be disbursed for the repayment of banking debts owed by certain categories of small holders (Eighth Report, page 15), and charges in respect of other provisions of the measure will also have to be met in the course of the year.

From the budget point of view, it should be remembered that the advance from the National Bank in connection with the Agrarian Debt Relief scheme (see Eighth Report, pages 14 to 16) will increase expenditure on a rising scale from now on.

5. MONETARY AND FINANCIAL.

(a) *Position of the National Bank.*

A table showing summarised returns of the National Bank will be found in Appendix II, 2. Note circulation for the last few months has been on a slightly higher level than it was during the corresponding period last year. Public sight liabilities are slightly higher, private sight liabilities and other liabilities slightly lower. There has been a small increase in the reserve, as shown, and in the rate of cover, but not in actual gold. Bills discounted have decreased, as compared with a year ago, by 12.5 million pengö to 588.6 million pengö.

(b) *Foreign Exchange Control.*

Exports in the first eleven months of 1934 still amount to a higher value than they did in the same period in 1933, although, as there has recently been a declining tendency, the increase is less than it was at September 30th. Quantities having declined, the higher

values booked are to some extent attributable to the operation of the Rome Agreements (see II, 1, below). The actual figures are :

	First eleven months 1934	1933 (Millions of pengö)	Difference for 1934
Export values	363.8	353.5	+ 10.3
Import values	322.1	286.9	+ 35.2

Export exchange actually acquired by the National Bank has increased, but it contains only 17 million pengö of *Edeldevisen* as against 21 million pengö at November 30th, 1933. In the last two months, however, there has been some improvement in the ratio of *Edeldevisen* to other currencies. On the outgoings side, allotments for imports out of exchange actually received increased by 9 million pengö, of which 5 million pengö was in limited availability exchange. On the outgoings side, allotments for imports out of exchange actually received increased by 9 million pengö, of which 5 million pengö was in limited availability exchange.

Foreign-exchange dealings transacted or recorded by the National Bank in the first eleven months of 1934 and of 1933 are summarised in the following tables :

	First eleven months 1934	1933 (Millions of pengö)	Difference for 1934
I. Incomings :			
1. Foreign exchange recorded (including exchange non-available or for specific destination) :			
(a) Export through clearings	155	137	+ 18
(b) Compensations	47	60	— 13
(c) Export against pengö	32	32	—
Total of 1	<u>234</u>	<u>229</u>	<u>+ 5</u>
2. Foreign exchange actually acquired :			
(a) Export exchange (including exchange of limited availability : first eleven months of 1934, 46 million pengö ; first eleven months of 1933, 38 million pengö)	63	59	+ 4
(b) Exchange receipts from other sources (State, obligatory declaration, etc.)..	14	13	+ 1
Total of 2	<u>77</u>	<u>72</u>	<u>+ 5</u>
3. Purchases by authorised banks	3	5	— 2
Total of 1, 2 and 3—i.e., total of foreign exchange receipts recorded by the National Bank	314	306	+ 8
II. Outgoings :			
1. Foreign exchange allotments recorded :			
(a) Through clearings	131	115	+ 16
(b) Through compensations	47	60	— 13
Total of 1	<u>178</u>	<u>175</u>	<u>+ 3</u>
2. Foreign exchange allotments out of exchange actually acquired :			
(a) For imports :			
Out of National Bank's holdings (including limited availability exchange : first eleven months of 1934, 25 million pengö ; first eleven months of 1933, 20 million pengö)	52	43	+ 9
Out of applicants' own holdings	—	—	—
Total of (a)	<u>52</u>	<u>43</u>	<u>+ 9</u>
(b) For other purposes :			
(i) For debt service	16	19	— 3
(ii) To the State	14	14	—
(iii) To others	19	21	— 2
Total of (b)	<u>49</u>	<u>54</u>	<u>— 5</u>
Total of 2	<u>101</u>	<u>97</u>	<u>+ 4</u>
3. Sales by authorised banks	4	5	— 1
Grand total of 1, 2 and 3	<u>283</u>	<u>277</u>	<u>+ 6</u>

A compensation scheme was put into operation at December 1st, 1932, under which exporters of certain articles receive a premium in pengö over and above the equivalent at the official rate of the foreign exchange surrendered by them to the National Bank, and importers pay a surcharge for the exchange allotted to them. The development of this system is shown by the following figures :

	Total exports under the scheme	Average export premium	Total imports under the scheme	Average import surcharge
	Millions of pengö	Per cent	Millions of pengö	Per cent
At October 31st, 1933 (11 months) ..	30.6	14	25.4	17.3
At February 28th, 1934 (15 months) ..	61.7	16.1	51.8	19.8
At May 31st, 1934 (18 months)	76.0	16.6	73.8	20.7
At September 30th, 1934 (22 months) ..	127.6	17.1	101.6	20.9

(c) *Foreign Debts.*

The position at November 30th, 1934, of the Foreign Creditors' Fund into which the pengö equivalent of the untransferred service of long-term loans is paid was as follows :

I. *Payments into the Fund and out of the Fund.*

	State loans	Municipal and other public loans (Millions of pengö)	Other loans	Total
I. Payments to the Fund :				
(a) In cash	16.60	73.30	96.90	186.80
(b) In Treasury bills	53.70	—	—	53.70
Total	70.30	73.30	96.90	240.50
2. Payments out of the Fund :				
(a) Coupons and bonds redeemed	6.10	42.10	69.30	117.50
(b) Refunded to debtor because not subject to Transfer Mora- torium	5.20	—	4.40	9.60
Total	11.30	42.10	73.70	127.10
3. Interest paid on the Fund :				
(a) By National Bank	0.10	1.50	1.10	2.70
(b) By the State Treasury	1.20	—	0.50	1.70
(c) By State Railways	—	—	0.40	0.40
(d) By the issuing banks	—	—	0.10	0.10
Total	1.30	1.50	2.10	4.90
4. Balance held :				
(a) In cash (originally)	6.60	32.70	25.30	64.60
(b) In Treasury bills	53.70	—	—	53.70
Total	60.30	32.70	25.30	118.30

II. *Present Position of the Fund.*

	Millions of pengö
Balance held by the Fund :	
(a) In cash (originally)	64.60
(b) In Treasury bills	53.70
Total	118.30
Thereof investments (out of cash) :	
(a) Loan to State for productive investments (secured by Treasury bills of same amounts)	20.00
(b) Loan to State Railways (secured by bills)	2.00
(c) Deposits with issuing banks (under Agrarian Debts Relief Decree)	1.40
Total	23.40
Net amount at present held in cash	41.20

III. *Arrears to the Fund.*

	Millions of pengö
State loans	—
Other loans	23.81
Total	23.81

The net amount held in cash has decreased since November 30th, 1933, by 9.4 million pengö.

Arrears to the Fund have decreased in the same period by 3.9 million pengö.

The position as to the two 15 million credits granted by the Fund to the State remained unchanged at 20 millions, no availment having taken place as yet under the new 10 million credit. Repayments in respect of the 10 million rediscount credit of the State Railways totalled on November 30th 8.0 millions. This credit is to be redeemed in full by March 31st, 1935.

The amounts deposited under the Standstill Agreement in pengö with the National Bank to cover interest and commission on short-term banking debts, not satisfied in foreign exchange, totalled in November 30th, 1934, 47.56 million pengö, out of which 42.14 millions had been paid to creditors accepting such payments in satisfaction. The balance held by the National Bank thus amounted to 5.42 millions. The amount paid under the same agreement, in respect of capital repayments, in pengö, to the National Bank totalled on November 30th, 1934, 20.85 millions, out of which 18.26 millions had been disposed of by the creditors. The balance held by the National Bank amounted to 2.59 million pengö.

The Standstill pengö accounts administered by the National Bank stood as follows at November 30th, 1934 and 1933 :

	First eleven months	
	1934	1933
	(Millions of pengö)	
I. Standstill Interest Account.		
Deposits received by the National Bank for interest and commission	15.64	21.15
Paid to creditors in satisfaction	17.93	19.52
	— 2.29	+ 1.63
Balance		
II. Capital Repayment Account.		
Deposits received by the National Bank for capital repayment	10.61	9.86
Disposed of by the creditors	10.06	7.62
	+ 0.55	+ 2.24
Balance		

II. ECONOMIC SITUATION.

I. GENERAL.

For some years past, the economic situation in Hungary has been more and more dominated by efforts to protect agriculture from the effects of falling food prices and of the loss of foreign markets consequent on the autarchic policy pursued by many countries. When it is remembered that the bulk of the population draws its living from agriculture, directly or indirectly, and that agricultural commodities even now make up two-thirds of Hungary's total exports, it will be realised that the undertaking is a formidable one, especially in view of the prolonged agrarian depression and the absence of signs of improvement. The agrarian price-index (1909-1913 = 100), which at the end of 1927 stood at 127, afterwards underwent a long decline, reaching its lowest recorded point, 56.5, in October 1933, since when it has risen to 69 in October 1934 : an increase of 22 per cent in one year. This increase reduced the disparity between agrarian and industrial prices, but not quite to the same extent : 20 per cent instead of 22 per cent. Indeed, it is beginning to be apparent that the increase in agrarian prices has halted the decrease in industrial prices that started early in 1932. In the last few months, industrial prices themselves have slightly increased. The lowest point the industrial index reached was 107.2 (1909-1913 = 100). The increase in agrarian prices is due to a variety of causes.

Falling grain prices towards the middle of 1930 led to the first experiment in price-raising : the introduction of the wheat bounty known as the Boletta, the mechanism of which has been described in these reports. The Agrarian Relief Fund constituted in this connection outside the budget gradually came to be used to give support to other agriculturists than those producing grain for the market. The wheat bounty itself was open to objections from the point of view of sound State finance, but in comparison with other expedients it had this advantage, that it did not hamper export, as the bounty was refunded to the exporter. It was discontinued at the end of the fiscal year 1933-34, but the fund still exists, its annual turnover having decreased from 75 to 45 million pengö. Although the fund is outside the budget, it of course represents a charge on the taxpayer. The idea at the base of the Agricultural Relief Fund was to levy for the farmer's relief a contribution from the consumer : to correct a set of economic conditions involving hardship to agriculture by means of a redistribution of income. Since its introduction, other experiments in the same direction have been made. Prices to the Budapest consumer of various staple articles, such as milk, firewood and potatoes, have been pegged by the action of groups of distributors having Government support.

Another factor that has contributed to stiffen prices in Hungary is the system of premiums on export in cases where the internal price would not normally make the transaction profitable. By means of these premiums, Hungarian goods have reached distant markets on which they otherwise would have been unable to compete. It will be seen below that, over the last few years, Hungarian trade has to a considerable extent had to leave the neighbouring markets and has sought others. It should be remembered in this connection that Hungary's national markets are mainly in countries which have introduced foreign exchange restrictions, so that

The volume of Hungary's foreign trade has shrunk not only in value, but also in quantity :

	Imports (Millions of quintals)	Exports
Average, 1925-1930	57.5	23.3
Year 1931	33.5	18.8
Year 1932	21.1	13.1
Year 1933	17.8	18.3
1933 (eleven months)	16.2	16.7
1934 (eleven months)	21.8	15.3

Not only have Hungarian exports decreased in quantity, but an increasing percentage of the total is made up of industrial goods, the export of which is in many cases only possible because a foreign creditor is willing to take a loss in order to liquidate his claim. It should also be noted that, in agrarian exports, the percentage of manufactured products has decreased. These returns are only available from 1927 on :

Hungarian Exports (in percentages of values).

	Average 1927-1930	Average 1931-1933	1934 (9 months)
1. Agricultural Exports :			
(a) Raw materials	52.7	54.6	53.0
(b) Half-manufactured	0.6	1.1	1.5
(c) Manufactured	17.1	9.4	8.0
Total	70.4	65.1	62.5
2. Industrial Exports :			
(a) Raw materials	7.4	5.9	7.8
(b) Half-manufactured	6.5	7.5	7.2
(c) Manufactured	15.6	21.5	22.5
Total	29.6	34.9	37.5
1 + 2, Total exports	100	100	100

It has not been found possible to give to live-stock prices the same support as to grain prices ; and relatively high grain prices add to the difficulties of cattle-raising. In these circumstances, actual stocks have decreased in percentages of the pre-war stock (1911) in the territory of present Hungary as follows :

	Cattle	Horses	Pigs	Sheep
	(In percentage of 1911 stocks)			
1923	84.6	90.9	64.3	66.0
1929	84.6	94.5	77.7	65.4
1934	78.0	89.6	75.3	45.2

This depletion is particularly to be regretted, as in recent years exports of live-stock have taken the place at the head of the list which was formerly occupied by cereals and flour.

2. TRADE.

It will be seen from the foreign trade figures given in Appendix II, 1, that exports have been recently decreasing in value in comparison with the same period last year. Imports continue to increase, both in value and in quantity.

The traffic and receipts of the State Railways and of the Post, Telegraph and Telephone show an appreciable falling-off for September and a slight recovery for October.

State Railways.

	Ton-kilometres		Receipts	
	1934 (Millions)	1933	1934 (Millions of pengö)	1933
September	182.7	202.5	18.2	19.5
October	246.5	238.4	20.6	20.8

Post, Telegraph and Telephone.

	Registered letters		Parcels		Receipts	
	1934 (Millions)	1933	1934 (Millions)	1933	1934 (Millions of pengö)	1933
September	0.61	0.64	0.72	0.74	7.4	7.6
October	0.67	0.67	0.83	0.79	8.1	7.8

3. PRODUCTION.

There are no changes worth recording in the 1934 crop returns given in my Twelfth Report, page 12.

Consumption of industrial goods, according to the Hungarian Economic Research Institute indices, is at a standstill. The output of iron has increased by 60 per cent, and that of steel by 24 per cent, over the past year :

Third quarter of	Consumption of industrial products (weighted index 1927 = 100)	Value of pawned objects sold at auction (in percentage of total loans)	Output of iron (Thousands of tons)	Output of steel (Thousands of tons)
1932	80.1	3.2	13.5	41.0
1933	93.5	2.9	23.4	65.7
1934	93.0 ¹	2.3	37.3	81.8

4. PRICES.

Grain prices have varied only slightly over the last two months. Cattle prices continue to decline :

	Wheat (per 100 kg.)	Live cattle (middling quality) (per kg.)	Calves (per kg.)	Pigs (per kg.)
		(Pengő)		
September	16.30	0.53	0.78	0.81
October	16.25	0.53	0.84	0.83
November	16.45	0.49	0.80 ²	0.84

5. STOCK EXCHANGE.

The Royal Hungarian Statistical Office's stock-exchange index for November is not yet available. During the month of November there were decided increases, amounting in some cases to 10 per cent or more, in the prices of leading stocks and bonds on the Budapest bourse. Some securities continued to rise during the first ten days of December, but at the time of writing (December 13th) the market is duller and prices tend to decline.

6. BANKING, COMMERCIAL AND PRIVATE.

Savings deposits and current accounts are shown by the October returns (Appendix II, 1) to have continued to increase very slightly over the last year. The comparable figures for November are not yet available, but it is reported that, in the chief Budapest institutions, there has been no change in the tendency, in spite of the flutter on the bourse.

7. COMMERCIAL POLICY.

The measures taken to correct the defects in the clearing agreement with Austria revealed in the earlier part of the year have not yet succeeded in making it work according to programme. It is expected that wheat exports to Austria in the near future will help to right the position. Negotiations to this end are in course.

The clearing agreement with Switzerland has been extended till January 1st next.

The agreement with Czechoslovakia, providing for quotas, has been prolonged till the end of February 1935.

In general, Hungary's trade agreements with other countries are at present subject to frequent revision.

¹ Provisional.

² November 25th.

Appendix I.

MONTHLY (QUARTERLY) RESULTS FOR THE YEAR 1934-35 COMPARED WITH
THE RESULTS FOR THE YEAR 1933-34.

	Financial year July-September		October		November	
	1933-1934	1934-1935	1933	1934	1933	1934
	(Millions of pengö)					
A. ADMINISTRATION.						
<i>Receipts.</i>						
Direct taxes	53.3	53.3	18.0	17.9	35.9	34.1
Customs duties	8.3	10.3	3.1	3.8	3.3	3.4
Excise duties	21.9	23.4	7.7	8.2	7.5	7.0
Turnover tax	23.9	25.8	8.6	9.8	8.8	9.4
Dues	24.2	23.6	9.4	8.0	8.4	8.3
Tobacco Monopoly	27.8	27.4	8.5	9.0	8.0	8.2
Salt Monopoly (gross)	6.1	6.1	2.1	1.9	2.2	2.4
Saccharine and lotteries	0.4	0.4	0.5	0.5	—	—
Administrative receipts	9.5	9.4	3.9	3.9	3.7	3.4
Total receipts	175.3	179.8	61.8	63.1	77.9	76.3
<i>Expenditure.</i>						
Army	18.2	20.1	7.5	6.3	5.8	
Foreign Affairs	2.1	2.2	1.2	1.1	0.5	
Justice	8.1	8.0	2.7	2.6	2.9	
Supreme organs of the State ¹	—	—	—	—	—	
Interior	25.9	25.0	9.7	9.8	10.3	
Agriculture	5.9	8.1	2.8	3.8	2.8	
Commerce	7.9	10.2	3.8	3.0	1.8	
Education	14.4	5.1	5.2	5.4	5.0	
Finance	19.0	20.5	5.8	5.7	5.8	
Smaller departments	2.6	2.7	1.2	1.2	0.7	
Subsidies to local authorities	12.2	12.4	4.6	4.6	3.6	
Pensions	35.7	35.8	12.2	12.2	11.3	
Charges under the Peace Treaty	—	—	—	—	—	
Debt service	14.2	14.9	5.1	3.9	2.9	
Investments	—	—	—	—	—	
Total expenditure	166.3	174.7	61.8	59.6	53.3	55.0
Balance	+ 9.0	+ 5.0	—	+ 3.5	+24.6	+21.3
B. UNDERTAKINGS.						
<i>Receipts.</i>						
Post and Telegraph	23.9	22.6	7.9	8.1		
Railways	55.4	53.7	20.9	20.6		
Ironworks	4.1	5.3	0.9	2.3		
Other undertakings	5.4	6.1	1.5	1.9		
Total receipts	88.8	87.7	31.2	32.9		
<i>Expenditure.</i>						
Post and Telegraph	19.4	18.8	6.0	5.8		
Railways	60.3	61.0	20.4	21.1		
Ironworks	7.9	8.5	2.9	3.1		
Other undertakings	4.8	4.8	1.4	1.7		
Total expenditure	92.4	93.1	30.7	31.7		
Balance	— 3.6	— 5.4	+ 0.5	+ 1.2		

¹ Included in the item "Smaller departments".

Appendix II.

I. ECONOMIC INDICES.

(End of date given.)

		Third quarter	October	November
Index of industrial production ¹ ..	1934	97.5	—	—
	1933	89.2	—	—
	1932	74.4	—	—
Output of coal ²	1934	142.4	77.2	—
	1933	153.6	71.9	71.1
	1932	160.0	68.5	71.5
Unemployment ³	1934	20.1	19.4	—
	1933	24.0	24.0	24.1
	1932	27.2	28.7	29.3
Prices : Sensitive	1934	78.2	77.4	—
	1933	78.6	78.6	77.5
	1932	77.3	76.6	77.3
Wholesale	1934	83	82	—
	1933	70	71	70
	1932	90	86	82
Retail	1934	97.23	97.01	96.76
	1933	98.43	98.41	98.42
	1932	106.12	106.01	106.01
Stock Exchange index ⁴	1934	68.0	67.2	—
	1933	78.1	73.8	71.5
	1932	97.9	84.8	84.9
(Millions of pengö)				
Savings deposits at the Post Office Savings Bank and the twelve leading commercial banks ..	1934	565.9	567.7	—
	1933	522.8	520.8	523.7
	1932	499.4	489.9	497.0
Current accounts at the Post Office Savings Bank and the twelve leading commercial banks ..	1934	657.6	665.1	—
	1933	677.1	680.2	681.4
	1932	671.2	667.3	671.4
Total	1934	1,223.5	1,232.8	—
	1933	1,199.9	1,201.0	1,204.8
	1932	1,170.6	1,157.2	1,168.4
Per cent				
Official discount rates	1934	4½	4½	4½
	1933	4½	4½	4½
	1932	5	4½	4½
Market discount rates :				
3-month bills (maximum) ..	1934	7.5	7.5	7.5
	1933	7.5	7.5	7.5
3-month bills (minimum) ..	1934	4.5	4.5	4.5
	1933	4.37	4.37	4.37
(Millions of pengö)				
<i>Foreign trade :</i>				
Imports	1934	85.6	33.7	34.5
	1933	78.4	32.5	31.9
	1932	75.1	27.1	30.3
Exports	1934	97.5	37.6	42.8
	1933	109.6	41.6	43.5
	1932	81.3	31.3	30.5
Difference	1934	11.9	+ 3.9	+ 8.3
	1933	31.2	+ 9.1	+ 11.6
	1932	6.3	+ 4.2	+ 0.2

¹ The Institute for Economic Research only publishes quarterly indices calculated on quantities.
² Coal output in hundred thousands of quintals.
³ Unemployed Social-Democratic workmen.
⁴ On July 13th the Stock Exchange was closed. It was re-opened in September 1932.

2. NATIONAL BANK.

	December 31st		June 30th	September 30th	October 31st	November 30th
	(Millions of pengö)					
Note circulation	{ 1933 368.6	1934	363.9	372.8	373.4	350.4
	{ 1932 352.7	1933	371.7	361.0	361.9	340.9
Sight liabilities :						
Public	{ 1933 64.5	1934	29.5	47.8	51.1	79.5
	{ 1932 41.7	1933	35.6	49.4	48.7	75.8
Private	{ 1933 38.6	1934	39.7	20.3	21.4	20.5
	{ 1932 36.6	1933	37.4	29.1	28.0	25.0
"Other liabilities" (net) ..	{ 1933 155.8	1934	142.1	145.5	146.6	147.6
	{ 1932 176.7	1933	175.1	169.8	169.0	160.9
Metal reserve as shown ..	{ 1933 99.2	1934	101.8	101.1	100.5	104.7
	{ 1932 120.6	1933	121.0	109.1	112.6	97.9
Thereof gold	{ 1933 78.8	1934	78.9	78.9	78.9	78.9
	{ 1932 96.6	1933	96.6	96.6	96.6	78.8
Ratio of cover (percentage) ..	{ 1933 23.5	1934	26.4	25.7	25.2	26.0
	{ 1932 31.8	1933	30.8	28.0	29.0	25.0
Commercial bills discounted	{ 1933 624.8 ¹	1934	569.5 ²	582.0 ²	586.3 ²	588.6 ²
	{ 1932 462.9 ⁴	1933	476.0 ⁵	476.9 ⁶	471.6 ⁷	601.1 ⁸
Advances on securities ⁹ ..	{ 1933 11.0	1934	11.8	11.8	11.8	11.8
	{ 1932 9.5	1933	9.6	11.0	11.0	11.0
Government debt	{ 1933 50.1	1934	48.0	47.3	47.1	47.0
	{ 1932 52.4	1933	51.1	50.3	50.2	50.1
Cash certificates ⁹	{ 1933 119.7	1934	117.7	117.7	115.1	115.1
	{ 1932 —	1933	—	—	—	119.7

¹ Thereof Treasury bonds 31.2 million pengö.

• " " " 36.3 " "
 • " " " 34.1 " "
 • " " " 23.8 " "
 • " " " 25.3 " "
 • " " " 30.3 " "
 • " " " 31.0 " "

² All Treasury bonds.

³ Issued in connection with the consolidation of the Bank for International Settlements and Central Banks credits.

Appendix III.

I. FOREIGN EXCHANGE : PURCHASES AND SALES OF THE NATIONAL BANK OF HUNGARY FOR ELEVEN MONTHS TO NOVEMBER 30TH, 1934 AND 1933.

	First eleven months ¹	First quarter	Second quarter	Third quarter	October	November	First eleven months
	1933	1934					
(Millions of pengő)							
<i>Purchases:</i>							
(a) Export Devisen received ² ..	192.70	64.74	50.58	55.42	22.20	23.07	216.01
Thereof <i>Edeldevisen</i>	38.9%	40.6%	33.4%	21.1%	26.2%	29.3%	31.2%
(b) Under obligatory declaration ..	4.11	0.77	0.79	1.02	0.16	0.15	2.89
(c) From the State ..	4.90	2.50	0.67	0.61	0.31	0.08	4.17
(d) From others ..	6.71	1.20	1.70	2.60	2.11	1.49	9.10
Total	208.42	69.21	53.74	59.65	24.78	24.79	232.17
Excess of sales ..	3.97	—	6.16	—	1.66	—	1.67
<i>Sales:</i>							
(a) For loan service ..	19.25	2.79	5.65	2.57	4.74	0.71	16.46
(b) For imports ..	154.03	55.47	44.41	43.01	17.78	17.20	177.87
(c) To the State ..	17.96	4.78	4.29	6.03	2.50	2.44	20.04
(d) To others	21.15	4.02	5.55	7.00	1.42	1.48	19.47
Total	212.39	67.06	59.90	58.61	26.44	21.83	233.84
Excess of purchases ..	—	2.15	—	1.04	—	2.96	—

¹ Revised figures.

² The percentages of *Edeldevisen* to total export exchange received do not include exchange which the National Bank has been credited with by the Austrian National Bank in respect of sales of grain in Austria. If this exchange is included, the *Edeldevisen* percentages are as follows :

1933 First eleven months	41.1	1934 Third quarter	21.1
1934 First quarter	42.5	1934 October	26.2
1934 Second quarter	38.0	1934 November	29.3
		1934 First eleven months	32.9

It will be remembered that the above sales and purchases include transactions taking place through the clearings, and therefore do not show the National Bank's actual receipts in *Edeldevisen*, for which see I, 5(b) above.

2. FOREIGN EXCHANGE CONTROL.¹

	Actual exports	Exports notified	Percentage of exports notified to actual exports	Export Devisen received	Percentage of Devisen received to exports notified	Percentage of Devisen received to actual exports	Actual imports	Import Devisen allotted	Percentage of Devisen allotted to actual imports
(Millions of pengő)									
1931:									
October	62.4	40.5	64.9	15.7	38.8	25.2	40.4	5.3	13.1
November	63.3	30.8	48.7	15.0	48.7	23.7	34.6	8.0	23.1
December	43.4	20.8	47.9	14.3	68.7	32.9	41.0	7.9	19.3
1932:									
January	24.1	13.7	56.8	15.0	109.5	62.2	27.3	10.2	37.4
February	23.6	14.4	61.0	15.2	105.6	64.4	25.5	10.9	42.7
March	25.4	16.3	64.2	12.6	77.3	49.6	30.5	9.4	30.8
April	26.9	20.1	74.7	14.0	69.6	52.0	25.7	9.4	36.6
May	26.0	17.6	67.7	12.5	71.0	48.1	27.6	10.9	39.5
June	27.5	19.3	70.2	14.6	75.6	53.1	29.2	10.0	34.2
July	23.2	14.1	60.8	12.0	85.1	51.7	23.2	9.6	41.4
August	25.9	14.6	56.4	10.7	73.3	41.3	24.6	8.5	34.6
September	33.3	17.0	51.1	11.6	68.2	34.8	25.9	7.9	30.5
October	31.7	24.8	78.2	14.4	58.1	45.4	26.5	13.4	50.6
November	30.9	20.0	64.7	14.4	72.0	46.6	29.7	9.5	32.0
December	36.0	24.3	67.5	17.4	71.6	48.3	32.8	13.1	39.9
1933:									
January	23.3	17.1	73.4	14.9	87.1	63.9	22.4	13.0	58.0
February	25.9	21.2	81.9	19.3	91.0	74.5	21.6	14.9	69.0
March	29.4	21.9	74.5	18.2	83.1	61.9	26.1	16.3	62.5
April	23.2	14.8	63.8	17.7	119.6	76.3	22.8	11.2	49.1
May	28.2	22.6	80.1	16.6	73.5	58.9	25.5	12.4	48.6
June	29.4	20.6	70.1	15.1	73.3	51.4	25.8	10.4	40.3
July	30.1	18.9	62.8	14.6	77.2	48.5	25.3	14.5	57.3
August	34.7	17.7	51.0	15.5	87.6	44.7	26.6	13.6	51.1
September	44.2	29.4	66.5	17.1	58.2	38.7	26.4	16.3	61.7
October	41.6	27.5	66.1	21.7	78.9	52.2	32.5	14.6	44.9
November	43.5	34.3	78.8	21.9	63.8	50.3	31.9	17.0	53.3
December	39.9	30.9	77.4	22.2	71.8	55.6	26.8	16.8	62.7
1934:									
January	29.3	25.2	86.0	23.6	93.6	80.5	23.9	18.4	77.0
February	29.3	24.9	85.0	20.2	81.1	68.9	22.5	17.4	77.3
March	38.9	28.7	73.8	21.0	73.2	54.0	30.1	19.7	65.4
April	31.4	23.3	74.2	15.4	66.1	49.0	30.5	15.0	49.2
May	27.1	19.3	71.2	17.8	92.2	65.7	29.3	15.5	52.9
June	29.9	20.8	69.6	17.4	83.7	58.2	32.0	13.8	43.1
July	28.6	22.1	77.3	19.0	86.0	66.4	28.7	12.7	44.2
August	33.2	23.9	72.0	18.0	75.3	54.2	28.6	12.1	42.3
September	35.7	18.9	52.9	18.4	97.3	51.5	28.3	18.1	64.0
October	37.6	20.7	55.1	22.2	107.2	59.0	33.7	17.8	52.8
November	42.8	35.4	82.9	23.1	65.3	53.9	34.5	17.2	49.8

¹ Figures relating to exports and imports revised by the Hungarian Statistical Office.

ERRATA.

Page 6, Austrian Foreign Guaranteed Loan 1923-1943.

Section I of Table.

Belgium: the amount (2,572,800) in the penultimate column is in Belgas (and not in Belgian francs).

Page 19, fifth line: read 3 million francs (and not Schillings).

Geneva, December 29th, 1934.

LEAGUE OF NATIONS

**FINANCIAL POSITION
OF AUSTRIA IN THE FOURTH QUARTER OF 1934**

THIRTEENTH QUARTERLY REPORT

By M. Rost van Tonningen, the Representative of the League
of Nations in Austria

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I. INTRODUCTION.

The successful conversion of the Austrian Government Guaranteed Loan 1923-1943 is the most notable achievement of the period under review. This loan was issued in 1923, at a time when conditions in Europe were perhaps as difficult as to-day. For over eleven years Austria has punctually met the service of this loan, the capital amount of which, in Schillings, has been reduced by over 50 per cent through sinking-fund payments and currency depreciation.

The conversion secures a suspension of amortisation for three years, together with reduction of interest and an extension of the period of the loan, so that a total economy of 60 million Schillings a year is obtained. The public debt service is thus reduced by one-fourth to less than 10 per cent of gross total expenditure and is now down to the level of the year 1930, the financial year preceding the Creditanstalt crisis.

All efforts should now be concentrated on the conversion of the 1930 investment loan, which might secure a saving of 10 million Schillings. If this could be done, and certain other questions connected with the Relief Credits and the debt to the foreign creditors of the Creditanstalt be settled, practically all the problems presented by the Austrian debt situation would be solved.

With the termination of the standstill agreements on December 10th and the conversion of the 1923 Loan, Austria has consolidated its credit position to such an extent that its currency can hardly be shaken by foreign action.

This intrinsic strength depends largely on the further development of public finance and the economic position in general. As mentioned in previous reports, the situation in Austria presents many features in common with the gold countries. Its currency is stable and the foreign-exchange position is improving. But the strain imposed on the population is strikingly revealed by the difficult budgetary situation.

The maintenance of internal financial equilibrium requires indeed new measures of retrenchment from a population which has been suffering economic hardship ever since the war.

* * *

1. The total ordinary expenditure for 1934 will probably amount to 2,030.37 million Schillings, or 100.73 million Schillings more than in 1933. Receipts should amount to 1,922.21 million Schillings, an increase of 74.38 million Schillings as compared with 1933. The final deficit is estimated at 108.16 million Schillings (81.81 million Schillings in 1933). The higher expenditure is principally due to the requirements of national defence, while the increase in receipts arises from the yield of new sources of revenue, including 25 million Schillings seigniorage on the issue of new subsidiary coins.

2. The draft estimates for 1935 have not yet been finally approved by the Council of Ministers, but with the relief afforded by the conversion of the 1923-1943 Guaranteed League of Nations Loan, the ordinary deficit should not exceed 15 million Schillings. Revenue appears to have been conservatively estimated. The extraordinary budget for 1935 has not yet been established, but the Finance Minister has been empowered, not only to utilise the unspent balances of the 1934 votes, but also, during the months of January and February next, to borrow up to an established limit for the financing of particularly urgent items of capital expenditure.

3. Traffic on the Federal Railways during October and November showed a downward trend; nevertheless, receipts for the full year 1934 should exceed estimates by about 8 million Schillings. The railway budget for 1935 shows a deficit of 107.7 million Schillings, without allowance for the economies arising out of the conversion of the 1923 Loan, 26.8 per cent of which was expended for railway purposes. The deficit for 1934 should not exceed 100 million Schillings.

4. The 1935 estimates of the Municipality of Vienna show a deficit of 14.27 million Schillings (44.6 million Schillings in 1934). Public works expenditure of 39.04 million Schillings is mainly to be covered by loan operations. The closed accounts for 1933 showed a deficit of 11.56 million Schillings.

5. The returns of the National Bank show a continued reduction of the volume of circulation and a steady growth of the gold and foreign exchange holdings. Savings deposits continue to rise, and at the end of November 1934 they were 124 million Schillings higher than in 1933. The Standstill Agreement of 1932 between the Austrian banks and the American and British bank creditors was terminated on December 10th last, most of the credits covered having been repaid by that date.

6. The foreign trade returns for the first ten months of the year show a reduction of the unfavourable balance from 295.5 million Schillings in 1933 to 228.1 million Schillings in 1934 (22.8 per cent).

7. The recent improvement in the general economic situation appears to be maintained, and the figure for unemployment at the end of November was 25,329 (8.4 per cent) lower than in 1933. The stock exchange has lately been very active, and the prices of bonds and of all kinds of shares have risen considerably, with an increased volume of transactions.

2. FEDERAL BUDGET.

(Appendices I and II.)

(a) FEDERAL BUDGET, 1934.

A. Ordinary Budget.

On the basis of the available information, the budget for the full year 1934 should show the following results :

	1933	1934		Increase (+) or decrease (—)
	Closed accounts	Estimates	Probable results	
Expenditure :	(In millions of Schillings)			
Personnel	702.66	695.08	702.62	+ 7.54
Material	1,226.98	1,217.80	1,327.75	+ 109.95
Total	1,929.64	1,912.88	2,030.37	+ 117.49
Receipts	1,847.83	1,912.98	1,922.21	+ 9.23
Deficit	81.81	—	108.16	+ 108.26
Surplus	—	0.10	—	—

At the September session of the Financial Committee, the Austrian representatives estimated the 1934 deficit at about 140 million Schillings, while figures published in the previous (twelfth) quarterly report gave 110.07 million Schillings as the probable deficit for the first ten months of the year.

This improvement is due to the marked upward trend of receipts during the fourth quarter, illustrated by the following table :

	First quarter, 1934	Second quarter, 1934	Third quarter, 1934	Fourth quarter, 1934
Net yield of taxation :	(In millions of Schillings)			
Actual results	195.03	215.22 ¹	205.80	220.94 ²
Estimates	197.92	203.38	202.63	203.53 ²

Should receipts in December also exceed the estimates, the deficit for the whole year will probably be about 100 million Schillings or even less.

As has been mentioned in previous reports, the excess of material expenditure over the estimates is mainly due to national defence requirements (+ 57.43 million Schillings) and agricultural subsidies (+ 18.27 million Schillings), and also to the fact that though unemployment has been much lower than last year, it has nevertheless exceeded the average figure on which the estimates were based (+ 30.51 million Schillings).

The apparent surplus of revenue over the estimates for 1934 comes mainly from two sources which were not included in the original budget : seigniorage from the issue of new coins (25.15 million Schillings) and the settlement by the Municipality of Vienna of arrears on account of its contribution in 1933 (15.87 million Schillings).

The net yield of State taxation on the basis of the figures now known will be about 15 million Schillings below the estimates, although the security tax (20.68 million Schillings) and an additional import tax on cattle fodder (19.66 million Schillings) were subsequently introduced, while the revenue from the Tobacco Monopoly will be 3.86 million Schillings and that of the Post Office 17.96 million Schillings less.

The increase in the tax on motor-spirit at the beginning of October last, from 30 to 34 Groschen per kilogramme, is expected to yield 1.10 million Schillings in 1934 and 5 million Schillings in 1935. Owing to the dissolution of the cartel, petrol prices in Austria had fallen considerably, so that at present the new tax does not press heavily on consumers. Should the cartel be reconstituted, prices will undoubtedly rise again, in which case the full weight of the tax will be felt by users of motor-vehicles. An increase in the import duties on cattle fodder, under a law of November 10th, should yield 6 million Schillings in a full year.

B. Extraordinary Budget.

	1934	
	Probable expenditure (financed by the Lottery Loan)	Estimates
River and stream regulation and land improvement	18.49	18.—
Road construction	39.70	38.16
Post Office	7.87	9.30
Railways	28.73	37.60
Total	94.79	103.06

¹ Customs account for 14.78 million Schillings of the increase ; in the first and third quarters, they were below the estimates.

² Probable yield.

(b) FEDERAL BUDGET, 1935.

The draft estimates approved by the Cabinet on November 10th affect only the ordinary budget and do not cover the extraordinary expenditure which, in 1933 and 1934, was financed out of the yield of the Domestic Lottery Loan. The principal figures are the following :

	Ordinary budget :			
	1935 Draft estimates	1934 Probable results (In millions of Schillings)	1933 Closed accounts	1932 Closed accounts
Expenditure	1,899.93	2,030.37	1,929.64	1,924.02
Receipts	1,846.65	1,922.21	1,847.83	1,909.02
Deficit	53.28	108.16	81.81	15.—

In arriving at an estimated deficit of 53.28 million Schillings for the coming year, allowance has been made for the economies which would result from a successful conversion of the 1923-1943 Loan. The saving in sinking fund and interest payments alone should amount to some 60 million Schillings in 1935. Conversion of all the tranches might furthermore liberate the reserve fund of some 40 million Schillings, which is now in the hands of the trustees of the above loan. The final uncovered deficit for 1935 would in such case be reduced to 13.28 million Schillings.

The 1935 budget has been based on a conservative estimate of receipts which does not fully discount the recent upward trend of State revenues. It would not be altogether impossible therefore for the figures given below to be exceeded in practice.

	Ordinary budget :			
	1935 Draft estimates	1934 Probable results (In millions of Schillings)	1933 Closed accounts	1932 Closed accounts
<i>Receipts.</i>				
Direct taxes	269.00	275.71	281.40	326.77
Customs (excluding tax on cattle feed)	173.76	176.13	177.50	229.97
Tax on cattle feed	22.00	19.66	2.05	—
Excise duties	186.80	170.21	154.90	171.96
Turnover tax	133.50	137.33	133.96	176.40
Turnover tax emergency surtax	124.00	123.95	118.02	29.72
Taxes on transactions, legal fees, etc.	98.71	102.12	99.97	112.19
Other tax receipts	2.71				2.38	2.34
Total taxes	1,010.48	1,005.11	970.18	1,049.35
Deduct: shares of local au- thorities	180.12	168.12	164.25	222.12
Net tax receipts	830.36	836.99	805.93	827.23
Tobacco Monopoly	316.33	307.69	308.08	328.06
Post and Telegraphs	223.56	207.44	213.41	215.85

No new taxes are being levied, but the import duty on cattle feed, crude and gas oil, and the lighting appliances, and petrol taxes have already been raised (*cf.* page 2, last paragraph). The security tax, first levied in February 1934, is of course maintained, but the 36 million Schillings contributed by the Municipality of Vienna is to be dropped. The higher figure of excise revenue in 1935 is misleading, as it is partly due to the new tax on petrol (+ 5 million Schillings) and to the collection of the provincial beer tax by the Federal Government (+ 12.7 million Schillings). This, however, has to be paid out again to the local authorities.

	Ordinary budget			
	1935 Draft estimates	1934 Probable results	1933 Closed accounts	1932
(In millions of Schillings)				
<i>Expenditure :</i>				
<i>Administration :</i>				
Pensions	213.34	214.06	212.26	210.19
Debt Service	175.85	225.51	213.22	184.45
Chancellor's Office	13.54	21.51	11.16	8.70
Police	67.97	113.92	95.52	92.52
Gendarmerie	37.54			
Auxiliary military forces	11.05	28.62	—	—
Army	115.91	104.79	86.12	81.01
Justice	51.17	51.09	49.97	49.42
Social Insurance	392.79	411.05	449.85	451.52
Financial administration	61.91	58.76	61.40	72.10
Agriculture	50.00	58.77	32.37	34.56
Commerce	63.22	62.35	59.22	60.01
Other departments	114.99	111.40	114.92	116.14
Total administration	1,369.28	1,461.83	1,386.01	1,360.62
Tobacco Monopoly	112.75	114.40	107.54	117.20
Post and Telegraphs	222.01	230.49	228.01	236.06
Federal Railways	79.00	100.11	84.95	83.08

Full allowance has been made in the above debt service estimate for economies resulting from conversion. The noticeable growth of army expenditure is due to the fact that the increase in gendarmerie and police effectives during 1935-1937 will be carried out by seconding from the army men with long-service engagements, their places being filled by short-service men taken from the auxiliary forces; the pay of both is charged to the army budget. Salaries and pensions have not been reduced.

The Ministry of Social Administration has worked out a far-reaching scheme of social insurance reform, by which they hope to reduce expenditure in 1935 by 18.26 million Schillings below the level of 1934. Until the details of this scheme are known, no opinion can be formed as to its merits.

The budget of the Ministry of Agriculture shows cuts of 8.77 million Schillings, but is still 17.63 million Schillings above the 1933 level.

The expenditure and receipts of the Monopolies and Undertakings show little change, but higher receipts, as against the probable results of 1934, of 8.64 million Schillings and 16.12 million Schillings from the Tobacco Monopoly and the Post Office, respectively, are expected. The deficit of the railways in 1935 is put at 79 million Schillings, or 21 million Schillings lower than in 1934.

Although the representative bodies created by the new Constitution have already met, the budget for 1935 will not be submitted to them but will be promulgated by decree under the provisions of an enabling law of April 30th, 1934.

(c) DEBT SITUATION.

A. *The Conversion of the Austrian Government Guaranteed Loan 1923-1943 (League of Nations Loan).*

Attention was drawn in the Twelfth Quarterly Report to the advanced stage of the negotiations for the conversion of this loan, which was issued in 1923 as the first international loan under the auspices of the League of Nations for the reconstruction of Austria.

Though guaranteed by the principal creditor countries, the situation of Central Europe was so critical at that time that the best that could be obtained was a nominal interest of six, and in some cases of six and a half or even seven per cent, whilst the average cost of the loan actually amounted to eight per cent. The type of the loan was a twenty-year annuity loan—i.e., the service was secured by fixed annuities, the redemption rising every year in proportion to the reduction in requirements for interest payments on account of amortisation in preceding years. For over twelve years Austria has now met the service of the loan, but the original high interest rates and the steeply rising redemption quota within the annuities became a crushing burden during the present world crisis. As is well known, the pressure of the crisis is such that practically all countries have not only stopped amortisation but have considerably increased their public debt.

Until the end of 1933, conditions in all the capital markets of the world, as well as in Austria, were so unsettled that it was impossible to meet Austria's requirements. As a result of the patient work of reform and consolidation carried through by the Austrian Government and people, however, it became possible, at the beginning of 1934, to consider seriously the practicability of converting the 1923-1943 Loan.

The first discussions concerning the appropriate means for attaining this object took place during the January 1934 meeting of the Financial Committee. The British Government, through its special delegate, Sir Otto Niemeyer, approached the other guarantors, and an agreement was reached at the meeting of the Committee of Control of the Guarantor States in Geneva in September last.

The guarantor Governments pledged themselves to extend their guarantees from 1943 to 1959 for any conversion loan issued for the redemption of the 1923 loan. This would enable the Austrian Government to issue a twenty-five year conversion loan in redemption of the 1923 Loan, which had only nine years to run (till 1943). In order to alleviate the Austrian burden, it was decided to suspend amortisation for the first three years of the loan (1935-1937).

The agreement was ratified within a few weeks, and it was possible by the middle of October for negotiations to be commenced in London with the issuing banking groups. Although, owing to amortisation and currency depreciation, conversion is an operation of lesser magnitude, measured in figures, than the flotation of the original loan in 1923, as the following table shows, the actual difficulties encountered appeared to be at least as great as eleven years ago.

Austrian Foreign Guaranteed Loan 1923-1943.

	Currency of issue	Nominal amount issued		Nominal amount outstanding prior to conversion	
		In currency of issue ¹	In Schillings ¹	In currency of issue ¹	In Schillings ¹
<i>Section I :</i>					
America	Dollars	25,000,000	177,667,000	14,534,500	77,729,780
Belgium	Belgian francs	25,000,000	9,604,000	2,572,800	3,237,354
United Kingdom	£ sterling	14,000,000	459,143,000	8,167,000	218,222,240
France	French francs	170,000,000	76,193,000	88,580,000	31,516,764
Netherlands ..	Dutch florins	3,000,000	8,359,000	1,662,000	6,051,176
Italy	Lire	200,000,000	65,161,000	119,234,500	54,764,406
Austria	Dollars	13,000,000	92,387,000	7,467,620	39,653,062
Sweden	Krona	13,110,000	23,627,000	7,774,000	10,676,034
Switzerland ..	Swiss francs	25,000,000	31,894,000	14,109,000	24,658,229
Czechoslovakia ..	Kč.	544,267,000	115,204,000	307,597,000	67,179,185
			1,059,239,000		533,688,230
<i>Section II :</i>					
Spain	Pesetas	52,300,000	48,690,000	29,762,000	21,497,093
<i>Section III :</i>					
Swiss Government credit	Swiss francs	23,000,000	28,800,000	13,894,000	24,282,544
			1,136,729,000		579,467,867

¹ Converted in Schillings at

	Amount issued		Amount outstanding
100 Belgian francs	38.4165	100 Belgas	125.83
1 £ sterling	32.7959	100 French francs	26.72
100 French francs	44.8196	100 Dutch florins	35.58
100 Dutch florins	278.6355	100 Italian lire	364.09
100 Italian lire	32.5805	100 Swedish crowns	45.93
100 Swedish crowns	180.2252	100 Swiss francs ;	137.33
100 Swiss francs ;		for tranches	
for tranches	127.5747	for Swiss Government credit	174.77
for Swiss Government credit	125.222	100 Czechoslovak crowns	174.77
100 Czechoslovak crowns	21.167	100 Pesetas	21.84
100 Pesetas	93.097	100 Dollars ;	72.23
100 Dollars ;		for American tranche	
for American tranche	710.667	for Austrian tranche	534.79
for Austrian tranche	710.667		531.—

As the table shows, the 1923 Loan was issued in eleven countries. Of the three sections indicated in the table, the first (section 533.7 million Schillings) was guaranteed by eight States, including Denmark, although no issue was made in that country, in the proportions indicated below.

Name of guaranteeing State	Percentage of the service of the Loan to be fully guaranteed
United Kingdom	24.5
France	24.5
Czechoslovakia	24.5
Italy	20.5
Belgium	2
Sweden	2
Denmark	1
Netherlands	1

An issue was also placed in New York, but the U.S.A. Government did not participate in the guarantee.

The present conditions of that market put the floating of a conversion loan in New York out of the question ; but the conversion of the whole amount outstanding was essential for the liberation of the reserve fund, as explained below. Accordingly, with the aid of the London issuing group, it was decided to increase the nominal amount issued in London by a sum sufficient to reimburse half of the outstanding New York issue. The remaining half would be redeemed by means of a similar increase of the capital amount of the Austrian issue. To relieve the Austrian market, bonds of the American issue would be accepted in Vienna only for conversion into the Schilling securities of the Austrian issue and not for reimbursement. These issues and the eventual Spanish conversion loan represent genuine market operations.

Time was an important element in the transaction, as everything had to be ready at a date that would allow notice of redemption to be given to the holders of the 1923 Loan before or on December 1st, 1934, as under the terms of the General Bond of that issue previous notice of redemption of not less than six calendar months is required, to expire on one of the half-yearly days (June 1st ; December 1st) for payment of interest. Had it not been possible to give this notice of redemption on December 1st, 1934, the whole operation would have been delayed for half a year.

By the united and persistent efforts of all the parties concerned, supported by the Governments of the guarantor States, the desired result has been achieved, and notice of redemption has been given to holders of all *tranches*, except the Spanish. The Madrid Government having extended its guarantee to the conversion loan after December 1st, 1934, negotiations in Spain have been left for a later date.

The difficulties which had to be overcome are clearly shown by the table on page 8, indicating the quotations of the 1923-1943 Loan prior to conversion.

The Swiss Government credit was a direct advance from the Swiss Treasury, and thanks to the goodwill of the Government of the Confederation its conversion was effected without difficulty and on very favourable terms.

The table on page 9 shows the situation prior to conversion and as it will appear after the conversion has been carried through.

Whereas the highest rate of nominal interest on the 1923 Loan was 7%, in the Conversion Loan it is 5%. The following table provides a comparison of the situation before and after conversion in respect of the amounts outstanding or issued respectively at the various rates of interest.

1923-1943 Loan (outstanding prior to conversion)			1934-1959 Conversion Loan (nominal amount issued)		
Nominal rate of interest (%)	(Schillings)	Percentage of total	Nominal rate of interest (%)	(Schillings)	Percentage of total
7	117,382,842	22.0	5	243,219,103	39.3
6.5	86,281,170	16.2	4.5	375,185,176	60.7
6	330,024,218	61.8			
6.3 (average)	533,688,230	100.0	4.7 (average)	618,404,279	100.0

Quotations of the 1923-1943 League of Nations Loan in the Countries of Issue.
(Percentage of face value in paper Schillings.)

	Austria	U.S.A.	France ¹	Italy	Belgium ¹	United Kingdom ¹	Holland	Sweden	Switzerland	Spain ¹	Czecho-slovakia
Nominal rate of interest	Seven per cent		Six and a half per cent			Six per cent					
<i>1934.</i>											
End of:											
June	94.78	97½-98	94.50	100.00	—	101½-101½	97½	—	92.50	99.00	91.25
July	95.27	97-97½	96.00	101.30	—	101-101½	96½	—	93.00	99.00	92.00
August	93.20	98½-99	97.60	101.50	78.00	101½-102½	92	—	96.00	100.10	93.00
September ...	92.55	98½-99½	95.60	101.60	85.00	103½-103½	97	104½-105½	96.25-98.50	100.25	90.00
October	97.50	98½-98½	101.40	102.20	86.00	103½-104½	97-98	105-106	98.00	100.00	94.00
November... ..	98.34	102½-103½	101.20	102.70	92.00	104½-105½	101	105	99.00	100.00	99.00

¹ Including interest.

Conversion of the Austrian Guaranteed Loan 1923-1943.
(Austrian Government Guaranteed Conversion Loan 1934-1959.)

	Amount of 1923-1943 Loan outstanding prior to conversion		Nominal rate of interest	Amount to be issued of 1934-1959 Conversion Loan		Nominal rate of interest	Issue price	Bankers' commission, stamp duty and other costs (per cent) ¹	Net price		
	In currency of issue	In Schillings ^a		In currency of issue	In Schillings ^a						
Belgium	Belgas	2,572,800	3,237,354	6	Belgas	2,842,900 ^b	3,577,221 ^b	5	92	1.5 ^c	90.5 ^c
Czechoslovakia	Kč.	307,597,000	67,179,185	6	Kč.	364,612,000	79,631,261	5	87	2.63717	84.36283
France	Francs	88,580,000	31,516,764	6.5	Francs	109,358,000	38,909,576	5	87	6	81
United Kingdom	\$	7,267,250 ^d	257,362,922	7	£	10,163,900	271,579,408	4.5	98.50	3.72053	94.77947
	£	8,167,000									
Italy	Lire	119,234,500	54,764,406	6.5	Lire	131,500,000	60,397,950	4.5	95	4.32738	90.67262
Netherlands	Florins	1,662,000	6,051,176	6	Florins	1,970,000	7,172,573	4.5	89	4.634	84.366
Sweden	Krona	7,774,000	10,676,034	6	Krona	8,558,000	11,752,701	4.5	95	4.161	90.839
Switzerland	Francs	14,109,000	24,658,229	6	Francs	15,850,000	27,701,045	5	94½	5.4842	89.0158
Switzerland (Government Loan)	Francs	13,894,000	24,282,544	4.5 ^e	Francs	13,894,000	24,282,544	4.5	100	—	100
Austria	\$	7,267,250 ^d	78,242,160	7	\$	93,400,000	93,400,000	5	87	3.229	83.771
	\$	7,467,620									
Spain	Pesetas	29,762,000 ^f	557,970,774				618,404,279				
			21,497,093 ^g								
			579,467,867								

¹ Article IV of the General Bond of the Austrian Government Guaranteed Conversion Loan 1934-1959:

"The total authorised amount of the Loan is such a nominal amount as shall be necessary to yield an effective sum exclusive of the expenses of issue negotiation and delivery which shall not exceed such an amount as may be equal to the principal moneys due in respect of outstanding bonds of the Loan of 1923 immediately prior to redemption by the Austrian Government pursuant to Article 6 of the General Bond of 1923."

^a Converted into Schillings at average private clearing rates of December 4th, 1934 (rate %, £ excepted): Belgas = 125.83; Czech crowns = 21.84; French francs = 35.58; £ = 26.72; Lire = 45.93; Dutch florins = 364.09; Swedish crowns = 137.33; Swiss francs = 174.77;

^b for British tranches = 538.59, for Austrian tranche = 531.

^c Subject to rectification.

^d U.S.A., of the capital outstanding (\$14,534.5), half (\$7,267.25) has been added to the Austrian and British issue respectively.

^e Reduced from 6½% in March 1934.

^f Notice of redemption has not yet been given.

As mentioned above (Chapter 2(b)), the annual economy on completion of the conversion—*i.e.*, after the conversion of the Spanish tranche—will be approximately 60 million Schillings during the first three years (1935-1937), when no amortisation takes place, and about 45 million Schillings thereafter.

Besides this permanent saving it is hoped that all or part of certain moneys, now in the hands of the trustees of the 1923 Loan—chiefly the reserve fund, equivalent to six months' service—will be released. The Government hopes to obtain in this way approximately 40 million Schillings in foreign exchange. This sum is about equal to the amount of the American tranche of the 1923 Loan, which is being taken up by the Viennese market. Should, therefore, at worst, no bonds whatever of the American tranche be presented in Vienna for conversion, the loss of foreign exchange which would be incurred by the country would be compensated by that released from the reserve fund. It is hoped, however, that there will be some conversion of American bonds, and to that extent there would be a net gain in foreign exchange.

B. Funded Debt.

The following table provides a comparison of the funded debt on completion of the conversion (except the Spanish tranche) at the end of 1934 with the position at the end of 1930—*i.e.*, prior to the collapse of the Creditanstalt :

<i>Funded Debt.</i>		1930	End of 1934 (estimates) ^a
		(In millions of Schillings)	
I. Foreign debt :			
1923-1943 Guaranteed Loan (originally 1,108.6 million Schillings)		872.6	22.7 ^b
1934-1959 Conversion Loan		—	618.3
1936 Investment Loan		439.0	358.9
Relief Credits		400.2	380.8
1933-1953 Austrian Guaranteed Loan		—	317.0
Other funded foreign debt		243.5	215.9
Debt to foreign creditors of Creditanstalt ..		—	208.3
Total foreign debt		1,955.3	2,121.9
Gold Schillings		1,955.3	1,657.7
2. Domestic debt :			
Debt to National Bank		101.2	624.4
1933 Lottery Loan		—	220.0
Other domestic debt		35.6	90.1
Austrian share of the debt of the old Monarchy		268.5	345.6
Total domestic debt		405.3	1,280.1
Gold Schillings		405.3	1,000.1
Total funded debt		2,360.6	3,402.0
Gold Schillings		2,360.6	2,657.8

Owing to the high amortisation payments and to currency depreciation, the increase of the foreign debt by 166.6 million Schillings during the four years is less than that which would otherwise have taken place as a result of the issue of the 1933-1953 Guaranteed Loan (outstanding at the end of 1934 : approximately 317 million Schillings) and from the debt to the foreign creditors of the Creditanstalt (208.3 million Schillings at the end of 1934).

This latter debt is liable to substantial reduction should Austria exercise the right to repay it on the short-term plan (*cf.* Fifth Quarterly Report, page 6).

Attention should also be drawn to the Relief Credits, the service of which has remained suspended since 1932, when these debts were included in the group covered by the Hoover moratorium. In the subsequent years payments have been vetoed by the trustees of the 1923-1943 Loan under Article II of the Agreement with the Relief Bonds Committee. These trustees will, however, disappear with the conversion of the last *tranche* of the League Loan. An arrangement will therefore have to be made for the payments falling due in 1935, and it may be hoped that the very special character of this debt will enable a settlement to be made that will be favourable to Austria.

As mentioned in previous reports, all payments on the Creditanstalt bonds were deferred for two years by the supplementary agreement of May 1933. A further extension of one year was spontaneously offered by the foreign creditors in September last. The first payment thus falls due in 1936. In the following table, therefore, no figures are given for the service of Relief Credits or Creditanstalt bonds.

^a Based on private clearing rates of exchange on December 4th, 1934.

^b Notice of redemption of the Spanish tranche has not yet been given.

*Service of the State Debt.**

	1930			1935 (estimates) ¹		
	Interest	Amortisation	Total	Interest	Amortisation	Total
1. Foreign debt :	(In millions of Schillings)					
1923-1943 Guaranteed Loan	57.7	44.4	102.0	6.4 ²	2.0 ²	8.4 ²
1934-1959 Conversion Loan	—	—	—	29.1	—	29.1
1930 Investment Loan	—	—	—	25.1	7.8	32.9
Relief Credits	—	10.0	10.0	—	—	—
1933-1953 Guaranteed Loan	—	—	—	14.2	9.7	23.9
Other funded debt	13.1	10.6	23.7	9.2	11.6	20.8
Creditanstalt bonds	—	—	—	—	—	—
Total foreign debt service	70.8	64.9	135.7	84.0	31.1	115.1
2. Domestic debt :						
National Bank	—	—	—	6.0	12.1	18.1
1933 Lottery Loan	—	—	—	15.4	—	15.4
Other domestic funded debt	2.2	10.1	12.3	4.2	4.0	8.2
Austrian share of the debt of the old Monarchy	15.2	0.5	15.7	14.4	1.5	15.9
Total domestic debt service	17.4	10.6	28.0	40.0	17.6	57.6
Total funded debt service	88.2	75.5	163.7	124.0	48.7	172.7
Gold Schillings	88.2	75.5	163.7	96.9	38.0	134.9

¹ Based on private clearing rates of exchange on December 4th, 1934.

² Notice of redemption of the Spanish *tranche* has not yet been given ; interest and amortisation are estimated at 1.4 and 2 million Schillings respectively.

Although the capital amount of the consolidated debt is substantially higher than in 1930, the service requirements in 1935 are only slightly higher. This reduction is due, not only to the above-mentioned suspension of payments on Relief Credits, but also to the conversion of the 1923-1943 Loan. A further alleviation will occur in 1936, when the Spanish tranche will have been converted and the relief in respect of interest payments will have its full effect (on June 1st, 1935, all coupons of the 1923 Loan not presented for conversion will still have to be paid).

Special attention should be drawn to the domestic debt. As may be seen from the table on page 10, the huge increase is mainly due to the increase in the debt of the State to the National Bank and to the issue of the Lottery Loan. The service of the debt to the National Bank in 1935 includes a payment for amortisation of 12.1 million Schillings (see table above).

C. <i>Floating Debt.</i>	1930	End of 1931 (August)	1934 (estimate)
	(In millions of Schillings)		
Collateral loan from Post Office Savings Bank	—	25.0	25.0
Treasury bills issued under the law of March 1933 for banking reconstruction	—	—	67.0
Treasury bills issued under the law of 1927 for strengthening cash reserves	—	74.8	75.0
Treasury bills authorised by the Financial Committee in September 1934 and issued under the law of December 1934	—	—	12.0
Bank of England advance	—	149.7	—
Total	—	249.5	179.0

From being completely free of short-term liabilities at the end of 1930, the Austrian Treasury found itself burdened in August 1931 with a floating debt of nearly 250 million Schillings, incurred in the endeavour to cope with the desperate situation created by the Creditanstalt crisis and the collapse of the budget.

The issue of the 1933-53 foreign Loan and of the 1933 domestic Lottery Loan enabled the bulk of this debt to be refunded, and of the 179 million Schillings, which will probably be outstanding at the end of 1934, only the 25 million Schilling collateral loan dates from 1931. The 1933 Treasury bills (67 million Schillings) were issued to finance the banking reconstruction of that year and should properly be funded at the earliest favourable opportunity. The remaining bills were issued during the current year (18 million Schillings in December) to cover the budget deficit.

(d) FEDERAL RAILWAYS.

	September	October	November	January-November
Goodstraffic (total loaded wagons)	1933	163,906	199,735	1,702,725
	1934	170,739	218,008	1,815,898

	September	October	January-October
(In millions of Schillings)			
Traffic receipts :			
Goods	1933	23.28	216.70
	1934	23.00	223.00
Passengers ..	1933	15.25	131.09
	1934	13.87	120.64

Though car-loadings in October were 9.1 per cent above 1933, goods receipts were 5 per cent lower. On the same basis goods receipts in November should be even less, as car-loadings, instead of being higher than in 1933, were 0.7 per cent lower. Passenger traffic continues to be below the 1933 level, and during the first ten months of 1934 receipts were 10.45 million Schillings, or 8 per cent, below 1933.

An analysis of the car-loading statistics shows us that the recent weaker trend of goods traffic is in large part due to reduced transit and inward movement, as internal and export loadings have kept fairly steady. A considerable part of the increase in internal loadings is due, however, to the large requirements of the railways for their own purposes, as the following figures show :

		Car loadings :		
		September	October	November
Internal traffic	1933	113,338	144,997	132,108
	1934	121,474	166,942	133,378
of which :				
Customers' traffic	1933	105,230	136,601	125,220
	1934	108,647	152,447	121,976
Railways' own traffic	1933	8,108	8,396	6,888
	1934	12,827	14,495	11,402
Foreign traffic :				
Import	1933	26,891	31,041	30,923
	1934	27,316	28,171	28,128
Export	1933	11,254	12,123	11,032
	1934	11,415	13,046	11,740
Transit	1933	12,423	11,573	10,895
	1934	10,534	9,849	10,415

	Closed accounts		Estimates	
	1932	1933	1934	1935
(In millions of Schillings)				
<i>Operating expenditure :</i>				
Salaries	241.2	210.7	203.4	193.4
Pensions	124.3	133.3	132.5	139.2
Fuel	29.9	29.1	27.5	23.8
Sundry material expenditure	53.2	46.8	62.5	69.3
General expenditure	35.0	32.9	31.7	24.6
Total	483.6	452.8	457.6	450.3
<i>Operating receipts</i>	<i>465.1</i>	<i>439.3</i>	<i>415.2</i>	<i>421.7</i>
<i>Operating deficit</i>	<i>18.5</i>	<i>13.5</i>	<i>42.4</i>	<i>28.6</i>
Debt service	77.3	72.0	84.1	56.8
Exchange fluctuation reserve	10.0	—	—	—
(—) Credit or (+) debit balance of sundry items (net)	— 4.5	+ 0.1	+ 0.5	+ 1.3
Total deficit	101.3	85.6	127.0	86.7

The estimated deficit for 1935 is 40.3 million Schillings lower than that foreseen for 1934, principally because the debt service requirements which would otherwise have been 77.8 million Schillings have, largely through the conversion of the 1923 Loan, been reduced to 56.8 million Schillings. Of the total yield of that loan, 309.5 million Schillings (26.8 per cent) were used to finance railroad capital expenditure for which the undertaking had to provide amortisation and interest at an average annual rate of 10.5 per cent, which required 32.7 million Schillings in 1934. Without this saving, the 1935 deficit would have been 107.7 million Schillings, or about 8 million Schillings higher than the deficit actually incurred during the current year, which, if the expectations of the management are fulfilled, should not exceed 100 million Schillings. The 1935 Federal budget only foresees 79 million Schillings for covering the deficit of the railways.

The 1935 railway budget has been based on an estimate of traffic receipts (403 million Schillings), which is at least 3 million Schillings lower than what will probably be received in 1934. This pessimism is intelligible in view of the slackness of receipts during recent months; and it will lead to a very desirable reserve for unforeseen contingencies should it prove unfounded and traffic follow the same general trend as in 1934, when, in spite of untoward events, receipts will probably exceed estimates by about 8 million Schillings.

The increase in 1935 of 6.8 million Schillings in sundry material expenditure over 1934 is due to the inclusion in operating expenditure of renewals financed in the current year out of the proceeds of the Lottery Loan.

(e) ASSIGNED REVENUES.

The yield from the revenues pledged for the service of the 1923-1943, 1930 and 1933-1953 Loans and the service requirements of these loans during 1934 were as follows :

Yield ¹				Actual loan service requirements			
(In millions of Schillings)				(In millions of Schillings)			
Customs	..	..	174.48	1923-1943 Loan	..	..	97.28
Tobacco	..	..	273.28	1930 Loan	..	..	35.51
			—	1933-1953 Loan	..	..	28.50
Total	..	..	447.76	Total	..	..	161.29

The loan service was covered over two and three-quarter times by the yield from the pledged revenues.

¹ Estimates for December.

LOCAL FINANCE.

The Municipality of Vienna has recently made known, almost simultaneously, the closed accounts for 1933 and the budget estimates for the coming year 1935. The table given below shows the main items of the accounts for all the years since 1930 :

Selected Items of Receipts and Expenditure of the Municipality of Vienna.

	1930	1931	1932	1933	1934	1935
	Closed accounts				Estimates	
<i>Receipts :</i>						
	(In millions of Schillings)					
Rent tax	36.26	36.39	43.53	50.84	43.50	36.—
Real estate tax ..	3.84	4.08	4.84	5.57	4.10	3.—
Tax on salaries paid	75.87	68.57	56.14	47.40	42.00	41.—
Entertainment tax	15.96	16.01	13.16	10.02	8.30	6.—
Tax on foodstuffs ..	12.39	8.36	7.13	4.66	0.40	—
Unearned increment tax	8.27	8.51	11.52	5.97	1.—	1.—
Domestic servants tax	1.85	1.59	1.23	0.87	0.70	—
Beer tax	16.12	13.28	10.42	7.60	5.88	—
Surcharges to Federal taxes	5.49	5.50	7.80	3.48	2.68	2.91
Share in Federal taxes	137.62	87.98	72.43	47.46	52.19	52.80
<i>Expenditure :</i>						
Salaries and pensions	193.29	188.15	180.32	166.84	161.05	144.43
Housing	105.04	92.10	53.17	34.80	21.29	19.69
Welfare	111.81	113.21	98.14	91.13	97.12	95.24
Debt service	21.72	20.26	22.79	19.12	21.87	30.58
Capital expenditure	123.58	100.18	47.26	35.25	12.50	39.04 ¹
Total receipts ..	510.49	453.03	372.32	369.48	304.24	299.63
Total expenditure	527.00	491.09	381.34	381.04	348.83	313.90
Deficit	16.51	38.07	9.02	11.56	44.59	14.27

¹ 34.07 million Schillings to be covered by loans. Source : Published closed accounts and estimates of the Municipality of Vienna.

The year 1933 fell entirely under the old regime, and attention has been drawn in previous reports to the effects on the finances of the Municipality of various Federal decrees issued during that period, the chief of which laid upon Vienna an annual contribution to the Federal Treasury of 36 million Schillings (*cf.* Eighth Quarterly Report, page 16 ; Ninth Quarterly Report, page 8).

The municipal authorities compensated the effects of these measures on a budget that originally was virtually balanced by reducing expenditure on housing, cutting down salaries, and drawing on the reserves of certain municipal undertakings ; so that the final deficit, which has been covered out of Treasury resources, was not appreciably higher than in 1932.

The gas and electricity works yielded a profit of 3.3 and 5.15 million Schillings respectively (0.22 and 0.19 million Schillings in 1932), thus seemingly justifying the increased tariffs. The tramway service, however, showed a deficit of 13.9 million Schillings (7.94 million Schillings in 1932).

Great caution must be exercised in comparing the figures of the 1935 Vienna estimates with those for the preceding years, as recent events have fundamentally modified the financial structure of the municipal administration. In its present form this budget shows a deficit of some 14 million Schillings, which the authorities hope will be covered by an excess of tax receipts over the estimates, due to improving economic conditions. If this expectation is not fulfilled, expenditure will be proportionately reduced. Of the total capital expenditure of 39.04 million Schillings, an amount of 4.97 million Schillings is to be covered out of ordinary resources, while the balance of 34.07 million Schillings, mainly for road and drain repair and construction, will be financed by loan operations. The Municipality claims that the estimates include a further 32.45 million Schillings of expenditure for creating employment. The annual contribution of 36 million Schillings to the Federal Treasury, imposed in 1933, will not be levied in 1935.

Owing to the effects of the Federal decrees mentioned above and to a genuine desire to lighten the pressure of local taxation, the Municipality has abolished or modified several existing sources of revenue. The scale of the tax on rents paid has been reduced, and the estimated yield is, in consequence, 7.5 million Schillings lower than in 1934. Greater facilities have also been given to employers for settling their liabilities on account of the salaries tax (*Fürsorgeabgabe*), at a cost to the Municipality of 1 million Schillings. Owing to a lowering of the rates of the entertainment tax, its yield will be 4 million Schillings less than the yield in 1933.

Taxes have been entirely abolished on foodstuffs and beverages, domestic servants and riding and carriage horses, while the beer tax is now collected by the Federal Government, the Municipality's share of Federal taxation being proportionately increased. Under the new law regulating the share of the provinces and municipalities in joint taxes (see below), Vienna will receive in 1935 about 52.8 million Schillings (estimate 1934, 52.19 million Schillings; actually received in 1930, 137.62 million Schillings). In the summer of this year the water-rates were raised in order to provide more revenue, and the estimated yield for 1935 is 17.54 million Schillings, as against 11.97 million Schillings in 1933. The rate for garbage collection, introduced at about the same period, should yield 8 million Schillings in the coming year.

On the expenditure side salaries and pensions have not been touched, but various reductions introduced during the second half of 1933 make the probable expenditure in 1935 22.41 million Schillings (13.4 per cent) lower than in 1933.

Debt service requirements show an increase of 11.46 million Schillings (60 per cent) over 1933, in spite of the virtual suspension of sinking fund payments following the recent successful conversion of the 1927 dollar Loan. This is due to the high cost (11.05 million Schillings), resulting from the five-year amortisation period of the 45 million Schilling loan raised in 1934 (*cf.* Eleventh Quarterly Report, page 5) to cover the current budgetary deficit, and to the service of the mortgage loan on municipal buildings (2.12 million Schillings) for financing the extraordinary investment programme (*cf.* Eleventh Quarterly Report, page 5). Expenditure under this head in 1934 amounts to about 6.3 per cent of total outgoings, as against 4.1 per cent in 1930. The service of the older debts is almost entirely covered by the contributions of the Federal Government and of the municipal undertakings.

In spite of the deflationary pressure of falling receipts, the Municipality has striven to maintain as far as possible the various welfare institutions, and the 1935 estimates for this purpose, though lower than those of 1934, are 4.11 million Schillings higher than the actual expenditure in 1933. Counsels of economy and changes in policy have reduced expenditure on housing to what is strictly required for maintenance and for the completion of unfinished constructions.

Rent and other receipts from municipal flats are estimated for 1935 at 18.80 million Schillings (11.60 million Schillings in 1933); expenditure for maintenance and depreciation under this heading amounts to 15.72 million Schillings (10.98 million Schillings in 1933).

The new *Abgabenteilungs-Gesetz* of October 26th, 1934, regulates for the next three years the relative powers of taxation of the Federal Government and of the provinces and municipalities, and divides the yield of the joint taxes between them. The new law introduces no fundamental changes, but endeavours rather to clear up the extremely confused situation which had developed since the entry into force of the previous law in 1922. The principles underlying the earlier legislation had undergone repeated changes, dictated mostly by financial or political expediency, and, in the interest of administrative efficiency alone, it was necessary to revise and modify the regulations applicable. The new law is clear, concise and simple, and is only half as long as its predecessor.

After defining the spheres of Federal, joint and local taxation, which remain virtually unchanged, the new law fixes the share of the various local authorities in the yield of joint taxes and arranges for the direct transfer to the municipalities of the sums due to them, instead of transfer through the provincial Treasuries. The old ratios remain almost unchanged, and the relative portion received by each authority is based on the population shown by the census of March 22nd last.

Vienna, however, is treated separately. To avoid the appearance of a conflict of interests between the capital and the provinces, Vienna's share is settled along separate lines. The municipal Treasury will receive 31 per cent of the actual yield in 1935 within the city boundaries of the specified joint taxes. Financially the result is the same as if the old system had been maintained, but now the city is guaranteed a minimum share, an advantage not enjoyed by the other authorities.

The relatively late publication of the above law has delayed the drafting of the local budgets for 1935. The figures given below are the only estimates known at the time of writing :

	Expenditure	Receipts	Deficit (—) or surplus (+)
	(In thousands of Schillings)		
Vienna	313.900	299.630	— 14.270
Salzburg	17.379	17.337	— 42
Tyrol	16.252	16.256	+ 4

4. POSITION OF THE CENTRAL BANK. (Appendix III, Columns 14 to 20.)

(This chapter has been drawn up in consultation with the Adviser to the National Bank, M. Maurice Frère.)

	End of					
	1933	First quarter	Second quarter	Third quarter	October	November
	(In millions of Schillings)					
1. Note circulation	952	981	955	964	954	955
2. Sight liabilities	142	154	156	174	180	172
3. 1 plus 2	1,094	1,135	1,111	1,138	1,134	1,127
4. Blocked "foreign debt accounts" included in 2	14	15	15	13	12	12
5. 3 minus 4	1,080	1,120	1,096	1,125	1,122	1,115
6. Gold and foreign exchange	202	213	277	282	285	288
7. Bills discounted	275	308	254	254	250	241

The statements of the National Bank at the end of the months of October and November show a continued reduction of the volume of circulation and a steady growth of the gold and foreign exchange holdings, which have increased by 11 million Schillings (3.97 per cent) since they were revalued at the end of April last. The large figure for sight liabilities represents almost in its entirety genuine bankers' balances, as blocked accounts are vanishing, and even the foreign debt fund is gradually being reduced.

Austrian credit abroad continues to improve, as the steadiness of the Schilling exchange and the quotation of the 1930 loan show :

End of :	Vienna	New York	London
1934 June	82.42	68	83
July	82.23	66	72-73
August	83.44	62½	71-72½
September	85.55	70	76-77½
October	88.36	76	80½-81½
November	90.63	85	88

Savings deposits, after a more than seasonal check in July, have steadily risen during the last four months, and at the end of November they were 14 million Schillings higher than the maximum of 1933, and 124 million Schillings higher than in November 1933.

A measure of the progress realised since the critical days of 1931 is the termination of the Austrian standstill agreement. At the suggestion of the Austrian parties concerned, it has been agreed to terminate, as at December 10th, 1934, the Austrian standstill agreement entered into between the Austrian National Bank, the Austrian banks, and the American and British bank creditors. The undertaking by American and British bank creditors to continue their short-term credits granted to Austrian banks (other than the Oesterreichische Creditanstalt für Handel und Gewerbe) was originally given in separate but similar agreements entered into in the early part of 1932 ; it was continued in January 1933, however, in a single agreement, to which both the American and British bank creditors were parties. Most of the credits covered by this agreement have already been repaid by the Austrian banks by private arrangements with their creditors, and with the termination of the existing agreement normal relations between debtor and creditor banks will be restored with regard to the outstanding credits, which are quite small.

With this, almost the last step has been taken towards restoring normal financial relations between Austria and the Western nations. At the outset the Austrian authorities only had recourse to such methods of restriction under the pressure of circumstances, and they have always endeavoured to restore normal relations at the earliest feasible moment.

5. ECONOMIC SITUATION.

(a) FOREIGN TRADE.

(Appendix III, Columns 1 to 5.)

January-October	Imports		Exports		Excess imports (In millions of Schillings)
	(In thousands of tons)	(In millions of Schillings)	(In thousands of tons)	(In millions of Schillings)	
1933	4,595.8	922.0	1,727.9	626.5	295.5
1934	4,549.4	935.4	2,157.2	707.3	228.1

The preceding report analysed the foreign trade returns for the period January-September. The October figures, which are the latest available at the time of writing, reveal no change of any importance in the previous trend. The excess of imports in that month was 26.4 million Schillings, or 3.6 million Schillings lower than in 1933, the total deficitary balance for the ten months being 228.1 million Schillings, or 67.4 million Schillings (22.8 per cent) less than in 1933.

Fuel and raw-material imports in October 1934 were lower in weight than last year, finished imports being 1.6 million Schillings (4.8 per cent) higher and exports in the same class 1 million Schilling (1.7 per cent) lower. Over 16,000 tons of apples were exported in October 1934, of which about 13,000 tons to Germany.

(b) PRODUCTION.

(Appendix III, Columns 9 to 12.)

		July	August	September	October	November
Iron ore (1,000 tons)	1933	36	37	30	33	34
	1934	56	52	46	49	
Pig-iron	1933	46	44	42	43	43
	1934	48	49	43	46	
Steel	1933	52	50	46	24	42
	1934	81	71	57	52	
Rolled and semi-finished goods ..	1933	48	42	39	32	42
	1934	78	75	51	54	
	1923-1932 = 100.					

Source : Institut für Konjunkturforschung.

The production indices for the whole of the third quarter of 1934 have now been published and show, on the whole, an appreciable improvement over 1933. This is consonant with the trend of applications for employment in certain classified industries (see below under "Labour Market") and with the foreign trade returns. It would seem that this increased activity mainly relates to foreign markets, as effective domestic purchasing-power has not yet noticeably increased.

(c) LABOUR MARKET.

Unemployment in Austria started to increase, as in 1933, during the second half of October, while in Vienna, thanks to the investment programme of the Municipality, it continued to fall slightly for another fortnight. At the end of November there were 275,148 persons receiving benefit—i.e., 25,329 (8.4 per cent) less than in 1933 and 54,559 (16.5 per cent) less than in 1932.

Unemployed receiving Benefit in Austria.

End of :	1932	1933	1934	Difference between 1933 and 1934	
				Decrease	Percentage
January	358,114	397,920	357,291	— 40,629	10.2
February	361,948	401,321	352,451	— 48,870	12.2
March	352,444	379,693	325,657	— 54,036	14.2
April	303,888	350,552	295,814	— 54,738	15.6
May	271,481	320,955	273,576	— 47,379	14.7
June	265,040	307,873	263,883	— 43,990	14.3
July	266,365	300,762	257,213	— 43,549	14.4
August	269,179	291,224	248,028	— 43,196	14.8
September	275,825	279,053	243,847	— 35,179	12.6
October	297,791	280,381	249,275	— 31,106	11.1
November	329,707	300,477	275,148	— 25,329	8.4
December	367,829	335,919			

The improved labour situation in certain branches of industry during the third quarter of the year is shown by the following figures :

Unemployed Applicants for Work classified according to Industries.

End of :		Building	Iron and metal	Machine	Electrical	Clothing	Printing	Chemical
		(In thousands)						
July	1933	77	37	19	8.3	29	6.8	6.6
	1934	63	30	16	6.2	29	7.7	6.8
August	1933	73	36	19	7.7	28	7.2	6.3
	1934	61	29	15	5.8	27	7.8	6.6
September	1933	72	35	19	7.4	24	7.4	6.4
	1934	61	28	15	5.5	24	7.9	6.4

(d) PRICES.

(Appendix III, Columns 7 and 8.)

The following table shows the wholesale prices in Vienna, of certain "key" agricultural and industrial articles, as published by the Federal Statistical Office :

	Price in Schillings per 100 kg.							
	Middle of							
	1932	1933		1934				
	December	June	December	June	September	October	November	
Wheat (domestic) ..	34.40	36.00	35.40	35.15	35.50	35.50	35.60	
Potatoes	9.25	24.50 ¹	9.90	23.50 ¹	11.00	9.75	10.50	
Sugar	119.00	119.00	119.25	119.25	119.25	119.25	119.25	
Beef	240.00	220.00	230.00	210.00	220.00	220.00	220.00	
Cotton	111.80	151.00	129.00	145.00	154.40	146.20	149.60	
Wool	755.00	853.00	1,158.00	1,112.00	740.00	770.00	809.00	
Rubber	76.80	127.00	143.60	197.60	189.80	184.60	175.00	
Hard coal	8.56	8.56	8.56	8.56	8.56	8.56	8.56	
Copper	98.00	130.00	99.00	100.00	88.00	86.00	90.00	
Lead	51.00	55.00	52.00	50.00	46.00	46.00	51.00	
Foodstuffs	1914 = 100	102.00	101.40	99.00	102.40	100.70	100.80	101.40
Industrial articles		120.00	125.10	126.50	126.70	123.50	123.90	124.20

(e) STOCK EXCHANGE.

	1923-1943 Loan, Austrian tranche, 7%	1930 Loan, Austrian tranche, 7%	1933 Lottery Loan, 4% (issued at 98)	1931 Building Loan, 5%	Niederöster- reichische Mortgage Bonds, 5%
	(Percentage of face value in paper Schillings)				
January	90.38	77.19	—	60.16	67.97
February	100.11	78.13	92.00	60.16	67.97
March	98.20	79.88	84.00	59.06	67.58
April	95.34	83.52	84.00	59.77	67.97
May	95.57	83.01	83.50	60.86	70.31
June	94.78	82.42	82.50	59.71	66.80
July	95.27	82.23	82.50	58.59	67.97
August	93.20	83.44	84.50	58.63	69.53
September	92.55	85.55	84.00	59.38	71.88
October	97.81	88.36	85.00	63.36	71.88
November	98.89	90.63	90.50	64.84	73.44

The increased activity on the Stock Exchange, which had originally been confined to fixed interest-bearing securities, has now spread to equities, and a heavier turnover has been accompanied by a rise in quotations of all classes of shares, as the following figures show :

	July	August	September	October	November
Index of 35 industrial shares 1923-1932 = 100 (I.f.K.)	47.8	47.4	49.4	50.6	53.5
Turnover from security transactions	14.6	11.7	14.3	25.2	

The renewed interest of the investing public in this class of investment is a welcome sign, reflecting as it does the increased confidence of the public in the economic future of the country.

(f) COMMERCIAL POLICY.

The commercial negotiations with France, which took place in October last, led to the conclusion of a preference agreement. On the basis of the Stresa recommendations, France

¹ New Italian potatoes.

has unilaterally granted preferential tariff rates for a variety of Austrian goods. This agreement will have to be constitutionally ratified in both countries. The French general import tax, which for Austrian goods amounted to 4 or 6 per cent according to the class of goods, has been reduced to 2 per cent. On the basis of the present volume of trade with France, this represents a saving of about 3 million Schillings for the exporting industries. Arrangements have also been made for the granting of certain new individual quotas, while a reform of the procedure followed in applying quotas will ensure that they are fully utilised.

Negotiations with Italy were begun in December 1934 for the purpose of increasing commercial intercourse with that country. Direct dealings between representatives of private industries are taking place simultaneously under the Rome agreements.

Roumania has denounced, as from December 15th last, the treaty regulating international payments. It has been provisionally prolonged until the end of the year, and conversations are taking place concerning the future ordering of such transactions.

The opportunities for an increased exchange of goods with Denmark are being examined, and negotiations will commence shortly.

Appendix I.

ANALYSIS OF ANNUAL AND QUARTERLY BUDGET ACCOUNTS.

RECEIPTS	1934	1935	First quarter			Second quarter			Third quarter			Fourth quarter		
	Estimates	Draft estimates	1933	1934		1933	1934		1933	1934		1933	1934	
			Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	
ORDINARY BUDGET.														
A. Administration :													(In millions of Schillings)	
Direct taxes	268.30	269.00	73.18	71.73	70.96	74.63	69.30	67.21	67.00	65.60	69.85	66.19	67.00	
Customs	232.00	195.76	40.83	45.50	38.44	30.42	44.50	59.28	44.53	49.00	43.73	43.73	44.50	
Excise duties	162.76	186.80	32.33	32.97	35.37	36.50	36.89	37.30	40.94	42.54	50.14	45.11	42.01	
Turnover tax	129.00	133.50	33.09	35.51	33.19	32.64	32.80	32.96	30.12	32.60	32.68	38.13	34.90	
Turnover tax, emergency surtax	119.00	124.00	27.72	29.20	31.22	29.15	29.30	28.79	27.99	28.85	29.90	33.10	32.10	
Taxes on transactions, legal fees, etc.	101.26	98.71	25.35	24.80	25.31	25.59	24.95	24.89	22.36	23.20	22.39	26.32	25.20	
Other receipts	3.17	8.78	0.46	0.80	0.58	0.65	0.79	0.57	0.53	0.79	0.78	0.78	0.78	
Total taxes	1,015.69	1,010.49	232.96	240.51	237.27	249.58	238.73	231.00	233.47	242.58	249.47	253.36	246.49	
<i>Deduct :</i>														
Shares of local authorities	165.75	180.13	47.89	42.59	42.24	38.26	35.35	35.78	37.97	39.95	43.67	38.88	42.96	
Total : State taxation	851.94	830.36	185.07	197.92	195.03	211.32	203.38	215.22	195.50	202.63	205.80	214.48	203.53	
Receipts of Social Administration	197.72	188.84	32.32	47.53	48.83	44.47	42.60	47.14	50.13	47.80	49.37	45.42	48.49	
Other administrative receipts	100.90	91.14	13.66	22.21	30.45	15.94	25.74	39.21	31.90	28.09	40.89	36.97	36.94	
Contribution towards Debt Service	111.00	79.88	12.66	21.66	21.59	38.26	30.17	31.57	27.01	28.68	28.63	29.31	28.29	
Total receipts of the Administration	1,261.56	1,190.22	265.71	295.32	295.90	309.99	302.89	333.14	304.54	307.20	324.83	326.18	317.25	
B. Monopolies :														
Tobacco	311.55	316.33	67.73	67.58	72.23	78.17	76.47	76.98	80.72	78.72	79.15	81.26	78.84	
Salt	28.81	29.29	7.74	7.45	7.57	5.68	6.96	6.88	7.12	6.81	6.85	8.68	7.45	
Lotteries and gunpowder	55.30	54.44	14.69	15.08	15.82	13.70	12.34	13.20	16.42	15.38	15.66	13.87	13.36	
Total : Monopolies	395.66	400.06	90.16	90.11	95.62	97.55	95.77	97.06	104.26	100.91	101.66	103.81	99.65	
C. Public Undertakings :														
Posts and Telegraphs	225.30	223.56	53.58	50.70	51.31	50.53	51.45	49.60	55.69	51.85	52.13	53.32	54.41	
Forests	8.85	10.25	1.72	1.90	1.84	1.59	1.85	2.01	2.07	1.80	2.62	3.04	2.70	
Federal theatres	6.53	6.19	1.54	1.73	1.90	1.64	1.60	1.51	0.79	0.93	0.81	1.75	1.59	
Other	15.06	16.37	3.64	3.37	3.50	3.72	4.16	3.93	3.26	4.31	3.99	3.89	4.97	
Total : Public Undertakings	255.76	256.37	60.48	57.70	58.55	57.48	59.06	57.05	61.81	58.89	59.55	62.00	63.67	
D. Railways :														
Federal railways	—	—	—	—	—	—	—	—	—	—	—	—	—	
Other railways	—	—	0.02	—	—	—	0.02	0.02	0.02	—	—	0.02	—	
Total : Railways	—	—	0.02	—	—	—	0.02	0.02	0.02	—	—	0.02	—	
Total ordinary receipts	1,912.98	1,846.65	416.37	443.13	450.07	465.02	456.74	487.27	470.63	467.00	486.04	492.01	480.57	

ANALYSIS OF ANNUAL AND QUARTERLY BUDGET ACCOUNTS (continued).

EXPENDITURE	1934	1935	First quarter		Second quarter		Third quarter		Fourth quarter				
	Estimates	Draft estimates	1933	1934	1933	1934	1933	1934	1933	1934			
			Provisional results	Estimates	Provisional results	Estimates	Provisional results	Estimates	Provisional results	Provisional results	Estimates		
ORDINARY BUDGET.													
A. Administration:													
Army	94.00	115.91	21.09	25.71	25.61	20.60	25.04	24.37	20.98	25.80	25.23	23.50	29.59
Foreign Affairs .. .	6.23	6.46	1.24	1.54	1.55	1.37	1.50	1.49	1.55	1.67	1.67	1.63	1.55
Justice .. .	50.35	51.17	12.44	12.54	12.57	12.23	12.88	12.69	12.31	12.97	12.77	12.85	13.06
Supreme organs .. .	4.78	3.81	1.09	1.02	1.00	1.12	0.79	0.82	1.40	0.81	0.86	1.04	0.85
Chancellor's office .. .	10.07	13.54	3.78	2.75	6.99	2.16	2.41	3.31	1.98	4.48	5.04	2.69	5.18
Interior .. .	95.91	117.04	22.64	35.02	38.51	23.54	30.53	30.55	24.31	32.91	35.41	25.05	38.07
Social Administration .. .	385.26	392.80	131.91	122.90	116.03	112.21	97.09	97.52	104.69	95.02	94.92	100.51	102.57
Agriculture .. .	39.10	40.00	7.39	10.52	10.13	7.43	15.78	15.70	7.49	16.86	16.70	9.13	14.85
Commerce and Traffic .. .	56.48	63.22	12.90	11.74	11.59	14.07	13.62	14.79	14.67	16.81	16.65	17.33	19.32
Education, Science, Church .. .	71.50	72.01	17.30	18.83	18.82	19.46	17.87	17.73	16.87	17.70	17.65	19.31	18.20
Finance .. .	57.86	61.91	17.11	14.92	14.45	15.96	14.36	14.35	15.54	14.00	15.06	11.83	14.92
Subsidies to Postal Savings Bank .. .	2.50	4.20	0.75	0.63	0.63	0.75	0.63	0.63	0.75	0.63	1.23	0.71	0.63
Payments to local authorities .. .	26.67	24.06	6.30	6.18	6.19	6.90	6.86	6.83	6.20	6.45	6.25	6.92	7.04
Pensions .. .	210.00	213.34	53.99	54.21	54.32	53.07	53.52	53.46	52.92	53.39	53.45	52.38	52.83
Charges under the Peace Treaty .. .	2.66	4.57	0.09	0.09	0.10	1.02	1.39	1.33	0.25	0.10	0.09	0.74	0.60
Debt Service .. .	240.89	175.85	51.50	60.66	60.68	47.28	58.80	57.78	62.46	54.92	57.17	50.44	49.88
Total: Administration .. .	1,354.26	1,369.29	361.52	379.26	379.17	339.17	353.07	353.35	344.37	354.52	360.15	336.06	369.14
B. Monopolies:													
Tobacco .. .	111.04	112.75	23.73	24.93	25.44	26.62	27.78	28.19	27.27	30.38	30.46	29.80	30.47
Salt .. .	14.33	14.94	3.59	4.04	4.02	3.60	3.94	3.91	3.65	4.05	4.05	3.96	4.04
Lotteries .. .	35.76	32.45	8.92	8.66	9.00	9.92	9.17	8.55	8.23	7.92	8.82	10.72	9.03
Gunpowder .. .	5.01	5.81	1.14	1.33	1.66	1.09	1.38	1.59	1.21	1.43	1.53	1.84	1.66
Total: Monopolies .. .	166.14	165.95	37.38	38.96	40.12	41.23	42.27	42.24	40.36	43.78	44.66	46.32	45.20
C. Undertakings:													
Posts and Telegraphs .. .	226.60	222.01	56.57	56.48	56.41	57.71	56.90	56.90	53.33	58.77	58.83	57.25	58.35
Forests .. .	20.98	20.73	4.57	5.08	4.90	4.66	5.02	5.05	4.85	5.32	5.16	5.31	5.45
Federal theatres .. .	10.64	9.95	2.73	2.57	2.71	3.03	2.73	2.85	2.42	2.42	2.40	2.74	2.66
Other undertakings .. .	15.14	15.53	3.81	4.08	4.18	4.02	4.26	4.12	3.77	4.50	4.27	4.04	4.79
Total: Undertakings .. .	273.36	268.22	67.48	68.21	68.20	69.42	68.96	68.92	69.37	71.01	70.66	69.34	71.25
D. Railways:													
Federal Railways .. .	100.00	79.00	21.00	25.00	25.00	19.00	23.98	25.00	18.87	24.99	25.08	26.08	25.03
Charges under the Südbahn Convention .. .	15.51	13.99	2.40	3.10	3.09	0.01	3.10	3.07	8.91	3.10	3.08	3.36	4.46
Other railways .. .	3.61	3.48	1.95	0.86	0.86	1.39	0.96	0.96	0.69	0.86	0.86	0.66	0.94
Total: Railways .. .	119.12	96.47	25.35	28.96	28.95	20.40	28.04	29.03	28.47	28.95	29.02	30.10	30.43
Total ordinary expenditure .. .	1,912.88	1,899.93	491.73	515.39	516.44	470.22	492.34	493.54	482.37	498.26	504.49	481.82	516.02
Total ordinary receipts .. .	1,912.98	1,846.65	416.37	443.13	450.07	465.02	456.74	487.27	470.63	467.00	486.04	492.01	480.57
Ordinary budget balance .. .	+ 0.10	- 53.28	- 75.36	- 72.26	- 66.37	- 5.20	- 35.60	- 6.27	- 11.94	- 31.26	- 18.45	+ 10.19	- 35.45
EXTRAORDINARY BUDGET.													
Finance .. .	—	—	140.00	—	—	—	—	—	—	—	—	—	—
Commerce and Traffic .. .	38.16	—	—	5.12	3.67	0.80	8.70	7.96	9.04	14.90	14.71	12.37	13.36
Agriculture .. .	18.00	—	—	5.10	4.22	0.80	5.00	4.75	6.90	5.62	5.13	5.25	4.40
Posts and Telegraphs .. .	—	—	—	1.38	0.65	—	1.52	1.29	—	1.93	1.65	0.65	4.30
Railways .. .	46.90	—	—	7.08	0.91	—	15.33	15.33	—	9.52	9.53	3.20	2.96
Total extraordinary expenditure .. .	103.06	—	140.00	18.58	9.45	1.60	30.55	29.33	15.94	31.97	31.02	21.47	25.02
Total extraordinary receipts .. .	—	—	—	—	—	0.80	—	—	6.95	—	—	12.25	—
Extraordinary budget balance .. .	- 103.06	—	- 140.00	- 18.58	- 9.45	- 0.80	- 30.55	- 20.35	- 8.99	- 31.97	- 31.02	- 9.22	- 25.02
Total budget balance .. .	- 102.96	—	- 215.36	- 90.84	- 75.82	- 6.00	- 66.15	- 35.60	- 20.93	- 63.23	- 49.47	+ 0.97	- 60.47

MONTHLY ESTIMATES AND PROVISIONAL RESULTS (continued).

EXPENDITURE	September			October			November		December	
	1933	1934		1933	1934		1933	1934	1933	1934
	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Estimates
ORDINARY BUDGET.										
(In millions of Schillings)										
A. Administration:										
Army	6.89	8.80	8.66	6.95	8.82	8.78	8.14	9.93	8.41	10.84
Foreign Affairs .. .	0.48	0.50	0.50	0.48	0.51	0.51	0.56	0.51	0.59	0.53
Justice .. .	4.24	4.07	4.00	4.33	4.33	4.35	4.02	4.05	4.50	4.68
Supreme organs .. .	0.34	0.22	0.27	0.36	0.23	0.22	0.34	0.27	0.34	0.35
Chancellor's office .. .	0.53	1.32	0.83	0.54	1.04	1.47	0.55	1.48	1.60	2.66
Interior .. .	7.98	12.32	12.48	8.24	11.21	11.47	8.38	12.09	8.43	13.77
Social Administration .. .	37.06	34.81	33.92	30.48	31.53	31.36	32.13	32.69	37.90	38.35
Agriculture .. .	2.48	4.97	4.94	2.84	5.24	6.10	3.03	5.36	3.26	4.25
Commerce and Traffic .. .	4.78	5.70	5.65	4.51	5.21	5.31	4.42	6.17	8.40	7.94
Education, Science, Church .. .	5.57	6.86	6.74	5.40	5.57	5.53	5.68	5.62	8.23	7.01
Finance .. .	5.02	4.83	5.72	4.87	4.88	5.02	4.49	4.61	2.47	5.43
Subsidy to Postal Savings Bank .. .	0.25	0.21	0.56	0.25	0.21	0.51	0.25	0.21	0.21	0.21
Payments to local authorities .. .	2.06	2.16	2.06	2.07	2.09	2.09	2.09	2.25	2.76	2.70
Pensions .. .	17.69	17.81	17.85	17.75	17.83	17.95	17.73	17.85	16.90	17.15
Charges under the Peace Treaty .. .	—	0.03	0.04	0.28	0.16	0.23	0.01	0.02	0.45	0.32
Debt Service .. .	19.87	19.97	18.58	16.21	22.32	22.17	15.59	14.34	18.64	13.02
Total: Administration .. .	115.44	125.18	123.40	105.56	121.28	123.07	107.41	118.65	123.09	129.21
B. Monopolies:										
Tobacco .. .	8.96	9.62	9.45	8.82	9.88	9.69	8.96	9.53	12.02	11.06
Salt .. .	1.22	1.45	1.38	1.30	1.35	1.29	1.31	1.31	1.35	1.38
Lotteries .. .	3.56	4.70	5.48	7.86	6.11	6.17	1.46	1.38	1.40	1.54
Gunpowder .. .	0.45	0.48	0.58	0.47	0.48	0.48	0.54	0.60	0.83	0.58
Total: Monopolies .. .	14.19	16.25	16.89	18.45	17.82	17.63	12.27	12.82	15.60	14.56
C. Public Undertakings:										
Posts and Telegraphs .. .	19.03	19.20	19.19	18.73	19.10	19.14	18.65	18.92	19.87	20.33
Forests .. .	1.65	1.74	1.68	1.68	1.75	1.76	1.62	1.70	2.01	2.00
Federal theatres .. .	0.88	0.88	0.89	0.87	0.92	0.95	0.85	0.89	1.02	0.85
Other undertakings .. .	1.27	1.61	1.49	1.24	1.54	1.48	1.22	1.54	1.58	1.71
Total: Public Undertakings .. .	22.83	23.43	23.25	22.52	23.31	23.33	22.34	23.05	24.48	24.89
D. Railways:										
Federal Railways .. .	6.00	8.33	8.42	5.45	8.33	8.24	6.22	8.34	14.41	8.36
Charges under the Südbahn Convention .. .	3.08	3.10	3.08	—	—	—	—	—	3.36	4.46
Other railways .. .	0.21	0.26	0.26	0.24	0.32	0.31	0.21	0.29	0.21	0.33
Total: Railways .. .	9.29	11.69	11.76	5.69	8.65	8.55	6.43	8.63	17.98	13.15
Total ordinary expenditure .. .	161.55	176.55	175.30	152.22	171.06	172.58	148.45	163.15	181.15	181.81
Total ordinary receipts .. .	158.79	156.72	159.92	161.71	157.81	178.70	153.59	153.60	176.71	169.16
Ordinary budget balance .. .	- 2.76	- 19.83	- 15.38	+ 9.49	- 13.25	+ 6.12	+ 3.14	- 9.55	- 4.44	- 12.65
EXTRAORDINARY BUDGET.										
Finance .. .	—	—	—	—	—	—	—	—	—	—
Commerce and Traffic .. .	5.19	5.40	5.68	5.89	4.61	3.85	3.43	5.00	3.05	3.75
Agriculture .. .	2.67	1.80	1.55	1.85	1.69	1.55	1.64	1.57	1.76	1.14
Posts and Telegraphs .. .	—	0.82	0.54	0.22	1.28	0.88	0.21	1.27	0.22	1.75
Railways .. .	—	2.48	2.49	—	2.79	2.79	—	—	3.20	0.17
Total extraordinary expenditure .. .	7.86	10.50	10.26	7.96	10.37	9.07	5.28	7.84	8.23	6.81
Total extraordinary receipts .. .	3.10	—	—	1.85	—	—	1.47	—	8.93	—
Extraordinary budget balance .. .	- 4.76	- 10.50	- 10.26	- 6.11	- 10.37	- 9.07	- 3.81	- 7.84	+ 0.70	- 6.81
Total budget balance .. .	- 7.52	- 30.33	- 25.64	+ 3.38	- 23.62	- 2.95	+ 1.33	- 17.39	- 3.74	- 19.46

Appendix II.

MONTHLY ESTIMATES AND PROVISIONAL RESULTS.

RECEIPTS	September			October			November		December	
	1933	1934		1933	1934		1933	1934	1933	1934
	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Estimates
ORDINARY BUDGET.										
(In millions of Schillings)										
A. Administration:										
Direct taxes	26.09	24.00	24.86	23.40	22.00	25.06	19.71	21.00	23.03	24.00
Customs	14.30	16.00	14.85	12.87	14.30	18.23	15.77	14.50	15.09	15.50
Excise duties	14.77	14.68	16.50	14.38	12.08	15.46	13.64	15.25	17.09	14.68
Turnover tax	8.65	10.70	10.80	11.71	11.30	11.82	12.31	11.50	14.11	12.10
Turnover tax, emergency surtax	8.97	9.50	9.77	10.29	10.10	11.09	11.16	10.70	11.65	11.90
Taxes on transactions, legal fees, etc.	6.29	6.80	6.73	9.02	9.10	10.51	8.34	7.80	8.96	8.30
Other receipts	0.20	0.26	0.27	0.23	0.26	0.33	0.27	0.26	0.28	0.26
Total taxes	79.27	81.94	83.78	81.90	79.34	92.50	81.20	81.01	90.26	86.14
Deduct:										
Shares of local authorities	11.31	15.24	16.74	11.16	12.58	14.04	12.70	14.40	15.02	15.98
Total : State taxation	67.96	66.70	67.04	70.74	66.76	78.46	68.50	66.61	75.24	70.16
Receipts of Social Administration	15.56	15.74	17.04	16.28	15.73	15.83	15.66	16.38	13.48	16.38
Other administrative receipts	14.90	11.52	13.96	9.94	11.03	18.58	11.63	11.89	15.40	14.02
Contribution towards Debt Service	8.43	8.99	8.96	8.43	9.01	8.98	8.89	9.16	11.99	10.12
Total receipts of the Administration	106.85	102.95	107.02	105.39	102.53	121.85	104.68	104.04	116.11	110.68
B. Monopolies:										
Tobacco	24.80	25.37	23.77	27.10	26.66	27.14	25.01	24.99	29.15	27.19
Salt	2.88	2.30	2.33	3.02	2.34	2.45	3.09	2.73	2.57	2.38
Lotteries and gunpowder	3.62	5.15	5.42	5.52	5.17	5.42	2.60	2.73	5.75	5.46
Total : Monopolies	31.30	32.82	31.52	35.64	34.17	35.01	30.70	30.45	37.47	35.03
C. Public Undertakings:										
Posts and Telegraphs	18.33	17.99	18.53	18.17	18.13	18.57	15.76	16.31	19.39	19.97
Forests	0.67	0.60	0.70	0.81	0.70	1.19	0.77	0.70	1.46	1.30
Federal theatres	0.62	0.72	0.59	0.52	0.57	0.56	0.55	0.55	0.68	0.47
Other	1.00	1.64	1.56	1.16	1.71	1.52	1.13	1.55	1.60	1.71
Total : Public Undertakings	20.62	20.95	21.38	20.66	21.11	21.84	18.21	19.11	23.13	23.45
D. Railways:										
Federal Railways	—	—	—	—	—	—	—	—	—	—
Other railways	0.02	—	—	0.02	—	—	—	—	—	—
Total : Railways	0.02	—	—	0.02	—	—	—	—	—	—
Total ordinary receipts	158.79	156.72	159.92	161.71	157.81	178.70	153.59	153.60	176.71	169.16

Appendix III.

	FOREIGN TRADE ¹ (Merchandise only)					ECONOMIC INDICES								NATIONAL BANK						Discount rate Per cent	Savings Bank depo- sits (mil- lions of Schillings) ²	
	Value (millions of Schillings)			Weight (thousands of tons)		Railway goods traffic (million net ton kms.)	Wholesale price index January- June 1914 = 100 ³	Cost-of- living index July 1914 = 100 ⁴	Industrial production index ⁵ 1923-1931 = 100 ⁴	Production of			Unemployed receiving benefit (thousands)	Gold and cover exchange	Other exchange	Bills discounted	Government Debt	Note circulation and sight liabilities	Cover Per cent			
	Imports	Exports	Excess imports	Imports	Exports					Cotton-yarn per spindle ⁶ 1923-1931 = 100 ⁴	Cellulose (wagons)	Electric power (million kwhs.)										
	1	2	3	4	5	6	7	8	9 (Average) ⁷	10	11	12	13	14	15	16	17 (End of)	18	19			20 (Average)	21 (End of)
1924	3,447	1,970	1,477	8,031	2,565	297.9	136	—	81	84	1,245	—	95	488	—	188	218	894	55	11.57	—	
1925	3,811	1,923	1,910	8,240	3,246	307.2	136	—	96	111	1,464	—	150	499	59	180	188	945	54	10.86	—	
1926	3,706	1,753	1,953	8,263	3,228	332.1	123	—	96	95	1,322	—	177	537	143	124	177	985	55	7.90	—	
1927	3,038	2,037	1,031	8,754	3,929	350.0	133	—	109	118	1,605	80	172	464	274	132	173	1,045	44	6.34	—	
1928	3,439	2,208	1,031	9,063	4,718	351.4	130	—	119	111	1,725	91	156	411	386	208	116	1,124	37	6.27	1,755	
1929	3,262	2,188	1,074	10,272	4,109	369.4	130	—	122	110	1,870	96	164	406	334	306	109	1,158	37	7.33	2,119	
1930	2,609	1,851	848	8,272	3,515	314.0	117	—	104	102	1,779	97	208	412	518	148	101	1,183	35	5.75	2,419	
1931	2,161	1,291	870	7,996	2,538	270.6	109	—	91	96	1,796	93	253	392	26	908	96	1,311	22	7.04	2,025	
1932	1,383	764	689	6,011	1,879	208.9	112	—	79	95	1,664	90	304	188	—	379	663	1,132	17	6.83	2,064	
1933	1,145	773	372	5,688	2,098	209.9	108	—	80	98	1,850	89	329	189	13	275	624	1,095	17	5.23	2,056	
1932:																						
1st quarter	390	188	202	1,549	368	195.8	113	108	87	109	1,709	93	357	240	—	867	96	1,137	21	7.67	2,058	
2nd quarter	360	189	171	1,502	500	199.4	114	108	79	102	1,646	87	280	192	—	881	93	1,111	17	7	2,015	
3rd quarter	307	175	132	1,487	476	201.1	111	108	73	86	1,598	86	270	189	—	867	92	1,075	17	6.3	1,997	
4th quarter	329	209	120	1,550	533	239.2	110	107	72	83	1,702	94	332	188	—	379	663	1,132	18	6	2,064	
1933:																						
I ..	86	45	41	490	107	179.3	108	106	72	68	1,717	96	398	188	—	317	662	1,053	18	6	2,101	
II ..	82	50	32	428	109	183.5	106	105	73	76	1,552	82	401	189	—	300	661	1,043	18	6	2,118	
III ..	99	60	39	435	147	198.2	107	104	72	74	1,783	90	380	189	—	287	660	1,089	17	5	2,101	
IV ..	82	59	23	366	173	179.7	107	104	74	80	1,793	84	351	189	—	279	659	1,091	17	5	2,093	
V ..	93	62	31	420	192	202.7	108	105	76	87	1,712	87	321	189	—	264	659	1,091	17	5	2,109	
VI ..	96	63	31	440	195	201.3	109	106	78	88	1,951	82	308	189	7	275	659	1,110	17	5	2,105	
VII ..	96	63	33	486	208	206.5	111	105	75	88	1,839	80	301	189	8	239	659	1,101	17	5	2,092	
VIII ..	86	67	19	464	186	203.5	108	105	86	118	1,860	84	291	189	8	188	654	1,004	17	5	2,080	
IX ..	92	77	15	479	200	227.9	108	105	80	122	1,865	88	279	189	8	225	624	1,026	19	5	2,051	
X ..	108	78	30	537	210	267.8	109	106	88	124	1,886	95	280	189	8	227	624	1,042	18	5	1,991	
XI ..	115	75	40	569	194	249.9	108	105	91	136	2,108	98	300	189	8	218	624	1,030	18	5	2,008	
XII ..	111	72	39	523	176	228.4	108	106	89	126	2,133	100	336	189	13	275	624	1,095	17	5	2,056	
1934:																						
I ..	91	57	34	452	149	225.9	109	106	80	121	2,007	93	357	189	17	262	624	1,095	17	5	2,093	
II ..	85	60	25	410	156	201.0	110	105	70	113	1,681	78	352	189	22	297	624	1,130	17	5	2,030	
III ..	101	79	22	431	199	222.9	113	105	82	122	1,967	93	326	189	24	308	624	1,135	17	5	2,058	
IV ..	96	72	24	510	234	107.8	112	105	81	112	1,863	86	296	241	36	301	624	1,133	21	5	2,076	
V ..	99	67	32	439	230	209.8	110	104	81	115	2,214	91	274	241	38	278	624	1,121	22	5	2,100	
VI ..	94	72	22	470	245	225.4	110	105	88	121	2,039	88	264	241	36	254	624	1,111	22	4 1/2	2,085	
VII ..	85	66	19	426	243	209.7	110	105	81	110	2,009	91	257	241	40	248	624	1,127	21	4 1/2	2,069	
VIII ..	85	71	14	456	227	214.5	110	104	87	118	2,044	95	248	241	44	253	624	1,140	21	4 1/2	2,090	
IX ..	96	79	15	542	233	237.5	108	105	88	124	1,905	92	244	241	41	254	624	1,138	21	4 1/2	2,092	
X ..	106	80	26	533	241	—	108	105	—	—	—	—	249	242	43	250	624	1,134	21	4 1/2	2,103	
XI ..	—	—	—	—	—	—	109	105	—	—	—	—	275	242	46	241	624	1,127	21	4 1/2	2,132	

¹ Only provisional figures after August 1933.² Source : Bundesamt für Statistik.³ Seasonally corrected index.⁴ Source : Institut für Konjunkturforschung.⁵ Source : National Bank.

Genève, le 29 décembre 1934.

SOCIÉTÉ DES NATIONS

TRENTE-TROISIÈME RAPPORT
DU COMMISSAIRE DE LA SOCIÉTÉ DES NATIONS EN BULGARIE
(PÉRIODE SEPTEMBRE-OCTOBRE 1934.)

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INTRODUCTION.

I. L'intervention du Gouvernement bulgare dans la plupart des domaines de la vie économique du pays s'est poursuivie, et une nouvelle série de décrets-lois a, entre autres, créé les monopoles du tabac, du sel et du pétrole annoncés dans le dernier rapport. Il semble qu'aucun monopole nouveau ne soit envisagé : la réalisation des projets à l'étude est, soit abandonnée, soit différée.

Certains de ces monopoles ne sont pas encore entrés en vigueur ; les conditions d'application n'en sont pas précisées dans les textes et il semble que ce soit à dessein et pour laisser au gouvernement les plus larges libertés à cet égard.

II. L'effort sérieux accompli pour améliorer la rentrée des impôts, d'une part, pour comprimer les dépenses, de l'autre, a donné des résultats, et la situation du budget en cours ne paraît pas préoccupante.

Il ne semble pas que ce budget, qui s'achève du reste le 31 décembre 1934, ait à enregistrer, sinon pour une part assez faible, les conséquences de la politique adoptée par le gouvernement. Les mesures prises sont, en effet, très récentes, et certaines même ne sont pas encore en vigueur. Néanmoins, elles font l'objet d'une partie des crédits accordés récemment par un budget supplémentaire s'élevant à 200 millions environ.

III. Le budget de 1935, qui entrera en vigueur à partir du 1^{er} janvier 1935, est à l'étude. Il comportera certainement des modifications importantes sur le précédent. Des recettes sont abandonnées aux communes, d'autres aux organismes créés récemment ; tels que la caisse d'amortissement des dettes privées. Les budgets autonomes des différents monopoles y seront incorporés comme budgets annexes.

IV. La balance commerciale s'est sensiblement améliorée en septembre et en octobre. Certaines exportations, de raisins en particulier, ont atteint des chiffres auparavant inconnus.

En outre, il apparaît, d'ores et déjà, qu'un contingent important de maïs pourra être exporté, et l'on peut envisager même une disponibilité de blé pour l'exportation.

V. Néanmoins, la Banque nationale s'est trouvée hors d'état d'assurer les transferts prévus par les arrangements signés récemment avec les représentants des porteurs d'emprunts de la dette extérieure.

Le Gouvernement bulgare a dû demander l'ouverture de négociations avec leurs représentants. Les premières sont en cours à Londres pour déterminer un aménagement provisoire des transferts. Les secondes, relatives à un arrangement de longue durée, doivent être entamées après la prochaine session du Comité financier.

VI. Le présent rapport a été établi par M. Pierre Cheysson, commissaire de la Société des Nations en Bulgarie, avec la collaboration de M. Köstner, conseiller auprès de la Banque nationale.

I. BUDGET.

1. Les *recettes* des sept premiers mois de l'exercice sont les suivantes :

	Millions de leva	
Etat	2.812,9	
Chemins de fer	728,9	
	<hr/>	
Budget extraordinaire	3.541,8	
	230	
	<hr/>	
Les recettes des sept mois correspondants de l'année 1933 s'élevaient à		3.771,8
		<hr/>
Soit, en faveur de 1934, une augmentation de		3.485,2
		<hr/>
		286,6 ou 8%.

Les observations formulées dans le précédent rapport, tant en ce qui concerne la comparaison des recettes de l'exercice courant et de l'exercice précédent que celle des recettes de l'exercice courant avec les prévisions budgétaires restent les mêmes dans leurs grandes lignes, avec une tendance à l'amélioration.

Les recettes des sept premiers mois de 1934 sont légèrement supérieures à celles des sept mois de l'exercice précédent et inférieures de 3% aux prévisions. (Il convient en effet, comme on l'a fait remarquer dans le précédent rapport, d'ajouter aux recettes de l'exercice en cours la reprise des soldes non transférés du service de la dette extérieure, tout au moins pour le montant figurant aux prévisions.) Il n'est pas fait état dans ces comparaisons des recettes provenant du budget extraordinaire.

Comme il a été signalé dans le précédent rapport, un monopole de l'alcool a été créé le 4 septembre 1934, et est entré en vigueur. C'est un monopole commercial : la direction est chargée de l'achat exclusif des eaux-de-vie aux producteurs, et de la vente exclusive de l'alcool sous toutes ses formes. La distillation des eaux-de-vie, etc., sera effectuée dans des distilleries privées pour le compte de la Direction du monopole. Aucune expropriation n'est actuellement envisagée. Le fonds de roulement nécessaire prévu est de 60 à 70 millions de leva. Jusqu'à

présent, il y est pourvu par des avances du Trésor qui s'élèvent actuellement à 5 millions. Pour 1935, le monopole sera doté d'un budget autonome annexé au budget général. On estime le bénéfice annuel du monopole à 40 ou 50 millions, en sus du droit d'accise actuel, qui sera versé au Budget général par la Direction du monopole, au taux et dans les conditions antérieures.

Un monopole du pétrole, ou plutôt des huiles minérales légères, a été créé le 23 novembre. Il doit être géré par la Direction du monopole de l'alcool. Il n'entrera en vigueur qu'en janvier 1935. Les conditions d'application du décret ne sont pas fixées.

Le monopole du tabac, créé le 29 octobre 1934, et le monopole du sel, créé le 24 novembre, ne sont pas encore entrés en vigueur. Ces trois monopoles sont étudiés plus loin (pages 7 et 8).

2. Les dépenses des sept premiers mois de l'exercice 1934-35 sont de :

	Millions de leva
Budget de l'Etat	2.886,1
Chemins de fer et ports	396,4
Dépenses en souffrance	624,3
	<hr/>
	3.906,8

Comparées aux dépenses des sept mois correspondants de 1933 (4.031,7 millions de leva), elles montrent une diminution de 124,9 millions de leva, soit 3%. Elles dépassent les 7/12 des crédits ouverts au budget 1934 (377,6) de 129,2, soit 3%.

3. A la fin du septième mois, le budget en cours se présentait comme suit :

	Millions de leva
Recettes	3.771,8
Dépenses effectives	3.282,5
Dépenses en souffrance	524,3
	<hr/>
	3.906,8
Déficit	135

Les observations formulées dans le dernier rapport au sujet de l'évolution du budget sont confirmées par les résultats des deux derniers mois. Il était indiqué que le déficit normal de l'exercice en cours, réduit à neuf mois, semblait devoir être inférieur à celui de l'exercice précédent (233 millions de leva), et qu'un déficit supplémentaire ne pourrait résulter que des dépenses nouvelles entraînées par les réformes de tout ordre introduites par le nouveau gouvernement.

Un crédit supplémentaire de 200.600.000 leva a fait l'objet d'une décision du 8 décembre, mais n'a pas encore été publié au *Journal Officiel*. Les principaux articles en seraient :

	Millions de leva
Travaux publics, en particulier de chemins de fer, dont une partie destinée à employer les chômeurs	9,1
Service des intérêts et de l'amortissement de l'emprunt intérieur de 230 millions, émis le 4 août dernier	20
Fonds des pensions	68
Ce crédit supplémentaire est pour la plus grande partie la conséquence des licenciements récents d'employés pensionnés.	
Ministère de la Guerre, du fait du renchérissement des fourrages	23
Ministère de la Justice, dépenses occasionnées par la réforme des tribunaux	5,4
Ministère de l'Intérieur	1,6
Participation au capital de la banque « Crédit bulgare » (Premier versement sur les 50 millions dus à ce titre)	20
Fonctionnement de l'accord de compensation germano-austro-tchéco-hungaro-bulgare	42
Divers	11,5
	<hr/>
	200,6

4. *Situation de la Trésorerie.*

Les disponibilités du Trésor n'ont pas varié de façon très sensible. Le solde créditeur du Trésor à la Banque nationale était de 326 millions à la fin du mois d'août et de 373 millions de leva à la fin d'octobre. Le Trésor a bénéficié à nouveau de la frappe des monnaies d'argent et de diverses rentrées extrabudgétaires, pour 164 millions de leva. Par contre, pendant la même période, le montant des mandats de paiement en souffrance a diminué de 818 à 624 millions (soit 194 millions de leva).

II. DETTE PUBLIQUE.

1. Le Gouvernement bulgare a, dès le 15 octobre 1934, fait connaître aux Associations de porteurs que la pénurie de devises de la Banque nationale lui rendait impossible l'approvisionnement des coupons dans les conditions fixées par les arrangements d'avril et de mai 1934. Le Gouvernement bulgare demandait, dans la même communication, l'ouverture de pourparlers

immédiats avec les Associations de porteurs. Néanmoins, les transferts au 15 octobre, tant des annuités que du rachat des arriérés, ont été effectués.

2. Le Gouvernement bulgare et les Associations de porteurs se sont mis d'accord sur la procédure suivante. Une première conversation s'est ouverte à Londres entre le ministre des Finances et le vice-gouverneur de la Banque nationale, d'une part, le « League Loans Committee » et l'Association Nationale des Porteurs de valeurs monétaires, d'autre part, pour définir le régime provisoire des transferts jusqu'à la fin de février 1935. Avant la fin de février 1934, des négociations seront ouvertes pour la conclusion d'un accord de longue durée.

Entre temps, le Comité financier aura tenu sa session habituelle en janvier 1935. Il aura, d'une part, l'occasion d'y entendre l'exposé habituel du ministre des Finances ; il y examinera, d'autre part, la documentation établie à la suite de la demande d'enquête présentée par le Gouvernement bulgare au Secrétaire général de la Société des Nations.

3. Le Gouvernement bulgare a effectué, avant le départ de ses délégués à Londres, le versement de la provision qui complète l'approvisionnement du coupon de l'emprunt 1926 venant à échéance le 1^{er} janvier 1935.

III. BANQUES ET CRÉDIT.

a) BANQUE NATIONALE ET CIRCULATION MONÉTAIRE.

Au cours des deux mois qui font l'objet du présent rapport, le bilan dénote dans l'activité de la Banque nationale certaines particularités dont l'explication ne doit pas être cherchée dans l'évolution normale saisonnière. Elles méritent donc attention.

Le portefeuille commercial de la Banque indique une diminution de 71 millions de leva. Il en est de même du portefeuille « Trésor », où apparaît une diminution de 25 millions de leva. D'autre part, les dépôts de banques ont fortement augmenté (sauf en ce qui concerne les banques d'Etat) — de 538 millions de leva à 638 millions de leva, contre 470 millions de leva au début de décembre 1933. La liquidité des banques commerciales est en réalité encore plus élevée, car elles détiennent les obligations du récent emprunt intérieur, qui peuvent être toujours réalisées ou employées comme garantie auprès de la Banque nationale. La période de l'année correspond habituellement à une demande d'argent. Cette liquidité est donc le signe d'une baisse de l'activité et de l'initiative privées. Il peut difficilement en être autrement, alors que l'économie du pays tend de plus en plus à être organisée en monopoles publics et gérée par lui.

La situation de la Banque, au point de vue devises, a subi, durant le mois d'octobre, une brusque dépression qui tend à l'épuisement presque complet de la réserve des devises libres. Ce fait a conduit le gouvernement à demander aux associations de porteurs d'emprunts bulgares la révision des accords en vigueur et une nouvelle réduction des transferts. Les situations hebdomadaires de la Banque nationale ne font apparaître qu'une augmentation continue du poste « autres devises », de 37 millions en octobre 1933 à 150 millions en octobre dernier et à 203 millions au début de décembre, mais ce montant est, en majeure partie, bloqué auprès des banques centrales et des organismes de clearing.

Grâce au fait que certains revenus d'Etat, affectés en gage aux emprunts, sont restés en dépôt à la Banque nationale, pendant la conversation engagée par le gouvernement avec les associations de porteurs, les comptes courants de l'Etat ont considérablement grossi. Cette augmentation, ainsi que celle des comptes des banques privées, est une des causes de la forte diminution de la circulation fiduciaire, tombée de 2.859 millions de leva, au début d'octobre, à 2.449 millions de leva, au début de décembre, soit 410 millions de leva en moins. Une autre cause de cette diminution est la mise en circulation des nouvelles pièces d'argent et le retrait des billets de banque de 50 et de 100 leva. Les fluctuations de la circulation fiduciaire durant la période comprise entre octobre 1933 et octobre 1934 sont les suivantes :

Composition de la circulation totale en Bulgarie.

	Billets de banque		Monnaie divisionnaire		Total	
	(En millions de leva)					
	1933	1934	1933	1934	1933	1934
Toutes les dénominations jusqu'à :						
5 leva	8	8	151	164	159	172
10 »	5	5	70	91	75	96
20 »	12	10	172	185	184	195
50 »	63	19	421	429	484	448
100 »	108	34	146	275	254	309
Total jusqu'à :						
100 leva	196	76	960	1.144	1.156	1.220
500 »	921	936	—	—	921	936
1.000 »	1.197	1.206	—	—	1.197	1.206
5.000 »	478	415	—	—	478	415
Total général	2.792	2.633	960	1.144	3.752	3.777

Bien que le montant total de la circulation ainsi que sa composition aient relativement peu changé, il devient difficile de faire absorber par le public la monnaie divisionnaire, depuis l'annonce de la frappe des nouvelles pièces d'argent. La Banque a pris des mesures pour y remédier, avant même l'émission des nouvelles pièces ; par sa circulaire du 28 juillet elle stipulait qu'elle n'accepterait sans limitation la monnaie divisionnaire offerte par les banques qu'une fois par semaine.

Mais, en septembre, lors de la mise en circulation des nouvelles pièces d'argent, la situation empira, et la Banque fut obligée de déroger à la règle établie, d'une part, et, d'autre part, de prendre des dispositions contre les banques qui ne facilitaient pas la mise en circulation de la monnaie divisionnaire. En octobre, un mois après la mise en circulation des nouvelles pièces d'argent, la Banque nationale décida même de refuser la monnaie divisionnaire des banques privées et des banques populaires, mais, devant les difficultés soulevées par cette décision, la Banque dut surseoir à son application.

Si l'on avait pu nourrir l'espoir en émettant la nouvelle monnaie de placer un « emprunt intérieur » chez les thésauriseurs, il doit s'évanouir devant la constatation que le pays est saturé de monnaie divisionnaire.

Le gouvernement n'a pas encore promulgué la loi sur la réduction de la couverture légale des exigibilités à vue de la Banque nationale de 33 1/3 % à 25 %, pour laquelle il a obtenu l'approbation du Comité financier dans sa dernière session.

b) BANQUE AGRICOLE ET COOPÉRATIVE DE BULGARIE.

Le premier bilan de la Banque agricole et coopérative de Bulgarie, publié à la fin d'octobre, est une simple addition des bilans des deux banques réunies — Banque agricole et Banque centrale coopérative. Voici un résumé de ce bilan :

<i>Actif</i>		(En millions de leva)	<i>Passif</i>	
Comptes octobre 1934			Comptes octobre 1934	
Caisse et comptes courants auprès de la B. N. B.	202,4		Capital	1.009,0
Effets	224,4		Avances du Trésor (emprunt 1928)	475,0
Débiteurs	6.326,3		Dépôts et comptes courants	6.156,5
Participations	45,8		Autres passifs	1.271,6
Immeubles	80,7		Actifs conditionnels.	543,5
Marchandises	266,0		Intérêts et commissions	180,0
Autres actifs.	1.856,7			
Actifs conditionnels.	543,5		Total	9.635,6
Frais généraux	89,8			
Total	9.635,6			

L'encaisse de cette institution est fortement réduite depuis la fusion et n'est plus en proportion raisonnable avec les dépôts. Pour avoir une idée de la position qu'occupe cette banque dans l'économie bulgare, il suffit de remarquer que les dépôts s'élèvent à 2,6 milliards dans les banques privées et à 6,2 milliards dans la Banque agricole et coopérative.

c) LOI SUR LE SOULAGEMENT DES DÉBITEURS.

Le dernier délai accordé aux débiteurs qui demandent à bénéficier des dispositions de la loi du 7 août expirait le 7 décembre. D'après des informations jusqu'à présent incomplètes, le nombre des demandes s'élève à 200.000, chiffre auquel il faut encore ajouter un nombre inconnu de demandes enregistrées conformément à la loi précédente. Le montant des dettes correspondant aux demandes s'établira, selon des évaluations non officielles, entre 5 et 7 milliards de leva sur un total de dettes privées d'à peu près 12 milliards. La majeure partie de ces dettes sera assumée par la Caisse d'amortissement, qui, d'autre part, devra percevoir sur les débiteurs les annuités de remboursement. Une sorte de Banque d'Etat presque aussi importante que la Banque agricole et coopérative sera ainsi engendrée par cette nationalisation des créances privées.

IV. AGRICULTURE.

Aux chiffres donnés dans le précédent rapport et ayant trait au blé et maïs, il est intéressant d'ajouter les chiffres suivants se rapportant à la surface cultivée et à la récolte.

	Surface (En milliers d'hectares)			Récolte (En milliers de tonnes métriques)		
	1934	1933	1932	1934	1933	1932
Céréales	2.579	2.683	2.697	2.484	3.331	2.967
Plantes industrielles	183	150	116	150	118	91
Pommes de terre	15	14	14	113	81	72
Haricots	116	129	138	66	76	75
Plantes fourragères (foin inclus)	649	647	592	978	1.642	1.356
Vignes	91	88	86	495	429	397

Ces chiffres font ressortir l'insuffisance des récoltes de l'année, surtout celles des plantes fourragères — de l'orge et de l'avoine dans le groupe des céréales et du foin et des vesces dans le groupe des fourrages. La difficulté de nourrir le bétail au cours des six derniers mois a amené le paysan à s'en séparer. Les entrées aux abattoirs municipaux sont en augmentation d'environ 10 à 12% en comparaison avec l'année passée. Les prix de la viande ont baissé en conséquence.

Parmi les plantes industrielles on peut remarquer :

	Surface (En milliers d'hectares)			Récolte (En milliers de tonnes)		
	1934	1933	1932	1934	1933	1932
Colza	16,1	7	1,0	10,7	0,9	0,8
Tabac	19,9	27,2	20,3	14,9	24,4	17,4
Tournesol	105,1	83,7	71,9	98,1	75,5	61,2
Coton	20,5	20,5	8,0	5,1	2,4	1,3

Les variations importantes des surfaces ensemencées d'une année à l'autre laissent l'impression que l'on poursuit des expériences plutôt qu'une production systématique.

L'on peut constater que cette expérience, en ce qui concerne le coton, a réussi cette année, mais par contre, la récolte de tabac a fortement diminué, et il est à craindre que l'exportation du tabac au cours de l'année prochaine ne donne que peu de devises à la Banque nationale, en raison tant de la maigre récolte, d'une part, que des accords de compensation relatifs au tabac.

Un amendement à la Loi sur les propriétés agricoles (*Journal Officiel* N° 194 du 26 février 1934) révoque les mesures d'expropriation des terres, des écoles et des stations d'élevage objet de la loi elle-même. (Voir vingt-huitième Rapport, page 13.)

Le remembrement des terres de diverses régions du pays peut être entrepris dans certains cas par l'Etat, à la demande de 25% seulement des propriétaires intéressés. Pour faciliter le financement de ce remembrement, il est créé, auprès du Ministère de l'Economie Nationale, un « Fonds de remembrement », où sont versées les sommes provenant d'un impôt spécial, à fixer par le Ministre à raison de 5 à 10 leva par decare, sur les terres sujettes à ce remembrement.

V. DIRECTION DES CÉRÉALES.

Conformément à l'ordonnance N° 52, publiée dans le *Journal Officiel*, N° 96 du 28 novembre 1934, la Direction vendra le blé, le seigle et leur mélange aux communes et coopératives agricoles, aux fins de revente à la population rurale, à un prix inférieur de 10 stotinki par kilo à celui fixé pour les autres consommateurs. Le but poursuivi est d'éliminer du marché rural le commerce privé. La Direction se charge également de l'achat du maïs et de sa vente à la population indigente au prix de revient. Le maïs destiné à ces fins est transporté gratuitement par les chemins de fer.

Les opérations de la Direction sur le blé se présentent, fin novembre, comme suit :

Solde de la saison dernière	57.000 tonnes à 2.400 = 136.800.000 leva
Achats de la récolte 1934	207.260 tonnes à 3.100 = 642.506.000 leva
Total	264.260 tonnes à 2.950 = 779.306.000 leva
Vendu à l'intérieur du pays	115.673 tonnes à 3.860 = 446.460.000 leva
Solde	148.586 tonnes

Les offres de blé sont particulièrement importantes après la récolte et après le nouvel an ; il en résulte que les achats de la Direction qui s'élèvent déjà à 207.000 tonnes paraissent loin d'être terminés et pourront même être supérieurs aux achats de l'exercice 1934-35 (258.000 tonnes). Néanmoins, il ne semble pas qu'ils dépassent sensiblement 25% de la production du pays. Ainsi, malgré le monopole d'achat et de vente qui lui est donné, la Direction n'approvisionne guère que les villes et les indigents des villages, et la majeure partie de la population rurale se pourvoit sans passer par le monopole.

Sur les 115.000 tonnes de blé, vendu par la Direction durant cinq mois (du 1^{er} juillet à fin novembre), 14.000 tonnes ont été cédées pour semences. La vente pour la consommation n'absorbe qu'un peu plus de 20.000 tonnes mensuellement. Il apparaît donc que le stock de blé de la Direction, s'élevant à 148.000 tonnes, suffira à l'alimentation de la population jusqu'à la nouvelle récolte et que les prochains achats représenteront un excédent libre à l'exportation.

Les achats de seigle et de mélange sont de faible importance (8.000 tonnes valant 21 millions de leva). Les transactions sur la graine de tournesol depuis le 27 août, date à partir de laquelle la Direction a été chargée de l'acheter à prix fixe, jusqu'à fin novembre, se traduisent comme suit :

Acheté 24.641 tonnes à 3 leva le kg. = 73.923.000 leva
 Vendu 12.589 » en moyenne 2,49 = 31.400.771 »

Il en ressort une perte certaine. Les informations relatives au Fonds créé pour compensation de ces pertes (voir trente-deuxième rapport, page 8) font défaut.

Le bilan approximatif de la Direction des Céréales est officiellement le suivant :

<i>Actif</i>		<i>Passif</i>	
Blés en magasin	556 (448) millions	Dette envers la Banque agricole	192 millions
Dette de l'Etat.	195 »	Dette envers les agents	324 »
Inventaire	2 »	Dettes garanties par le blé	79 »
		Autres dettes pour magasinage, etc.	52 »
Total	753 (645) »	Total des dettes.	637 »
		Solde nette	116(8) »

Le blé en magasin est évalué au prix de vente moyen. Sa valeur au prix d'achat est indiquée entre parenthèses. La dette de l'Etat est de 126 millions de leva pour les fournitures à l'armée et aux formations des « troudivaks » (organisations de travail obligatoire) de blé (pain) et de 36 millions de leva pour les semences accordées à crédit aux paysans avec la garantie de l'Etat. Il en résulte que l'Etat n'a pas payé les sommes dues à la Direction au moins durant une période de deux ans (pendant les cinq derniers mois, la Direction a délivré du blé à l'Etat pour un montant de 29 millions de leva).

En règle générale, la Direction se fait consentir des crédits plus ou moins forcés, en particulier par ses agents qui sont en majeure partie les coopératives et qui achètent pour elle le blé. En fait, les 4/5 du blé en magasin ne sont pas encore payés aux agents. Le montant des engagements des agents envers les paysans n'est pas connu.

VI. LÉGISLATION ÉCONOMIQUE ET SOCIALE.

a) LES MONOPOLES.

1. Le monopole du tabac.

Le monopole du tabac a été établi par le décret-loi du 7 novembre 1934 (*Journal Officiel*, N° 179). Cette loi donne à l'Etat le monopole de la fabrication des produits de tabac et confère à la Direction du monopole du tabac les droits suivants :

- a) Acheter, préparer et vendre le tabac en feuilles, manipulé et non manipulé, ainsi que les produits en résultant ;
- b) Déterminer les prix de gros et de détail pour ces produits ;
- c) Autoriser l'importation des produits de tabac de l'étranger ;
- d) En cas d'augmentation des prix sur les produits de tabac, en percevoir la différence sur ceux qui détiennent des quantités de tabac ;
- e) Contrôler la fabrication des machines servant à la fabrication des produits de tabac ;
- f) Autoriser la vente des déchets de tabac aux personnes privées pour leur emploi en agriculture et en industrie, ainsi que l'ouverture d'ateliers et de fabriques pour la transformation de ces déchets, ainsi qu'en ouvrir elle-même des ateliers et des fabriques.

La Direction a le droit d'exproprier les immeubles dans les conditions fixées par les lois sur l'expropriation, tandis que les immeubles par destination et les meubles sont expropriés au prix fixé par la Direction et approuvé par le Gouvernement.

Le règlement de ces expropriations doit se faire en trois ans et la Direction paye sur la somme due un intérêt égal au taux d'escompte de la Banque nationale.

La Direction exproprie les fabriques qui lui sont nécessaires pour ses fabrications. Les propriétaires des autres fabriques sont indemnisés d'après le revenu moyen des trois dernières années, tel qu'il a été admis par le fisc. Le taux de capitalisation n'est pas prévu par la loi.

2. *Le monopole du sel.*

Le monopole du sel, qui, d'après les déclarations officielles, est surtout un « monopole social », c'est-à-dire a pour but de fournir du sel bon marché à la population, a été promulgué le 6 décembre 1934 (*Journal Officiel*, N° 203) et entre en vigueur un mois après sa publication.

Le monopole englobe la production, l'importation et la vente du sel, et est géré par une direction spéciale ayant les droits suivants :

- 1° Fixer les prix d'achat et de vente du sel et, en cas d'augmentation, réclamer la différence entre les anciens prix et les nouveaux aux propriétaires des stocks ;
- 2° Autoriser l'importation du sel étranger ;
- 3° Obliger les propriétaires de salines de les exploiter et fixer les conditions d'exploitation ;
- 4° Obliger les établissements isolés de coopérer entre eux et d'introduire les améliorations techniques ;
- 5° Déterminer l'espèce et la quantité du sel à produire dans le pays ou à y importer.

La Direction du monopole du sel a le droit d'exproprier les meubles et immeubles destinés à la production et au magasinage du sel et d'en fixer la valeur. Le paiement des biens expropriés doit être effectué dans un délai de trois ans au plus.

Bien que la loi n'ait pas expressément mentionné le droit d'achat pour la Direction elle-même, elle est autorisée à vendre le sel « en gros ».

En résumé, la Direction du monopole du sel prend des dispositions pour la production et l'importation du sel par des personnes privées, achète ce sel et le cède aux détaillants pour être vendu à des prix fixés.

Pour la consommation du sel voir annexe II, a).

3. *Le monopole sur les huiles minérales légères.*

Le monopole sur les huiles minérales légères (jusqu'à 0,895 à 15°C) a été promulgué le 12 décembre sous forme d'amendement à la loi sur le monopole de l'alcool.

La loi stipule que le monopole englobe la production, le raffinage, la vente, l'importation, l'exportation, la fixation des prix des huiles légères minérales ; la Direction du monopole également peut autoriser des personnes privées à exploiter des raffineries. Le commerce des huiles minérales légères est monopolisé en totalité, à l'exception des huiles spéciales, dont l'importation est insignifiante.

Il est impossible de juger, d'après l'amendement, des intentions du Gouvernement.

Pour l'importance des quantités et des valeurs affectées voir l'annexe II, b).

4. *Conclusion.*

Il semble que le Gouvernement ne cherche pas, pour le moment, la réalisation d'autres monopoles. Un projet de monopole des assurances ne paraît pas devoir être suivi. Le décret-loi en préparation sur l'électrification du pays contiendrait certaines dispositions accordant une situation spéciale à l'Etat.

Il est trop tôt pour dresser le bilan de ce qui est étatisé et de ce qui est resté aux mains de l'initiative privée. Néanmoins, l'on peut d'ores et déjà faire les constatations suivantes :

En matière bancaire, l'appareil coopératif du pays est étroitement surveillé par une banque d'Etat, la Banque agricole et coopérative. Le Crédit bulgare, contrôlé en totalité par le Gouvernement, a absorbé de nombreuses banques. Le capital privé n'est plus représenté en réalité que par les banques étrangères.

Dans le domaine de la production, l'Etat est le maître du charbon et de l'essence de roses, et, dès le début de l'année prochaine, il aura en mains le tabac et le sel.

Au point de vue commercial, l'Etat a le monopole des produits agricoles les plus importants, à l'exception du maïs, et il vient de recevoir le monopole d'importation et de distribution d'une des matières premières essentielles : le pétrole.

b) AUTRE LÉGISLATION.

1. *Le décret-loi sur la prévoyance sociale.*

Le nouveau décret-loi sur la prévoyance sociale (*Journal Officiel* N° 196, du 28 novembre 1934) soumet la prévoyance publique et privée au contrôle de l'Etat. La Section de la prévoyance sociale, au Ministère de l'Intérieur, a le droit de procéder à la liquidation de toute organisation de bienfaisance privée. Les biens de ces organisations sont versés au « Fonds de prévoyance sociale ». Pour l'alimentation de ce dernier, le législateur a prévu, en outre, dix-neuf sources de revenus, dont les plus importantes sont :

- 1° 20% des revenus du « Fonds des sinistrés du fait de calamités ;
- 2° 10% de tous les arriérés perçus ;
- 3° versement d'une taxe individuelle pour tous les citoyens (à l'exception des agriculteurs-paysans et ouvriers), égale au revenu moyen journalier de chacun ;
- 4° 1% du bénéfice des banques d'Etat ;
- 5° 1.000 leva pour l'enregistrement d'un cartel ;

- 6° 500 leva sur chaque patente délivrée à un établissement de plaisir ;
- 7° 300 leva pour chaque autorisation ou permis de travail délivré aux artistes étrangers, etc ;
- 8° 100 leva par étage ou par appartement d'un édifice pour la construction duquel un permis est délivré ;
- 9° 10, 3 et 2 leva pour chaque passeport, certificat d'état civil, copie et autres documents délivrés par le Ministère de l'Intérieur et ses organes.

La comptabilité de ce fonds est tenue par la Direction centrale et les succursales de la Banque agricole coopérative bulgare.

La loi affirme le principe de l'aide obligatoire à donner par la collectivité à chaque individu hors d'état de subvenir à ses besoins, par suite d'une incapacité physique ou mentale, et ne recevant aucune aide de ses proches, obligés par la loi de le secourir.

Les revenus du fonds de la prévoyance sociale sont répartis comme suit :

- 5% pour la réserve ;
- 10% pour l'entretien des organismes de la prévoyance d'Etat ;
- 15% comme subsides aux organismes départementaux ;
- 35% aux sociétés municipales et rurales ;
- 20% pour fortifier la moralité chez la jeunesse ;
- 5% à la Société pour la protection de l'enfance ;
- 5% à la Société pour la protection des infirmes, etc. ;
- 5% à la Croix-Rouge bulgare.

Ce décret-loi est en contradiction avec les articles 59 et 60 de la loi sur la Banque nationale de Bulgarie, conformément auxquels tous les comptes de l'Etat, y compris ceux des fonds et entreprises d'Etat, doivent être tenus par la Banque nationale et tous les revenus d'Etat versés à la Banque nationale.

De même, la prescription 4 — ci-dessus — est en contradiction avec les statuts de la Banque nationale pour autant qu'ils s'appliquent. La répartition des bénéfices de la Banque nationale est fixée par les statuts, et le bénéfice net de la Banque nationale doit être affecté en totalité à l'apurement de la dette de l'Etat envers la banque (article 8).

2. Modification de la loi sur l'industrie.

Certaines modifications apportées à la loi pour l'encouragement de l'industrie du pays (*Journal Officiel*, N° 204, du 7 décembre 1934) méritent d'être signalées.

Jusqu'à ces modifications, les privilèges accordés à un établissement par la loi ne dépendaient pas des transferts de propriété. D'après le nouveau décret-loi, ces privilèges ne sont maintenus que lorsque le transfert de propriété a été autorisé par le Ministère de l'Economie nationale.

D'après la loi en vigueur, les établissements publics et d'Etat étaient obligés de donner la préférence à la production nationale lorsque ses prix n'étaient pas supérieurs de plus de 5% aux prix étrangers (dans le prix étranger, les droits de douane doivent être compris). Conformément au décret précité, les droits de douane, inclus dans le prix du produit étranger, ne peuvent être décomptés à plus de 30% de la valeur du produit. Or, le fabricant bulgare, le filateur par exemple, obligé d'importer une matière première grevée de droits de douane élevés, de primes de compensation, produit à un prix de revient élevé, et il ne peut soutenir la concurrence avec les prix étrangers majorés seulement de 35% (30% de droits de douane et 5% de préférence). Le nouveau décret-loi aboutit en fait à rendre aux administrations publiques la liberté d'acheter à l'étranger et révoque l'avantage à la production nationale objet de la précédente loi.

VII. ÉTABLISSEMENTS DES RÉFUGIÉS BULGARES.

a) POSITION AU 31 OCTOBRE 1934 DU COMPTE BLOQUÉ DE L'EMPRUNT 1926.

	Leva
Produit net.	1.614.296.149
Dont mis à la disposition du service d'établissement.	1.606.824.302
	<hr/>
Solde en dépôt à la Banque nationale.	7.471.847

b) RENDEMENT DES REVENUS GAGÉS. (En millions de leva.)

Chapitres du budget	Encaissements		1/12 des évaluations budgétaires
	Septembre	Octobre	
13. Accise sur le sel, le café importés	23	19,3	16,7
17. Accise sur le sel, le café indigènes	27	19,4	26,7
14. Accise sur l'alcool	4,6	1,5	4,2
19. Vente des allumettes	7	8	6,7
	<hr/>	<hr/>	<hr/>
Total	61,6	48,2	54,3

Les versements des réfugiés affectés au remboursement des dépenses d'établissement ont atteint les montants ci-après (en leva) :

	Septembre	Octobre	Antérieurs	31 octobre 1934
Intérêts	89.238	97.857	4.424.674	4.611.769
Amortissement et impôt foncier	43.821	32.296	15.779.059	15.855.176
Total.	133.059	130.153	20.203.733	20.466.945

c) UTILISATION DE L'EMPRUNT.

Les engagements restant à régler au 31 octobre s'élèvent à 7.250.845 leva.

VIII. EMPRUNT DE STABILISATION 7½% 1928.

a) POSITION AU 31 OCTOBRE 1934 DU COMPTE BLOQUÉ DE L'EMPRUNT.

	Leva
Produit net.	3.370.065.553
Dont mis à la disposition des administrations.	3.366.427.028
Solde en dépôt à la Banque nationale.	3.638.525

b) RENDEMENT DES REVENUS GAGÉS (DOUANES).
(En millions de leva.)

62,2	63,7	54,6
------	------	------

soit une moyenne mensuelle de 63 millions, contre 55,5 pendant le trimestre précédent.

c) UTILISATION DU PRODUIT DE L'EMPRUNT.

1. Chemins de fer et ports.

	Leva
La totalité de cette tranche s'est montée à	672.300.000
dont engagés au 31 octobre 1934	671.681.406
Solde non engagé	618.594
Reste à payer sur engagements opérés	6.542.919
Solde à engager ou à payer	7.161.513

	Leva
Sommes aux mains de l'Administration	4.554.720
Solde à recevoir du produit de l'emprunt	2.606.793

2. Routes et ponts.

La totalité de cette tranche s'est montée à	182.031.732
dont engagés au 30 septembre 1934	181.241.222
Solde non engagé	790.510
Reste à payer sur engagements opérés	3.200.000
Solde à engager ou à payer	3.990.510

	Leva
Sommes aux mains de l'Administration	958.778
Solde à recevoir du produit de l'emprunt	3.031.732

3.990.510

Appendice I.

a) RÉSULTATS DE L'EXERCICE 1933-34 ET DES SEPT PREMIERS MOIS DE L'EXERCICE 1934.

(En millions de leva.)

	Données annuelles		1 ^{er} avril-31 août			
	Résultats définitifs		Résultats provisoires		Prévisions budgétaires révisées 1934 (7/12)	% a)
	1932-33	1933-34	1933	1934		
	1 ^{er} avril 1932 au 30 juin 1933	1 ^{er} avril 1933 au 30 juin 1934				
I. RECETTES.						
A. Budget de l'Etat :						
Impôts directs	392,3	455,7	306,6	350,1	274,2	127,7
Douanes	882,9	626,3	447,2	501,7	498,7	101,7
Accises	1.229,2	1.315,1	744,5	722,1	768,2	94
Taxes et droits de timbre	508,8	552,5	270,5	261,7	294,6	88,8
Amendes et confiscations	51,1	71,9	37,6	55,5	42,6	130,4
Annuité des chemins de fer et recettes ports	125,1	118,6	118,6	24,9 ¹	35	71,1
P. T. T.	267,1	259,2	163	157,2 ¹	160,4	98
Domaines et capitaux de l'Etat	330,2	189,9	126,2	191,7	166,5	115,1
Participation des communes aux appointements des instituteurs et médecins	294,9	329,6	229,8	146,8	214,7	68,4
Recettes diverses	450,6	488,3	47,7	47,4	127,5	37,2
Revenus des fonds incorporés	203,2	286	91,7	100,5	99,7	100,8
Recettes sur exercices clos	—	—	181,8	179,5	175	102,6
Reprises en recettes des soldes non transférés du service de la dette extérieure	—	293,8	—	68,3	252	27,1
Total	4.735,4	4.986,9	2.765,4	2.812,9	3.109,2	90,5
B. Budget des chemins de fer et ports	1.120,7	1.276,1	719,8	728,9	776,6	93,8
C. Budget extraordinaire	—	—	—	230	—	—
Total général	5.856,1	6.263	3.485,2	3.771,8	3.885,8	97,1
II. DÉPENSES.						
A. Budget de l'Etat :						
Pouvoir suprême	77	66,9	35,8	21,9	28	78,6
Cours des comptes	17,3	15,2	6	6,8	8,1	84
Affaires étrangères et Cultes	141,9	140,4	63	62,1	89,9	69
Intérieur et Santé publique	343,3	367,9	113,2	158,1	224,4	70,6
Instruction publique	867,8	838,3	295,1	374,8	432,5	86,6
Finances et Dette publique	2.090	2.037,8	1.105	955,7	1.201,2	79,6
Justice	182,3	178,8	61,7	75	93,1	80,6
Guerre	831,9	793	327,3	460,6	540,9	85,2
Economie nationale	325,7	328	111,6	125,9	186,2	67,7
Communications	493,3	499,7	171,1	197,9	304,9	65
Crédits supplémentaires divers	98	125,6	2,7	447,2	—	—
Total	5.468,5	5.391,6	2.292,5	2.886,1	3.109,2	92,9
B. Budget des chemins de fer et ports	1.138,6	1.104,3	435,8	396,4	666,8	60
C. Dépenses en souffrance	—	—	1.303,4	624,3	—	—
Total général	6.607,1	6.495,9	4.031,7	3.906,8	3.776	136
Déficit budgétaire	751	232,9	546,5	135	—	—

a) En pourcentage des prévisions.

b) RÉSULTATS MENSUELS DES DEUX DERNIERS MOIS.
(Millions de leva.)

	1934-35 1/12 du budget voté	Septembre		Octobre	
		1933	1934	1933	1934
		sur 33-34	sur 34-35	sur 33-34	sur 34-35
RECETTES.					
A. Budget de l'Etat :					
Impôts directs	39,2	28,6	30,6	73,5	71,8
Douanes	71,3	72,9	85,2	71,7	83
Accises	109,8	109,7	105,6	101,7	110,8
Taxes et droits de timbre .	42,1	39,6	38	38,9	41,2
Amendes et confiscations	6,1	5,4	9,7	8,8	15,9
Annuité des chemins de fer	5	—	—	118,6	24,9
P. T. T.	22,9	20,1	17,6	19,7	27
Domaines et capitaux . .	23,8	15,6	16,2	11,6	14,8
Participation des commu- nes aux appointements des instituteurs et mé- decins	30,6	42	24,2	24	0,4
Revenus divers	18,2	8,8	5,1	11,3	6
Revenus des fonds incor- porés	14,2	10,9	19,1	18,3	19,5
Revenus sur exercices clos	25	17,1	25,8	52,4	63,9
Reprises en recettes des soldes non transférés de la dette publique exté- rieure	36	—	—	—	68,2
Total	444,2	371	377,2	550,6	541,2
B. Chemins de fer et ports . . .					
	110,9	137	118,9	141,6	126
Total mensuel général . .	555,1	508	496,1	692,2	667,2
DÉPENSES.					
A. Budget de l'Etat					
	444,1	357,5	545,6	530,9	523,7
B. Chemins de fer et ports . . .					
	95,3	95,1	103	218,5	148,7
Total des dépenses ré- glées	—	452,6	648,6	749,4	672,4
Dépenses en souffrance (+ ou — au cours du mois)	—	+ 92	— 96,4	— 254	+ 3,6
Total mensuel général.	539,4	544,6	552,2	495,4	676

**c) SITUATION DÉTAILLÉE A FIN OCTOBRE ET COMPARÉE DU RECOUVREMENT
DES IMPÔTS DIRECTS.**
(En millions de leva.)

IMPÔTS	Données annuelles				Résultats des cinq premiers mois 1 ^{er} avril-31 octobre			
	1932-33		1933-34		1933-34		1934-35	
	Recouv- rements	%	Recouv- rements	%	Recouv- rements	%	Recouv- rements	%
Impôt foncier	28,6	14	37,6	125	12,8	73	33,3	95
Impôts cédulaires . . .	179,7	86	223,7	111	128,8	110	147,3	109
Impôt sur le revenu global	17,5	58	20,2	100	13,8	117	14,3	123
Impôt sur les sociétés .	27,5	69	26,4	87	20,6	117	21,6	97
Impôt sur les bâtiments	13,7	55	18,7	124	9,2	105	24,6	255
Impôt sur les brebis et les chèvres	55,5	92	57	104	55,4	100	56,1	97
Impôt sur l'exemption de la prestation . . .	26,2	59	23,9	85	17,3	106	22,9	126
Impôt militaire	19,4	55	24,7	112	13,4	109	15,6	103
Impôt sur les succes- sions	24,2	80	23,4	94	13,4	93	14,4	98
Centimes additionnels et revenus des conseils départementaux . .	—	—	—	—	21,9	—	—	—
Total	392,3	58	455,7	107,5	306,6	114	350,1	110

¹ Les pourcentages sont calculés par rapport aux prévisions des budgets préliminaires mensuels.

d) SITUATION DE LA TRÉSORERIE.

(En millions de leva.)

	1934	
	Septembre	Octobre
Solde au début du mois des comptes du Trésor à la Banque nationale.	326, 5	211,8
RECETTES.		
Budget de l'Etat	377,2	541,2
Chemins de fer et ports.	118,9	126
Recettes extrabudgétaires	37,8	164,7
Emissions supplémentaires de bons du Trésor	—	—
Emissions d'obligations	—	—
Total	860,4	1.043,7
DÉPENSES.		
Budget de l'Etat	497	517,9
Chemins de fer et ports.	151,6	152,5
Dépenses sur recettes extrabudgétaires.	—	—
Solde en fin de mois des comptes du Trésor à la Banque nationale.	211,8	373,4
Total	860,4	1,043,8
Solde en fin du mois des mandats de paiement en souffrance, environ	620,7	624,3
Solde déficitaire net, environ	408,9	250,9

Appendice II.

a) PRODUCTION, IMPORTATION ET CONSOMMATION DU SEL EN BULGARIE.

Année	Production locale	Importation	Consommation totale
1929	28.847	20.589	49.436
1930	31.642	18.140	49.782
1931	24.300	20.698	44.998
1932	35.065	23.629	58.694
1933	19.576	26.759	46.285

b) IMPORTATIONS D'HUILES MINÉRALES.

	Gazoil	Huiles lubréfiantes	Pétrole raffiné	Benzine, gasoline
I. Poids (tonnes)				
1928	20.341	6.522	26.852	6.455
1929	24.784	8.046	32.998	11.426
1930	24.657	6.899	30.140	10.435
1931	23.907	7.563	29.526	8.873
1932	24.205	4.275	23.683	8.219
1933	22.551	3.640	25.341	7.272
II. Valeur (en milliers)				
1928	40.597	44.695	77.419	38.922
1929	49.839	60.032	96.361	67.731
1930	46.803	55.918	84.555	59.801
1931	28.110	41.756	43.401	30.291
1932	20.397	28.094	23.302	20.057
1933	21.948	21.686	26.952	16.051

Geneva, January 17th, 1935.

LEAGUE OF NATIONS

FINANCIAL COMMITTEE

**REPORT TO THE COUNCIL ON THE WORK
OF THE FIFTY-SEVENTH SESSION OF THE COMMITTEE;**

(Geneva, January 7th,-17th, 1935.)

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INTRODUCTION.

The Financial Committee has the honour to submit to the Council the following report on the various questions with which it has dealt during this session.

The following members were present :

- M. MLYNARSKI (*Chairman*) ;
- M. DAYRAS ;
- M. TER MEULEN ;
- Sir Otto NIEMEYER ;
- M. POSPIŠIL ;
- Sir Henry STRAKOSCH ;
- M. TUMEDEI.

There were also present :

1. *For Austrian questions:*

- Dr. BURESCH, Federal Minister of Finance ;
- Dr. BRAUNEIS, General Manager of the Austrian National Bank ;
- M. ROST VAN TONNINGEN, Representative of the League of Nations ;
- M. FRÈRE, Adviser to the Austrian National Bank.

2. *For Bulgarian questions:*

- M. BATOLOFF, Minister for Foreign Affairs ;
- M. TODOROFF, Minister of Finance ;
- M. ANTONOFF, Permanent Delegate of Bulgaria to the League of Nations ;
- M. BOJILOFF, Deputy Governor of the National Bank of Bulgaria ;
- M. CHEYSSON, Commissioner of the League of Nations in Bulgaria ;
- Professor KÖSTNER, Adviser to the National Bank of Bulgaria.

3. *For Hungarian questions:*

- Dr. IMREDY, former Minister of Finance, President of the National Bank of Hungary ;
- Dr. BARANYAI, of the National Bank of Hungary ;
- Mr. TYLER, Representative of the Financial Committee ;
- Mr. BRUCE, Adviser to the National Bank of Hungary.

I. AUSTRIA.

The Financial Committee has examined the financial situation of Austria together with Dr. Buresch, Federal Minister of Finance, and Dr. Brauneis, General Manager of the Austrian National Bank (assisted by Dr. Rizzi and Dr. Zimmermann of the Ministry of Finance). It also had the advantage of hearing M. Rost van Tonningen, Representative of the League of Nations in Austria, and M. Frère, Adviser to the Austrian National Bank.

The Committee had before it the twelfth and thirteenth reports of M. Rost van Tonningen.

1. The Committee is glad to note that the deficit in the ordinary budget for 1934 which it feared in September might reach 140 million schillings, has in fact been only 105 million schillings, thanks to the improvements in receipts during the last quarter and to the economies introduced by the Minister of Finance.

2. The Committee drew attention in its September report to the possibility of converting the Austrian Government Guaranteed Loan which was issued in 1923 on the basis of the 1922 Protocols. Since then, the Austrian Government has successfully converted all the *tranches* of this loan, with the exception of the Spanish *tranche*, for which it is hoped that negotiations will be finished in the near future. The Austrian Government is to be congratulated on this rapid and successful operation, the effect of which on all aspects of Austrian credit and economy should be widespread and continuous.

3. The saving for the Austrian State budget by the conversion operation is very considerable and can be estimated at approximately 60 million schillings a year during the first three years. In addition to this saving, the conversion, when completed, will permit the release of certain reserve funds now held by the Trustees of the 1923 Loan. As these funds become available, the remaining deficit on the budget for 1935, lightened by the reduction in debt service, will be covered. The level of expenditure in 1935 (1,900 million schillings gross budget) will be 130 millions less than the probable results of the year 1934. Economies have also been introduced in departments other than the public debt service—for instance, in social insurance.

4. In addition to the ordinary budget, the Government contemplates the carrying out of public works for an amount of approximately 100 million schillings, to be covered in part by a long-term credit operation on the domestic market and in part by non-recurrent balances now becoming available. These works are approximately of the same order as in 1934.

5. The stability of the schilling has been maintained, and the various results of the conversion further assure the maintenance of the currency.

The standstill agreements concluded in 1931 between British and American banks on the one side and Austrian banks on the other were terminated in the first days of December, so that normal relations are now re-established between Austrian and foreign banks. Both bank balances and deposits are considerable, and the recent conversion *tranche* in Austria has been readily absorbed by the public.

6. All the available economic indices show that the tendency towards improvement which became noticeable eighteen months ago continues. Industrial activity is mounting, and exports each month have exceeded those for the corresponding month of 1933. The figures in this last connection are interesting.

	Values In millions of schillings			Weights In thousands of tons	
	Imports	Exports	Excess imports	Imports	Exports
1929	3,262	2,188	1,074	10,272	4,109
1930	2,699	1,851	848	8,272	3,515
1931	2,161	1,291	870	7,996	2,538
1932	1,383	764	629	6,091	1,879
1933	1,145	773	372	5,688	2,098
First eleven months, 1933	1,034	703	331	5,165	1,922
First eleven months 1934	1,047	783	264	5,109	2,377

II. BULGARIA.

In a letter dated October 26th, 1934, the Bulgarian Government asked "the technical services of the League of Nations to undertake a new enquiry, the conclusions of which would carry great weight in the negotiations to be undertaken with the representative of the bondholders".

In accordance with this request, the study of the financial and economic situation of Bulgaria was entrusted to M. Cheysson, Commissioner of the League of Nations in Bulgaria, in collaboration with M. N. Köstner, Adviser to the National Bank of Bulgaria, and M. Rosenborg and M. Karakacheff, of the Secretariat.

At its present session, the Financial Committee has examined the information collected in the course of the enquiry, together with the thirty-second and thirty-third quarterly reports of the League Commissioner in Bulgaria. It has also had the advantage of discussing Bulgarian problems with M. K. Batoloff, Minister for Foreign Affairs, M. P. Todoroff, Minister of Finance, M. Antonoff, Permanent Delegate of Bulgaria accredited to the League, and M. D. Bojiloff, Deputy Governor of the National Bank.

The League Commissioner, M. Cheysson, and M. Köstner, Adviser to the National Bank, have also taken part in the discussions.

1. The request for an enquiry was submitted by the Bulgarian Government immediately after it had informed the associations of bondholders of the Bulgarian debt that it was no longer in a position, owing to transfer difficulties, to implement the agreements concluded with them in April and May 1934. Having thus unilaterally denounced the agreements, the Bulgarian Government began fresh negotiations with the bondholders' associations. At the close of these negotiations, and pending further discussions which were to take place with the representatives of the bondholders after the publication of the Financial Committee's report, the Bulgarian Government made a statement to the effect that it would pay and transfer not less than 15 per cent of the interest instead of 32 ½ per cent, the amount for which the agreement of April and May 1934 provided—the balance not transferred continuing to be paid in leva into an account opened in the name of the bondholders.

2. The Financial Committee had already, at the Bulgarian Government's request, made an exhaustive enquiry into the financial situation of Bulgaria at the beginning of 1933. At its session in May 1933, it gave a detailed account of its findings, and at the same time noted the formal announcements by the Bulgarian Government of its intention of effecting a certain number of specified reforms which had been found to be necessary in the organisation or administration of the public finances. The Financial Committee further noted the Bulgarian Government's general agreement with the solutions proposed in the case of certain economic problems, and in particular its agreement as to the indebtedness to be observed in the limits exceptional legislation in regard to the internal.

3. At subsequent sessions, the Financial Committee was in a position to note that the different parts of this programme of financial reform were not uniformly applied. While certain improvements had been made in the public finance organisation, particularly in connection with the control of expenditure, budgetary unity and the statutory position of the officials of the financial administration, nothing had been done up to last year to lighten or simplify the administrative machinery, which was admitted to be too cumbersome and complex in certain respects.

4. In addition to this partial application of the programme of financial reform established in 1933, the new Government, as soon as it came into power, made its own contribution on two important points: a radical simplification of the highly complex system of administrative districts and a considerable reduction in the number of officials. Moreover, its financial administration was in general characterised by a real effort towards the reduction of expenditure and the application of the fiscal laws. However, it annulled two measures previously adopted at the suggestion of the Financial Committee—namely, the statute of officials of the financial administration and the reduction in the number of funds which were outside the budget and not subject to the control of the Minister of Finance.

The Committee draws the following conclusion from the investigations which have just been made.

PUBLIC FINANCE.

5. While, as stated above, the development of public finance has benefited from the progress made in organisation and administration, it has, on the other hand, suffered from fresh commitments which threaten to burden future budgets. These new commitments are partly due to supplies under the compensation agreement concluded by the Bulgarian Government with Austria, Czechoslovakia, Germany and Hungary, and also to the creation of a fund for the amortisation of private debts which must issue against the private claims remitted to it bonds, the service of which is guaranteed by the State.

6. The deficit for the financial year 1934, for a period of nine months, is provisionally estimated at 300 million leva; after allowing for certain possible adjustments, it may be considered that it will be reduced to 175 millions. The deficits for the previous four financial years amounted to 1,847 millions in 1930-31, 970.7 in 1931-32, 748.4 in 1932-33, and 212.6 in 1933-34.

The 1935 budget has not yet been prepared. The Minister of Finance considers that the ordinary credits of 1934 may serve as a basis for those of 1935 after allowing for an increase of about 160 millions, due to the rise in certain prices and to the development of certain public services, and an economy of 70 millions resulting from various administrative reforms in force. The total would thus amount to 5,362.5 millions, to which the Minister adds :

	Millions of leva
(a) On account of the bills issued under the compensation agreement and coming to maturity during 1935	200
(b) Contribution to the Amortisation Fund	200
(c) Service of the 6% Internal Loan of 1934	80
(d) Grant to the Pensions Fund	60
(e) Participation in the capital of the "Crédit Bulgare"	15
(f) Various expenditure	12.5

making a total of 5,930 millions.

The original allocations for 1934, calculated on a twelve months' basis, amounted to 5,512.3 millions. No credit is foreseen for the execution of an economic programme.

7. The receipts for the year 1935 are estimated at 5,297 millions, as against 5,330 millions for the year 1934. The estimate is based on the actual receipts during the first eight months of the year 1934, after allowing for certain adjustments and an increase of 100 millions representing the discounted profit of the monopolies already in operation.

8. According to these estimates, the deficit for the year 1935 would amount to 733 millions.

9. The above figures call for the following remarks :

A. Expenditure.

(a) The allocation of 200 millions for payments due by the State under the compensation agreement is intended for the payment of supplies, the greater part of which will go to the Railways and the City of Sofia. The Financial Committee considers that these two parties could and should bear the cost of the supplies delivered to them.

Lastly, it is in general essential that certain increases in credits requested by Ministerial departments for the purchase of material should not duplicate supplies delivered under the Compensation Agreement.

(b) As regards the contribution of 200 millions to the Sinking Fund, the fund will not be called upon to make any payment before February 15th, 1936, which is the date fixed for the first half-yearly payment due ; from the budgetary point of view, therefore, no allocation will be necessary in respect of the financial year 1935. Nevertheless, if the application of the legislation in regard to the fund obliged the State to make an immediate appropriation of budgetary resources, they should at once be returned to the Treasury.

B. Receipts.

The revenue estimates prepared by the Finance Minister allow to some extent for the reduction in the country's taxable capacity, which is mainly due to a poor harvest. In certain categories of revenue, however, an increase may be expected as a result of the more active collection of tax arrears, improvements in the methods of collection, and, in the last place, of the more effective suppression of smuggling, thanks more particularly to the recent introduction of the alcohol monopoly. At the same time, the estimate of an increase of 100 millions representing the profit expected from the monopolies appears somewhat venturesome, as, even assuming that one may envisage later on a net result of that importance, the year 1935 will be devoted to organisation.

The revenue estimates include the payment of 40 millions to the general budget by the Railways, representing their contribution to the service of the public debt. In the 1934-35 budget, the amount shown in this chapter was 60 millions, the corresponding amount in 1933-34 being 118 millions. The Committee considers that there are no valid reasons to justify such a reduction. In this connection it should be observed that, during the past two years, the balance of profit shown on the working of the Railways has been higher. In the revenue estimates for the general State budget, moreover, the existence of such a working surplus should be taken into account.

10. The foregoing considerations—if taken into account in preparing the 1935 budget—would appear to point to the possibility of adjustments which would make it possible to bring back the effective expenditure within such limits that the deficit would not be appreciably higher than it was in the last financial year.

In spite of a certain improvement in the Treasury situation, the persistent deficit calls for a prudent policy in the management of the public finances.

11. The budget position described above leads the Committee to make one further comment.

They understand that the Bulgarian Government has in various stages of preparation schemes for a number of State monopolies other than purely fiscal monopolies. The advantage or disadvantage of such monopolies no doubt requires careful examination on the merits of each particular case; but there may be cases where monopolies are economically justifiable. They involve (a) a considerable immediate capital expenditure on acquiring installations, (b) the provision of working capital for the enterprises monopolised, and (c) the assumption by the State of the trading risks, carrying of stocks, etc. All these factors need money, unless such an enterprise is carried on without proper financial provision and merely in the perhaps misplaced hope that early gains will rapidly provide, not merely an ordinary profit, but also sufficient profit to provide out of income for standing capital—a requirement with difficulty reconcilable with cheap sales to consumers. The Committee thinks that the Bulgarian Government, having regard to the already difficult budget position, ought to proceed with the greatest circumspection in undertaking new burdens of uncertain advantage even to the consumers, if they have no visible sources of finance by any means consistent with the maintenance of financial equilibrium.

The Committee recalls the opinion it expressed in its report of January 1934 :

“ The Committee does not wish to enter into an academic discussion of the merits or demerits in principle of State regulation of commercial activity. But it feels grave doubts as to the practical wisdom of too wide an extension of such a policy in a country of the financial and administrative strength of Bulgaria Whatever may be said in favour of individual measures for particular cases, it is difficult to see how a general policy of this kind can be for the ultimate benefit of the community or can be sustained for long without grave danger to the financial structure of the country. ”

12. The Committee is fully aware of the interest of the economic schemes aiming at the development of the productive forces of the country, particularly in the direction of scientific agriculture. It is, however, convinced that a sound financial situation is the prerequisite of any economic progress. It is, therefore, essential, in its opinion, that the Government should subordinate the gradual application of such schemes to the possibility of first making the necessary resources available.

GENERAL ECONOMIC SITUATION.

13. The general economic welfare of Bulgaria is dependent upon her agriculture, which occupies four-fifths of her adult population. Her agriculture has made considerable progress since the negotiation of the Refugee Loan. The total area under cultivation has increased more than in proportion to the increase of the rural population. The area devoted to raw materials of agricultural origin, fodder and vegetables has increased the most. Although the yield per acre remains comparatively low, it also has increased substantially in recent years. Consequently, the average harvests in the four crop-years 1929-30 to 1932-33 were very considerably larger—in the case of cereals some 40 per cent larger—than during the preceding quinquennium.

As a result, however, of a fall in agricultural prices, now about 50 per cent, the value of the crops has been greatly reduced. The aggregate value of all crops in 1932-33 amounted to only half that of the much smaller crops in 1925-1927. In these circumstances, the real burden of agricultural indebtedness has been largely increased. In the hope of meeting this situation, the Government has taken various measures designed, on the one hand, to relieve private debtors and, on the other hand, to guarantee to producers, particularly of wheat, minimum prices in respect of that part of their production which they do not themselves directly consume.

Part of the increase in the cereal production during the years of agricultural depression was automatically absorbed by the rapid increase of population (averaging 1.4 per cent yearly). But cereal consumption per head has also considerably increased. In view of the poor crop prospects in the spring of 1934, an export prohibition was introduced on bread cereals, which is still in force.

The prolonged drought in 1934 is reported to have caused partial crop failure in the case of practically all cereals (except maize), fodder crops and tobacco, while cotton and hemp, sunflowers and grapes benefited from the hot weather. The crop estimates for 1934—though recently revised—are still provisional, and may be subject to further revision. In so far as they may be accepted for the time being as approximately correct, however, they show that the wheat crop is smaller than it has been in the last eight years (except in 1929), and the rye and barley crops are the lightest reaped for the past ten years. The aggregate of cereal crops as

officially recorded was 26 per cent lower than in 1933—a fairly normal year—and fodder and tobacco crops were both 40 per cent lower.

There has also been some falling off in manufacturing production during the last two years.

14. The figures for the foreign trade of Bulgaria during the past five years are as follows :

	1928	1929	1930	1931 (In millions of leva)	1932	1933	1934 (11 months)
Imports...	7,041	8,289	4,590	4,660	3,471	2,202	1,999
Exports...	6,231	6,396	6,191	5,934	3,383	2,846	2,207
Balance...	— 810	— 1,893	+ 1,601	+ 1,274	— 88	+ 644	+ 208

Thus, during the past two years, foreign trade has diminished in value by more than 60 per cent as compared with 1928. After remaining fairly stable until 1931, exports progressively decreased. Imports restrictions secured the maintenance of an active balance, except for an unimportant passive balance in 1932.

The exchange reserves of the National Bank in actual *Devisen* (excluding gold and notes), though not diminished in total, have become less generally available with the spread of clearings.

15. The Committee is of opinion that the falling off in foreign trade is accentuated by the extremely complicated system of exchange control at present in force for an important part of the trade.

Under this system, an exporter is allowed, subject to certain conditions, to arrange with an importer for the sale of the foreign exchange he receives for his exports at a price determined between the two parties. The decision to adopt this principle of private compensation, which has been successfully applied elsewhere, the Committee believes was in itself a wise one ; but the conditions under which permission to conduct such transactions is given are such as to render the business of international trade quite unnecessarily complicated. First, the exporter of certain commodities is only allowed to sell his foreign exchange to the importer of certain commodities. Secondly, the percentage of exchange which this exporter has to surrender to the National Bank at the official rate varies, not merely, as is not unusual, according to the nature of the exports, but also according to the nature of the imports and to whether the basic quota of imported goods has been exceeded or not.

One of the causes of this elaborate system is the policy of price fixation which the Bulgarian Government has pursued. For instance, the internal price of petrol being fixed, an endeavour is made to keep down the prices of imported petrol. With this object in view, the exporter of certain Bulgarian goods—*e.g.*, maize and tobacco, which find a relatively easy market abroad—is compelled to sell his foreign exchange only to the importers of petrol or other necessities. On the other hand, when the domestic price of an export article has been fixed above the world level, the exporter is given some special advantage, and this is done by relieving him of any obligation to sell his foreign exchange, either to any special class of importer or to the National Bank.

16. The Committee does not consider it necessary to set out in full the intricacies of the whole system. It desires only to emphasise the fact that an improvement in trade can scarcely be expected until that system has been substantially simplified. It has suggested to the Bulgarian Government that, in order to achieve such simplification, a change should be made in the system of price control. If this is done, there will be less reason for compelling exporters to sell their foreign exchange to importers of certain specified classes of goods, and trade can move more freely to the advantage of the Bulgarian production.

The Committee has pointed out to the Bulgarian Government the unfortunate results of certain other measures of price-fixing undertaken in the last year or so (attar of roses, sugar, hemp) which have failed to assist producers permanently and seem likely to involve considerable losses.

* * *

17. While the Committee is aware of the effects on Bulgaria of the heavy fall of agricultural prices and of the restrictions of foreign trade, it thinks it worth recalling that, as stated in its report of March 1932, the foreign debt service of Bulgaria in the year 1931, including State guaranteed debt, amounted to 1,118 million leva. Since that date, this annual charge has been substantially reduced by (a) the cessation of reparation payments, (b) the depreciation of the dollar and the pound, and (c) the concessions granted by the bondholders, with the result that, on the basis of a transfer of 32½ per cent of the interest only and certain arrears, the amount at present required to be transferred annually is, in round figures, 240 million leva—a reduction of 80 per cent ; 240 million leva, it may incidentally be observed, is between 3 per cent and 4 per cent of the total budget expenditure.

It is of course the case that, apart from such of the State debts as require payment in free *Devisen*, there are other payments which have to be made in this way. The Committee, after an exhaustive examination of the various estimates put forward by the Bulgarian

Genève, le 26 janvier 1935.

SOCIÉTÉ DES NATIONS

COMITÉ FINANCIER

Rapport au Conseil sur les Travaux de la cinquante-septième Session du Comité
(Genève, 7-17 janvier 1935)

CORRIGENDUM
(Texte français)

Page 4: paragraphe 7: 1ère ligne:
Lire 5.207 millions au lieu de 5.297 millions.

Page 4: paragraphe 8:
Lire 723 millions au lieu de 733 millions.

LEAGUE OF NATIONS

FINANCIAL COMMITTEE

Report to the Council on the Work of the Fifty-seventh Session of the Committee
(Geneva, January 7th-17th, 1935)

CORRIGENDUM
(English text)

Page 3: paragraph 2, last two lines:
Read: the limits to be observed in the exceptional legis-
lation in regard to the internal indebtedness,
instead of: the indebtedness to be observed, etc.

Page 4: paragraph 7 - 1st line
Read: 5,207 millions instead of 5.297 millions.

Page 4: paragraph 8:
Read: 723 millions instead of 733 millions.

Page 4: paragraph 9, A (b): first line:
Read "Caisse d'amortissement" instead of Sinking Fund.

Government, is disposed to believe that the total requirements in free *Devisen* should not exceed 500 to 550 million leva (£1¼ million). It is obvious that it is exceedingly difficult, in the case of any country where the total sum involved is small, to speak with absolute certainty with regard to the possibilities of transfer of the last fractions of this amount. In 1934, the National Bank was able to acquire free *Devisen* to a total of over 350 million leva, not including bank-notes and balances available for free payments in the respective countries, and the Committee cannot at present find any conclusive reason why it should be substantially less successful in the near future. Indeed, there are certain factors which should increase this total. The uncertainty which reigned in the tobacco market during the discussions on the tobacco compensation deal is now ended, and, in spite of restrictions on tobacco sales resulting from the agreement, some tobacco should remain for free export. During the cereal season 1934, the Bulgarian Government thought it necessary to prohibit the free export of cereals, particularly wheat and (temporarily) maize, which have usually been substantial Bulgarian exports; the Committee feels, however, that some exports could be effected. Finally, it appears that a reduction of 140 million leva is anticipated in the near future in cotton purchases from abroad (which evidently come from free *Devisen* countries). In these circumstances, the Committee is not prepared to say that the probable necessary demands on the free *Devisen* available to Bulgaria should exceed the possible available supplies. Moreover, apart from current receipts dealt with above, the National Bank of Bulgaria has certain resources which could properly and consistently, with the object for which such reserves are accumulated, be employed to meet exchange difficulties, if the Bulgarian authorities so decided. The Committee is aware of the objections which are raised to its often repeated views on this matter, but the fact remains that these resources exist and cannot be wholly neglected in considering the transfer position of Bulgaria.

18. The Committee would add two observations. First, the capacity of a country to transfer cannot be measured by the reserve position at a particular moment. It is a dynamic and not a static problem. What the development of Bulgarian economy may be in the near future—and that is the essential question—it is impossible to foresee with any certainty. The Committee believes that economic prospects might be materially improved by a change in economic policy. Secondly, even if the transfer position of Bulgaria becomes less favourable, it does not follow that transfer on account of any special obligation should be reduced. That depends upon the priority of various claims, on the transfer resources of Bulgaria.

19. The Financial Committee has already had occasion to express its opinion of the efforts of the Bulgarian Government to improve the situation of the credit institutions by various mergers.

Measures to be taken as a result of existing legislation with a view to lightening the over-indebtedness arising from the fall in prices should take into account the necessity of hastening as much as possible the settlement of claims under this legislation so as to avoid, so far as may be, the undesirable repercussions of a prolonged state of uncertainty upon Bulgarian credit.

III. HUNGARY.

The Financial Committee took note of the twelfth and thirteenth reports of the representative in Hungary of the Financial Committee of the League of Nations. It examined the information contained in these reports on the financial and economic position of Hungary, with the assistance of Dr. Imrédy, President of the National Bank of Hungary, Dr. Baranyai, of the National Bank, Mr. Tyler, Representative in Hungary of the Financial Committee of the League of Nations, and Mr. Bruce, Adviser to the National Bank of Hungary.

1. The budgetary results of the first half of the current fiscal year, which began on July 1st, 1934, do not substantially differ from those of the corresponding period of the previous year, but show a tangible improvement as compared with the first six months of the 1932-33 fiscal year. Whereas, however, between 1932 and 1933 the total expenditure for the period in question was reduced from 412.5 to 392.5 million pengö, the expenditure for the first half of the current year has remained fairly steady at the latter level and is showing a slight tendency to increase. This is the case more particularly with the advances made to State undertakings. The floating debt continues to increase, as a result of the budget deficit. This being the position, the responsible authorities should persist in their efforts to keep public expenditure within as strict limits as possible, more especially in respect of certain important points to which the Financial Committee has already drawn attention.

The yield of indirect taxation has benefited from the rise in wheat prices from 11 pengö (of which 3 for the boletta) per quintal in 1933 to 16 at the present time, and of the rise in prices for other products whose fluctuations depend on the price of wheat. This rise in agricultural prices is an advantage which, however, has also its drawbacks. It tends to enhance the difficulties experienced by the export trade and to lead to an increase in the bounties which have ultimately to be paid by the Hungarian importer. As prices of manufactured articles have at present an upward tendency, the disparity between agricultural and industrial prices is still very considerable.

2. The improvement in the economic situation, various signs of which the Committee had previously observed, has not been maintained. Foreign trade has fallen off during the last months, owing to the increasing complexity of international commercial intercourse; restrictions of all kinds, bounties, surtaxes, quotas, etc.

3. On the other hand, the problem of supplying the National Bank with freely negotiable foreign exchange, referred to by the Committee in its last report, is still a source of difficulties, although the last weeks have brought about a certain relief. The position in this respect at the end of November can be seen from the following figures :

	1933	1934
	Millions of pengö	
Total value of exports during the first eleven months	<u>354</u>	<u>364</u>
Foreign exchange paid into or notified to the National Bank . . .	<u>287</u>	<u>297</u>
Thereof :		
Through clearing and compensation agreements	229	234
Paid into the National Bank	<u>58</u>	<u>63</u>
Thereof :		
Non-negotiable foreign exchange	38	40
Freely negotiable foreign exchange	20	23

It should be observed that the surplus of exports over imports fell during the first eleven months of 1934 by 25 million pengö, as compared with the same period in 1933.

There has been no substantial change in the general situation of the National Bank.

4. The Committee learnt with regret of the resignation, for reasons of health, of the President of the Hungarian National Bank, Dr. A. Popovics. In the eleven years during which Dr. Popovics was President of this institution, the Financial Committee has been able to appreciate his great worth, more especially in 1924, when the programme of reform initiated under the auspices of the League of Nations was applied. Dr. Imrédy, his successor, has acted as Finance Minister for the last two years. The Financial Committee has frequently had occasion to pay a public tribute to the energy shown and the results obtained by him in administering the public finances of Hungary during a particularly difficult period.

Geneva, April 18th, 1935.

LEAGUE OF NATIONS

**FINANCIAL POSITION
OF AUSTRIA IN THE FIRST QUARTER OF 1935**

FOURTEENTH QUARTERLY REPORT

by M. Rost van Tonningen, the Representative
of the League of Nations in Austria

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(Communicated to the Council
and the Members of the League)

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CORRIGENDUM

LEAGUE OF NATIONS

Geneva, April 26th, 1935.

FINANCIAL POSITION

OF AUSTRIA IN THE FIRST QUARTER OF 1935.

**Fourteenth Quarterly Report by M. Rost van Tonningen,
the Representative of the League of Nations in Austria.**

Page 4, paragraph 4 from bottom, line 2:

read "were not yet giving"

instead of "were giving"

**Series of League of Nations Publications
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I. INTRODUCTION.

During the period under review, a slowing-down of the upward trend, and even a reversal of the economic situation, was witnessed in many countries.

It would not have been surprising if the Austrian situation had developed in line with this general trend. Fortunately, however, the country has well resisted the pressure, and it looks as if the situation were stabilising itself, for the time being, at the higher level which was attained after the improvement of the last eighteen months.

As it would be difficult to increase the volume of business in this country by purely domestic action, whatever form such action might take, the efforts of the Government are further directed towards the increase of foreign trade. It is to be hoped that the hampering of international trade by clearing agreements and otherwise has now reached its maximum, and that a relaxation of the restrictions will help to make such efforts successful.

* * *

1. The ordinary budget deficit for 1934 will probably prove to amount to 116.31 million Schillings, while extraordinary expenditure financed by loans totalled 110.15 million Schillings. It was possible to cover the requirements of the ordinary budget by the issue of Treasury bills, which, owing to the extremely liquid condition of the market, were placed without any trouble.

2. The estimated deficit for the first four months of the current year is 46.58 million Schillings, a decrease of nearly 19 million Schillings compared with that actually incurred during the corresponding period of 1934. Owing to the conversion of the 1923-1943 Loan, debt charges were over 20 million Schillings lower, expenditure on National Defence being 5.5 million Schillings higher, and for the Auxiliary Defence Force 7 million Schillings less than in the same period of 1934. Receipts were almost the same as last year. Direct taxes show a very satisfactory increase in yield, but Customs and tobacco revenue are below last year's level. Seigniorage on new silver and cupro-nickel coins is estimated to yield 10.3 million Schillings during the first four months of the year. Revenue is, on the whole, not unsatisfactory, but it is more than ever necessary to keep expenditure strictly within the estimated limits.

Extraordinary expenditure amounting to 31.37 million Schillings was financed out of the residuary balances of the Lottery Loan and by the issue of Treasury bills, the latter to be reimbursed out of the internal loan authorised by the Committee of Control in January last.

The conversion of the 1923-1943 League Loan on ten markets is almost concluded, and has been very successful.

3. The weak financial situation of the Austrian social insurance institutions has been remedied by a law of March 30th, which has also greatly simplified existing legislation.

4. The railway deficit for 1934 is provisionally estimated at 70 million Schillings as against 85.6 million Schillings in 1933. Traffic returns for the first quarter are not very satisfactory, as the decline in foreign traffic appears to be spreading to purely internal traffic. Receipts, however, remain up to the estimated level.

5. Expenditure and receipts have been approximately balanced in the 1935 provincial budgets, and, except for the Vienna public-works programme and in Carinthia, borrowing is not likely to be necessary.

6. The stability of the Schilling has remained unimpaired, and no changes of any importance have taken place in the situation of the Central Bank during the quarter under review. The bank rate was lowered to 4 per cent in February, and the interest paid by the principal Viennese institutions on sight Schilling deposits was also lowered by $\frac{1}{2}$ per cent to $2\frac{1}{2}$ per cent.

7. Thanks to an 11 per cent increase in exports, the unfavourable trade balance for 1934 amounted to only 291.2 million Schillings, as against 373.4 million Schillings in 1933, an improvement of 22 per cent. The weight of exports was actually higher than in 1931, but, owing to the intervening general fall in prices, which, as far as Austrian trade is concerned, seems to have affected mainly the value of finished articles, the value of the goods exported was 47.8 per cent lower, allowing for the depreciation of the Schilling. Germany, Hungary, Italy and the United Kingdom, in particular, increased their purchases of Austrian goods.

8. Industrial activity, which seems to be maintaining itself on the higher level reached during the past year, is apparently still directed principally to the production of investment goods. Statistics of the turnover of consumers' goods during 1934 are, in general, still below the 1933 level.

9. Unemployment reached its peak in the middle of February, as in previous years, and has gradually diminished since. At the end of March, there were 314,923 in receipt of benefit—3.3 per cent less than in 1934 and 17.2 per cent less than in 1933.

10. The Stock Exchange activity of previous months continued during the quarter under review, and bond prices reached a new high level in March 1935. The Austrian (Schilling) *tranche* of the 1930 Loan is now slightly above par; the Conversion Loan, issued at 87, is now quoted at 94.50. Shares were slightly weaker in February and March.

2. FEDERAL BUDGET.

(a) FEDERAL BUDGET, 1934.

Although the Audit Court has not yet published the closed accounts for the past year, it has issued the following figures in a *communiqué* :

	1933	1934		
	Closed accounts	Estimates	Probable results	Increase (+) or decrease (—)
(In millions of Schillings)				
Expenditure :				
Personnel	702.66	695.08	702.70	+ 7.62
Material	1,226.98	1,217.80	1,346.54	+ 128.74
Total	1,929.64	1,912.88	2,049.24	+ 136.36
Receipts	1,847.83	1,912.98	1,932.93	+ 19.95
Deficit	81.81	—	116.31	+ 116.41
Surplus	—	0.10	—	—

Extraordinary budget expenditure amounted to 110.15 million Schillings.

The ordinary deficit is rather larger than that reported to the Financial Committee in January—owing to the subsequently established exchange losses for 1934 (11.28 million Schillings) on the foreign currency reserves in the hands of the trustees of Austrian foreign loans, and to the recalculation of the share of the local authorities in the yield of federal taxation

(b) FEDERAL BUDGET, 1935.

	1935	January-April	Increase (+) or decrease (—)
		1934	
(In millions of Schillings)			
Ordinary budget :			
Expenditure	659.69	680.95	— 21.26
Receipts	613.11	615.38	— 2.27
Ordinary deficit	46.58	65.57	— 18.99
Extraordinary budget :			
Expenditure	31.37	14.59	+ 16.78

Expenditure during the first four months of 1935 should be over 21 million Schillings lower than in 1934, mainly owing to lower debt-service requirements (— 14.9 million Schillings), a decreased contribution to the Railway deficit (— 7.5 million Schillings), owing to the charges on the Railway debt having been reduced by the conversion of the 1923-1943 Loan, and reduced unemployment (— 2.16 million Schillings). Expenditure on the auxiliary defence force was 7.05 million Schillings lower, and on the army 5.5 million Schillings higher.

Receipts on balance show scarcely any change. Taxes, which during the same period of 1934 had only recently been introduced and were giving the full yield, produced in 1935 only 11.67 million Schillings more. The contribution from Vienna was 8.94 million Schilling lower, although the Municipality paid nearly the full annual sum in March. The yield of direct taxation has exceeded the estimates in every month, excepting February last, since July 1934. This is particularly satisfactory, considering the economic character of these taxes.

On the other hand, the recent weak tendency of tobacco receipts has caused a shortage of about 7.24 million Schillings. The position of the Treasury was relieved by the profit on the issue of new subsidiary coins, which will bring in 10.3 million Schillings during the first four months of 1935. In 1934, receipts from this source only became available in August.

On the whole, it can be said that revenue during the period January-April 1935 gives no special cause for uneasiness, although the cause of the diminished yield of tobacco revenue must be investigated and remedied.

(c) TREASURY POSITION.

The Control Committee authorised at its January meeting the issue of 20 million Schillings in three-months' Treasury bills, to be reimbursed out of the reserves in the hands of the Trustees of the 1923-1943 Loan, in order to avoid any difficulties which might arise through delay in the liberation of these funds.

It further authorised the issue of 25 millions in Treasury bills, to be reimbursed out of the yield of the projected internal loan. These bills were only to be used to finance the extraordinary budget during the early months of the year.

The Government was thereby placed in a position to finance the ordinary budget during the first four months of the year, and to cover such of the public-works expenditure as would not be paid out of the remaining balances of the Lottery Loan.

At the end of March, the floating-debt position was as follows :

	Million Schillings
Bills under the standing authorisation of 1927	75.0
Bills under the Control Committee authorisation of September 1934	25.0
Bills under the first Control Committee authorisation of January 1935	10.0
	110.0
Public-works bills under the second Control Committee authorisation of January 1935	16.4
	126.4
Collateral loan from the Postal Savings Bank	25.0
Treasury bills issued for the bank reform in 1933	67.0
	218.4

A further issue of 8.5 million Schillings in public-works bills is contemplated for April. At a meeting in Geneva on January 11th, 1935, the Control Committee authorised the issue during 1935 of an internal long-term loan of 100 million Schillings, of which 66 million Schillings would be used to finance the 1935 extraordinary budget, the balance of 34 million Schillings being devoted to reimbursing Treasury bills issued before the end of January 1935.

(d) CONVERSION OF THE AUSTRIAN GOVERNMENT GUARANTEED LOAN 1923-1943
(LEAGUE OF NATIONS LOAN).

(Cf. Thirteenth Quarterly Report, page 5.)

Conversion operations have been concluded on all the issuing markets with the exception of Spain, where negotiations with the banking syndicate have only recently taken place. The result is shown in the table below :

Austrian Government Guaranteed Conversion Loan 1934-1959.

		Amount to be converted of 1923-1943 Loan	Capital amount issued of 1934-1959 Conversion Loan	Covered by	
				Conversion	Cash subscriptions
Austria	Schillings ¹	78,242,160	93,400,000	41,854,080	51,545,920
Belgium	Belgas	2,572,800	2,842,900	(inf. not yet available)	
Czechoslovakia ..	Kč.	307,597,000	364,612,000	295,846,000	68,766,000
France	Francs	88,580,000	109,358,000	—	109,358,000
Italy	Lire	119,234,500	131,500,000	77,925,500	53,574,500
Netherlands	Florins	1,662,000	1,970,000	631,250	1,338,750
Spain	Pesetas	29,528,500	33,940,500	(subscriptions closed on April 10th, 1935)	
Sweden	Kronor	7,774,000	8,558,000	—	8,558,000
Switzerland	Francs	14,109,000	15,850,000	6,047,000	9,803,000
Switzerland (Govmt. Loan) ..	Francs	13,894,000	—	13,894,000	—
United Kingdom ..	£ ¹	9,631,845	10,163,900	6,581,200	3,582,700

In some markets—e.g., Czechoslovakia—the cash subscriptions far exceeded requirements. The success of the operation, which is now virtually concluded, in so many countries during a period of general financial dislocation, gives the measure of Austria's international financial rehabilitation. Due recognition must be given to the work of all those who, in Austria and abroad, have helped in its preparation and execution.

¹ Of the capital outstanding in the United States of America (\$14,534,500), half (\$7,267,250) has been added to the Austrian and half to the British issue.

(e) SOCIAL INSURANCE REFORM.

The cumulative effects of the crown inflation, which had destroyed the reserves of the pre-war insurance funds, and of the present world crisis, together, perhaps, with certain inherent structural defects, had brought the Austrian social insurance institutions into a very critical position, as the following table of the deficits of the various funds shows :

	Workmen's insurance				Employees' insurance	
	Health	Accident	Unemployment	Pensions	Health	Accident and pensions
	(In millions of Schillings)					
1930	1.26 ¹	1.94 ¹	60.17	4.80 ¹	1.53 ¹	16.25 ¹
1931	1.38 ¹	3.73	40.14	2.06	0.99 ¹	13.83 ¹
1932	2.35	5.41	79.19	8.60	0.02 ¹	2.58 ¹
1933	1.12	8.56	83.33	14.30	1.10 ¹	11.26
1934	—	—	50.79	16.06	—	22.41

The continuous and heavy deficits (that of the Employees' Accident and Pension Fund in 1934 amounted to 35 per cent of receipts), and the consequent wastage of reserves, made measures of reform urgently necessary if the whole social insurance mechanism was to be saved from collapse.

The original reform plan provided for a fusion of the hitherto independent funds, and the pooling of their resources in a central organisation, which, by thus spreading its risks, would be in a sounder financial position. The benefits paid out could in many cases be justifiably reduced, although in some cases, particularly in connection with employees' pensions, it was impossible to avoid inflicting a certain amount of hardship. The only alternative was to liquidate the funds, which would have involved still more suffering. The State was in no position to provide effective help on the scale required. Another essential feature of the original scheme was the stabilisation, in future Federal budgets, of the 1935 grant for social insurance. It was hoped that the improvement in economic conditions would, by increasing employment, enable the money that would no longer be required for supporting the present large number of unemployed to be used for satisfying the requirements of the other social insurance institutions.

Apart from its technical and other defects, this scheme had many disadvantages from the purely budgetary point of view. It increased the rigidity of the Austrian budget and created a large contingent liability, for the State would have had to make good the difference if anything did not work out according to plan.

The amended scheme which eventually passed into law on March 30th, 1935, does not pretend to be a permanent reorganisation of social insurance in Austria. Its chief aim is to re-establish equilibrium in the accounts of each individual fund during the next five years, by increasing receipts and reducing expenditure through economies and administrative reforms. The idea of a central fund has been abandoned, but, instead of separate contributions, a single "Social Insurance contribution" has been established, covering all branches, at a flat rate of 20 per cent of the assessable wage, evenly divided between employers and workers. The yield of this contribution is divided among the various insurance branches according to a variable scale which corresponds to the relative incidence of benefit liabilities during the next five years. Economies are made where they are inevitable, and the opportunity has been taken to remedy certain defects in the earlier system of payments. The effects of these reforms on expenditure and receipts is shown by the following table :

	Estimated expenditure 1935 before reform	Economies			Probable expenditure 1935 after reform
		In benefits	Other	Total	
	(In millions of Schillings)				
Expenditure :					
Health :					
Workmen	79.09	6.91	—	6.91	72.18
Employees	30.41	2.54	0.37	2.91	27.50
Workmen's Accident ..	25.20	1.40	0.62	2.02	23.18
Employees' Accident and Pensions	83.46	16.36	3.94	20.30	63.16
Unemployment	204.83	—	0.03	0.03	204.80
Workmen's Pensions ..	62.32	—	0.40	0.40	61.92
Total	485.31	27.21	5.36	32.57	452.74

¹ Surplus.

	Without reform	With reform	Increase
(In millions of Schillings)			
<i>Probable Contributions, 1935 :</i>			
Workmen's Insurance :			
Employers	91.53	102.17	10.64
Workers	100.40	100.08	- 0.32
	191.93	202.25	10.32
Employees' Insurance :			
Employers	53.06	54.35	1.29
Workers	52.69	53.97	1.28
	105.75	108.32	2.57
Total :			
Employers	144.59	156.52	11.93
Workers	153.09	154.05	0.96
Total	297.68	310.57	12.89

The dangerous features of the first scheme from the point of view of public finance are no longer present in the final draft.

A slight increase in State expenditure may arise owing to the following circumstance : During 1935, 5.25 per cent of the social insurance contribution of employees goes to the Unemployment Insurance Fund. In recognition of the smaller incidence of unemployment in this category of insured persons, this percentage diminishes by 1 per cent annually until it reaches 1.25 per cent in 1939. Since the State makes up the deficiencies of the unemployment insurance fund, its liability under this head will increase if general unemployment does not keep pace with the above reduction in revenue.

Summing up, it may be said that the above reforms have saved social insurance in Austria from collapse, particularly as regards employees' pensions. In general, cuts have only been made where they were unavoidable, and, in some cases, the range of benefit has been extended. Thus accident insurance now covers all classes of workmen, and the allowances for children have been raised. Unemployment insurance and old age pensions have scarcely been touched, and, in the higher wage-classes, slight increases have been allowed to fathers of families.

(f) FEDERAL RAILWAYS.

	Car-loadings						
	Year	January-December	Year	January	February	March	January-March
Total goods traffic..	1933	1,864,713	1934	151,967	134,174	157,898	444,039
	1934	1,981,559	1935	146,451	137,843	153,106	437,400
Internal traffic ..	1933	1,294,815	1934	102,624	90,202	111,893	304,719
	1934	1,415,167	1935	105,158	94,084	106,480	305,722
Of which :							
Customers' traffic	1933	1,210,156	1934	98,020	85,722	104,637	288,379
	1934	1,290,543	1935	101,249	89,689	100,376	291,314
Railways' own traffic ..	1933	84,659	1934	4,604	4,480	7,256	16,340
	1934	124,624	1935	3,909	4,395	6,104	14,408
Foreign traffic :							
Import	1933	316,344	1934	28,466	25,101	23,340	76,907
	1934	296,139	1935	22,368	21,952	22,759	67,079
Export	1933	123,951	1934	9,916	9,180	11,135	30,231
	1934	134,328	1935	9,583	10,860	12,877	33,320
Transit	1933	129,603	1934	10,961	9,691	11,530	32,182
	1934	135,925	1935	9,342	10,947	10,990	31,279
Traffic receipts (In millions of Schillings)							
Goods	1933	265.72	1934	22.19	19.91		
	1934	271.24	1935	20.82	20.13		
Passengers ..	1933	151.93	1934	9.65	8.65		
	1934	139.22	1935	9.01	8.32		

Detailed figures of the financial results for 1934 are not yet available, but, from the provisional statement of accounts, it appears that the total deficit for the year will be around 70 million Schillings, as against 85.6 million Schillings in 1933.

Traffic receipts were 7.2 million Schillings (1.7 per cent) lower than in 1933, a 2.1 per cent increase in goods receipts being insufficient to make good a 8.4 per cent decrease in passenger revenue. Car-loadings showed a rise of 6.3 per cent, customers' traffic being, however, only 4.3 per cent greater, the balance being due to heavier company traffic.

The falling trend of goods traffic during the later months of 1934 has continued during the first quarter of 1935. In previous reports, this was attributed principally to reduced transit and import trade, but the latest returns seem to indicate that this weakness now affects purely internal customers' traffic, although for the whole first three months of 1935 it is still 1.02 per cent above 1934. Export car-loadings were 10.22 per cent higher, while import and transit traffic were respectively 12.78 and 2.81 per cent lower.

Traffic receipts during January and February, though within the limits of the 1935 estimates, were also below the 1934 figures by 2.1 million Schillings, or 3.5 per cent. This, however, may be influenced by the difficult weather conditions at the end of January.

3. LOCAL FINANCE.

	Vienna		Provinces	
	1934	1935	1934	1935
(In millions of Schillings)				
<i>Receipts :</i>				
Local taxes	120.57	102.04	104.92	90.02
Shares in joint taxes	53.34	53.19	74.16	92.96
Compensation for the taking-over of the Political Administration	—	—	24.71	22.06
Yield of property	17.34	29.83	6.47	9.77
Receipts of undertakings, etc.	60.11	65.34	5.06	5.47
Contributions, refunds, fines	29.45	23.37	45.97	43.20
Other revenues	0.03	—	0.39	0.35
Total receipts	280.84	273.77	261.68	263.83
<i>Expenditure :</i>				
General Administration	77.59	62.00	45.01	44.31
Health and Welfare	117.94	103.59	75.24	73.34
Church, Education, Fine Arts	57.74	59.12	100.55	99.89
Agriculture	0.67	0.37	11.53	11.16
Industry, Commerce and Mining	0.11	0.06	1.12	0.99
Communications	26.40	28.66	10.95	12.38
Public Debt	8.51	18.91	18.20	17.02
Property	8.62	17.92	3.93	1.64
Expenditure of the undertakings, etc.	28.28	33.40	4.83	5.48
Other expenditure	0.08	—	0.17	0.20
Total expenditure	325.94	323.93	271.53	266.41
Deficit	45.10	50.16	9.85	2.58
<i>Covered by :</i>				
Cash reserves	0.49	—	2.74	—
Loans	44.61	34.06	0.72	0.91
Sundry economies	—	16.10	6.39	1.67
Total	45.10	50.16	9.85	2.58

1935 :

	Receipts	Expenditure	Deficit (—) or Surplus (+)
(In thousands of Schillings)			
Vienna	273,767	323,928	— 50,161
Lower Austria	81,858	82,520	— 662
Upper Austria	48,471	48,813	— 342
Salzburg	16,771	16,792	— 21
Styria	54,530	54,724	— 194
Carinthia	20,635	22,253	— 1,618
Tyrol	19,264	19,236	+ 28
Vorarlberg	8,713	8,508	+ 205
Burgenland	13,585	13,558	+ 27

Local Tax Revenue.

	Vienna		Provinces	
	1934	1935	1934	1935
	(In millions of Schillings)			
Surcharge on Federal land taxes ..	2.41	2.21	6.17	4.98
Surcharge on Federal betting tax ..	0.27	0.20	0.01	0.01
Land taxes	4.58	3.48	31.52	32.75
Taxes on buildings	43.50	36.00	14.33	14.66
Rent tax	1.23	1.20	0.10	0.10
Tax on salaries	42.00	41.00	21.49	22.12
Tax on increment in values	1.00	1.00	0.05	0.04
Tax on concessions	0.35	0.33	—	—
Advertisement tax	2.00	1.60	0.03	0.02
Consumption taxes :				
On cereals and flour	0.40	—	4.23	4.43
On beer	5.88	—	16.53	—
Taxes on gas and electricity	4.20	4.00	6.27	6.74
Entertainment tax	7.30	6.00	0.09	0.07
Game taxes	—	—	1.29	1.23
Administrative dues	0.96	0.80	1.47	1.42
Fire insurance tax	3.20	3.10	1.17	1.18
Other taxes	1.29	1.12	0.17	0.27
Total	120.57	102.04	104.92	90.02

The budgets of the local authorities for the current year deserve special attention, as they show for the first time the effects of the political and legislative changes of 1934.

Taken together, the provincial budgets may be regarded as virtually balanced, expenditure amounting to 266 million Schillings, and receipts to 264 million Schillings. The figures for the individual provinces bear this out, for, with the exception of Carinthia, they show either small surpluses or unimportant deficits which can be covered without borrowing. The deficit in Carinthia is due to a conjunction of unfortunate circumstances, in part perhaps unavoidable, and means are being studied of restoring stability and consolidating the floating debt of this province (for Vienna, see Thirteenth Quarterly Report, page 14).

The largest items on the expenditure side are Health, Welfare (27.5 per cent) and Education (37.5 per cent). The bulk of this last item is made up of teachers' salaries, as material expenditure is mainly borne by the municipalities, and, in consequence, provincial financial problems repeatedly hinge upon the question of the remuneration of the teaching staff. Owing to general unemployment and the consequent shrinkage in revenue, many local welfare institutions show deficits, which must be made good out of the provincial treasury.

Purely local taxation provides only about 34 per cent of provincial revenue, about 36 per cent of which is derived from land taxes. The provincial share in federal taxation amounts also to 34 per cent of total receipts. This would appear to leave a somewhat restricted field to provincial fiscal initiative, but it ensures, on the other hand, a certain uniformity in taxation within the country, which is very desirable on general economic grounds, while allowing of sufficient elasticity for adaptation to the necessities of each individual province.

4. POSITION OF THE CENTRAL BANK.

(Appendix III, Columns 14 to 20.)

(This chapter has been drawn up in consultation with the Adviser to the National Bank, M. Maurice Frère.)

	End of							
	1933	1934				1935		
		First quarter	Second quarter	Third quarter	Fourth quarter	January	February	March
	(In millions of Schillings)							
1. Note circulation	952	981	955	964	964	902	902	914
2. Sight liabilities	142	154	156	174	154	215	212	199
3. 1 plus 2	1,094	1,135	1,111	1,138	1,118	1,117	1,114	1,113
4. Blocked "foreign debt accounts" included in 2 ..	14	15	15	13	12	12	11	11
5. 3 minus 4	1,080	1,120	1,096	1,125	1,106	1,105	1,103	1,102
6. Gold and foreign exchange ..	202	213	277	282	277	278	280	274
7. Bills discounted	275	308	254	254	236	237	233	234

The note circulation at the end of 1934 was 963.9 million Schillings, an increase of 11.5 million Schillings during the twelve months. The maximum issue was 992.6 million Schillings at the end of February. In 1933, the maximum, 952.4 million Schillings, was reached on December 31st. The average circulation was 913.5 million Schillings in 1934 and 860.1 million Schillings in 1933.

Sight liabilities increased by 11.8 million Schillings during the same period, and the average in 1934 was 208.1 million Schillings, as against 194 millions in 1933.

In addition to the published currency reserve of 277.43 million Schillings, the Bank held 51.82 million Schillings in gold and foreign exchange, included in the balance-sheet under "Other assets". Of this total of 329.27 million Schillings, 84.6 per cent, or 278.5 million Schillings, were in gold. The proportion of purely commercial bills included in the bill portfolio (236.35 million Schillings on December 31st, 1934) was, as in previous years, not very large—18.4 million Schillings, or 8 per cent.

The following comparative table of the profit-and-loss accounts of the last six years shows the effects of the crisis on both the nature and the volume of the Central Bank's revenue.

	1929	1930	1931	1932	1933	1934
	(In millions of Schillings)					
<i>Dr.:</i>						
Personal and material expenditure ..	12.1	11.9	12.4	12.7	10.3	9.1
Banknote printing	1.8	1.9	1.7	1.5	1.5	1.2
Contribution to Pension Fund	5.5	5.5	3.4	3.7	3.5	1.7
Current account interest	6.6	8.2	6.4	6.2	2.9	0.2
Written off real estate and movable property	3.3	0.2	0.2	0.2	0.2	0.2
Written off securities (1934: discounts)	—	—	1.6	7.1	—	11.3
Written off on Creditanstalt account ..	—	—	17.6	—	—	—
Banknote tax	—	—	—	3.1	—	—
Interest carried forward	5.0	1.3	9.7	4.9	3.0	1.4
Profit	19.8	10.7	3.1	3.1	3.9	2.9
Total	54.1	39.7	57.1	42.5	25.3	28.0
<i>Cr.:</i>						
Profit brought forward	0.1	0.1	0.2	0.2	0.2	0.2
Interest brought forward	2.6	5.0	1.3	9.7	4.9	3.0
Discounts	16.7	6.3	37.0	23.8	10.7	12.6
Advances on securities	—	—	1.1	2.6	1.1	0.6
Interest on State debt	—	—	—	3.1	5.9	8.7
Dealings in foreign exchange	34.3	24.6	14.3	1.6	1.1	0.8
Sundry	0.4	3.7	3.2	1.5	1.4	2.1
Total	54.1	39.7	57.1	42.5	25.3	28.0

Personal and material expenditure was reduced in 1934 by 1.3 million Schillings, of which 1.16 million Schillings was saved on salaries and wages—a reduction of 8.7 per cent. The sum of 11.33 million Schillings has been mainly written off the discounts of the Industrie Kredit A.G. (former N. Ö. Eskompte-Gesellschaft), of which the National Bank is the biggest creditor, in order to improve the balance-sheet and the earning-power of that undertaking and consequently reduce the contingent liability of the National Bank.

After writing off this sum, the National Bank would not have been in a position to pay out a dividend, so that under the Law of August 19th, 1932, the State became liable for 1 per cent interest on Debt "A", in addition to the normal payments on Debt "C". (Debt "B" bears no interest.) This payment of 2.7 million Schillings has made it possible to pay 2.47 million Schillings in dividend.

The first quarter of 1935 has produced little change in the weekly bank returns. The circulation has fallen by 50 million Schillings; also, foreign exchange has been coming in regularly since the beginning of the year. The currency reserve at the end of the quarter was 3 million Schillings lower because of March foreign debt maturities. Discounts show no appreciable change. As has been shown above, the volume of commercial paper offered to the Central Bank is extremely small.

A Law of March 26th establishes a special account of the National Bank for the regulation of commercial and other payments with countries which place difficulties in the way of settlements with Austria. The purpose of this new regulation is purely defensive, and the authorities hope that it will not have to be applied. It authorises the Finance Minister to require all sums due to nationals of such countries as he may in the future establish to be paid in Schillings into a special fund managed by the National Bank. Such payment is equivalent

to the legal fulfilment of a contractual obligation. The foreign creditor can only dispose of the sums standing to his credit with the consent of the National Bank.

The bank rate, which had been 4½ per cent since June 28th, 1934, was lowered on February 23rd to 4 per cent, while the interest paid by the principal Viennese institutions on sight Schilling current-account deposits was simultaneously reduced from 3 to 2½ per cent. This places the banks in a position to reduce charges to their customers, and carries one stage further the cheaper-money policy pursued jointly by the Government and the National Bank. Further steps in this direction will undoubtedly follow.

5. ECONOMIC SITUATION.

(a) FOREIGN TRADE.

(Appendix III, Columns 1 to 5.)

(Merchandise only.)

(Weight in thousands of metric tons. Value in millions of Schillings.)

Year	Imports				Exports				Balance		World trade
	Weight	%	Value	% ¹	Weight	%	Value	% ¹	Value	% ¹	% ²
1929 ..	10,272.2	100	3,262.5	100	4,108.4	100	2,188.5	100	— 1,074.0	100	100
1930 ..	8,272.1	80.5	2,699.1	82.7	3,514.6	85.5	1,851.4	84.6	— 847.7	79.0	80.8
1931 ..	7,996.3	77.8	2,161.4	66.2	2,537.8	61.8	1,291.1	59.0	— 870.3	81.0	57.7
1932 ..	6,091.4	59.3	1,383.5	33.3	1,878.6	45.7	764.2	27.3	— 619.3	57.6	39.1
1933 ..	5,688.1	55.4	1,148.1	27.5	2,098.3	51.1	774.7	27.7	— 373.4	34.7	35.2
1934 ..	5,649.1	55.0	1,154.2	27.8	2,585.3	62.9	863.0	30.8	— 291.2	27.1	33.8

The above table illustrates the further improvement of Austrian foreign trade during 1934. Imports showed only a very slight increase in value, while exports rose to 88.3 million Schillings (11.1 per cent) above the 1933 figure. The unfavourable trade balance was consequently 82.2 million Schillings (22 per cent) smaller, and only 27 per cent of the excess imports in 1929.

Although the weight of exports in 1934 was higher than in 1931, their value was 33 per cent lower, or 47.8 per cent if allowance is made for the depreciation of the Schilling. The following figures show how this is in large part due to the fall in price of finished-goods exports :

(Weight in thousands of metric tons. Value in millions of Schillings.)

Classes of the International (Brussels) Classification	Imports				Exports			
	1934		1931		1934		1931	
	Weight	Value	Weight	Value	Weight	Value	Weight	Value
I. Live animals	90.5	78.9	148.0	168.0	3.4	4.8	11.6	17.7
II. Articles of food and drink	1,220.0	252.6	1,549.1	510.2	78.6	22.7	35.8	37.7
III. Mineral fuel and turf ..	3,083.3	105.5	4,626.9	176.6	1.1	0.0	57.5	2.7
Other raw material	1,128.5	346.1	1,380.4	452.5	2,177.3	240.7	2,068.2	266.6
IV. Finished goods	126.8	371.1	292.0	854.1	324.9	594.8	364.7	966.3
V. Gold and silver	0.0	18.3	0.1	48.6	0.0	17.3	0.3	35.7
Total	5,649.2	1,172.5	7,996.5	2,210.0	2,585.4	880.3	2,538.1	1,326.7
Total excluding gold and silver ..	5,649.2	1,154.2	7,996.4	2,161.4	2,585.4	863.0	2,537.8	1,291.0

¹ Gold value. 1929 = 100.

² Gold value. 1929 = 100. League of Nations *Monthly Bulletin of Statistics*.

The following table illustrates this fall in value for significant categories of finished goods :

Finished goods (Class IV of the International (Brussels) Classification) exported	1931		1934	
	Metric tons	Thousands of Schillings	Metric tons	Thousands of Schillings
Cotton yarn	4,140	22,706	7,678	29,762
Cotton manufactures	3,488	59,738	2,142	31,614
Flax, hemp and jute yarns and goods	8,730	15,592	7,789	13,159
Woollen yarn	2,216	31,163	1,527	19,492
Woollen manufactures	1,191	41,106	883	25,593
Silk yarn	1,232	22,752	689	8,892
Silk manufactures	1,187	78,024	584	22,592
Hats and hat shapes	209	23,801	147	10,909
Wearing apparel	230	31,385	213	19,526
Mercery and haberdashery	403	18,588	215	8,621
Cardboard	23,994	8,309	22,430	6,397
Paper	105,251	71,153	96,238	46,591
Paper manufactures	2,819	12,744	3,129	8,936
Rubber manufactures	2,716	22,521	2,970	18,603
Leather	4,330	33,066	1,463	12,838
Leather goods, boots and shoes	467	18,369	307	9,134
Furs and manufactures of	138	13,276	46	3,812
Furniture and other woodenware	6,991	13,971	5,216	6,934
Glassware	2,545	10,404	3,714	9,617
Fireproof bricks	44,570	11,345	29,609	11,316
Iron manufactures	70,946	103,969	67,964	88,701
Other metal manufactures	8,635	54,149	5,455	31,785
Electric machinery	2,325	11,854	1,698	7,327
Electric lamps	584	14,607	200	5,155
Other electro-technical appliances	3,780	38,768	2,195	20,491
Other machines and apparatus	20,232	45,998	11,611	27,256
Motor-cars and parts of	1,631	15,555	986	6,401
Instruments	493	10,900	279	6,108
Chemicals, dyes and drugs	18,591	24,992	23,582	25,919
Books and newspapers	3,520	25,632	3,167	17,550
Other finished goods	17,108	59,923	20,802	33,720
Total	364,692	966,360	324,928	594,751

The orientation of Austrian trade during the last three years is shown by the following figures :

(In millions of Schillings.)

Exports from Austria.

Country of destination	1932		1933		1934		1935 : Jan. and Feb.		1934 : Jan. and Feb.	
	Value	%	Value	%	Value	%	Value	%	Value	%
Hungary	71.2	9.3	76.9	9.2	99.9	11.6	15.1	12.0	10.2	8.6
Roumania	26.4	3.4	45.4	5.9	53.6	6.2	6.3	5.0	7.4	6.3
Czechoslovakia	81.1	10.6	60.5	7.8	64.2	7.4	8.6	6.8	8.9	7.5
Yugoslavia	57.9	7.6	56.4	7.3	53.2	6.2	7.1	5.6	6.7	5.7
Total	236.6	30.9	239.2	30.2	270.9	31.4	37.1	29.4	33.2	28.1
Germany	126.3	16.5	117.2	15.1	136.6	15.8	25.2	20.0	18.3	15.5
Italy	75.6	9.9	86.8	11.2	95.4	11.0	13.7	10.9	14.2	12.0
Switzerland	60.8	8.0	64.1	8.2	63.5	7.4	7.2	5.7	8.5	7.2
France	32.5	4.1	30.7	4.0	33.2	3.8	4.0	3.2	4.8	4.1
United Kingdom	28.9	3.8	35.2	4.5	42.9	5.0	5.0	4.2	6.0	5.1
Poland	27.2	3.6	29.0	3.8	31.3	3.9	4.2	3.2	4.1	3.5
Netherlands	20.4	2.7	16.7	2.2	16.3	1.9	2.8	2.2	2.8	2.4
United States	15.1	2.0	19.0	2.4	12.9	1.5	2.7	2.1	1.4	1.2
Other countries	140.8	18.5	136.8	18.4	160.0	18.3	23.8	19.1	24.9	20.9
Total	764.2	100.0	774.7	100.0	863.0	100.0	125.7	100.0	118.2	100.0

Imports to Austria.

Country of origin	1932		1933		1934		1935 : Jan. and Feb.		1934 : Jan. and Feb.	
	Value	%	Value	%	Value	%	Value	%	Value	%
Hungary	135.8	9.8	134.5	11.7	129.7	11.2	19.3	10.6	19.0	10.7
Roumania	80.6	5.8	53.1	4.6	65.0	5.6	12.4	6.8	6.1	3.4
Czechoslovakia	210.2	15.2	156.7	13.7	158.5	13.7	23.4	12.9	23.9	13.5
Yugoslavia	108.0	7.8	104.2	9.1	97.8	8.5	14.7	8.1	15.2	8.6
Total	534.6	38.6	448.5	39.1	451.0	39.0	69.8	38.4	64.2	36.2
Germany	277.2	20.0	215.4	18.8	197.8	17.1	27.2	15.0	32.2	18.2
Poland	105.5	7.1	72.2	6.3	72.6	6.3	11.9	6.5	13.5	7.6
Italy	68.4	4.9	51.5	4.5	49.5	4.3	8.2	4.5	7.6	4.3
Switzerland	48.7	3.5	38.6	3.4	44.1	3.8	6.1	3.4	6.2	3.5
United Kingdom	35.0	2.5	33.3	2.9	44.5	3.9	7.2	4.0	6.9	3.9
France	27.6	2.0	27.4	2.4	34.6	3.0	6.4	3.5	5.7	3.2
Netherlands	14.8	1.1	14.7	1.3	17.4	1.5	1	1	2.3	1.3
United States	56.2	4.1	61.9	5.4	61.9	5.4	10.2	5.6	9.7	5.5
Other countries	215.5	16.2	184.6	15.9	180.8	15.7	34.7	19.1	28.6	16.3
Total	1,383.5	100.0	1,148.1	100.0	1,154.2	100.0	181.7	100.0	176.9	100.0

Exports to Germany, Hungary, Italy and the United Kingdom show the greatest increase in 1934. The first two months of 1935 show a further rise in exports to Germany and Hungary. Trade with both countries is regulated by clearing agreements, and has always shown an adverse balance. As imports from Germany tend to diminish and exports increase, the unfavourable balance is being progressively levelled out.

The increase and decrease respectively in individual categories of exports and imports to and from Hungary and Germany are shown by the following tables :

	Exports to							
	Germany				Hungary			
	1933	1934	Jan. and Feb. 1935	Jan. and Feb. 1934	1933	1934	Jan. and Feb. 1935	Jan. and Feb. 1934
	(In millions of Schillings)							
Live animals	4.9	2.7	0.4	0.6	0.1	0.1	0.0	0.0
Articles of food and drink	4.7	5.2	2.6	0.4	2.2	1.3	0.5	0.2
Raw materials	32.7	47.3	9.2	5.9	29.3	48.5	6.7	3.9
Finished goods	74.9	81.5	13.0	11.3	45.3	50.0	8.0	6.1
Gold and silver	10.9	6.0	0.5	1.2	4.2	0.1	0.0	0.0
Total	128.1	142.7	25.7	19.4	81.1	100.0	15.2	10.2
Total excluding gold and silver	117.2	136.7	25.2	18.2	76.9	99.9	15.2	10.2

	Imports from							
	Germany				Hungary			
	1933	1934	Jan. and Feb. 1935	Jan. and Feb. 1934	1933	1934	Jan. and Feb. 1935	Jan. and Feb. 1934
	(In millions of Schillings)							
Live animals	0.3	0.1	0.0	0.0	40.1	29.4	5.0	5.3
Articles of food and drink	8.5	4.8	0.8	1.0	63.2	75.7	10.9	9.6
Mineral fuel and turf	20.2	14.6	3.3	4.1	3.4	2.8	0.4	0.5
Other raw materials	34.1	31.8	2.9	5.8	18.4	13.3	1.9	2.3
Finished goods	152.3	146.5	20.4	21.3	9.4	8.5	1.2	1.3
Gold and silver	18.8	6.8	0.4	1.6	0.0	0.0	0.0	0.0
Total	234.2	204.6	27.8	33.8	134.5	129.7	19.4	19.0
Total, excluding gold and silver	215.4	197.8	27.4	32.2	134.5	129.7	19.4	19.0

¹ Not yet available.

The existence of clearing accounts with both countries would lead one to expect a 1 : 1 trade ratio (1 : 1.5 with Hungary) in order to utilise to the full the Schilling balances paid in by Austrian importers, as neither Germany nor Hungary can expect to obtain free foreign currencies (*Edelvaluten*) from Austria in settlement of the import surplus. Since the Schilling has acquired the international status of an *Edelvaluta*, the above-mentioned countries may be inclined to utilise their clearing balances to purchase, not only goods of purely Austrian origin, but also Austrian re-exports. Austria is naturally more interested in selling articles of the former class, as this gives greater employment to home labour and capital.

(b) PRODUCTION.

(Appendix III, Columns 9 to 12.)

		November	December		January	February	
Pig-iron ..	} 1923-1932 = 100	1933	43	30	1934	34	28
		1934	45	42	1935	42	39
Steel ..	}	1933	42	40	1934	45	43
		1934	62	35	1935	49	60
Industrial fuel requirements (1,000 tons):							
Foodstuffs industry	}	1933	38	35	1934	26	
		1934	48	41	1935	21	
Iron and metal industry	}	1933	47	46	1934	53	
		1934	57	56	1935	57	
Chemical industry	}	1933	21	16	1934	16	
		1934	18	17	1935	17	

Source : Institut für Konjunkturforschung.

The general production index fell slightly in December last, but nevertheless remained above the corresponding 1933 figure. The January 1935 index, however, is slightly below that of January 1934.

The iron and steel industry shows in every department higher production figures than in the previous year, and the unfilled orders index was 36 in February 1935, as against 25 in February and 26 in December 1934. In 1934, 23.7 million Schillings' worth of steel bars was exported (16.8 million Schillings in 1933), and 3.3 million Schillings' worth of steel plates (1.9 million Schillings in 1933).

Production in the textile industry remains on a high level, but unfilled orders for cotton-yarn are below last year, while stocks are higher. Cotton-yarn exports in 1934, at 29.76 million Schillings, were 12.5 per cent higher than in 1933.

The fuel requirements in nearly all branches of industry indicate a higher level of activity than last year.

(c) THE LABOUR MARKET.

Unemployed receiving Benefit in Austria.

	1932	1933	1934	Decrease between 1933 and 1934		1935	Decrease between 1934 and 1935	
End of :					and %			%
January	358,114	397,920	357,291	40,629	10.2	334,337	22,954	6.4
February	361,948	401,321	352,451	48,870	12.2	334,658	17,793	5.0
March	352,444	379,693	325,657	54,036	14.2	314,923	10,734	3.3
April	303,888	350,552	295,814	54,738	15.6			
May	271,481	320,955	273,576	47,379	14.7			
June	265,040	307,873	263,883	43,990	14.3			
July	266,365	300,762	257,213	43,549	14.4			
August	269,179	291,224	248,028	43,196	14.8			
September	275,825	279,053	243,847	35,179	12.6			
October	297,791	280,381	249,275	31,106	11.1			
November	329,707	300,477	275,148	25,329	8.4			
December	367,829	335,919	308,116	27,803	8.3			

As in the two previous years, unemployment reached its seasonal peak in the middle of February, when it was 21,032 below 1934 and 64,836 below 1933, and it has steadily fallen since.

The present situation in particular industrial branches is reflected by the following figures, showing the number of unemployed applying for work :

Unemployed Applicants for Work classified according to Industries.

		Building	Iron and metal	Machine	Electrical	Clothing	Printing	Chemical	All industries
End of :		(In thousands)							
October	1933	74	33	19	6.9	23	7.2	6.3	358
	1934	65	28	15	5.1	23	8.0	6.4	332
November	1933	87	34	19	6.7	25	7.0	6.5	383
	1934	82	29	16	5.1	24	7.6	6.7	364
December	1933	104	36	19	6.9	29	7.0	6.9	422
	1934	97	31	17	5.2	27	7.7	7.3	399
January .. .	1933	119	41	22	9.2	35	7.1	7.9	478
	1934	106	38	19	7.5	32	7.1	7.4	440
	1935	106	32	17	5.8	29	7.7	7.8	424

These figures are subject to many accidental influences, but over a longer period they can be trusted to give a fairly accurate picture of the general trend.

That unemployment has not continued to fall at a uniform rate is no reason for discouragement, as it must be borne in mind that, with the increase of employment, it becomes more difficult to reabsorb those who are still out of work.

(d) PRICES.

(Appendix III, Columns 7 and 8.)

The following table shows the wholesale prices, in Vienna, of certain "key" agricultural and industrial articles, as published by the Federal Statistical Office :

		Price in Schillings per 100 kg.						
		Middle of						
		1932	1933	1934		1935		
		December	December	June	December	January	February	March
Wheat (domestic) ..		34.40	35.40	35.15	35.85	35.85	37.10	37.60
Potatoes		9.25	9.90	23.50 ¹	10.50	No change		
Sugar		119.00	119.25	No change				
Beef		240.00	230.00	210.00	220.00	220.00	200.00	210.00
Cotton		111.80	129.00	145.00	151.40	151.90	149.10	144.30
Wool		755.00	1,158.00	1,112.00	790.00	829.00	790.00	742.00
Rubber		76.80	143.60	197.60	178.60	176.70	172.20	154.00
Hard coal		8.56	No change					
Copper		98.00	99.00	100.00	88.00	90.00	86.00	86.00
Lead		51.00	52.00	50.00	51.00	52.00	49.00	55.00
Foodstuffs	} 1914 = 100	102.00	99.00	102.40	101.70	102.10	101.20	101.80
Industrial articles		120.00	126.50	126.70	124.00	124.60	124.30	124.10

¹ New Italian potatoes.

(e) STOCK EXCHANGE.

	1934-1959 Conversion Loan, Austrian tranche, 5% (issued at 87)	1923-1943 Loan, Austrian tranche, 7%	1930 Loan, Austrian tranche, 7%	1933 Lottery Loan, 4% (issued at 98)	1931 Building Loan, 5%	Niederöster- reichische Mortgage Bonds, 5%
End of :	(Percentage of face value)					
1934 :						
March		98.20	79.88	84.00	59.06	67.58
June		94.78	82.42	82.50	59.71	66.80
September		92.55	85.55	84.00	59.38	71.88
October		97.81	88.36	85.00	63.36	71.88
November		98.89	90.63	90.50	64.84	73.44
December		98.43	94.53	88.75	64.65	73.83
1935 :						
January	90.80	99.93	98.05	92.25	70.31	78.91
February	93.75	101.31	100.08	93.00	74.61	79.69
March	93.00	—	97.66	90.00	69.53	78.13

	December		January		February	March
Bond index (I.f.K.), average 1927 = 100 ..	1933	87.8	1934	92.5	95.2	97.1
	1934	108.6	1935	111.8	113.2	116.1
Index of 35 industrial shares 1923-1932 =	1933	40.0	1934	42.3	42.5	45.1
100 (I.f.K.)	1934	55.4	1935	61.3	59.2	59.2
Turnover from security transactions (mil-	1933	17.0	1934	19.4	18.3	
lion Schillings)	1934	34.7	1935	43.3	36.5	

The prices of fixed-interest securities continued to rise in the period under review, and the bond index reached a new high level in March. The 1930 Loan reached par during February, fell off slightly in March, but stands at 101.37 at the time of writing. The League of Nations Conversion Loan, which had been issued at 87, had risen to 93 by the end of March, and is now quoted at 94.50.

The share index fell off slightly in February, and remained unchanged in March. The Stock Exchange turnover in February was the largest since July 1931.

(f) COMMERCIAL POLICY.

During February, a commercial agreement with Italy came into force, supplementing those of May 14th, 1934, which have now been definitively ratified by the parties. This latest agreement provides for new preferences, and for an extension in the value and volume of some of the already existing preferential quotas.

The Swiss embroidery convention of March 18th, 1933, is no longer in force, since no agreement could be reached over certain modifications suggested by Switzerland. Some of its provisions, however, remain in force until March 19th, 1938—namely, those prohibiting the setting-up of new embroidery machines or their export and the measures establishing mutual protection of patterns.

Negotiations with France are contemplated concerning the detailed application of the preferential agreement for timber.

The treaty regulating payments with Roumania, which had been denounced by that country as from December 15th, 1934, has been provisionally prolonged for a further period, pending the conclusion of negotiations.

The agreement with Canada granting Austria the advantages of the intermediary tariff has been indefinitely prolonged. Three months' notice is required for its denunciation.

Appendix I.
ANALYSIS OF ANNUAL AND QUARTERLY BUDGET ACCOUNTS.

Table with columns for Receipts and Expenditure, sub-sections for Ordinary and Extraordinary Budgets, and quarterly data for 1933, 1934, and 1935.

Appendix II.

MONTHLY ESTIMATES AND PROVISIONAL RESULTS.

RECEIPTS	November			December			January			February			March		April	
	1933 Provisional results	1934		1933 Provisional results	1934		1934 Provisional results	1935		1934 Provisional results	1935		1934 Provisional results	1935 Estimates	1934 Provisional results	1935 Estimates
		Estimates	Provisional results		Estimates	Provisional results		Estimates	Provisional results		Estimates	Provisional results				
(In millions of Schillings)																
ORDINARY BUDGET.																
A. Administration:																
Direct taxes	19.71	21.00	22.70	23.08	24.00	27.89	24.96	23.00	26.87	15.58	20.00	19.87	26.42	26.00	23.36	24.00
Customs	15.77	14.30	17.00	15.09	15.30	17.43	14.00	15.50	17.09	13.29	15.50	16.37	15.15	16.00	20.54	16.50
Excise duties	13.64	15.25	17.11	17.09	14.68	16.06	12.50	13.67	13.60	11.60	13.53	12.17	11.27	13.00	12.11	13.51
Turnover tax	12.31	11.50	12.45	14.11	12.10	12.51	12.56	12.20	12.19	10.40	10.50	11.39	12.23	11.00	10.60	10.70
Turnover tax, emergency surtax	11.16	10.70	11.62	11.63	11.30	11.80	11.06	11.40	11.74	9.29	9.90	10.64	10.87	10.30	9.57	10.30
Taxes on transactions, legal fees, etc. .. .	8.34	7.80	7.68	8.96	8.30	8.15	9.67	9.20	9.60	7.54	7.30	8.46	8.30	7.80	9.27	9.10
Other receipts	0.27	0.26	0.37	0.28	0.26	0.31	0.19	0.27	0.20	0.16	0.27	0.22	0.23	0.27	0.24	0.23
Total taxes	81.20	81.01	88.93	90.26	86.14	94.15	84.94	85.24	91.89	67.86	77.00	79.12	84.47	84.37	85.69	84.34
Debit:																
Shares of local authorities	12.70	14.40	16.40	15.02	15.98	21.11	12.43	14.93	14.50	14.74	16.92	16.20	15.07	15.80	8.89	11.81
Total: State taxation	68.50	66.61	72.53	75.24	70.16	73.04	72.51	70.31	77.39	53.12	60.08	62.92	69.40	68.57	76.80	72.53
Receipts of Social Administration	15.66	16.38	18.17	15.48	16.38	14.08	19.54	15.63	19.97	15.33	14.88	13.96	13.96	13.60	16.87	16.68
Other administrative receipts	11.63	11.89	11.73	13.40	14.02	10.34	11.43	10.47	8.39	11.22	9.36	7.78	7.78	16.30	10.82	7.89
Contribution towards Debt Service	8.89	9.16	9.10	11.99	10.12	10.37	9.20	6.53	6.78	9.26	6.59	3.13	6.52	9.18	6.54	6.54
Total receipts of the Administration .. .	104.68	104.04	111.53	116.11	110.68	107.83	112.70	108.94	112.53	88.93	90.91		94.27	104.99	113.67	103.64
B. Monopolies:																
Tobacco	25.01	24.99	24.04	29.15	27.10	28.45	24.38	23.74	21.87	22.87	22.87	20.86	24.98	24.74	24.87	24.79
Salt	3.09	2.73	2.82	2.57	2.38	2.36	2.70	2.82	3.05	2.49	2.47	2.51	2.38	2.17	2.77	2.43
Lotteries and gunpowder	2.60	2.73	2.78	5.73	3.46	3.90	3.27	3.18	5.37	4.90	4.87	5.16	5.65	5.05	5.03	5.10
Total: Monopolies	30.70	30.45	29.64	37.47	35.03	36.71	32.35	31.74	30.29	30.26	30.21	28.53	33.01	31.96	32.67	32.32
C. Public Undertakings:																
Posts and Telegraphs	15.76	16.31	16.22	19.39	19.97	20.05	17.16	17.17	17.48	14.53	15.07		19.62	19.43	16.27	16.67
Forests	0.77	0.70	0.88	1.46	1.30	1.54	0.58	0.70	0.88	0.38	0.70		0.68	0.80	0.77	0.80
Federal theatres	0.55	0.55	0.57	0.68	0.47	0.54	0.86	0.74	0.75	0.46	0.53		0.58	0.57	0.57	0.60
Other	1.13	1.35	1.07	1.60	1.71	2.61	1.17	1.15	1.13	1.06	1.43		1.27	1.40	1.36	1.48
Total: Public Undertakings	18.21	19.11	18.74	23.13	23.45	24.74	19.77	19.76	20.24	16.63	17.73		22.15	22.20	18.97	19.55
D. Railways:																
Federal Railways	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other railways	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total: Railways	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total ordinary receipts	153.59	153.60	159.91	176.71	169.16	169.28	164.82	154.44	163.06	135.82	138.85		149.43	159.15	165.31	155.51

MONTHLY ESTIMATES AND PROVISIONAL RESULTS (concluded).

EXPENDITURE	November			December			January			February			March		April	
	1933	1934		1933	1934		1934	1935		1934	1935		1934	1935	1934	1935
	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Estimates
ORDINARY BUDGET.																
(In millions of Schillings)																
A. Administration:																
Army	8.14	9.93	10.03	8.41	10.84	10.50	9.26	11.43	11.61	7.93	8.90		8.40	9.39	7.70	8.91
Foreign Affairs	0.56	0.51	0.51	0.59	0.53	0.54	0.51	0.51	0.51	0.50	0.50		0.54	0.59	0.50	0.54
Justice	4.02	4.05	3.98	4.50	4.68	4.66	4.09	4.25	4.29	3.93	4.03		4.55	4.55	4.28	4.22
Supreme organs	0.34	0.27	0.21	0.34	0.35	0.36	0.35	0.27	0.23	0.36	0.25		0.29	0.26	0.30	0.27
Chancellor's office	0.55	1.48	1.90	1.60	2.66	3.12	1.24	1.62	1.30	3.44	1.71		2.31	1.40	0.71	1.02
Interior	8.38	13.09	12.61	8.43	13.77	14.47	8.77	10.53	10.56	14.47	10.69		15.27	10.95	11.52	10.05
Social Administration	32.13	32.69	31.42	37.90	38.35	38.14	39.46	39.75	39.65	34.86	33.37		41.71	39.84	32.28	33.08
Agriculture	3.05	5.36	5.69	3.26	4.25	5.03	3.04	3.75	3.73	3.50	3.78		3.59	4.23	3.07	3.91
Commerce and Traffic	4.42	6.17	6.27	8.40	7.94	8.48	3.66	3.69	5.42	3.92	4.65		4.01	5.00	4.11	4.44
Education, Science, Church	5.68	5.62	5.39	8.23	7.01	6.92	5.88	5.72	5.73	3.89	5.45		7.05	6.82	5.57	5.64
Finance	4.49	4.61	4.61	2.47	5.43	14.32	5.22	5.88	5.68	4.40	4.91		4.83	5.19	4.70	4.99
Subsidy to Postal Savings Bank	0.25	0.21	0.46	0.21	0.21	0.40	0.21	0.35	0.35	0.21	0.35		0.21	0.35	0.21	0.35
Payments to local authorities	2.09	2.25	2.35	2.76	2.70	2.69	2.06	1.84	1.84	2.06	1.86		2.07	1.84	2.10	1.88
Pensions	17.73	17.85	17.98	16.90	17.15	17.22	18.64	18.90	18.87	17.86	18.05		17.82	18.08	17.82	18.10
Charges under the Peace Treaty	0.01	0.02	0.01	0.45	0.32	0.34	0.01	0.05	—	0.04	0.03		0.05	0.06	0.19	0.23
Debt Service	15.59	14.54	15.55	18.64	13.02	20.54	25.72	20.14	25.18	16.64	12.73		18.32	12.14	21.44	17.14
Total: Administration	107.41	118.65	117.17	123.09	129.21	147.73	128.12	130.68	134.87	120.03	111.28		131.02	120.69	116.30	114.77
B. Monopolies:																
Tobacco	8.96	9.53	9.49	12.02	11.06	10.96	8.39	8.38	8.28	8.13	8.26	8.16	8.92	8.03	9.15	7.67
Salt	1.31	1.31	1.29	1.35	1.38	1.35	1.32	1.35	1.32	1.39	1.27	1.27	1.31	1.26	1.37	1.14
Lotteries	1.46	1.38	1.05	1.40	1.54	1.47	1.61	1.68	1.93	2.06	1.67	2.02	5.35	4.91	5.89	6.21
Gunpowder	0.54	0.60	0.61	0.83	0.58	0.78	0.50	0.51	0.39	0.34	0.51	0.40	0.62	0.52	0.50	0.50
Total: Monopolies	12.27	12.82	12.44	15.60	14.56	14.56	12.82	12.92	12.92	12.12	11.71	11.85	16.18	14.72	16.91	15.52
C. Undertakings:																
Posts and Telegraphs	18.65	18.92	19.06	19.87	20.33	20.29	18.65	22.31	22.18	18.79	17.95		18.97	18.19	18.90	18.18
Forest	1.62	1.70	1.63	2.01	2.00	2.03	1.54	1.59	1.48	1.67	1.67		1.69	1.73	1.61	1.62
Federal theatres	0.85	0.89	0.90	1.02	0.85	0.86	0.98	0.90	0.91	0.84	0.89		0.89	0.86	0.92	0.90
Other undertakings	1.22	1.54	1.37	1.58	1.71	1.90	1.43	1.47	1.31	1.38	1.42		1.37	1.57	1.45	1.56
Total: Undertakings	22.34	23.05	22.96	24.48	24.89	25.08	22.60	26.27	25.82	22.68	21.93		22.92	22.35	22.88	22.26
D. Railways:																
Federal Railways	6.22	8.34	8.34	14.41	8.36	8.36	8.33	6.58	6.58	8.33	6.58		8.34	6.59	9.10	6.58
Charges under the Südbahn Convention	—	—	—	3.36	4.46	4.29	—	—	—	—	—		3.09	3.10	—	—
Other railways	0.21	0.29	0.26	0.21	0.33	0.29	0.28	0.33	0.35	0.30	0.32		0.28	0.46	0.35	0.37
Total: Railways	6.43	8.63	8.60	17.98	13.15	12.94	8.61	6.91	6.93	8.63	6.90		11.71	10.15	9.45	6.95
Total ordinary expenditure	148.45	163.15	161.17	181.15	181.81	200.31	171.15	175.78	179.54	163.46	151.82		181.83	167.91	165.74	159.50
Total ordinary receipts	153.59	153.60	159.91	176.71	169.16	169.28	164.82	154.44	163.06	135.82	138.85		149.43	159.15	165.31	155.51
Ordinary budget balance	+ 5.14	- 9.55	- 1.26	- 4.44	- 12.65	- 31.03	- 6.33	- 21.34	- 16.48	- 27.64	- 12.97		- 32.40	- 8.76	- 0.43	- 3.99
EXTRAORDINARY BUDGET.																
Finance	—	—	—	—	—	20.00	—	—	—	—	—		—	—	—	—
Commerce and Traffic	3.43	5.00	3.34	3.05	3.75	3.10	1.41	2.40	1.29	1.31	1.03		0.75	10.33	2.09	1.00
Agriculture	1.64	1.57	1.32	1.76	1.14	0.86	1.45	0.63	0.62	1.49	1.04		1.28	1.95	1.40	2.42
Posts and Telegraphs	0.21	1.27	1.06	0.22	1.75	1.46	0.22	0.69	0.65	0.21	0.75		0.22	0.51	0.42	0.44
Railways	—	—	—	3.20	0.17	0.17	—	—	—	—	1.00		0.91	1.70	—	4.13
Monopolies and Undertakings	—	—	—	—	—	—	—	0.45	0.44	—	0.43		—	0.63	—	0.49
Total extraordinary expenditure	5.28	7.84	5.72	8.23	6.81	25.59	3.08	4.17	3.00	3.21	4.25		3.16	15.12	3.91	8.50
Total extraordinary receipts	1.47	—	—	8.93	—	—	—	—	—	—	—		—	—	—	—
Extraordinary budget balance	- 3.81	- 7.84	- 5.72	+ 0.70	- 6.81	- 25.59	- 3.08	- 4.17	- 3.00	- 3.21	- 4.25		- 3.16	- 15.12	- 3.91	- 8.50
Total budget balance	+ 1.33	- 17.39	- 6.98	- 3.74	- 19.46	- 56.62	- 9.41	- 25.51	- 19.48	- 30.85	- 17.22		- 35.56	- 23.88	- 4.34	- 18.49

Appendix III.

	Foreign Trade ¹ (Merchandise only)					Economic Indicators								National Bank					Discount rate Per cent	Savings Bank deposits (millions of Schillings) ²		
	Value (millions of Schillings)			Weight (thousands of tons)		Railway goods traffic (million net ton kms.)	Wholesale price index January- June 1914 = 100 ³	Cost-of- living index July 1914 = 100 ⁴	Industrial production index ⁵ 1923-1931 = 100 ⁶	Production of			Unemployed receiving benefit (thousands)	Gold and cover exchange	Other exchange	Bills discounted	Government Debt	Note circulation and sight liabilities			Cover Per cent	
	Imports	Exports	Excess imports	Imports	Exports					Cotton-yarn per spindle ⁷ 1923-1931 = 100 ⁸	Cellulose (wagons)	Electric power (million kwhs.)										
	1	2	3	4	5	6	7	8	9 (Average)	10	11	12	13	14	15	16	17 (End of)	18			19	20 (Average)	21 (End of)
1921	3,447	1,970	1,477	8,051	2,565	297.9	136	—	83	84	1,245	—	95	488	—	188	218	894	55	11.57	—	
1922	4,813	1,923	910	8,440	3,246	307.2	136	—	96	111	1,464	—	150	499	59	180	188	945	54	10.86	—	
1923	2,766	1,733	1,033	8,263	3,228	332.1	123	103	96	95	1,322	—	177	537	143	124	177	985	55	7.50	—	
1924	3,038	2,037	1,001	8,754	3,929	350.0	133	106	109	118	1,605	80	172	464	274	132	173	1,045	44	6.34	—	
1925	3,239	2,208	1,031	9,063	4,718	351.4	130	108	119	111	1,725	91	156	411	386	208	116	1,124	37	6.27	1,755	
1926	3,262	2,188	1,074	10,272	4,109	369.4	130	111	122	110	1,870	96	164	406	334	306	109	1,158	37	7.33	2,119	
1927	2,609	1,831	848	8,272	3,515	314.0	117	111	104	102	1,779	97	208	412	318	148	101	1,183	35	5.75	2,419	
1928	2,161	1,891	870	7,996	2,516	270.6	109	106	91	96	1,796	93	253	292	26	908	96	1,311	22	7.04	2,025	
1929	1,583	764	689	6,001	1,879	208.9	112	108	79	91	1,664	90	304	188	—	379	663	1,132	17	6.83	2,064	
1930	1,148	773	373	5,682	2,008	209.9	108	103	81	98	1,850	89	320	189	13	275	624	1,095	17	5.23	2,056	
1931	1,154	803	391	5,649	2,583	222.3	110	103	88	122	1,988	92	287	242	35	236	624	1,118	22	4.71	2,113	
1932:																						
1st quarter	267	153	112	1,263	363	187.0	107	103	72	71	1,793	89	393	189	—	287	660	1,089	17	6	2,102	
2nd quarter	271	134	87	1,226	360	194.3	108	103	76	86	1,818	84	327	189	7	275	659	1,110	17	5	2,105	
3rd quarter	274	207	67	1,429	304	212.6	109	103	80	109	1,855	84	290	189	8	225	624	1,026	19	5	2,051	
4th quarter	334	223	109	1,679	490	248.7	108	106	91	129	2,042	98	303	189	13	275	624	1,095	17	5	2,050	
1934:																						
I ..	91	38	33	432	149	225.9	109	106	61	221	2,007	93	337	189	17	262	624	1,095	17	5	2,095	
II ..	85	60	25	410	156	201.0	110	103	60	213	1,681	78	352	189	22	297	624	1,130	17	5	2,030	
III ..	101	79	22	431	199	222.9	113	103	83	222	1,967	93	326	189	24	308	624	1,135	17	5	2,058	
IV ..	96	72	24	370	234	207.8	112	103	83	212	1,863	86	296	241	36	301	624	1,133	21	5	2,076	
V ..	99	67	32	439	230	209.8	110	104	84	215	2,214	91	274	241	38	278	624	1,121	22	5	2,100	
VI ..	94	72	22	470	245	225.4	110	103	90	221	2,039	88	264	241	36	254	624	1,121	22	4 1/2	2,085	
VII ..	85	66	19	426	243	209.7	110	103	83	210	2,009	91	257	241	40	248	624	1,127	21	4 1/2	2,069	
VIII ..	83	71	12	456	227	214.3	110	104	89	218	2,044	93	248	242	44	253	624	1,140	21	4 1/2	2,090	
IX ..	96	79	17	542	233	237.5	108	103	89	224	1,905	92	244	242	41	254	624	1,138	21	4 1/2	2,092	
X ..	106	80	26	533	241	257.4	108	103	92	235	1,906	99	249	242	43	250	624	1,134	21	4 1/2	2,103	
XI ..	109	79	30	560	219	246.6	109	103	97	241	2,101	100	275	242	46	241	624	1,127	21	4 1/2	2,132	
XII ..	110	78	32	540	210	227.4	109	103	93	230	2,216	101	308	242	55	236	624	1,118	22	4 1/2	2,173	
1935:																						
I ..	93	59	34	443	151	192.4	110	103	90	239	1,593	100	334	242	36	237	624	1,117	22	4 1/2	2,220	
II ..	89	68	21	414	178	—	109	104	—	—	—	89	335	242	38	234	624	1,114	22	4	2,051	
III ..	—	—	—	—	—	—	109	104	—	—	—	—	315	242	32	234	624	1,113	22	4	—	

¹ Only provisional figures after January 1934.
² Source: Bundesamt für Statistik.
³ Seasonally corrected index.
⁴ Source: Institut für Konjunkturforschung.
⁵ Source: National Bank.

Geneva, April 18th, 1935.

LEAGUE OF NATIONS

**FINANCIAL POSITION
OF HUNGARY IN THE FIRST QUARTER OF 1935**

FOURTEENTH QUARTERLY REPORT

by Mr. Royall Tyler, Representative in Hungary
of the Financial Committee

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I. GENERAL.

I. INTRODUCTORY.

(1) The budgetary position has not changed materially over the last quarter. Both expenditure and receipts are on a slightly higher level for nine months to March 31st, 1935, than they were for the same period last year. Advances to the State Undertakings have risen appreciably, this being caused by a decrease in the traffic of the Railways.

(2) The cash deficit for the year ending June 30th next is not likely to be less than it was for 1933-34.

(3) The budget estimates for 1935-36 are not yet available. It is expected that they will be introduced into Parliament soon after it assembles on April 27th.

(4) The budgets of the local authorities, except for Budapest, have now been balanced, and their aggregate expenditure has been appreciably reduced over the last three years. The rate of reduction has not been uniform. Budapest, whose budget amounts to nearly half the total expenditure of the local authorities, has not retrenched on the same scale as the others, or as the State Administration. The savings are relatively greatest in the case of the communes.

(5) The 1934 harvest having been a light one, Hungary's exports have been less, in weight, for some months past than they were a year before. Imports, though they have ceased to increase, have so far remained approximately on the last year's level, but allotments for imports have latterly been restricted. The raw material requirements of industry appear to have been satisfied to a greater extent in 1934 than had been possible in recent years. Marketing difficulties have on the whole increased. Hungary's exports passing through the clearing and compensation arrangements now amount to over three-quarters of the total.

(6) Decrees (see I, 5(d)) have recently been issued : (i) terminating the Foreign Creditors' Fund and turning over its functions, together with some others, to a newly created Foreign Credits Cash Office ; (ii) prohibiting dealings in securities or coupons between residents in Hungary and non-residents ; and (iii) suspending free transactions in gold.

(7) The Standstill Agreement with foreign short-term banking creditors (Tenth Report, page 13) which, as originally concluded, lapsed on April 1st, has been prolonged unchanged for three months.

(8) There has been a sustained rise in prices on the Budapest Bourse since November last, especially in stocks.

(9) Dr. Alexander Popovics, who had been President of the National Bank since its foundation in 1924, resigned for reasons of health on January 7th last, and was succeeded by Dr. Béla de Imrédy, who had been Finance Minister since October 1932. Dr. Tihamér Fabinyi, hitherto Minister of Commerce, followed Dr. Imrédy as Finance Minister.

(10) I am indebted to Mr. Henry J. Bruce, Adviser to the National Bank, for the data on which are based the sections of this report dealing with the Bank, exchange control and compensation agreements, and clearing agreements.

2. STATE BUDGET.

(a) Budget of the Administration, 1934-35.

The estimates voted by Parliament for the current fiscal year that began on July 1st, 1934, were as follows :

	Administration	Undertakings
	(Millions of pengő)	
Estimated expenditure	746.6	404.0
Estimated receipts	740.6	343.9
Balance	<u>— 6.0</u>	<u>— 60.0</u>

Actual results for the Administration, month by month, will be found in Appendix I. In order to gain a comprehensive idea of the State's financial position, however, it is necessary to take into account both expenditure outside the budget, consisting mostly in advances made by the Treasury on behalf of the Undertakings, and deferred expenditure, as well as borrowings

and refunds. On this basis, the following rough estimate may be made, comparative figures for the two preceding years also being given :

<i>Expenditure :</i>	1934-35	July 1st to March 31st	
		1933-34 (Millions of pengö)	1932-33
Actual, budgetary	523.8	520.4	536.8
Deferred, budgetary :			
(a) Administration	22.6	21.8	26.5
(b) Undertakings ¹	—	1.8	11.5
Actual extra-budgetary	62.2	54.6	33.3
Total	608.6	598.6	608.1
 <i>Receipts :</i>			
Actual budgetary	573.0	563.7	536.4
Refunds	6.7	5.1	3.5
Borrowings	22.3	16.5	24.2
Total	602.0	585.3	564.1
Balance	— 6.6	— 13.3	— 44.0

Of the 62.2 million pengö extra-budgetary expenditure at March 31st, 57 million pengö went in advances (see (b), below) to the State Undertakings. The estimated deficit of 60 million pengö for the Undertakings for the whole year is therefore likely to be considerably exceeded : indeed, if their losses during the three months April-June are at the rate that has prevailed up to March 31st, they will cause an addition to the deficit on the year. There will also be more extra-budgetary expenditure, to be covered from extra-budgetary sources, for public works. It will be noted that total expenditure, slightly higher than it was last year, is on the same level as in 1932-33.

Budgetary receipts are a shade more than last year, and some 7 per cent higher than two years ago. Direct taxes, tobacco and salt remain approximately on the 1933-34 level. Dues are a trifle lower. The aggregate increase of 10 million pengö for this year is all in turn-over-tax and Customs. The slightly increasing tendency, as compared with last year, shown by receipts up to February was not maintained in March, and there seems to be no reason to expect that the last three months of the financial year will bring any appreciable improvement.

As for the prospects for the cash deficit with which the year 1934-35 is likely to close, it will be remembered that, last year, outgoings in respect of State debts fell short of the budget estimate by a considerable sum (see Eleventh Report, page 2), the difference having been in part reborrowed from the Foreign Creditors Fund and in part covered by agreements to defer reached with the creditors. The Government intends to have recourse to similar arrangements this year. Allowing further for the fact that the Treasury situation (see (d) below) is stronger than it was a year ago, it may be possible to tide over the spring and early summer months, which are the weakest in the year from the revenue point of view, without having recourse to internal borrowing, apart from the Treasury bills placed with the Foreign Creditors Fund, in excess of the 20 million pengö arranged for with Hungarian banks at the beginning of the year. Requirements of the Agrarian Debts Relief Scheme (see 4, below) will be in addition to the above.

The increasing deficit of the State Railways is chiefly due to the poor 1934 harvest, and to the general setback in business, various indications of which will be found in this report. Real efforts have been made in the last couple of years to reduce staff in the Railways : if allowance is made for the staff of the Southern Railway, numbering 2,385, which was taken over in 1932, there has been a reduction in numbers of 9 per cent since 1931-32. The total reduction in the State Administration and Undertakings over the same period is 4.5 per cent :

Numbers of State Officials (not including Workmen).

<i>I. Administration :</i>	1931-32	1932-33	1933-34	1934-35
State Administration	40,017	39,525	39,018	38,679
Teaching staff	9,831	9,541	9,368	9,243
Gendarmerie, police and river guard ..	25,313	25,231	25,155	25,078
Monopolies	511	501	486	484
Officers of the army	1,780	1,781	1,781	1,781
Total	77,452	76,579	75,808	75,265

¹ At February 28th, the Undertakings' expenditure was in excess of the provisional monthly estimates.

II. State Undertakings :	1931-32	1932-33	1933-34	1934-35
Post, Telegraph and Telephone	12,930	12,797	12,737	12,682
Railways	29,844	29,044	30,265 ¹	29,286
Ironworks	689	549	385	421
State forests	171	163	156	156
State domains	188	183	178	178
Silk weaving	82	79	78	78
Postal Savings Bank	1,106	1,106	1,104	1,104
State coal-mines	30	29	29	30
Total	45,040	43,950	44,932	43,935

(b) *Draft Budget for 1935-36.*

The estimates for the next fiscal year, beginning on July 1st, 1935, have been delayed by the general election, which took place from March 31st to April 7th. It is understood, however, that they will be ready shortly after the new parliament assembles on April 27th. It should thus be possible to have them passed by both Houses before the end of the current fiscal year.

(c) *State Undertakings.*

Provisional returns are available for eight months to February 28th. Receipts of the undertakings, taken all together, amount to precisely the same figure as they did for the corresponding period last year; but there has been a 5 per cent drop in receipts of the Railways and a smaller decrease in those of the Post, Telegraph and Telephone, offset by a relatively large increase in receipts of the Ironworks. The deficit on current items and capital expenditure is appreciably higher this year. Treasury advances, the amount of which can be given up to March 31st, have increased from 49.1 million pengö to 57 million pengö. The deterioration of the Railways' position, which is the outstanding fact here, is due to the falling-off in goods traffic (see II, 2, below) :

All Undertakings together (July 1st to February 28th) :

	1934-35	1933-34
	(Millions of pengö)	
Actual expenditure, current	261.3	255.6
Actual receipts, current	230.5	230.5
Balance, current items	— 30.8	— 25.1
Actual capital expenditure	8.1 ²	9.4
Balance, all items	— 39.9	— 34.5

The position of all the undertakings together at February 28th may be estimated as follows :

	July-February	
	1934-35	1933-34
	(Millions of pengö)	
<i>Expenditure :</i>		
Actual, current budgetary	259.3	255.6
Actual, current, in excess of monthly budgets	2.0	—
Deferred, current budgetary	—	1.8
Actual, capital expenditure, budgetary	8.1	8.4
Actual, capital expenditure, from borrowings	4.6	1.0
Deferred capital expenditure	—	—
Refunds to the Treasury	5.7	3.6
	279.7	270.4
<i>Receipts :</i>		
Actual, current budgetary	230.5	230.5
Balance	— 49.2	— 39.9
<i>Borrowings :</i>		
Advances from the Treasury	48.0	38.1
Treasury bills, placed with banks ..	5.0	—

¹ Taken over from the Southern Railway (Danube-Save-Adriatic) 2,385.

² In addition to this sum 4.6 million pengö from borrowing were devoted to investment.

Actual results for the chief individual undertakings (July-February) :

	Railways		Post, Telegraph and Telephone		Ironworks	
	1934-35	1933-34	1934-35	1933-34	1934-35	1933-34
	(Millions of pengö)					
Current expenditure	169.8	168.5	52.7	53.3	25.8	21.3
Current receipts	135.4	142.8	61.4	62.5	17.9	10.9
Balance, current items ..	- 34.4	- 25.7	+ 8.7	+ 9.2	- 7.9	- 10.4
Capital expenditure	4.1	6.7	3.0	2.8	—	—
Balance, all items	- 38.5	- 32.4	+ 5.7	+ 6.4	- 7.9	- 10.4

(d) *Situation of the Treasury.*

(1) The cash position has not changed materially over the last four months, and it was appreciably better at March 31st last than it was a year previously. Borrowing from the Foreign Creditors Fund and the Pledged Revenue Account has amounted to 18.5 million pengö. Advances to the State Undertakings and for capital expenditure, at 40.8 million pengö, amount to 2.8 million pengö more than borrowings plus the excess (19.5 million pengö) of budget receipts over budget expenditure :

	November 30th, 1934	December 31st, 1934	January 31st, 1935	February 28th, 1935	March 31st, 1935
<i>Receipts :</i>	(Thousands of pengö)				
Balance at the beginning of the month	66,679	85,432	88,566	81,683	84,975
Budget account	76,253	72,577	59,978	65,198	56,150
Repayment of advances	—	—	1,000	2,750	1,000
Loan account	1,697	3,492	6,046	2,915	6,085
Surplus of the Boletta fund	—	2,267	2,162	1,720	2,214
Total	144,629	163,768	157,752	154,266	150,424
<i>Expenditure :</i>					
Budget account	55,039	58,803	60,814	60,728	54,081
Funded investments (Law II, 1933) ..	469	3,107	729	103	337
Advances	3,474	13,305	10,180	8,241	9,074
Deficit of the Boletta Fund	215	—	—	—	—
Loans	—	1,787	4,346	219	395
Balance at the end of the month ..	85,432	88,566	81,683	84,975	86,537
Total	144,629	163,768	157,752	154,266	150,424

(2) *Administrative Claims and Liabilities.*—Tax arrears stood at 290.6 million pengö on February 28th last, as against 287.9 million pengö at the same date in 1934.

Commitments outstanding at December 31st last amounted to 197.9 million pengö, having increased by 9.3 million pengö since September 30th, 1934.

	Foreign	Domestic	Total
	(Millions of pengö)		
Expenses connected with Land Reform	—	58.0	58.0
Road-building	—	23.7	23.7
Post, Telegraph and Telephone : capital expenditure ..	—	4.9	4.9
State Railways : capital expenditure	—	0.3	0.3
Forests : capital expenditure	—	0.1	0.1
Other capital outlay	—	27.8	27.8
State Railways : increase of working fund	1.8	16.7	18.5
State Ironworks : increase of working fund	2.4	10.7	13.1
Payments to the Central Corporation of Banking Companies	—	30.3	30.3
Other commitments	—	21.2	21.2
Total	4.2	193.7	197.9

(e) *Debt Position.*

Foreign funded debt increased slightly from 921.2 million pengö to 928.9 million pengö over the quarter ending December 31st, 1934, as a result of the funding of interest on certain descriptions of debt. Domestic funded debt is practically unchanged at 114.8 million pengö.

Foreign floating debt increased over the quarter ending December 31st last by 5.2 million pengö to 345.9 million pengö, Treasury bills having been issued in respect of accruing interest. State guarantees amounted to 116.2 million pengö at December 31st, showing a reduction of 5.2 million pengö over the quarter. In addition to the guarantees summarised in this figure, the State has undertaken to repay to the Foreign Creditors' Fund (now to the Cash Office for Foreign Credits) loans for public works (see 5(c), below).

Internal floating debt increased from September 30th to December 31st by 7.4 million pengö to 258.4 million pengö, 6 million pengö of the increase being towards a loan for the

support of co-operative societies. The total, foreign and domestic, rose by 12.6 million pengö to 604.3 million pengö.

Floating Debt of the State on December 31st, 1934.

	Foreign	Domestic	Total
	(Millions of pengö)		
£3 million Treasury bills, 1930	66.7	—	66.7
£5 million Treasury bills, 1931	100.7	43.1	143.8
Foreign currency loan	—	5.3	5.3
Loans for the purchase of State bonds	24.4	—	24.4
Loans for road-building	7.7	—	7.7
Loans for investments of State Railways	29.6	20.8	50.4
Loans for investments of Ironworks	1.8	3.0	4.8
Loans for investments of wine-shops abroad, etc.	5.9	—	5.9
Loans for working balance of State administration	27.5	1.0	28.5
Loans for working balance of State Railways;	10.4	16.2	26.6
Loans for working balance of State Ironworks	14.2	3.7	17.9
Treasury bills, 1932 ¹	—	90.8	90.8
Treasury bills 1933, 5%, placed with agriculture, industry, etc.	—	39.5	39.5
Treasury bills 1933, 4%, investment loan from Foreign Creditors' Fund	—	12.5	12.5
Treasury bills deposited in connection with 1932-33 foreign debt service (interest) ²	22.2	—	22.2
Treasury bills deposited in connection with the service of the League Loan (interest) ²	7.3	0.1	7.4
Treasury bills deposited in connection with 1933-34 foreign debt service (interest) ²	16.8	—	16.8
Loan in connection with agrarian debt settlement (Act XXVII, 1933)	—	6.0	6.0
Treasury bills, investment loan from Foreign Creditors' Fund (Act XXVII, 1933)	—	7.5	7.5
Treasury bills deposited in connection with 1934-35 foreign debt service (interest) ²	6.9	—	6.9
Treasury bills deposited in connection with 1934-35 service of the League Loan (interest) ²	3.8	0.1	3.9
Loan for Co-operative Societies (§ 3, Act XXI, 1934)	—	8.8	8.8
Total	345.9	258.4	604.3

(f) *Reconstruction Loan and Assigned Revenues.*

The National Bank has made transfers month by month, in the appropriate currencies, at a rate sufficient to carry out the programme announced in its *communiqué* of June 30th last (Eleventh Report, page 7). It has also transferred a sufficient amount to provide for the purchase, at 10 per cent of its face value, of the unpaid portion (50 per cent) of the coupon for the service year ending August 1st, 1934. The period during which the offer to make this purchase was open terminated on April 1st. It is understood that the great majority of bond-bearers availed themselves of it. Definitive figures are not yet available.

Assigned revenues have been as follows :

	1934-35					1933-34				
	Customs	Tobacco	Sugar	Salt	Total	Customs	Tobacco	Sugar	Salt	Total
	(Millions of pengö)									
July-December	20.9	53.9	23.6	9.8	108.1	17.8	52.6	23.3	9.4	103.1
January	3.6	9.0	3.1	2.5	18.3	3.0	9.4	3.6	2.4	18.4
February	3.1	7.1	3.5	2.2	15.8	2.7	7.6	3.1	2.0	15.4
March	3.9	9.7	3.9	1.4	18.9	3.4	9.3	3.9	1.4	18.0
July-March	31.5	79.7	34.1	15.9	161.1	26.9	78.9	33.9	15.2	154.9

3. BUDGETS OF THE LOCAL AUTHORITIES.

Closed Accounts for 1934 and Budgets for 1935.

Closed accounts for 1934 and budgets for 1935 are now available :

	Budapest		Ten cities		Counties		County towns		Communes	
	1934	1935	1934	1935	1934	1935	1934	1935	1934	1935
	Closed account	Budget	Closed account	Budget	Closed account	Budget	Closed account	Budget	Closed account	Budget
Expenditure	158.9	151.4	42.4	41.6	18.4	18.7	40.1	39.3	71.3	74.0
Receipts	158.1	145.9	42.7	41.6	18.6	18.7	42.0	39.3	74.7	74.0
Balance	— 0.8	— 5.5	+ 0.3	—	+ 0.2	—	+ 1.9	—	+ 3.4	—

¹ The total of arrears of dues amounted to 94 million pengö at the end of December 1934, against which Treasury bills of the face value of 90.8 million pengö have been issued as indicated above.

² The Treasury bills deposited in respect of amortisation are included in the capital amounts outstanding.

With the exception of Budapest, the local authorities' budgets have thus been balanced. It may be remembered that Budapest budgeted for a 1934 deficit of 10 million pengő, for which it proposed to provide by borrowing. In fact, the city has had to cover this deficit chiefly by reducing expenditure, and it appears that, in 1935, the State will require it to follow a similar course.

The total administrative expenditure of the local authorities has been reduced, closed accounts for 1931 compared with closed accounts for 1934, by 20 per cent, while the State's administrative expenditure has sunk by 24 per cent from 1930-31 to 1933-34.

4. STATE BORROWING.

Changes in the floating debt are shown under 2 (e), above.

Under the Agrarian Debts Relief Scheme (Thirteenth Report, page 5, and Eighth Report, page 15), 15 million pengő had been taken up at March 31st. It will be remembered that the cost of this scheme was estimated at 100 million pengő for three years, requirements to be met by advances from the National Bank, these advances to be repaid on terms to be agreed by the Government and the National Bank.

5. MONETARY AND FINANCIAL.

(a) Position of the National Bank.

As compared with the position a year ago, the return for March 31st shows a few noteworthy changes. "Other Liabilities" have decreased from 140 million pengő to 96 million pengő, chiefly in consequence of the employment of moneys administered by the Foreign Credits Cash Office, which has taken over the functions of the Foreign Creditors' Fund (see (d), below). Rediscounts have been reduced from 571.8 million pengő to 523 million pengő. The Government debt to the Bank, which had been successively reduced since the Bank was founded in 1924 until the end of 1934, has now started increasing again in connection with the Agrarian Debts Relief Scheme (see 4, above). Public deposits are 16 million pengő higher at 65 million pengő, private deposits 9 million pengő lower at 20.5 million pengő. Note circulation tends to be slightly higher this year than last.

The National Bank paid a dividend of 8 per cent for 1934, as it did for 1933. The State, receives no share in the profits when the dividend is not higher than 8 per cent.

(b) Foreign Exchange Control.

Results for the three years 1932, 1933 and 1934, and for the first quarter of 1934 and 1935, are given below.

On the incomings side, the proportion of total foreign exchange recorded which was actually received by the National Bank has not ceased to decline: in 1932, it still amounted to 41 per cent, in 1933, it fell to 26 per cent, in 1934, to 25 per cent and, for the first quarter of 1935, to 23 per cent. In other words, the greater part, latterly over three-quarters, of Hungary's exports although controlled by the National Bank brings no exchange to it. Moreover, it will be remembered that a considerable part of the exchange actually received is in currencies of limited availability. Compensations increased from 1932 to 1933, but declined in 1934 and appear still to be decreasing. Export against pengő jumped from 4 million pengő in 1932 to 35 million pengő in 1933, and amounted to 36 million pengő in 1934, but here the present tendency is downwards: 5 million pengő only in the first quarter of 1935 as against 12 million pengő in the same period of 1934.

On the outgoings side, allotments for imports out of exchange actually received increased steadily up to and including 1934, but, in the first quarter of 1935, they show a considerable decrease.

	1934	1933 (Millions of pengő)	1932
Export values	411.2	393.4	334.5
Import values	353.4	313.7	328.5

	1934	Whole year 1933 (Millions of pengő)	1932
I. Incomings:			
1. Foreign exchange recorded (including exchange non-available or for specific destination):			
(a) Export through clearings	173	147	94
(b) Compensations	50	69	54
(c) Export against pengő	36	35	4
Total of 1	259	251	152
2. Foreign exchange actually acquired:			
(a) Export exchange	68	68	70
(b) Exchange receipts from other sources (State, obligatory declaration, etc.) ..	18	17	29
Total of 2	86	85	99

	1934	Whole year 1933 (Millions of pengö)	1932
3. Purchases by authorised banks	3	5	8
Total of 1, 2 and 3—i.e., total of foreign exchange receipts recorded by the National bank ..	348	341	259
II. Outgoings:			
1. Foreign exchange allotments recorded :			
(a) Through the clearings	143	124	81
(b) Through compensations	50	69	54
Total of 1	193	193	135
2. Foreign exchange allotments out of exchange actually acquired :			
(a) For imports :			
(i) Out of the National Bank's holdings	53	47	41
(ii) Out of applicants' own holdings ..	—	—	3
Total of (a)	53	47	44
(b) For other purposes :			
(i) For debt service	17	20	21
(ii) To the State	22	20	28
(iii) To others.. .. .	21	22	27
Total of (b)	60	62	76
Total of 2	113	109	120
3. Sales by authorised banks	4	6	8
Grand total of 1, 2 and 3	310	308	263

The first quarter of 1935 compares as follows with the corresponding period in 1934 :

	First quarter 1935	1934 (Millions of pengö)	
Import values	84.0	74.6	
Export values	99.8	96.3	
I. Incomings:			
1. Foreign exchange recorded (including exchange non- available or for specific destination) :			
(a) Export through clearings	52	37	+ 15
(b) Through compensations	14	16	— 2
(c) Export against pengö	5	12	— 7
Total of 1	71	65	+ 6
2. Foreign exchange actually acquired :			
(a) Export exchange.. .. .	18	30	— 12
(b) Exchange receipts from other sources (State, obligatory declaration, etc.) ..	4	2	+ 2
Total of 2	22	32	— 10
3. Purchases by authorised banks	—	1	— 1
Total of 1, 2 and 3—i.e. total of foreign exchange receipts recorded by the National Bank	93	98	— 5
II. Outgoings:			
1. Foreign exchange allotments recorded :			
(a) Through clearings	49	36	+ 13
(b) Through compensations	14	16	— 2
Total of 1	63	52	+ 11

¹ Revised figures.

	First quarter 1935	1934 ¹ (Millions of pengö)	Difference for 1935
2. Foreign exchange allotments out of exchange actually acquired :			
(a) For imports	12	21	— 9
(b) For debt service	2	3	— 1
(c) To the State	4	3	+ 1
(d) To others	5	4	+ 1
Total of 2	23	31	— 8
3. Sales by authorised banks	—	1	— 1
Grand total of 1, 2 and 3	86	84	+ 2

The National Bank's compensation procedure, which has been working since December 1st, 1932, shows an increasing turnover, as the following figures indicate:

	Total exports under the scheme (Millions of pengö)	Average export premium Per cent	Total imports under the scheme (Millions of pengö)	Average import surcharge Per cent
At October 31st, 1933 (11 months) ..	30.6	14.0	25.4	17.3
At May 31st, 1934 (18 months)	76.0	16.6	73.8	20.7
At December 31st, 1934 (25 months)	159.9	18.2	126.7	22.0

(c) *Foreign Debts.*

The assets and liabilities of the Foreign Creditors Fund have been taken over (see (d), below) by the Cash Office for Foreign Credits, the position of which at March 31st last was as follows :

I. *Receipts and Payments of the Office.*

A. Under Order-in-Council 6900 (M.E. ex 1931²):

	State loans	Municipal and other public loans	Other loans	Total
	(Millions of pengö)			
1. Receipts of the Office :				
(a) In cash	15.4	73.9	96.7	168.0
(b) In Treasury bills	61.4	—	—	61.4
Total	76.8	73.9	96.7	247.4
2. Payments by the Office :				
(a) Coupons and Bonds redeemed ..	10.3	47.6	74.1	132.0
(b) Advances to redemption offices ..	—	2.2	—	2.2
Total	10.3	49.8	74.1	134.2
3. Balance held :				
(a) In cash	5.1	24.1	22.6	51.8
(b) In Treasury bills	61.4	—	—	61.4
Total	66.5	24.1	22.6	113.2
B. Other receipts of the Office				37.6
Revenues of the Office				7.3
Balance (net)				158.1

II. *Present Position of the Office.*

Balance held by the Office :	(Millions of pengö)
(a) In cash	96.7
(b) In Treasury bills	61.4
Total	158.1
Investments out of cash :	
(a) Loan to State for productive investments (secured by Treasury bills of same amounts)	25.0
(b) Call money and deposits	31.4
Net amount at present held in cash	56.4
	40.3

¹ Revised figures.

² Including receipts and payments of the old Foreign Creditors Fund.

There are no State arrears outstanding. Other arrears have increased since November 30th last from 23.8 million pengő to approximately 27 million pengő.

Out of the two credits of 15 million pengő to the State for investments, 25 million pengő had been taken up. No availment had taken place under the third credit of 10 million pengő. The 10 million pengő rediscount credit to the State Railways had been entirely paid off.

The amounts deposited under the Standstill Agreements in pengő with the National Bank of Hungary to cover interest and commission on short-term banking debts, not satisfied in foreign exchange, totalled on March 31st, 1935, 51.75 million pengő, out of which 46.45 millions had been paid to creditors accepting such payments in satisfaction. The balance held by the National Bank thus amounted to 5.30 millions. The amount paid under the same agreement for capital repayments in pengő to the National Bank totalled on March 31st, 1935, 21.93 millions, out of which 20.46 millions had been disposed of by the creditors. The balance held by the National Bank amounted to 1.47 million pengő.

(d) *Recent Legislation.*

Three important Orders-in-Council have been issued during the period under review, on the Foreign Creditors' Fund, transactions in securities with foreigners, and the purchase and sale of gold :

(i) Order-in-Council No. 1960 ex 1935, issued on February 26th, terminates the Foreign Creditors' Fund and creates a Foreign Credits Cash Office (" the Office "). The Office, which is represented for all purposes by the National Bank, takes over the functions which, under the Transfer Suspension Decree of December 1931 (see my first report, page 23), were performed by the Foreign Creditors' Fund. Further all pengő amounts deposited in favour of foreign creditors, except where the National Bank provides otherwise, are to be administered by the Office. The Office may employ the funds received by it, subject to the consent of the National Bank and its Adviser, in such a manner that the amounts employed shall be available for transfer as soon as the possibility arises.

This decree is not applied to sums deposited with the National Bank under the Standstill Agreement.

(ii) Order-in-Council No. 1970 ex 1935, issued on February 24th, makes it illegal, save with the consent of the National Bank, for residents (persons or firms) in Hungary : (a) to buy from, or sell to, non-residents, securities (this term including shares, Government or other bonds and coupons or talons appertaining to the same) ; (b) to sell securities held abroad ; (c) to buy securities held abroad by other residents ; and (d) to transfer securities deposited on behalf of one non-resident to the deposit of another non-resident.

Coupons may only be encashed at the paying office shown on the coupon, or at the head office of the issuing house, or at a bank authorised for the purpose by the Hungarian National Bank. No coupon shall be paid unless the bearer has deposited the security to which the coupon pertains for eight days with the paying office, or with certain specified authorities. If the coupon holder fails to satisfy this requirement, the value of the coupon will only be credited to him on blocked account. The provisions in this paragraph do not apply to the Hungarian Reconstruction (League of Nations) Loan, 1924.

It may be recalled that, previous to this decree, the deposit of the security itself was required only in the case of bonds. The effect of the decree, where the encashment of coupons is concerned, is to subject other securities to the treatment already applied to bonds.

(iii) Order-in-Council No. 2360 ex 1935, issued on March 6th, regulates the gold market. Under it, all residents (persons or firms) in Hungary are required to report gold (other than jewellery, etc.) held by them to the National Bank, but for two weeks as from March 7th, the Central Corporation of Banking Companies (*Geldinstitutzentrale*) is authorised to buy gold offered to it, at a price which it fixes from day to day, without requiring the seller to disclose his identity.

All other dealings in gold, except for strictly controlled commercial purposes, are illegal unless the permission of the National Bank has been obtained.

On March 7th, the Central Corporation of Banking Companies began buying gold at a price of 6,000 pengő per kilo (parity rate, 3,794 pengő). Offerings were on a relatively large scale, and the price was gradually reduced to 5,840 pengő on March 20th, on which day the offer to buy without requiring sellers to give their names lapsed. Since then, the Central Corporation of Banking Companies has required the declaration of the seller's identity when buying gold.

II. ECONOMIC SITUATION.

I. GENERAL.

The year 1934, with its indifferent harvest, witnessed a slackening-off of the improvement that started in 1933, when a big harvest powerfully assisted the attempts at readaptation to changed conditions that had met with a measure of success in Hungary, as in several other countries. Exports, in quantities, decreased from June on, in comparison with the corresponding months of the previous year. Imports continued to rise for several months after exports had begun to sink, but have been stationary since December last.

Great shifts, details of which will be found below, have been taking place for some years past, both in imports and exports. Hungary is now obliged to sell unmilled grain where she formerly sold flour, her markets having set up milling industries of their own. She now sells cattle rather than prepared meats, and is buying more and more raw materials from abroad instead of finished articles, goods thus moving in and out in cheaper forms than formerly.

Hungarian industry has to some extent been able to supply the demand left unsatisfied by the curtailment of imports of foreign manufactures. It will be seen below that the main branches of industrial production have recovered somewhat from the 1932-33 low point. Textiles and paper were more active in 1934 than in 1929, Hungary's best year since the war. However, this increase in internal industrial production appears to have compensated in part only for the decrease in consumption corresponding to the falling-off of imported industrial articles. The statistical data available on consumption are insufficient to supply definitive proof that this is the case. However, valuable hints as to changes in purchasing power are given by such returns as those of milk and beer consumption in Budapest. Milk decreased from 132 million litres in 1929 to 124 in 1931 and 85 in 1933, since when it has risen to 89 in 1934. Beer consumption was 581 thousand hectolitres in 1929, 277 in 1931, 135 in 1933 and 178 in 1934. The general decrease in purchasing power shown by these figures is confirmed by a number of other indications, such as the traffic of the Post, Telegraph and Telephone. It may be assumed that there has also been a considerable decline, over the last few years, in the consumption of manufactured articles. As it was pointed out in my last report, purchasing power cannot in the long run be increased by pushing the internal prices of certain Hungarian export commodities above the levels at which they can profitably be sold abroad, for in the last analysis such increases are paid for by the Hungarian consumer, and the purchasing power of the community is weakened in consequence.

The following table shows the distribution of Hungary's foreign trade by countries, and also the main changes in value and quantities that have taken place in recent years. In the second half of 1934, Germany took a greater part of Hungary's exports than any other country. Exports to Austria amount to a smaller percentage of the whole than formerly, and exports to Italy have also weakened. Imports from both Austria and Italy have very considerably increased in percentages of the total.

Hungary's Foreign Trade.

(In percentages of total import and export values, and in actual values and quantities.¹)

	Average 1925-1930		Average 1931-1933		First half of 1933		First half of 1934		Second half of 1933		Second half of 1934	
	Im-ports	Ex-ports	Im-ports	Ex-ports	Im-ports	Ex-ports	Im-ports	Ex-ports	Im-ports	Ex-ports	Im-ports	Ex-ports
Austria	16.9	32.9	15.9	28.6	20.6	29.8	20.7	24.2	19.2	24.9	25.6	24.2
Italy	4.8	6.2	6.3	8.7	8.0	9.5	12.8	9.9	6.8	5.2	10.9	6.8
Germany	18.3	11.6	22.2	13.1	20.9	9.9	16.7	15.2	18.5	11.8	19.0	27.3
Switzerland ..	3.4	3.4	2.6	5.6	1.6	5.7	1.5	2.2	1.8	4.7	2.2	2.3
Czechoslovakia	23.1	18.6	10.3	6.1	9.1	9.1	7.1	4.7	10.0	7.2	7.0	5.0
France	2.5	0.9	4.3	4.6	6.4	4.7	3.8	3.3	5.6	4.4	3.0	3.2
England	2.9	2.9	4.2	8.1	4.3	5.8	5.6	6.8	4.2	8.0	5.1	7.9
Yugoslavia ..	4.4	6.1	5.2	5.7	5.8	6.1	5.4	4.5	6.2	5.5	4.0	3.0
Roumania	8.2	4.3	10.5	3.4	7.0	3.9	10.0	4.7	7.2	8.9	3.2	5.0
Poland	4.8	2.7	2.7	0.9	1.4	0.8	2.1	0.8	1.3	1.2	0.9	0.9
Other countries	11.2	10.1	14.8	15.3	14.9	13.2	13.4	18.0	19.4	18.2	19.1	14.4
Total	100	100	100	100	100	100	100	100	100	100	100	100
Total values in millions of pengő	1,014.5	884.7	393.5	432.1	143.7	158.6	163.4	183.3	168.9	232.7	181.4	222.0
Quantities in millions of quintals	57.3	23.3	24.1	16.7	7.0	6.4	10.1	8.9	10.5	12.2	13.1	7.7

2. TRADE.

The increase in Hungary's foreign trade, which took place throughout the latter part of 1933 and most of 1934, largely as a result of the 1933 harvest, has slowed down during the last few months. Import and export values will be found in Appendix II, 1. They show a continued rise in the value of imports and hardly any change in that of exports. With regard to exports, the rise in internal agricultural prices of some 22 per cent over the last year has to be taken into account. Judging by those goods which can be shown in weight, imports appear to be at a standstill and exports to be decreasing :

	Imports		Exports	
	1935	1934 (Millions of quintals)	1935	1934
January	1.38	1.28	0.90	1.30
February	1.44	1.43	0.91	1.11
March	1.6	1.6	1.4	2.3

¹ The quantities figures only refer to goods shown by weight and not to those shown by pieces.

In imports, there has been a remarkable shift over the last few years, raw materials having increased and finished goods having fallen to an even greater extent. This shift may be judged by the following figures. It will be remembered that the autonomous tariff was introduced in 1924.

	1934	1931	1929	1924
	(In thousands of quintals or pieces)			
Cotton textiles	7	19	68	119
Woollen textiles	3	9	19	43
Cotton thread	21	24	48	71
Woollen thread	12	11	22	19
Raw cotton	261	155	131	29
Machines	58	75	151	195
Raw metals	204	158	208	90

Cotton and woollen textiles, which together amounted in value to 23 per cent of total imports in 1924, had dropped to 3 per cent in 1934.

On the other hand, Hungary has been obliged to export an increasing portion of her cereals unmilled, instead of in the more remunerative form of flour :

	1934	1931	1929	1924	1922
	(In percentages of total export values)				
Flour	2.3	5.6	10.2	17.5	19.7
Wheat	13.3	7.3	12.1	8.4	0.2

Goods traffic on the railways was slightly larger in the whole year 1934 than in 1933, and receipts slightly less. In the last few months, the tendency has deteriorated appreciably, as was to be expected in consequence of the light harvest of 1934.

State Railways:

	Ton-kilometres		Receipts	
	1935	1934	1935	1934
	(Millions)		(Millions of pengő)	
January	130.6	157.0	14.0	15.3
February	128.7	155.0	13.4	14.2

With the Post, Telegraph and Telephone, the big harvest of 1933 did not affect traffic as it did with the Railways; the Post, Telegraph and Telephone's receipts thus better reveal the fundamental trend in Hungary. They have fallen year by year, the reduction from 1931 to 1934 amounting to 16 per cent. The opening months of 1935 show little change as compared with 1934.

Post, Telegraph and Telephone.

	Receipts	
	1935	1934
	(Millions of pengő)	
January	8.0	7.7
February	6.8	7.0

3. PRODUCTION AND CONSUMPTION.

There is nothing to be added to the 1934 crop returns given in my Twelfth Report, page 12.

The heavy fall in imports of finished goods in late years has led to the expansion of some branches of Hungarian industry. However, available data point to a general decrease in consumption; Hungarian goods have only gained part of what foreign manufactures have lost. It will be remembered that industrial prices in Hungary hardly declined at all until 1932—that is, several years later than in most countries. Agricultural prices had already been falling heavily since 1928, and the resultant disparity seriously affected purchasing power. Since 1932, there has been a decline in industrial prices of 15 per cent, as shown by the Hungarian Research Institute's indices. At the same time, agricultural prices have declined a further 10 per cent or 12 per cent in the aggregate, in spite of an increase since the end of 1933. The following figures show the increase of industrial activity that has taken place since the low point was reached in 1932. Coal consumption and the steel and machine branches have recovered to some extent, but are still below the 1931 mark. Textiles and paper show greater activity than they did in the peak year 1929 :

Returns illustrative of Industrial Activity.

	1934	1933	1932	1931	1929
	(Thousands of tons)				
Coal consumption	6,638	6,242	6,178	6,887	8,769
Raw-steel production	315	227	179	316	513
Hungarian coal delivered to machine industry	611	418	484	617	796
Agricultural and industrial machinery carried by the Hungarian Railways	31 ¹	29	25	38	82
Import of six non-ferrous raw metals	20	13	14	15	20
Hungarian coal delivered to textile industry	352	328	276	279	302
Hungarian coal delivered to paper industry	36	37	36	35	26

¹ Figures for nine months available. Results of the fourth quarter estimated.

Consumption appears to have recovered somewhat from the low point reached in 1932-33 :

	1934	1933	1932	1931	1929
Sugar (thousand tons)	83	81	84	94	102
Milk in Budapest (Million litres)	89	85	108	124	132
Beer in Budapest (thousand hectolitres)	178	135	231	277	581

Figures on the consumption of meat and other foods are to be taken with caution. The consumer tends to buy the kinds of food that are cheapest at the moment.

The most recent evidence as to the trend in consumption may be found in the city of Budapest's returns, covering January of this year, of the number of persons travelling by tram and by autobus, consumption of water, gas and electricity, and animals slaughtered for food. These returns, showing very slight changes as compared with the corresponding period last year, point to a stationary position. A sidelight may be thrown on the purchasing power of the population by the following :

Loans by the Post Office Pawn-shop.

Whole year		January	
1933	1934	1934	1935
(Millions of pengö)			
51.7	51.9	4.5	4.9

4. PRICES.

The inland price of wheat continued to rise up to the end of February, when it was nearly 18 pengö the quintal. Since then it has declined to 16.35 pengö, at the time of writing. Official support was withdrawn on April 10th pending a decision as to the forthcoming campaign. At this level, it of course remains far above prices on the international free markets. However, as stocks appear to be very low, the inland price is probably not holding up export to any great extent. Cattle prices have declined very slightly over the last few months, and pig prices have fallen again appreciably :

	Wheat (per 100 kg.)	Live Cattle (middling quality) (per kg.)	Calves (per kg.)	Pigs (per kg.)
	(pengö)			
December 31st, 1934	16.73	0.49	0.78	0.80
January 31st, 1935	17.65	0.45	0.75	0.80
February 28th, 1935	17.93	0.47	0.76	0.74
March 31st, 1935	17.00	0.47	0.75	0.73
April 12th, 1935	16.35	0.48	0.68	0.73

The Royal Hungarian Statistical Office's wholesale price index (1913 = 100) for February stands at 86, as against 74 in February 1934, and its cost-of-living index at 88.8 (February 1935) as against 89.3 (February 1934). The Hungarian Economic Research Institute's (1909-1913 = 100) agrarian index rose from 59 in January 1934 to 72.4 in January 1935, while the industrial index declined from 110 to 106. On this showing, the farmer can now buy 68.7 worth of manufactured goods for 100 of his agrarian produce, as against 56.9 in January 1934 : an improvement, although the price disparity to his prejudice remains greater in Hungary than in other countries whose circumstances are comparable with Hungary's.

Actual prices of individual staple articles of consumption, as recorded monthly by the Royal Hungarian Statistical Office, show on the whole a considerable rise over the last year, not only in the food groups, but also in the wholesale prices of several industrial articles which are among the most important for the consumer.

Wholesale Prices :	February 28th,	February 28th,
	1935	1934
	(Pengö)	
Cotton textiles	0.79	0.73
Woollen textiles	9.30	9.12
Hemp	1.13	0.90
Linen	2.05	1.50
Hard coal	6.80	6.80
Firewood	3.23	3.08
Retail Prices :		
Beef	1.55	1.50
Pork	1.16	1.70
Lard	1.28	1.28
Milk	0.32	0.32
Cheese	1.80	1.75
Bread	0.32	0.27
Potatoes	0.10	0.09
Sugar	1.30	1.30

5. STOCK EXCHANGE.

The Statistical Office's index of eighteen shares (1926 = 100), which stood at 97.9 when the Bourse was reopened in September 1932, after being closed for fourteen months, followed an uneven downward course to a low point of 66.3 in August 1934, since when it has risen to 78.1 in December, 85.9 in January and 89.5 in February, the latest figure available. Some further sharp rises have taken place in March, particularly in the metallurgic and machine groups.

6. BANKING, COMMERCIAL AND PRIVATE.

The balance-sheets of the chief Budapest banks as at December 31st, 1934, have been published. They do not show any startling changes as compared with the previous year. On the whole, there has been an increase in time deposits and current accounts. A decrease in sundry creditors is doubtless due in part to dollar and sterling depreciation. Cash in hand and with banks has increased, and liquidity has somewhat improved. Dividends distributed by the National Bank and the chief private banks were the same as for 1933.

7. COMMERCIAL POLICY.

The Rome Agreements (see Eleventh Report, pages 14 and 15) signed on May 14th last to take effect as between Hungary and Austria on July 1st and as between Hungary and Italy on July 15th, provided, *inter alia*, for the taking-over at a remunerative price (*i.e.*, not necessarily the Hungarian market price) of stated quantities of Hungarian cereals by Italy and Austria. In exchange, Hungary increased her imports from the other two countries. These agreements were concluded for one year, and are renewable. The question of their renewal will shortly have to be considered.

Attention has already been drawn (Thirteenth Report, page 9) to the changes in Hungary's balance of trade with Austria and Italy over recent years. In the case of Austria, a formerly large Hungarian export surplus has gradually disappeared, and in that of Italy also the balance has moved against Hungary. This tendency was already under way before the entry into force of the Rome Agreements, and it has not been reversed since. On the other hand, the small export surplus left by last year's wheat crop has prevented Hungary from obtaining advantages that might otherwise have been hoped from the Rome Agreements. The cereal quotas allowed by them have not been filled, and existing stocks in Hungary do not appear to be sufficient to provide exports between now and next harvest to make up the difference. The decision to be reached in this matter will largely depend on the relative importance attached to the support of internal wheat prices.

The special difficulties encountered in the working of the Austrian clearing have not been eliminated.

With Switzerland, a new agreement entered into force on March 15th for one year, renewable automatically unless denounced 30 days prior to its expiration.

The present agreement with Czechoslovakia lapses on May 15th next. Negotiations are expected to begin shortly with a view to reaching an agreement for a longer period. Negotiations are also pending with Roumania and Belgium.

Appendix I.

**MONTHLY (QUARTERLY) RESULTS FOR THE YEAR 1934-35 COMPARED WITH
THE RESULTS FOR THE YEAR 1933-34.**

	July to December		January		February		March	
	1933	1934	1934	1935	1934	1935	1934	1935
(Millions of pengó)								
A. ADMINISTRATION.								
<i>Receipts.</i>								
Direct taxes	124.8	122.6	13.9	15.0	22.3	24.1	13.1	13.2
Customs duties	17.8	20.9	3.0	3.6	2.7	3.1	3.4	3.9
Excise duties	44.6	45.7	7.4	6.8	6.5	6.5	7.3	7.1
Turnover tax	49.0	54.4	8.4	9.6	8.5	9.2	8.1	9.3
Dues	49.4	47.8	8.4	8.5	10.4	9.2	7.4	6.5
Tobacco Monopoly	52.6	53.9	9.4	9.0	7.6	7.1	9.3	9.7
Salt Monopoly (gross)	12.8	13.1	2.8	2.9	2.2	2.4	1.7	1.7
Saccharine and lotteries	1.0	1.0	0.1	0.1	0.1	0.1	0.1	0.1
Administrative receipts	32.0	32.3	5.0	4.3	4.0	3.5	6.6	4.5
Total receipts	384.0	391.7	58.4	60.0	64.3	65.2	57.0	56.2
<i>Expenditure.</i>								
Army	39.7	39.1	5.1	7.5	8.4	6.4	3.4	
Foreign Affairs	4.3	4.3	1.1	1.2	0.6	0.5	0.5	
Justice	17.0	16.5	2.7	2.7	2.6	2.6	2.7	
Supreme organs of the State ¹	—	—	—	—	—	—	—	
Interior	56.7	55.9	10.1	11.1	9.8	9.4	10.1	
Agriculture	14.6	16.6	3.5	2.0	2.6	2.1	2.8	
Commerce	15.6	17.3	1.6	2.4	6.3	6.6	1.8	
Education	29.9	31.1	5.6	5.7	5.3	5.3	5.0	
Finance	42.0	39.9	6.8	7.2	6.7	5.5	8.8	
Smaller departments	5.1	5.4	1.3	1.4	0.7	0.7	0.9	
Subsidies to local authorities	24.1	24.2	4.5	3.9	3.7	5.6	3.6	
Pensions	70.5	70.8	12.1	12.3	11.8	11.9	11.3	
Charges under the Peace Treaty	—	—	—	—	—	—	—	
Debt service	24.8	27.1	5.2	3.4	4.4	4.0	2.7	
Investments	—	—	—	—	—	—	—	
Total expenditure	344.3	348.2	59.6	60.8	62.9	60.7	53.7	54.1
Balance	+ 39.6	+ 43.5	- 1.1	- 0.8	+ 1.4	+ 4.5	+ 3.3	+ 2.1
B. UNDERTAKINGS.								
<i>Receipts.</i>								
Post and Telegraph	47.7	46.5	7.7	8.0	7.1	6.9	8.2	
Railways ²	113.2	106.4	15.3	14.1	14.3	13.4	15.3	
Ironworks	7.9	12.0	1.8	3.0	1.2	3.0	1.6	
Other undertakings	10.6	12.4	2.0	1.7	1.7	1.6	1.3	
Total receipts	179.4	177.3	26.8	26.8	24.3	24.9	26.4	
<i>Expenditure.</i>								
Post and Telegraph	43.8	43.1	6.1	6.7	6.3	5.9	5.9	
Railways ²	130.8	132.8	21.0	20.9	33.3	20.0	24.2	
Ironworks	16.3	18.3	2.6	3.6	2.4	3.9	2.5	
Other undertakings	9.6	10.7	1.5	1.6	1.3	1.9	4.4	
Total expenditure	200.5	204.9	31.2	32.8	33.3	31.7	37.0	
Balance	- 25.1	- 27.6	- 4.6	- 6.0	- 9.0	- 6.8	- 10.6	

¹ Included in "Smaller departments".

² Returns of the Railways for current fiscal year are provisional.

Appendix II.

I. ECONOMIC INDICES.

(End of date given.)

		Fourth quarter	January	February	March	
Index of industrial production ¹ ..	1935	—	—	—	—	
	1934	104.5	—	—	83.8	
	1933	91.1	—	—	69.0	
Output of coal ²	1935	—	70.324	62.422	—	
	1934	211.001	72.961	62.049	54.126	
	1933	205.655	63.324	54.349	51.221	
Unemployment ³	1935	—	20.953	21.059	—	
	1934	20.986	26.280	26.066	24.235	
	1933	25.113	31.431	30.955	29.771	
Prices : Sensitive	1935	—	78.4	—	—	
	1934	77.8	78.2	78.2	77.8	
	1933	78.1	76.4	75.7	76.3	
Wholesale	1935	—	86	86	—	
	1934	84	71	74	74	
	1933	71	82	83	82	
Retail	1935	—	96.63	96.45	96.47	
	1934	96.72	97.16	98.66	97.12	
	1933	98.23	102.28	101.92	101.16	
Stock-Exchange index	1935	—	85.9	89.5	—	
	1934	78.1	77.5	80.0	79.1	
	1933	70.3	86.2	80.8	79.1	
(Millions of pengő)						
Savings deposits at the Post Office Savings Bank and the twelve leading commercial banks ..	1935	—	594.8	596.5	—	
	1934	587.9	546.0	545.6	547.7	
	1933	535.8	509.5	508.8	504.4	
Current accounts at the Post Office Savings Bank and the twelve leading commercial banks ..	1935	—	650.1	642.3	—	
	1934	662.2	660.8	642.5	645.9	
	1933	660.8	658.7	665.2	662.0	
Total	1935	—	1,244.9	1,238.8	—	
	1934	1,205.1	1,206.8	1,188.1	1,193.6	
	1933	1,196.6	1,168.1	1,174.0	1,166.4	
Per cent						
Official discount rates	1935	—	4.5	4.5	4.5	
	1934	4½	4.5	4.5	4.5	
	1933	4½	4.5	4.5	4.5	
Market discount rates : ⁴						
	3-month bills (maximum) ..	1935	—	7.5	7.5	7.5
		1934	7.5	7.5	7.5	7.5
3-month bills (minimum) ..	1935	—	4.5	4.5	4.5	
	1934	4.5	4.37	4.5	4.5	
<i>Foreign trade :⁵</i>						
(Millions of pengő)						
Imports	1935	—	27.2	27.4	—	
	1934	99.5	23.1	22.0	29.5	
	1933	91.2	22.4	21.6	26.1	
Exports	1935	—	29.7	29.2	—	
	1934	126.1	28.7	28.9	38.7	
	1933	125.0	23.3	25.9	29.4	
Difference	1935	—	+ 2.5	+ 1.8	—	
	1934	+ 26.8	+ 5.6	+ 6.9	+ 9.2	
	1933	+ 33.8	+ 0.9	+ 4.3	+ 3.3	

¹ The Economic Research Institute publishes quarterly indices only.

² Coal output in hundreds of quintals.

³ Unemployed Social-Democratic workmen.

⁴ Returns of the National Bank of Hungary.

⁵ Figures for 1934 and 1933 are now definitive.

2. NATIONAL BANK.

	December 31st		January 31st	February 28th	March 31st
	(Millions of pengö)		(Millions of pengö)		
Note circulation	{ 1934 381.4	1935	352.6	352.5	369.8
Sight liabilities :	{ 1933 368.6	1934	348.4	347.0	359.8
Public	{ 1934 71.6	1935	67.8	65.5	65.0
	{ 1933 64.5	1934	65.7	65.7	49.0
Private	{ 1934 34.0	1935	19.2	18.2	20.5
	{ 1933 38.6	1934	25.5	23.9	29.7
Cash certificates ¹	{ 1934 115.1	1935	115.1	115.1	115.1
	{ 1933 119.7	1934	119.7	119.7	119.7
Other liabilities (net)	{ 1934 150.1	1935	151.6	144.0	96.3
	{ 1933 155.8	1934	151.0	148.3	140.5
Metal reserve as shown	{ 1934 109.0	1935	114.2	112.0	111.8
	{ 1933 99.2	1934	105.1	105.3	104.6
Thereof gold	{ 1934 78.9	1935	78.9	78.9	78.9
	{ 1933 78.8	1934	78.8	78.9	78.9
Commercial bills discounted	{ 1934 619.5 ²	1935	568.4 ²	557.4 ²	523.0 ²
	{ 1933 624.8 ⁴	1934	582.2 ⁴	577.0 ⁴	571.8 ⁴
Advances on securities ³	{ 1934 11.8	1935	11.8	11.8	11.8
	{ 1933 11.0	1934	11.0	11.0	11.0
Government debt	{ 1934 50.0	1935	50.0	52.5	58.5
	{ 1933 50.1	1934	50.0	49.5	49.5
	Per cent		Per cent	Per cent	Per cent
Ratio of cover	{ 1934 24.9	1935	29.3	29.2	28.2
	{ 1933 23.5	1934	27.0	27.2	26.9

¹ Issued in connection with the consolidation of the Bank for International Settlements and Central Bank credits.

² Thereof Treasury bonds 34.1 million pengö.

³ " " " 34.7 " "

⁴ " " " 31.2 " "

⁵ All Treasury bonds.

Appendix III.

I. FOREIGN EXCHANGE : PURCHASES AND SALES OF THE NATIONAL BANK OF HUNGARY FOR THE YEAR 1934 AND FOR THE FIRST QUARTER OF 1935.

	1935			
	January	February	March	Total first quarter
(Millions of pengő)				
Purchases :				
(a) Export <i>Devisen</i> received	26.44	18.62	24.82	69.88
(b) Under obligatory declaration	0.30	0.43	0.10	0.83
(c) From the State	0.04	0.17	0.41	0.62
(d) From others	1.55	0.78	0.71	3.04
Total	28.33	20.00	26.04	74.37
Excess of sales	—	4.31	—	—
Sales :				
(a) For loan service	0.33	0.79	0.62	1.74
(b) For imports	22.60	20.56	17.94	61.10
(c) To the State	1.99	1.42	0.84	4.25
(d) To others	1.67	1.54	1.57	4.78
Total	26.59	24.31	20.97	71.87
Excess of purchases	1.74	—	5.07	2.50

	1934					1935
	First quarter	Second quarter	Third quarter	Fourth quarter	Total year	First quarter
(Millions of pengő)						
Purchases :						
(a) Export <i>Devisen</i> received ¹	66.61	50.74	55.51	70.27	243.13	69.88
(b) Under obligatory declaration	0.77	0.79	1.02	0.90	3.48	0.83
(c) From the State ¹	0.63	0.51	0.52	0.40	2.06	0.62
(d) From others	1.20	1.70	2.60	4.62	10.12	3.04
Total	69.21	53.74	59.65	76.19	258.79	74.37
Excess of sales	—	6.16	—	—	—	—
Sales :						
(a) For loan service	2.79	5.65	2.57	6.22	17.23	1.74
(b) For imports ¹	56.91	45.62	44.87	55.12	202.52	61.10
(c) To the State ¹	3.34	3.08	4.17	5.24	15.23	4.25
(d) To others	4.02	5.55	7.00	4.12	20.69	4.78
Total	67.06	59.90	58.61	70.70	256.27	71.87
Excess of purchases	2.15	—	1.04	5.49	2.52	2.50

¹ Revised figures.

2. FOREIGN EXCHANGE CONTROL. ¹

	Actual exports	Exports notified	Percentage of exports notified to actual exports	Export Devisen received	Percentage of Devisen received to exports notified	Percentage of Devisen received to actual exports	Actual imports	Import Devisen allotted	Percentage of Devisen allotted to actual imports	
(Millions of pengö)										
1931:										
October	62.4	40.5	64.9	15.7	38.8	25.2	40.4	5.3	13.1	
November	63.3	30.8	48.7	15.0	48.7	23.7	34.6	8.0	23.1	
December	43.4	20.8	47.9	14.3	68.7	32.9	41.0	7.9	19.3	
1932:										
January	24.1	13.7	56.8	15.0	109.5	62.2	27.3	10.2	37.4	
February	23.6	14.4	61.0	15.2	105.6	64.4	25.5	10.9	42.7	
March	25.4	16.3	64.2	12.6	77.3	49.6	30.5	9.4	30.8	
April	26.9	20.1	74.7	14.0	69.6	52.0	25.7	9.4	36.6	
May	26.0	17.6	67.7	12.5	71.0	48.1	27.6	10.9	39.5	
June	27.5	19.3	70.2	14.6	75.6	53.1	29.2	10.0	34.2	
July	23.2	14.1	60.8	12.0	85.1	51.7	23.2	9.6	41.4	
August	25.9	14.6	56.4	10.7	73.3	41.3	24.6	8.5	34.6	
September	33.3	17.0	51.1	11.6	68.2	34.8	25.9	7.9	30.5	
October	31.7	24.8	78.2	14.4	58.1	45.4	26.5	13.4	50.6	
November	30.9	20.0	64.7	14.4	72.0	46.6	29.7	9.5	32.0	
December	36.0	24.3	67.5	17.4	71.6	48.3	32.8	13.1	39.9	
1933:										
January	23.2	17.1	73.7	14.9	87.1	64.2	22.3	13.0	58.3	
February	25.7	21.2	82.5	19.3	91.0	75.1	21.6	14.9	69.0	
March	29.2	21.9	75.0	18.2	83.1	62.3	26.0	16.3	62.7	
April	23.1	14.8	64.1	17.7	119.6	76.6	22.7	11.2	49.3	
May	28.1	22.6	80.4	16.6	73.5	59.1	25.4	12.4	48.8	
June	29.3	20.6	70.3	15.1	73.3	51.5	25.7	10.4	40.5	
July	29.9	18.9	63.2	14.6	77.2	48.8	25.2	14.5	57.5	
August	34.5	17.7	51.3	15.5	87.6	44.9	26.5	13.6	51.3	
September	44.0	29.4	66.8	17.1	58.2	38.9	26.3	16.3	62.0	
October	41.3	27.5	66.6	21.7	78.9	52.5	32.4	14.6	45.1	
November	43.3	34.3	79.2	21.9	63.8	50.6	31.8	17.0	53.5	
December	39.7	30.9	77.8	22.2	71.8	55.9	26.7	16.8	62.9	
1934:										
January	28.7	25.2	87.8	23.6	93.6	82.2	23.1	18.4	79.7	
February	28.9	24.9	86.2	20.2	81.1	69.9	22.0	17.4	79.1	
March	38.7	28.7	74.2	21.0	73.2	54.3	29.5	19.7	66.8	
April	31.0	23.3	75.2	15.4	66.1	49.7	29.6	15.0	50.7	
May	26.6	19.3	72.6	17.8	92.2	66.9	28.5	15.5	54.4	
June	29.4	20.8	70.7	17.4	83.7	59.2	30.7	13.8	45.0	
July	28.1	22.1	78.6	19.0	86.0	67.6	28.2	12.7	45.0	
August	32.5	23.9	73.5	18.0	75.3	55.4	27.6	12.1	43.8	
September	35.3	18.9	53.5	18.4	97.3	52.1	27.9	18.1	64.9	
October	37.1	20.7	55.8	22.2	107.2	59.8	33.1	17.8	53.8	
November	42.3	35.4	83.7	23.1	65.3	54.6	33.8	17.2	50.9	
December	46.7	33.3	71.3	24.8	74.5	53.1	30.8	18.7	60.7	
1935:										
January	29.7	26.1	87.9	26.4	101.1	88.9	27.2	22.6	83.1	
February	29.2	22.3	76.4	18.6	83.4	63.7	27.4	20.6	75.2	
March	40.8	23.7	58.0	24.8	104.6	60.8	29.4	17.9	60.2	

¹ Figures relating to exports and imports revised by the Hungarian Statistical Office.

Genève, le 18 avril 1935.

SOCIÉTÉ DES NATIONS

**TRENTE-QUATRIÈME RAPPORT
DU COMMISSAIRE DE LA SOCIÉTÉ DES NATIONS EN BULGARIE**

(PÉRIODE NOVEMBRE 1934-FÉVRIER 1935.)

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INTRODUCTION.

I. Le budget 1934-35 est clôturé avec un déficit provisoire et approximatif de 250 millions (soit 5%) pour un exercice de neuf mois. Rapporté à un exercice de douze mois, ce déficit aurait été approximativement de 333 millions, alors que les déficits des précédents exercices étaient de 748,4 millions pour 1932-33 et 212,6 millions pour 1933-34.

II. Le budget 1935 est en excédent de 206 millions sur le précédent, rapporté à un exercice de même durée. Il a à supporter des charges nouvelles et, en particulier, l'exécution de l'accord de compensation germano-tchéco-austro-hungaro-bulgare et de la loi sur l'allégement des débiteurs, pour un montant de 320 millions.

III. Le ministre des Finances se propose de trouver des ressources, soit dans une plus stricte application des lois en vigueur, soit dans de nouvelles mesures fiscales. Pour le moment, il ne peut en être fait état et l'équilibre du budget est problématique.

IV. La Trésorerie, qui devra parer au déficit probable, n'est pas en mesure de le faire s'il ne lui est pas apporté des moyens nouveaux.

V. Le gouvernement, nouveau depuis la réunion du dernier Comité financier en janvier, n'a pas fait connaître les dispositions qu'il compte prendre pour mettre en application les monopoles en vigueur.

VI. Le commerce extérieur a diminué. Le manque de devises libres qui en résulte rend la situation très critique.

VII. La Banque nationale, en particulier, ne peut effectuer les transferts prévus par la déclaration faite le 28 décembre 1934 par le Gouvernement bulgare aux Associations de porteurs qu'avec la plus grande difficulté. Le Gouvernement bulgare a engagé des conversations à cet égard avec les Associations de porteurs.

VIII. M. M. Riascoff a été nommé gouverneur de la Banque nationale.

IX. L'intervention de l'Etat, particulièrement en matière agricole, a donné lieu à de nouvelles dispositions législatives.

X. L'activité industrielle s'est restreinte en fonction de la diminution du pouvoir d'achat du paysan bulgare.

XI. L'alimentation du pays en céréales paraît assurée jusqu'à la prochaine récolte.

XII. Les perspectives de cette nouvelle récolte sont très bonnes jusqu'à présent.

XIII. Le présent rapport a été établi par M. Pierre Cheysson, commissaire de la Société des Nations en Bulgarie, avec la collaboration de M. Köstner, conseiller auprès de la Banque nationale.

I. BUDGET.

Résultats provisoires du budget 1934-35.

L'exercice budgétaire 1934-35, réduit exceptionnellement à neuf mois, s'est terminé le 31 décembre dernier. La fin de la période complémentaire, fixée d'abord à fin février, a été reportée au 15 mars 1935.

	Millions de leva
A fin février, les recettes s'élevaient à	4.888,3
les dépenses s'élevaient à	5.138,1
le déficit ressortait à	<u>249,8</u>

Pour un exercice de douze mois, le déficit aurait été de $249,8 \times \frac{4}{3} = 333,1$.

Il est à remarquer que le budget 1934-35 a bénéficié en recettes de ressources extraordinaires pour un montant de 259,5 millions. Le budget extraordinaire du 28 juillet 1934 autorisait, en effet, le ministre des Finances à se procurer la somme de 260 millions : a) par une émission publique de 230 millions d'obligations amortissables en trois ans ; b) par un emprunt de 30 millions sur les disponibilités des fonds publics. Cette dernière opération ne diffère pas sensiblement des opérations habituelles de trésorerie. Toutefois, pour la plus grande partie, les sommes empruntées l'ont été à des fonds qui doivent disparaître en exécution de l'article 6a) du Protocole du 10 mars 1928, et peuvent donc être considérées comme des prélèvements définitifs sur lesdits fonds.

Le budget des chemins de fer se présente comme suit :

	Millions de leva
Recettes	915,5
Dépenses	786,9
Excédent	<u>128,6</u>

Il a été allégé au cours de l'exercice courant par une diminution importante de l'annuité versée au budget général pour contribution à la dette publique. Cette contribution était, en 1929-30, de 140 millions, puis de 125 millions, puis de 118,6 millions pour un exercice de douze mois (soit 105,94 ou 88,5 millions pour neuf mois) ; elle a été réduite à 52,6 millions pour les neuf mois de 1934-35, soit pour les chemins de fer une économie de 52,4 millions (100%), 42 millions (80%) ou 36 millions (60%).

Recettes.

Si l'on ajoute aux recettes de l'exercice 166,4 millions de mandats restant à émettre au profit du Trésor pour reprise en recettes des soldes non transférés, les recettes budgétaires ordinaires s'élèvent à 3.879,7 millions, contre 3.997,5 millions (— 117,8 millions ou 3%) recettes prévues, et 3.637,5 (+ 242,2 millions ou 7%) recettes correspondantes de l'exercice précédent (neuf mois).

Les recettes des chemins de fer (915,5) sont inférieures aux recettes prévues (— 83,0 millions ou 8%) et aux recettes correspondantes de l'exercice précédent (— 71,4 millions ou 7%).

La plupart des taxes et impôts ont donné un rendement supérieur aux prévisions et aux recettes de l'exercice précédent, à l'exception des accises, inférieures aux prévisions de 67,1 millions ou 7%, et aux recettes de l'exercice précédent de 23,9 millions ou 2% ; il en est de même des taxes et droits de timbre, inférieurs aux prévisions de 38,9 millions ou 10% et aux recettes précédentes de 10 millions ou 3% ; et des recettes diverses, qui sont de 60 millions, au lieu des 163,9 millions prévus et 229,4 millions rentrés pendant l'exercice précédent. La participation des communes aux appointements des instituteurs et de médecins est inférieure de 63,3 millions aux prévisions et 65,6 millions aux rentrées précédentes.

Les impôts directs ont produit 418 millions, alors que les prévisions étaient de 352,5 millions (+ 65,5 millions ou 20%) et les rentrées précédentes de 361,4 (+ 46,6 millions ou 13%). Les douanes ont rapporté au budget 1934-35 684 millions, contre 617 au cours des mois correspondants du précédent exercice, et contre des recettes prévues de 641,2 millions.

Dépenses.

Les dépenses s'élèvent à 5.138,1 millions, contre 5.059,5 millions prévus (+ 78,6 millions ou 1,6%).

Les dépenses au titre du budget ordinaire sont toutes inférieures aux prévisions, mais elles ont été majorées de 485,7 millions (soit 10,2% du budget ordinaire) par des dépenses sur budgets extraordinaires.

Les dépenses des chemins de fer (786,9 millions) sont inférieures aux prévisions (878,4 millions) de 91,5 millions ou 10,4%.

Une comparaison entre les dépenses afférentes à l'exercice 1934-35 effectuées jusqu'à fin février et les dépenses effectuées au cours des onze mois correspondants de l'exercice précédent, est rendue difficile par le fait que pendant les mois de janvier et février 1935, seules ont été payées au titre du budget 1934-35 les dépenses mandatées avant fin décembre, date de clôture de l'exercice, alors que la totalité des dépenses effectuées en janvier et février 1934 a été faite au titre du budget 1933-34. La comparaison ne serait possible que si aux dépenses faites en janvier et février 1935 au titre du budget 1934-35, on ajoutait les dépenses faites au cours de mêmes mois au titre du budget 1935

	Millions de leva	
(voir appendice I, c), soit	146,7 + 260,4	= 407,1
et les dépenses en souffrance	466,8 + 381,6	= 849,4
Total		1.256,5

Les dépenses totales effectuées au cours des onze mois sont :

Pour 1933-34	5.402,4
Pour 1934-35	6.394,6

Au cours de la période de quatre mois objet du rapport, les rentrées se sont élevées à 2.102,5 millions de leva, alors que pendant les quatre mois correspondants de l'année précédente, elles étaient de 2.038,4 millions. Parmi ces dernières, la reprise des soldes non transférés était décomptée à 204,8 millions, alors que pour 1934-35, elle n'a été mandatée que pour 14,5 millions. Les chiffres modifiés, pour être comparables, seraient de 2.088,0 millions pour 1934-35 et de 1.834,6 millions pour 1933-34.

Les dépenses totales des quatre mois considérés sont de 2.316,5 millions pour 1934-35 et de 2.314,9 millions pour 1933-34. Les quatre douzièmes des crédits autorisés au budget 1934-35 représentent 2.157,6 millions.

Nouveau budget.

Les budgets pour 1935 de l'Etat, des fonds publics et des chemins de fer ont fait l'objet du décret-loi du 7 avril 1935, publié au *Journal officiel* du 11 avril. Les dépenses effectuées pendant les trois premiers mois ont été autorisées par deux décrets-lois qui ouvraient au ministre des Finances les crédits nécessaires à janvier et février, soit 300 millions par mois pour le budget de l'Etat et 100 millions pour le budget des chemins de fer.

Une comparaison du nouveau budget avec le budget précédent est faite dans le tableau publié à l'appendice I, b). Pour être rendus comparables, les résultats provisoires du budget 1934-35 ont subi deux corrections : la première a consisté à les multiplier par 12/9 (le budget

1934-35 était un budget de neuf mois et non de douze mois) ; la seconde a réparti approximativement par chapitre les dépenses sur crédits supplémentaires.

Avant d'établir une comparaison entre les prévisions de recettes du nouveau budget et des recettes du budget 1934-35, il convient de remarquer :

1° Que l'Etat abandonne en 1935 aux communes et à divers fonds extrabudgétaires l'impôt foncier, qui a rapporté 43,4 millions au budget 1934-35, et l'impôt sur les bâtiments, qui a rapporté 27,9 millions, soit ensemble 71,3 millions (ou 95,1 millions pour un budget de douze mois) ; soit, pour établir les prévisions 1935, Millions de leva
à déduire des recettes de 1934-35 — 95,1

2° Que la reprise en recettes des soldes non transférés figure aux rentrées 1934-35 pour 234,1 au lieu de 430,8, soit à ajouter aux rentrées 1934-35 + 196,7

Les rentrées 1934-35 comparables aux rentrées attendues de 1935 sont donc de 4.951,1 — 95,1 + 196,7 = 5.052,7.

La différence avec les prévisions du nouveau budget est de 641,4

Elle comprend une prévision de plus-value pour l'annuité versée par les chemins de fer + 93,9

et pour la participation des communes aux appointements des instituteurs et des médecins 36,4

Soit 130,3

Les 512,3 millions restants sont attendus :

De plus-values sur les douanes et accises	180,9
Sur les taxes et droits de timbre	114,3
Sur les revenus du domaine	36,0
Sur les recettes des P. T. T.	15,9

L'augmentation prévue des recettes diverses est de 171,5 millions. Elle comprend entre autres 82 millions en exécution de la convention gréco-bulgare, alors qu'il n'y a eu en 1934-35 aucune rentrée à ce titre. L'on attend de l'énergie des poursuites un accroissement de 50 millions des rentrées des sommes dues sur procès-verbaux dressés par les diverses administrations.

Il est à craindre que ces prévisions ne laissent de sérieux mécomptes, d'autant plus que certains dégrèvements sont d'ores et déjà accordés à des catégories de contribuables particulièrement atteints par le ralentissement des affaires et la chute des prix. C'est le cas des patentables, dont l'imposition pour 1935 sera égale à celle de 1934-35 réduite de 15%. La moins-value qui en résultera est de 36,7 millions. Par ailleurs, la diminution de l'impôt sur les chèvres et brebis entraînera une moins-value au moins égale à 25% de cet impôt, soit 18 millions.

Le ministre des Finances recherche de nouvelles ressources, et plusieurs projets sont à l'étude. Il s'efforce, par ailleurs, d'accélérer la rentrée des créances de l'Etat. Les retards sont dus, pour partie, au défaut de paiement des contribuables, mais aussi, bien souvent, à l'encombrement des bureaux, qui n'arrivent pas à utiliser en temps utile les déclarations qui leur ont été faites. Les retards à asséoir les impôts atteignent doublement le Trésor : en privant, d'une part, les exercices budgétaires des ressources qui leur sont propres, en rendant parfois impossible, d'autre part, le recouvrement sur des contribuables dont la situation a radicalement changé entre temps. Pour remédier à cette situation, le ministre des Finances veut, d'une part, réorganiser les cadres administratifs, et, d'autre part, simplifier le régime des déclarations. Il admet, à titre exceptionnel, l'utilisation pour 1935 des déclarations antérieures. C'est le cas pour l'impôt sur la patente avec un abattement de 15% sur 1934-35, de l'impôt foncier et sur les bâtiments, abandonnés aux communes, avec un abattement de 40% sur la moyenne des impositions de 1929-30 à 1933-34.

Le budget des dépenses prévoit pour la Dette publique le service intégral des différents emprunts et l'amortissement des emprunts d'après guerre. L'on a vu qu'en recettes, il a été tenu compte d'une reprise des sommes non transférées en exécution des arrangements d'avril et mai 1934.

Le budget des dépenses comprend au chapitre du ministère des Finances une somme de 200 millions destinée à la Caisse d'amortissement des dettes privées.

Il y figure également une somme de 80 millions pour les fournitures livrées en exécution des accords de compensation germano-tchéco-austro-hungaro-bulgares (en dehors d'une autre somme de 85 millions figurant au même titre au budget des chemins de fer).

Seize millions de leva sont inscrits pour le règlement des litiges gréco-bulgares réglés par l'arbitrage Undén.

Vingt millions sont destinés à remédier au manque d'écoles et d'instituteurs causé par l'augmentation constante de la population (80.000 habitants par an).

Les dépenses qui ne figuraient pas dans le budget 1934-35 s'élèvent, en résumé, à 320 millions, alors que l'augmentation du nouveau budget sur l'ancien est de 206 millions. Les dépenses renouvelées de l'ancien budget ont donc subi des compressions d'environ 114 millions. Aucune réduction des traitements n'a été faite.

Le budget des chemins de fer se présente équilibré en recettes et en dépenses à 1.454 millions de leva, alors que les résultats provisoires du budget 1934-35 sont de :

Recettes : 915,5 pour neuf mois, soit pour douze mois	Millions de leva 1.220,7
Dépenses : 786,9 pour neuf mois, soit pour douze mois	1.049,2
Excédent	<u>171,5</u>

La majoration pour 1935 provient en partie des dépenses résultant de l'accord de compensation. Il y est également prévu la construction d'un ferry-boat entre la Roumanie et la Bulgarie.

Le budget des divers fonds publics est :

	Millions de leva
En recettes, de	2.093,8
En dépenses, de	2.110,6
	<hr/>
Déficit	— 16,7

alors que les prévisions budgétaires en 1934-35 étaient de :

Recettes	1.743,8
Dépenses	1.840,5
	<hr/>
Déficit	— 96,7

L'augmentation du budget des fonds 1935 sur le précédent porte principalement sur le fonds des assurances sociales (+ 50 millions) et le nouveau fonds des routes (+ 177 millions), dont il a été question dans un précédent rapport.

Les budgets de l'Etat, des chemins de fer et des fonds pour 1935 apparaissent équilibrés. Il a été dit plus haut avec quel optimisme avaient été évaluées les recettes. L'on a escompté plus de 600 millions de plus-values sur les rentrées correspondantes du budget 1934-35. Même au prix d'un effort sérieux pour le recouvrement des sommes arriérées dues à l'Etat, et même en escomptant de belles récoltes et l'amélioration qui en résulterait pour l'économie du pays, de telles plus-values restent problématiques, et il y a tout lieu de croire à un déficit budgétaire supérieur à celui des exercices précédents.

Il est à remarquer qu'au cours de la dernière réunion du Comité financier à Genève en janvier 1935, le ministre des Finances avait estimé, dans une première approximation, que les dépenses du budget de l'Etat pour 1935 s'élèveraient à environ 5.930 millions (le nouveau budget est de 5.695 millions) et les recettes à 5.207 millions (5.685 millions dans le nouveau budget).

Les monopoles d'Etat sont en vigueur. En ce qui concerne le monopole du pétrole, les autorisations provisoires d'importation données aux sociétés privées ont été renouvelées. L'application de la loi qui a institué le monopole du sel est à l'étude. Le monopole du tabac a acheté 1.500.000 kg. de tabac pour un prix de 34 millions de leva, mais les manufactures particulières ont reçu une prorogation des autorisations de fabriquer précédemment données. Le monopole de l'alcool et de l'eau-de-vie fonctionne. Les budgets des différents monopoles pour l'année 1935 ne sont pas encore adoptés.

Trésorerie.

La situation de trésorerie s'est aggravée. Au 28 février, les salaires étaient payés avec un mois et les pensions de retraite avec deux mois de retard.

La période complémentaire de l'exercice 1934-35 a été close par un emprunt de 379,7 millions à l'exercice 1935. L'exercice 1934-35 avait dû avancer de la même façon, à l'exercice précédent, 570,6 millions.

L'exercice 1934-35 a bénéficié de ressources de trésorerie telles que la frappe des monnaies d'argent pour 364,7 millions, qu'il sera difficile de trouver pour l'exercice 1935.

Etant donné le déficit probable, sinon apparent, du budget en cours, les problèmes de trésorerie peuvent devenir sérieux et doivent retenir l'attention vigilante du Gouvernement bulgare.

II. DETTE PUBLIQUE.

a) Le Gouvernement bulgare a exécuté les engagements qu'il avait pris dans la déclaration faite à Londres par le ministre des Finances en décembre dernier et a payé en leva 32 ½ % des coupons aux échéances prévues; 15 % ont été transférés aux banquiers payeurs et 17 ½ % versés en « leva libres » au crédit de comptes ouverts au nom des porteurs à la Banque nationale.

Une délégation bulgare, composée du ministre des Finances, du gouverneur de la Banque nationale et de l'ancien directeur de la Dette publique, est à Londres en conversation avec les Associations de porteurs pour définir avec elles le régime des transferts au cours des prochains mois.

Le Gouvernement bulgare a demandé aux trustees de l'emprunt 7 ½ % 1928 d'abolir certaines taxes à l'exportation et différents droits statistiques à l'exportation et à l'importation. Il veut ainsi stimuler l'activité des échanges commerciaux. Il fait valoir dans sa demande que les taxes à abolir sont de faible importance et que les paiements dus aux porteurs restent couverts plus de trois fois par les taxes existantes.

Le monopole de l'alcool fait régulièrement au compte des revenus bloqués un versement égal à l'ancienne accise abolie par la création du monopole.

b) ÉTABLISSEMENT DES RÉFUGIÉS BULGARES.

i) Position au 28 février 1935 du compte bloqué de l'emprunt 1926.

	Leva
Produit net	1.614.296.149
Dont mis à la disposition du service d'établissement	1.606.824.302
	<hr/>
Solde en dépôt à la Banque nationale	7.471.847

ii) Rendement des revenus gagés.

(En millions de leva.)

Chapitres du budget	Encaissements				1/12 des évaluations budgétaires	
	Novembre	Décembre	Janvier	Février	1934	1935
	1934	1934	1935	1935		
13. Accise sur le sel et le café importés	23,1	21,2	11,9	13,9	16,7	17,5
17. Accise sur le sel et le café indigènes	22,5	29,8	25,1	29,4	26,7	29,2
14. Accise sur l'alcool	0,8	0,5	1	4,9	4,2	4,2
19. Vente des allumettes	7,3	5,6	5,4	5,9	6,7	6,8
Total	53,7	57,1	43,4	54,1	54,3	57,7

Les versements des réfugiés affectés au remboursement des dépenses d'établissement ont atteint les montants ci-après (en leva) :

	Novembre 1934	Décembre 1934	Janvier 1935	Février 1935	Antérieurs	28 février 1935
Intérêts	116.378	65.344	74.568	154.907	4.611.769	5.022.966
Amortissement et impôt foncier	54.882	30.274	41.288	2.663.786	15.855.176	18.645.406
Total	171.260	95.618	115.856	2.818.693	20.466.945	23.668.372

iii) Utilisation de l'emprunt.

Les engagements restant à régler au 28 février 1935 s'élèvent à 6.888.761 leva.

c) EMPRUNT DE STABILISATION 7 1/2 % 1928.

i) Position au 28 février 1935 du compte bloqué de l'emprunt.

	Leva
Produit net	3.370.065.553
Dont mis à la disposition des administrations	3.366.427.028
	<hr/>
Solde en dépôt à la Banque nationale	3.638.525

ii) Rendement des revenus gagés (douanes).

(En millions de leva.)

Novembre 1934	Décembre 1934	Janvier 1935	Février 1935	1/12 des évaluations budgétaires	
				1934	1935
62,6	69,9	54,8	68,8	54,6	61,25

soit une moyenne mensuelle de 64,0 millions sensiblement égale à la moyenne (63,1) des trois mois précédents.

iii) Utilisation du produit de l'emprunt.

1. Chemins de fer et ports.

Les renseignements nécessaires à l'établissement du rapport ne sont pas encore parvenus.

2. Routes et ponts.

La totalité de cette tranche s'est montée à	Leva
dont engagés au 28 février 1935	182.031.732
	<hr/>
Solde non engagé	181.779.366
Reste à payer sur engagements opérés	261.366
	<hr/>
Solde à engager ou à payer	261.366
	<hr/>
Somme aux mains de l'Administration	Leva
Solde à recevoir du produit de l'emprunt	770.366
	<hr/>
	1.031.732
	<hr/>
	261.366

III. BANQUES ET CRÉDIT.

a) BANQUE NATIONALE. (Voir appendice II.)

Le fait le plus marquant de la période considérée dans le rapport est la diminution importante de la circulation des billets de 2.449 millions de leva fin décembre 1934 à 2.140 millions fin mars ; la circulation monétaire totale est elle-même réduite. Les monnaies divisionnaires rentrent à la Banque.

Les comptes courants augmentent corrélativement. Les paiements dus à la Bulgarie en vertu de l'accord de compensation germano-tchéco-austro-hungaro-bulgare ont été faits et, pour le moment, contribuent à grossir encore les « comptes courants ». Il en est de même pour les comptes de clearing, qui, faute d'exportation bulgare, ne peuvent être compensés.

Le montant des devises-or est tombé au plus bas, pendant que celui des devises de clearing, en grande partie bloquées, s'élevait au plus haut niveau constaté depuis des années.

Les avances à l'économie privée diminuent à nouveau et sont réduites de près de moitié (181 millions au lieu de 373 millions).

M. Marco Riascoff, ancien directeur de la Banque de Crédit à Sofia, a été nommé gouverneur de la Banque nationale de Bulgarie le 4 février 1935. Le poste était resté vacant après le départ de M. Momtchiloff, en juillet 1934.

b) CRÉDIT BULGARE.

Une disposition législative autorise le Crédit bulgare à donner des garanties au regard des établissements publics et communaux et à fournir caution devant les tribunaux pour des affaires civiles, commerciales et criminelles. En outre, la Banque peut faire des prêts contre nantissement de « gages transformables ». Il s'agit de matières premières en cours de fabrication. Pour la réalisation de ces opérations, la Banque reçoit des privilèges dont ne bénéficient pas les autres banques privées. L'on peut se demander s'il faut attendre d'heureux résultats de ces dispositions. Les affaires offertes à l'activité de la Banque sont suffisamment nombreuses pour qu'elle hésite à s'engager dans des opérations d'avances et de garanties plus ou moins sûres.

L'absorption de petites banques de province par le Crédit bulgare se poursuit.

c) BANQUE AGRICOLE ET COOPÉRATIVE.

Le premier rapport des deux banques fusionnées (Banque agricole et Banque coopérative), établi au 31 décembre, montre un profit net de 45 millions de leva, contre 49 millions l'année dernière. L'examen du compte profits et pertes ne permet pas de savoir si des sommes quelconques ont été employées aux amortissements. Au contraire, le poste des créances douteuses est passé de 211 (en 1933) à 236 millions. En outre, le poste « intérêts transitoires » s'est augmenté de 142 millions. Il s'élève à 712 millions et représente les intérêts sur avances qui n'ont pas été payés depuis des années. La capitalisation à 9% de cette somme de 142 millions montre que le paiement des intérêts et, par suite, le remboursement même d'avances d'un montant d'environ 1,5 milliard sont douteux.

Les principaux postes du bilan sont les suivants :

(En millions de leva.)			
<i>Actif.</i>		<i>Passif.</i>	
Caisse et banques	500,7	Capital et fonds	1.050,9
Fonds d'Etat	248,4	Dettes consolidées	475
Débiteurs :		Dépôts et comptes courants	6.580,8
Particuliers	2.454,2	Effets réescomptés	365
Coopératives	2.617,4	Garanties	149,5
(dont sans garanties, 1.851,7).			
Etat	556,7		
Communes	564,2		
Bons du Trésor	310		
Douteux	236,1		
Total	9.027,9	Total	9.027,9

L'importance respective de la Banque agricole et de l'ensemble des banques privées résulte du fait que les bilans totalisés de ces banques représentent 5,5 milliards, contre 9 milliards pour la Banque agricole. Il faut observer toutefois qu'une série d'opérations qui enflent le bilan de la Banque sont propres à l'Etat : l'Etat (et les communes) sont redevables de 1,5 milliard et plusieurs des prêts ont été faits sous sa garantie. Par ailleurs, la Banque doit à l'Etat 360 millions, alors que les dépôts de l'Etat et des communes à la Banque s'élèvent à 1.733 millions. Aucun poste spécial du bilan ne permet de suivre les opérations commerciales, agricoles et industrielles faites pour le compte de l'Etat (coton, chanvre, essence de roses, riz, etc.).

d) LOI SUR L'ALLÈGEMENT DES DÉBITEURS.

La loi vient de subir une refonte destinée à remédier à certaines difficultés tant techniques que juridiques auxquelles s'était heurtée son application (voir *Journal officiel* N° 66 du 23 mars 1935). Une modification particulièrement importante a consisté, d'une part, à diminuer le taux

d'intérêt à partir du 1^{er} janvier 1931 et, d'autre part, à le calculer sur le montant réduit des dettes ; elle atteint tout spécialement la Banque agricole et coopérative. D'après les derniers renseignements, les demandes d'allégement portent sur 5 milliards, dont 2 milliards dus à la Banque agricole.

IV. COMMERCE EXTÉRIEUR.

a) L'excédent des exportations sur les importations en 1934 est de 305,1 millions de leva, contre 644,1 millions en 1935 (voir appendice III, a) et b)). L'exportation est inférieure de 311 millions (11%) à celle de l'année précédente, alors que l'importation est supérieure de 27 millions. Cette situation, extrêmement défavorable aux rentrées de devises, est due en partie à l'interdiction d'exportation des céréales (représentant une diminution de près de 140 millions de leva sur l'année précédente) ; mais elle est imputable aussi à un recul de l'exportation de beaucoup d'autres marchandises, comme le tabac (— 1.700 tonnes, d'une valeur de 193 millions de leva), la soie brute (— 367 tonnes, d'une valeur de 243 millions), les œufs (— 1.137 tonnes, d'une valeur de 115,1 millions de leva). Par contre, on peut noter l'augmentation des exportations de raisins (+ 54,9 millions de plus qu'au cours de l'année précédente), de bétail vivant (+ 32,4 millions), de petit bétail (+ 10,0 millions), de volailles abattues (+ 31,3 millions) et des « autres marchandises » (+ 66,6 millions). Il est intéressant de remarquer que s'est surtout accrue l'exportation des marchandises pour lesquelles la Banque nationale ne réclame pas ou réclame peu de devises (il doit en être de même pour les « autres marchandises » non dénommées).

De l'examen de vingt-sept des principaux postes de la statistique douanière, il résulte que l'importation des marchandises figurant à dix-sept d'entre eux a augmenté par rapport à 1933 et qu'elle a diminué pour dix autres. Les accroissements les plus importants concernent les textiles (+ 51,7 millions), le papier et les matières premières de papeterie (+ 7,2), les couleurs (+ 8,0), les métaux (+ 7,0) et les autres matières premières. C'est dans l'importation des machines qu'on note la baisse la plus importante (— 69,6 millions). L'importance croissante des matières premières dans l'importation bulgare apparaît clairement à l'examen du tableau suivant :

	1932		1933		1934	
	Milliers de tonnes	Millions de leva	Milliers de tonnes	Millions de leva	Milliers de tonnes	Millions de leva
Matières premières et demi-produits	133,4	781,2	136,2	672,8	142,8	765,3
Produits fabriqués	93,9	2.526,5	57,1	1.423,3	61,0	1.375,0
Pourcentage des matières premières dans la valeur totale de l'importation	22,5%		30,6%		34,6%	
Pourcentage des produits fabriqués	72,8%		64,6%		61,5%	

Les articles semi-fabriqués destinés à être travaillés se trouvent aussi compris dans les produits fabriqués.

Les statistiques sont établies sur les prix moyens des articles exportés. Il est à penser que restent en dehors toutes les transactions conclues à des prix anormaux (c'est le cas de l'accord de compensation qui fixait pour le tabac un prix arbitraire de 72 leva le kg.), ainsi que presque toutes les primes dont bénéficient les exportateurs. Or, ces primes s'élèvent, pour les devises libres, jusqu'à 40 et 50%, sauf pour le Reichsmark, où elle est de 4 à 10%.

Le prix fob. d'exportation du maïs, par exemple, a été, d'après la statistique, de 1,43 lev par kg. en janvier, alors que le prix moyen de la Bourse de Varna, en décembre, était de 1,82 lev par kg. Cette différence est imputable, soit à l'inexactitude des déclarations faites par des exportateurs, soit au mode de calcul du prix, établi *a posteriori* en partant de la valeur en florins et sans tenir compte de la prime dont a bénéficié l'exportateur. En tablant sur un prix de 3,50 florins par 100 kg. à Rotterdam, la parité à Vienne, calculée de façon théorique, aurait été la suivante :

L'exportateur reçoit :

	Leva
1,75 florin à 56 leva (abandonnés à la B. N. B.)	98
1,75 florin à 56 leva + 40% prime	136

A déduire le fret 234
— 30

Prix à Varna 204

Il reste à l'exportateur pour ses autres frais et profits : 204 — 182 = 22 leva par 100 kg.

Les statistiques ne permettent donc pas d'apprécier de façon certaine le bilan du commerce extérieur et il est vraisemblable que l'exportation, calculée en leva, rapporte au pays plus que ne l'indiquent les statistiques.

Le tableau du commerce extérieur par pays (appendice III, c)) montre une chute notable de l'exportation vers les pays à clearing et une augmentation de l'importation des mêmes pays.

Les relations avec l'Allemagne sont caractérisées par les chiffres suivants :

	1931	% du total	1932	% du total	1933	% du total	1934	% du total
Exportations	1.748	29,5	880	26,0	1.025	36,0	1.083	42,8
Importations	1.084	23,3	900	25,9	841	38,2	902	40,4
+ ou —	+ 664		— 20		+ 184		+ 181	

Alors que le commerce extérieur global de la Bulgarie diminuait, les affaires avec l'Allemagne ont augmenté et la part de l'Allemagne dans le commerce total du pays n'a cessé de croître.

b) CONTRÔLE DE L'EXPORTATION.

Les résultats favorables obtenus grâce au contrôle mis à l'exportation de certains produits bulgares ont conduit à généraliser le système. Une loi du 15 mars donne au ministre de l'Economie nationale le pouvoir d'imposer et d'organiser tous les contrôles qui lui paraîtront utiles au développement de l'exportation. Les exportateurs des produits soumis à contrôle doivent remplir certaines conditions, telles que de faire enregistrer leur société en Bulgarie et de déposer caution.

c) SITUATION DES DEVICES (Voir appendice III, d) et e)).

La situation de la Banque nationale, qui a le monopole des devises, résulte des chiffres suivants (en millions de leva) :

<i>Devises achetées :</i>	Total	Dont livres et demi-libres	Clearing	Compensation privée
1931	5.908	5.908	—	—
1932	3.544	2.576	648	320
1933	2.779	1.108	1.440	231
1934	2.727	641	1.513	573
<i>Devises vendues :</i>				
1931	6.481	6.481	—	—
1932	3.678	2.751	607	320
1933	2.759	1.227	1.301	231
1934	2.784	839	1.372	573

Une analyse plus complète pour l'année 1934 est traduite dans le tableau suivant (en millions de leva) :

Devises livres et demi-libres en 1934.

	a)	b)	c)	d)	e)	Total
	Devises livres pour arbitrage	Billets échangeables librement	Devises pour paiements intérieurs	Billets utilisables pour paiements intérieurs	Devises de clearing	
Achetées	486,6	18,5	66,7	68,7	1.513,3	2.153,9
Vendues	693,8	5	94,2	56,1	1.372,0	2.211,2
	— 197,2	+ 13,5	— 27,5	+ 12,6	+ 141,3	— 57,3
Réévaluation des stocks et autres corrections						+ 37,3
Perte nette						— 20,0

Le tableau ci-dessus fait apparaître la perte en devises livres ou demi-libres [a) + b) + c) + d)] à 198,6 millions de leva.

Il y a lieu de remarquer que parmi les opérations d'achat et de vente de devises livres figurent les opérations de la Banque hypothécaire, dont les comptes à la Banque nationale sont tenus, conformément à ses statuts, en francs suisses. Si l'on élimine ces dernières opérations, qui représentent à l'achat 78,4 et à la vente 79,6, les devises livres pour *arbitrage* se sont élevées :

Devises achetées, à 408,4 millions de leva ;
Devises vendues, à 604,2 millions de leva.

Depuis le nouvel an, le chiffre des devises livres achetées et vendues a considérablement diminué. Au cours du premier trimestre de 1935 et de 1934, les devises achetées et vendues sont (en millions de leva) :

	1935		1934	
	Achetées ¹	Vendues ¹	Achetées	Vendues
Janvier	18,4	32,6	43,8	73,0
Février	15,6	23,4	43,4	44,0
Mars	32,0	28,0	60,3	41,8

En mars 1935, la Banque nationale bénéficia d'avances, sans lesquelles les transferts indispensables n'auraient pu être faits.

Ces chiffres permettent d'apprécier les conséquences de la politique inaugurée en septembre dernier et qui recherche dans l'augmentation des importations le développement de l'exportation. L'économie bulgare est une économie dirigée et il semble que l'on a en définitive obtenu un résultat contraire à celui que l'on attendait.

	1934			1935		
	Exportation	Importation	+ ou —	Exportation	Importation	+ ou —
Janvier	248	139	+ 109	129	198	— 69
Février	171	155	+ 16	145	168	— 23
Mars	241	203	+ 38	192	185	+ 7

¹ Données préliminaires.

V. AGRICULTURE.

a) GÉNÉRALITÉS.

D'après le dernier recensement, fait au 31 décembre 1934, la population de la Bulgarie est de 6.090.215 habitants, contre 5.478.741 en 1926 et 4.846.971 en 1920. L'augmentation annuelle moyenne est de 1,33% par an, contre 2,06% pendant la période précédente. La population des villes représente 21,5% de la population totale (21,1% en 1926 et 20,3% en 1920). Cette augmentation, comparativement faible, de la population urbaine est d'autant plus remarquable que beaucoup d'entre elles (97) ont un caractère nettement rural. Deux villes seulement dépassent 100.000 habitants : Sofia (288.000) et Plovdiv (100.000). La rapidité de l'accroissement des villages entraîne une véritable surpopulation. Les terres cultivées ne représentent par tête que 0,68 hectare, contre 0,76 en 1920. Bien que l'accroissement de la population se soit ralenti, la Bulgarie reste une des régions d'Europe où il est encore le plus rapide.

Une enquête agricole, qui a porté sur 100 villages, a recherché les changements survenus depuis le recensement de 1926. Elle constate un morcellement significatif de la terre : le nombre des fermes a augmenté de 10,2% au cours de la période envisagée, ce qui représenterait un accroissement de 668.000 à environ 735.000 fermes pour le pays entier. Les fermes supérieures à 15 hectares (6%) ont diminué en nombre, pendant que celles qui possèdent entre 3 et 6 hectares se sont multipliées. Le morcellement est surtout marqué dans la circonscription de Plovdiv, où les fermes de moins de 5 hectares représentent 74,2% de toutes les fermes, alors que pour toute la Bulgarie, le chiffre correspondant est de 53,8%.

Les propriétaires des fermes de moins de 5 hectares bénéficient seuls de la loi sur l'allègement des dettes, et à ce titre, ils ne peuvent être saisis. Plus de 50% de la propriété agricole échappe donc aux règles normales sur lesquelles repose le crédit privé.

b) CHANVRE.

L'encouragement donné à la culture du chanvre par les hauts prix d'achat consentis par la Banque agricole a dépassé le résultat à obtenir et l'on doit maintenant restreindre, non seulement les surfaces plantées, mais même la proportion de sa production que le cultivateur bulgare peut vendre pour la fabrication du fil. Un décret-loi du 7 mars a autorisé le ministre de l'Economie nationale à limiter la superficie cultivée. Il a organisé un système assez compliqué d'organismes chargés d'autoriser puis de contrôler la production et la vente du chanvre.

c) ROSES.

Un décret-loi du 16 mars 1935 régleme la production et l'exportation de l'essence de rose.

L'achat des roses destinées à la distillation est réservé à la Banque agricole et c'est elle qui répartit, en outre, ses achats entre les fabriques coopératives ou privées.

La Banque agricole peut, du reste, distiller elle-même les roses achetées, et a le droit de louer ou d'exproprier à son profit les distilleries existantes.

La quantité d'essence de rose à distiller chaque année et le prix d'achat des roses sont fixés par le Conseil des ministres. Cette quantité est répartie entre tous les producteurs au prorata de leur production passée ; un avantage est toutefois réservé aux petits producteurs, à qui sont achetées par préférence tout ou partie de leurs roses.

Le commerce de l'essence de rose est fait, soit par la Banque agricole elle-même, soit sous son contrôle.

Un contrôle de la culture est établi et aucune superficie nouvelle ne peut être plantée en roses sans autorisation.

Un « Fonds de culture de roses » a été établi comme il a été dit dans le vingt-septième rapport. Il est alimenté par une contribution de 1 lev par kilogramme, versée par les distilleries privées. Cette charge représente pour ces dernières près de 4.000 leva par kilogramme d'essence de rose et leur interdit pour le moment toute distillation. De ce fait, le « Fonds de culture de roses » n'est pas alimenté et le financement de la distillation retombe sur les coopératives et sur la Banque agricole. Cette dernière exerce, en définitive, un contrôle absolu sur la production et le commerce de l'huile de rose. Il est rappelé qu'elle a dans ses caves un stock représentant la production invendue de quatre années.

Le tableau suivant donne la production et l'exportation de l'essence de rose au cours des cinq dernières années :

	1930	1931	1932	1933	1934	Total
Production	1.861	2.231	2.029	3.533 ¹	1.664 ¹	11.318
Exportation	1.752	1.325	917	1.413 ¹	1.218 ¹	6.625
Excédent de la production	109	906	1.112	2.120	446	4.693

d) LAITIERIES.

Le pays est divisé en circonscriptions laitières, dans chacune desquelles une seule laiterie est autorisée et doit être créée au cas où elle n'existerait pas.

Les laiteries coopératives, en acceptant certaines obligations à l'égard des fournisseurs de lait qui ne leur sont pas affiliés, peuvent devenir laiteries autorisées.

¹ Chiffres approximatifs.

Les laiteries autorisées ont le monopole d'achat du lait de la circonscription et doivent acheter la totalité du lait qui leur est offert par le producteur, qui, de son côté, ne peut conserver que le lait destiné à ses propres besoins (beurre et fromage compris).

Les gérants des laiteries autorisées doivent garantir leur solvabilité à l'égard des fournisseurs de lait — ou tout au moins de ceux qui ne sont pas membres de la coopérative, lorsqu'il s'agit d'une laiterie coopérative — et ils doivent déposer une caution égale au tiers des prix du lait à acheter pendant six mois. La gérance des laiteries est donnée pour un an, ce qui permet difficilement au gérant d'acquérir l'expérience nécessaire.

Les produits destinés à l'exportation sont soumis à un contrôle.

Un fonds pour l'amélioration du bétail est créé et alimenté par un prélèvement de 0,10 lev par litre de lait.

Les communes prélèvent, en outre, 0,05 lev par litre pour installations de frigorifiques.

e) MONOPOLE D'EXPORTATION DES BILLES DE NOYER.

La Banque agricole, qui a le monopole d'exportation des billes de noyer, a reçu par le décret du 28 mars 1935 pouvoir de se faire remettre 3.000 à 4.000 tonnes par les détenteurs de la marchandise. Une commission est chargée de fixer les conditions d'application; aussi bien les quantités à livrer sur les stocks déclarés que le prix d'achat par la Banque agricole.

Un fonds pour l'encouragement de la culture du noyer est alimenté par une nouvelle taxe de 1.000 leva par mètre cube à payer par les fabricants de placage sur les bois de noyer non travaillés et sur les bois à acheter. Cette taxe grève lourdement les fabricants qui travaillent pour l'exportation et les met dans une mauvaise posture à l'égard de leurs concurrents étrangers, exemptés de la taxe. En fait, certaines fabriques ont cessé leur travail et licencié leurs ouvriers.

VI. DIRECTION DES CÉRÉALES.

Jusqu'au 31 mars 1935, la Direction a acheté les quantités suivantes de céréales de la récolte 1934 :

	Milliers de tonnes
Blé	245,8
Seigle	6,3
Mélange	3,6
	<hr/>
Total	255,7

170.900 tonnes ont été vendues et il reste 84.800 tonnes, qui doivent approximativement suffire à faire la soudure jusqu'à la prochaine récolte. Les besoins mensuels sont estimés à 22.000 tonnes et il reste à peine quatre mois à courir.

La Direction a été chargée d'assurer l'approvisionnement en maïs de la Bulgarie du Sud et a, de ce fait, acheté 11.644 tonnes en décembre, janvier et février, alors que les achats totaux sur les diverses bourses s'élevaient à 35.651 tonnes. La difficulté des communications provoquée par un hiver rigoureux, d'une part, les besoins impérieux de la Bulgarie du Sud dont la récolte en céréales et en fourrage a été très déficitaire, d'autre part, ont amené une hausse des prix intérieurs du maïs qui a rendu pour le moment toute exportation impossible. L'équilibre des prix intérieur et extérieur paraît ne devoir s'établir qu'avec une grande lenteur.

La culture et l'exportation de la vesce bulgare se sont développées de façon satisfaisante depuis trois ans ; mais la dernière récolte a beaucoup souffert de la sécheresse. Aussi la Direction des céréales a-t-elle été chargée de se procurer les semences nécessaires aux besoins de la culture, et elle a été autorisée à rechercher chez les détenteurs des stocks existants les quantités dont elle avait besoin et à les payer à des prix déterminés, inférieurs au prix du marché. En réalité, elle n'a acheté ainsi que 58% des disponibilités et le reste a été laissé pour être vendu sur le marché libre.

VII. COOPÉRATIVES.

Le tableau donné en annexe analyse la situation des coopératives en Bulgarie (voir appendice IV).

Les pertes n'ont cessé d'augmenter de 1931 à 1933, alors que les profits diminuaient. Seules les banques populaires montrent un profit net. Par contre, l'augmentation d'une année à l'autre du poste « Capital et fonds » dépasse de beaucoup les pertes. A l'exception des coopératives de bâtiments, qui se sont multipliées, le nombre des coopératives a peu augmenté. Leur importance respective est très différente. Sur 658 coopératives de production totalisant des bilans à 2,6 milliards de leva, 22 coopératives de tabac représentent à elles seules 660 millions, une fabrique de sucre 181 millions et une centrale électrique 846 millions. Les 634 autres coopératives totalisent seulement 913 millions de leva, soit 1,5 million par coopérative.

Le tableau donné en annexe fait apparaître clairement, qu'en Bulgarie comme ailleurs, seules les coopératives spécialisées prospèrent. La coopérative agricole, du type Raiffeisen, qui tout à la fois reçoit des dépôts, fait des crédits, achète et vend, gère des entreprises industrielles, fait de l'électricité, tient boutique, a toujours été un organisme faible, prédisposé à des pertes et obligé de recourir à l'aide de l'Etat. Malheureusement, aussi bien l'expérience acquise que les conseils donnés dès 1931 par les experts envoyés par la Société des Nations n'ont pu arriver à améliorer la situation existante.

VIII. INDUSTRIE.

La production industrielle est en nouvelle baisse, que l'on constate dans le recul des transports par chemins de fer (222.000 tonnes en janvier 1935 contre 300.000 en janvier 1934) et de la production du charbon (102.000 tonnes contre 116.000). Le nombre des ouvriers occupés a augmenté de 2.000 — correspondant à une meilleure activité des industries du textile, de la métallurgie, du papier et du tabac (cette dernière est saisonnière).

Par contre, l'industrie des objets de première nécessité est en régression. Le nombre des mineurs a diminué de 15%.

IX. PRIX.

La variation des indices des prix est donnée dans le tableau suivant :

	(1929 = 100)		Pourcentage + ou -
	Octobre 1933	Février 1935	
Articles destinés à la consommation intérieure	63,4	60,0	- 5,4
Articles exportés	36,6	47,9	+ 30,6
Articles importés	72,7	67,3	- 7,4
Index général	52,3	56,0	+ 7,1

La hausse des prix d'exportation ne peut toutefois être signalée qu'avec réserve, étant donné que le blé est un des principaux articles d'exportation et que son exportation est pour le moment interdite.

X. LÉGISLATION.

En dehors des mesures législatives nombreuses qui ont été énumérées ci-dessus, on peut signaler :

a) La création d'une *Commission de codification*, qui est due à l'initiative du ministre de la Justice, savant professeur de droit civil. Elle doit remédier aux difficultés créées par la hâte avec laquelle ont été rédigés certains textes législatifs. Tous les projets de loi lui seront désormais soumis ainsi que toutes les instructions relatives à l'application des lois existantes.

b) *Organisation professionnelle*. — Elle est maintenant connue dans ses grandes lignes et l'on a déjà créé des organisations régionales pour les membres de l'industrie et du commerce, pour les artisans et les ouvriers.

Elles se composent de cellules primaires communales, qui forment les organisations des arrondissements ; ces dernières se réunissent à leur tour pour constituer les organisations provinciales... Les syndicats et groupements anciens disparaissent.

D'autres organisations sont en préparation.

L'on ne sait pas encore quelle sera l'organisation des paysans, qui constituent la partie la plus importante de la population bulgare.

Appendice I.

a) RÉSULTATS PROVISOIRES DE L'EXERCICE 1934-35 COMPARÉS AUX RÉSULTATS DES EXERCICES PRÉCÉDENTS.

(En millions de leva.)

	Données annuelles			Données provisoires	
	Résultats définitifs		Prévisions	Avril	Avril
	1932-33	1933-34	1934-35 (9/12)	Décembre 1933-34	Février 1934-35
I. RECETTES.					
A. Budget de l'Etat :					
Impôts directs	392,3	455,7	352,5	361,4	418
Douanes	882,9	626,3	641,2	617	684
Accises	1.229,2	1.315,1	987,8	944,5	920,7
Taxes et droits de timbre	508,8	552,5	378,8	349,9	339,9
Amendes et confiscations	51,1	71,9	54,8	51,1	74,8
Annuité des chemins de fer et recettes ports	125,1	118,6	45	118,5	52,6
P. T. T.	267,1	259,2	206,2	199,3	198,1
Domaines et capitaux de l'Etat	330,2	189,9	214,1	157,3	221,3
Participation des communes aux appointements des instituteurs et médecins	294,9	329,6	276	278,3	212,7
Recettes diverses	450,6	488,3	163,9	229,4	60
Revenus des fonds incorporés	203,2	286	128,2	116,5	130,6
Recettes sur exercices clos	—	—	225	214,2	225
Reprises en recettes des soldes non transférés du service de la dette extérieure	—	293,8	324	—	175,6
Total	4.735,4	4.986,9	3.997,5	3.637,5	3.713,3
B. Budget des chemins de fer et ports	1.120,7	1.276,1	998,5	986,9	915,5
C. Budget extraordinaire	—	—	—	—	259,5
Total général	5.856,1	6.263	4.996	4.624,4	4.888,3
II. DÉPENSES.					
A. Budget de l'Etat :					
Pouvoir suprême	77	66,9	36,4	56,1	32,7
Cours des comptes	17,3	15,2	11,6	11,1	11,2
Affaires étrangères et Cultes	141,9	140,4	116,1	103,2	108,4
Intérieur et Santé publique	343,3	367,9	290,2	248,2	267,4
Instruction publique	867,8	838,3	563	616,7	548,6
Finances et Dette publique	2.090	2.037,8	1.656	1.429,7	1.445,9
Justice	182,3	178,8	125	115,6	122,2
Guerre	831,9	793	728,5	554,9	724
Economie nationale	325,7	328	240	223,6	217,9
Communications	493,3	499,7	414,3	326,1	387,2
Crédits supplémentaires divers	98	125,6	—	401,8	485,7
Total	5.468,5	5.391,6	4.181,1	4.087	4.351,2
B. Budget des chemins de fer et ports	1.138,6	1.104,3	878,4	707,4	786,9
C. Dépenses en souffrance	—	—	—	608	—
Total général	6.607,1	6.495,9	5.059,5	5.402,4	5.138,1
Déficit budgétaire	751	232,9	—	—	249,8

b) BUDGET 1935 COMPARÉ AU BUDGET 1934-35.

(En millions de leva.)

	1935		1934-35		Comparaison des colonnes 1 et 4	% + ou —
	Budget autorisé	Prévisions	Résultats provisoires rapportés à 12 mois			
			Sur données de la Cour des comptes	Sur données corrigées ¹		
	1	2	3	4		
I. RECETTES.						
<i>Budget de l'Etat.</i>						
Impôts directs	432	470	557,4	557,4	— 125,4	— 22,4
Douanes	945,5	855	912	912	+ 33,5	+ 3,6
Accises	1.375	1.317	1.227,6	1.227,6	+ 147,4	+ 12
Taxes et droit de timbre	568	505	453,2	453,2	+ 114,8	+ 25,3
Amendes et confiscations	92	73	99,7	99,7	— 5,7	— 5,7
Annuités de chemins de fer et recettes ports	164	60	70,1	70,1	+ 93,9	+ 133,9
P. T. T.	280	273	264,1	264,1	+ 15,9	+ 6,2
Domaines et capitaux de l'Etat	331,2	285,5	295,2	295,2	+ 36	+ 12,5
Participation des commu- nes aux appointements des instituteurs et des médecins	320	368	283,6	283,6	+ 36,4	+ 12,4
Recettes diverses	251,5	218,6	80	80	+ 171,5	+ 214,3
Revenus des fonds incor- porés	185,1	169,4	174,1	174,1	+ 11	+ 0,6
Recettes sur exercices clos	320	300	300	300	+ 20	+ 6,6
Reprises en recettes des soldes non transférés du service de la dette exté- rieure	430,8	432	234,1	234,1	+ 196,7	+ 83,5
Imprévus	—	3,5	—	—	—	—
Total	5.695,1	5.330	4.951,1	4.951,1	+ 744	+ 14,8
II. DÉPENSES.						
Pouvoir suprême	46,5	46,5	43,6	44	+ 2,5	+ 5,6
Cours des comptes	21,4	13,8	14,9	16,5	+ 4,9	+ 29,6
Affaires étrangères et cultes	158,2	154,2	144,5	144,5	+ 13,6	+ 94,8
Intérieur et Santé publique	393,4	384,7	356,5	357,5	+ 36,7	+ 10,7
Instruction publique	785,4	741,5	731,5	737	+ 48,3	+ 6,5
Finances et Dette publique	2.210,6	2.060,6	1.927,9	2.413,5	— 202,8	— 8
Justice	167,7	159,6	162,9	169,5	— 1,8	— 1
Guerre	1.010	927,2	965,3	1.085	— 75,2	— 7,5
Economie nationale	365	319,3	290,5	290	+ 75,2	+ 25,9
Communications	536,8	522,6	516,3	544	— 7,2	— 1,3
Crédits supplémentaires di- vers	—	—	647,6	—	—	—
Total	5.695,1	5.330,0	5.801,5	5.801,5	— 206,4	— 3,6

¹ En répartissant par chapitre les dépenses sur crédits supplémentaires.

c) RÉSULTATS MENSUELS POUR NOVEMBRE, DÉCEMBRE 1934, JANVIER, FÉVRIER 1935.

(En millions de leva.)

	Novembre	Décembre	Janvier	Février	1/12 du budget 1934-35	Novembre	Décembre		Janvier		Février	
	Exercice 1933-34					1934-35	1934-35	1935	1934-35	1935	1934-35	1935
RECETTES.												
A. Budget de l'Etat :												
Impôts directs	29,9	24,8	36,5	56,6	39,2	26,5	41,4	—	—	24,3	—	37,4
Douanes	85,2	87,1	57,7	62,6	71,3	85,8	91,2	—	—	66,8	—	82,8
Accises	110	87,9	94,1	81,2	109,8	96,4	102,2	—	—	93,2	—	104,1
Taxes et droits de timbre	38,5	40,6	36,3	33,4	42,1	37,4	40,9	—	—	36,6	—	47,7
Amendes et confiscations	6,6	6,9	4,9	9,6	6,1	8,9	10,3	—	—	6,3	—	11
Annuité des chemins de fer	—	—	—	—	5	—	20	—	—	—	7,5	—
P. T. T.	18	18,2	27,6	14,7	22,9	17,4	18,5	—	—	32	5	21,9
Domaines et capitaux	22,2	8,9	9,1	10	23,8	15	14,6	—	—	9,5	—	70
Participation des communes aux appointe- ments des instituteurs et des médecins	17,3	28	23	26,9	30,6	43,1	22,7	—	—	20,5	—	55,4
Revenus divers	9,4	10	6,2	6,5	18,2	4,7	7,9	—	—	4	—	14,2
Revenus des fonds incorporés	11,8	13	12	12,7	14,2	12,9	17,1	—	—	15,5	—	16,9
Revenus sur exercices clos	17,8	14,7	10	45,6	25	22	23,4	—	—	18	0,1	52,7
Reprises en recettes des soldes non transfé- rés de la dette publique extérieure	—	—	—	203,8	36	—	93	—	—	—	14,5	—
Total	366,7	340,1	317,4	563,6	444,2	370,1	503,2	—	—	326,7	27,1	514,1
B. Chemins de fer et ports	138,6	128,4	105,7	77,9	110,9	108,4	78,2	—	—	76,8	—	97,9
Total mensuel général	505,3	468,5	423,1	641,5	555,1	478,5	581,4	—	—	403,5	27,1	612
DÉPENSES.												
A. Budget de l'Etat												
B. Chemins de fer et ports	86,3	67,9	63,6	55,6	95,3	88,8	95,6	—	70,2	—	136,6	—
Total des dépenses réglées	466,4	580	411,3	608,6	—	412,4	732,5	81,8	129,6	146,7	581	260,4
Dépenses en souffrance (+ ou — au cours du mois)	—88,1	+131,2	+94	+111,5	—	+93,4	—110,3	—	—96,2	+466,8	—	—381,6
Total mensuel général	378,3	711,2	505,3	720,1	539,4	505,8	622,2	81,8	33,4	613,5	581	—121,2
							704		646,9		459,8	

d) SITUATION DE LA TRÉSORERIE.

(En millions de leva.)

	1934		1935	
	Novembre	Décembre	Janvier	Février
Solde au début du mois des comptes du Trésor à la Banque nationale	373,4	438,6	185,5	325,6
RECETTES.				
Budget de l'Etat	370,1	503,2	326,7	536,2
Chemins de fer et ports	108,4	78,2	76,8	97,9
Recettes extrabudgétaires	—	—	16	29,6
Emissions supplémentaires de bons du Trésor	—	—	—	—
Emissions d'obligations	—	—	—	—
Total	851,9	1.020,0	605,0	989,3
DÉPENSES.				
Budget de l'Etat	323,6	718,7	206,1	704,8
Chemins de fer et ports	88,8	95,7	70,2	136,6
Dépenses sur recettes extrabudgétaires	0,9	20,1	3,1	—
Solde en fin de mois des comptes du Trésor à la Banque nationale	438,6	185,5	325,6	147,9
Total	851,9	1.020,0	605,0	989,3
Solde en fin du mois des mandats de paiement en souffrance, environ	717,9	607,5	978,1	596,5
Solde déficitaire net, environ	279,6	422,0	652,5	448,6

Appendice II.

SITUATION DE LA BANQUE NATIONALE DE BULGARIE.

(En millions de leva.)

	31 mars 1933	31 mars 1934	31 décembre 1934	31 mars 1935
ACTIF.				
Or monnayé et non monnayé	1.520	1.547	1.547	1.552
Devises-or	57	56	26	32
Autres devises	38	93	174	412
Monnaies divisionnaires	426	264	353	523
Portefeuille et avances de commerce	335	314	373	181
Bons du Trésor	443	718	655	616
Dette de l'Etat	2.873	2.783	2.728	2.698
PASSIF.				
Capital versé et réserve	1.692	1.736	1.740	1.760
Billets de banque en circulation	2.595	2.603	2.449	2.140
Comptes courants et de dépôts	1.592	1.625	1.734	2.258
dont de banques	(908)	(968)	(692)	(1.005)
Exigibilités en devises	37	37	78	86
Couverture	36,78%	37,03%	35,71%	34,06%
Taux de l'escompte	8%	7%	7%	7%
Circulation totale	3.410	3.580	3.737	3.258

Appendice III a).

**MOUVEMENT DES PRINCIPAUX ARTICLES D'EXPORTATION
EN 1932, 1933 ET 1934.**

	Poids (En milliers de tonnes)			Valeur (En millions de leva)		
	1932	1933	1934	1932	1933	1934
Blé et farine	195	104	37	513	205	57
Orge	4	17	12	10	25	14
Maïs	168	100	126	292	150	182
Haricots	29	33	16	76	72	45
Son	13	10	12	20	9	10
Tournesol	27	11	12	81	34	31
Vesce	15	29	22	54	65	43
Déchets de graines oléagineuses.	31	25	29	56	45	51
Tabac	20	23	21	1.087	1.184	990
Charbon de bois	10	8	9	17	10	10
Essence de rose (tonnes)	0,9	1,4	1,2	38	52	36
Cocons (tonnes)	149	394	27	12	26	1
Bestiaux (1.000 têtes)	2	5	16	10	21	53
Volailles vivantes (1.000 têtes).	1.103	1.090	1.040	47	34	34
Volailles abattues	2	2	3	85	54	87
Fromage	1	1	1	39	32	32
Raisins	7	11	19	55	85	140
Œufs	19	16	15	624	457	341
Peaux brutes	1,3	1,8	2,3	87	123	137
Divers	41	32	50	165	135	207
Total	588	431	396	3.383	2.846	2.535

Appendice III b).

**MOUVEMENT DES PRINCIPAUX ARTICLES D'IMPORTATION
EN 1932, 1933 ET 1934.**

	Poids (Tonnes)			Valeur (En millions de leva)		
	1932	1933	1934	1932	1933	1934
Animaux vivants	106	42	10	2,7	1,4	0,1
Produits alimentaires d'ani- maux	959	381	778	18,6	6,6	10,7
Céréales, graines potagères	521	36	35	4,8	0,6	0,6
Fruits, légumes, grains	777	347	236	11,9	6,0	3,2
Produits coloniaux	3.286	2.204	2.461	57,4	34,5	33,0
Boissons	5	1	3	0,3	0,0	0,1
Conserves et confitures	1.055	655	999	15,9	7,6	13,1
Engrais	241	175	200	4,8	2,3	3,3
Matières combustibles	4.746	4.505	3.639	4,7	4,2	3,1
Produits chimiques	16.037	13.879	14.670	152,7	109,6	98,1
Matières à tanner et à teindre	4.544	3.479	3.550	142,5	99,4	107,4
Gommes, huiles minérales	65.789	67.830	67.492	111,4	105,4	107,2
Graisses, cires, etc.	3.868	3.389	3.897	69,9	54,8	48,7
Drogues et médicaments	156	130	141	63,8	56,4	65,7
Parfums	5	4	7	4,4	2,9	3,1
Pierres, verres, etc.	6.441	4.215	2.872	89,0	45,7	46,6
Métaux et leurs produits	78.599	63.424	66.918	540,5	378,8	385,8
Menuiserie, vannerie	5.992	851	1.069	53,6	20,8	21,8
Papeterie et produits	13.594	10.739	12.704	137,1	84,6	91,8
Peaux et leurs ouvrages	2.453	1.613	1.659	98,7	63,5	60,6
Textiles et produits	18.261	12.207	13.868	1.297,6	704,9	756,6
Caoutchouc, gutta-percha	1.103	720	475	53,0	28,3	31,8
Autos, wagons, vaisseaux	1.079	1.618	6.072	32,6	32,2	30,1
Machines, munitions	7.655	6.022	4.245	425,4	299,2	229,7
Bijouterie et mercerie	22	6	19	11,5	4,1	8,3
Livres et produits d'art	76	35	35	30,7	17,3	14,2
Autres marchandises	23.794	32.351	37.789	35,8	31,0	54,7
Total	261.164	230.859	245.843	3.471,2	2.202,3	2.229,5

Appendice III c).

COMMERCE EXTÉRIEUR PAR PAYS.

(En millions de leva.)

		1931	1932	1933	1934
1. Allemagne	Exportations	1.748	880	1.025	1.083
	Importations	1.084	900	841	902
	Balance	+ 664	— 20	+ 184	+ 181
2. Autriche	Exportations	993	507	277	135
	Importations	335	208	137	107
	Balance	+ 658	+ 299	+ 140	+ 28
3. Italie	Exportations	344	424	258	233
	Importations	637	542	281	176
	Balance	— 293	— 118	— 23	+ 57
4. Suisse	Exportations	310	220	148	122
	Importations	150	170	151	132
	Balance	+ 160	+ 50	— 3	— 10
5. Belgique	Exportations	508	300	238	89
	Importations	111	99	62	167
	Balance	+ 397	+ 201	+ 176	— 78
6. Royaume-Uni	Exportations	59	86	50	53
	Importations	617	358	152	143
	Balance	— 558	— 272	— 102	— 90
7. Tchécoslovaquie	Exportations	274	104	99	91
	Importations	431	292	106	85
	Balance	— 157	— 188	— 7	+ 6
8. France	Exportations	234	90	93	53
	Importations	328	227	96	68
	Balance	— 94	— 137	— 3	— 15
9. Espagne	Exportations	0	11	144	80
	Importations	9	9	5	51
	Balance	— 9	+ 2	+ 139	+ 29
10. Pologne	Exportations	490	176	50	41
	Importations	145	105	24	47
	Balance	+ 345	+ 71	+ 26	— 6
11. Pays-Bas	Exportations	171	141	97	79
	Importations	98	74	28	28
	Balance	+ 73	+ 67	+ 69	+ 51
12. Roumanie	Exportations	12	8	17	19
	Importations	218	117	109	95
	Balance	— 206	— 109	— 92	— 76
Total	Exportations	5.934	3.383	2.846	2.535
	Importations	4.660	3.471	2.202	2.229
	Balance	+ 1.274	— 88	+ 644	+ 305

Appendice III d).

DEVICES ÉTRANGÈRES : ACHATS ET VENTES DE LA BANQUE NATIONALE DE BULGARIE PENDANT LE QUATRIÈME TRIMESTRE 1933, LES TROISIÈME ET QUATRIÈME TRIMESTRES 1934, ET JANVIER ET FÉVRIER 1935.

	(En millions de leva)				
	4 ^e trim. 1933	2 ^e trim. 1934	4 ^e trim. 1934	janvier 1935	février 1935
CHANGE ACHETÉ.					
Exportations	612	471	568	94	270
Services et voyageurs	31	45	42	10	8
Revenus provenant de placements à l'étranger	3	2	2	1	0
Autres revenus de particuliers	35	14	40	4	2
Revenus de l'Etat provenant de l'étranger	—	2	6	2	—
Retour dans le pays de capitaux investis à long terme à l'étranger	—	—	—	—	—
Importations de capitaux étrangers pour être investis à long terme	37	14	31	7	9
Crédits étrangers à court terme	9	1	9	1	0
Différences provenant de la réestimation des avoirs à l'étranger	11	15	7	8	3
Divers	4	26	9	1	3
Dépôts retirés de la B. N. B.	21	2	2	1	1
Total	763	592	716	129	296
CHANGE VENDU.					
Importations	474	353	484	89	110
Services et voyageurs	12	9	13	3	2
Autres dépenses des particuliers	19	9	14	3	3
Intérêts et autres paiements sur les placements étrangers en Bulgarie	7	5	5	2	0
Paiements de l'Etat à l'étranger	64	66	95	27	11
Exportations de capitaux	—	—	—	—	—
Remboursements de crédits à court terme	57	30	18	2	10
Remboursements de crédits à long terme et de capitaux étrangers	34	12	32	3	3
Différences provenant de la réestimation des avoirs à l'étranger	10	6	14	2	2
Divers	13	35	9	1	2
Dépôts entrés à la B. N. B.	7	—	8	0	—
Total	697	525	692	132	143

Appendice III e).

ENGAGEMENTS DE LA BULGARIE EN EFFETS COMMERCIAUX ENVERS L'ÉTRANGER.

	(En millions de leva)			
	1 ^{er} avril 1933	1 ^{er} janvier 1934	1 ^{er} janvier 1935	1 ^{er} mars 1935
1. Italie	271,4	208,5	390,2	308,1
2. Empire britannique	148,9	120,0	98,1	105,9
3. Tchécoslovaquie	239,3	98,1	61,5	64,6
4. France	64,0	46,5	28,6	28,2
5. Suisse	34,4	27,5	5,7	0,2
6. Etats-Unis d'Amérique	28,1	42,3	20,4	16,4
7. Pays-Bas	22,4	15,3	11,5	12,3
8. Autriche	13,5	—	47,8	50,8
9. Turquie	10,7	2,4	3,7	2,5
10. Pologne	10,3	6,4	3,2	2,7
11. Roumanie	9,5	9,0	7,3	4,5
12. Suède	5,5	4,0	2,7	2,9
13. Yougoslavie	3,6	2,8	5,8	3,6
14. Argentine	—	3,7	3,8	3,8
15. Allemagne	118,5	0,1	—	0,0
16. Belgique et Luxembourg	61,2	0,1	0,2	0,9
17. Grèce	10,5	2,3	0,5	0,3
18. Hongrie	18,8	3,5	0,9	0,6
Total	1.095,7¹	597,8	697,4	612,5

¹ Chiffre-record.

Appendice IV.

**NOMBRE, COMPOSITION, ACTIF ET PASSIF DES COOPÉRATIVES AYANT
FONCTIONNÉ EN 1931, 1932 ET 1933.**

(En millions de leva.)

		Consom- mation	Econ. rurale	Banques popul.	Logement	Assurance	Produc- tion et fourniture	Centrale	Total
Nombre fonctionnant le :									
31 décembre 1931	131	1.526	233	179	847	546	44	3.590.	
31 décembre 1932	139	1.555	243	224	987	589	43	3.878	
31 décembre 1933	142	1.590	252	281	1.133	658	42	4.202	
Membres (en milliers)	{ 1931	77,1	160,3	153,5	6,7	177,4	136,2	13,6	756,8
	{ 1932	79,9	163,9	160,9	7,5	178,1	139,4	17,2	783,4
	{ 1933	81,0	165,3	163,6	8,1	182,8	149,9	16,2	807,5
ACTIF.									
Emprunts et avances	{ 1931	0,3	929,5	1.860,9	— ¹	260,8	— ¹	312,3	3.712,5
	{ 1932	0,3	964,7	1.997,7	—	291,9	—	329,9	3.938,2
	{ 1933	0,3	967,7	1.901,0	18,6	306,8	—	401,5	3.987,9
Matériaux et marchandises	{ 1931	69,1	258,4	108,1	—	—	306,0	196,0	978,2
	{ 1932	83,5	174,4	42,6	—	—	325,5	135,1	801,1
	{ 1933	89,5	180,7	46,8	—	—	412,0	164,5	894,7
Autres débiteurs	{ 1931	38,8	212,6	421,9	253,0	19,8	734,5	364,3	2.148,1
	{ 1932	38,6	220,7	507,0	277,3	30,3	815,6	220,8	2.192,5
	{ 1933	41,0	269,0	596,4	323,7	29,1	917,0	345,2	2.610,1
Immeubles et mobiliers	{ 1931	20,5	204,1	141,1	745,7	77,0	884,9	69,5	2.188,7
	{ 1932	26,2	196,8	149,7	949,9	78,3	935,9	76,5	2.461,1
	{ 1933	41,5	192,3	159,4	1.222,8	117,6	938,9	80,2	2.802,9
Comptes statistiques	{ 1931	18,8	11,2	1.081,6	13,8	2.004,4	120,5	861,0	4.415,7
	{ 1932	20,5	17,4	1.161,3	13,5	2.215,0	144,9	895,9	4.807,6
	{ 1933	20,6	12,9	1.280,4	14,0	2.338,1	158,2	948,2	5.092,5
Perte nette	{ 1931	2,0	48,3	0,5	0,7	0,4	65,9	30,9	148,7
	{ 1932	3,0	54,2	0,8	0,4	0,3	71,8	35,2	195,0
	{ 1933	4,8	65,5	4,1	0,5	0,1	74,5	37,7	187,7
Balance *	{ 1931	181,6	1.875,5	4.430,1	1.019,2	2.565,3	2.199,4	2.053,4	15.246,2
	{ 1932	204,9	1.881,9	4.486,2	1.249,5	2.824,9	2.379,6	1.859,5	15.897,0
	{ 1933	229,6	1.962,6	4.481,9	1.599,5	3.007,2	2.612,6	2.076,9	16.916,2
PASSIF.									
Capitaux et fonds	{ 1931	41,1	414,8	752,3	738,0	523,0	684,5	147,0	3.482,0
	{ 1932	44,7	449,9	798,7	942,6	568,6	712,1	167,2	3.881,3
	{ 1933	58,2	476,4	819,9	1.222,5	629,9	780,1	175,6	4.347,2
Dépôts	{ 1931	60,0	447,9	2.066,0	0,3	0,4	57,4	97,6	3.015,9
	{ 1932	57,9	485,0	1.993,6	3,3	0,0	59,2	109,0	3.020,6
	{ 1933	61,5	499,9	1.793,0	23,8	0,0	56,9	122,7	2.848,5
Dettes	{ 1931	57,6	932,4	453,6	265,2	18,5	1.300,5	938,4	4.099,2
	{ 1932	78,0	873,2	471,5	288,6	20,4	1.426,1	681,0	3.988,2
	{ 1933	85,2	921,0	543,8	338,2	25,6	1.578,8	823,0	4.456,0
Comptes statistiques	{ 1931	18,8	11,2	1.081,6	13,8	2.004,4	120,5	861,0	4.415,7
	{ 1932	20,5	17,4	1.161,3	13,5	2.215,0	144,9	895,9	4.807,6
	{ 1933	20,6	12,9	1.280,4	14,0	2.338,1	158,2	948,2	5.092,5
Profit net	{ 1931	3,1	33,1	63,4	0,4	17,7	20,5	6,1	155,0
	{ 1932	2,9	28,1	48,4	0,3	19,9	20,9	4,7	135,0
	{ 1933	3,0	22,3	34,2	0,2	12,8	24,2	5,5	110,4

¹ Cf Débiteurs.

* Y compris les autres postes.

Genève, le 25 juillet 1935.

SOCIÉTÉ DES NATIONS

TRENTE-QUATRIÈME RAPPORT DU COMMISSAIRE DE LA
SOCIÉTÉ DES NATIONS EN BULGARIE

(Période novembre 1934 - février 1935)

C O R R I G E N D U M

Page 3: Lire la fin du quatrième alinéa et le cinquième alinéa sous Dépenses
comme suit:

"La comparaison ne serait possible que si, aux dépenses faites en
janvier et février 1935 au titre du budget 1934-35, on ajoutait les
dépenses faites au cours des mois de décembre
1934, janvier et février 1935 au titre du budget

	Millions de leva
1935 (voir appendice I, c), soit	81,8 + 146,7 + 146,4 = 488,9
et les dépenses en souffrance	466,8 + 129,6 = 596,5
Total	1.085,4

"Les dépenses totales effectuées au cours des onze mois
sont:

Pour 1933-34	5.402,4
Pour 1934-35	6.223,5"

Page 13: Ajouter au bas de la page les notes suivantes:

"(1) Dépenses relatives à la période avril-février 1933-34"

se référant aux chiffres donnés dans la partie inférieure de la qua-
trième colonne relativement aux dépenses du Budget, sauf à l'avant-
dernier (608).

"(2) Ces dépenses en souffrance ne comprennent pas les dépenses relatives aux
traitements et aux pensions de janvier et février 1934"

se référant aux deux derniers chiffres de la colonne susmentionnée
(608 et 5.402,4).

Page 15: Les quatre dernières lignes des deux dernières colonnes doivent se lire
comme suit:

581	260,4
- 511,2	+ 129,6
69,8	390

459,8

Geneva, May 14th, 1935

LEAGUE OF NATIONS
FINANCIAL COMMITTEE

**REPORT TO THE COUNCIL ON THE WORK
OF THE FIFTY-EIGHTH SESSION OF THE COMMITTEE**
(Geneva, May 6th-11th, 1935.)

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INTRODUCTION.

The Financial Committee has the honour to submit to the Council the following report on the various questions with which it has dealt during this session.

The following members were present :

- M. DAYRAS (*Chairman*) ;
- M. JANSSEN ;
- M. TER MEULEN ;
- M. MLYNARSKI ;
- Sir Otto NIEMEYER ;
- M. POSPIŠIL ;
- M. RYGG ;
- M. SWANIDZE ;
- M. TUMEDEI.

There were also present :

1. *For Austrian questions:*

- Dr. BURESCH, Federal Minister of Finance ;
- Dr. KIENBÖCK, President of the Austrian National Bank ;
- M. ROST VAN TONNINGEN, Representative of the League of Nations in Austria ;
- M. FRÈRE, Adviser to the Austrian National Bank.

2. *For Bulgarian questions:*

- M. STOYANOFF, General Director of the Public Debt ;
- M. CHEYSSON, Commissioner of the League of Nations in Bulgaria ;
- Professor KÖSTNER, Adviser to the National Bank of Bulgaria.

3. *For Hungarian questions:*

- Dr. IMREDY, former Minister of Finance, President of the National Bank of Hungary ;
- Mr. TYLER, Representative of the Financial Committee in Hungary ;
- Mr. BRUCE, Adviser to the National Bank of Hungary.

I. AUSTRIA.

The Financial Committee examined the financial situation of Austria together with Dr. Buresch, Federal Minister of Finance, and Dr. Kienböck, President of the Austrian National Bank, assisted by Dr. Gruber and Dr. Rizzi of the Ministry of Finance. It also heard M. Rost van Tonningen, Representative of the League of Nations in Austria, and M. Maurice Frère, Adviser to the Austrian National Bank.

The Committee had before it the fourteenth quarterly report of M. Rost van Tonningen.

1. The Committee was glad to note that, notwithstanding the economic pressure existing at present in many countries of Europe, Austria had been able to maintain in general the level of improvement attained during the last 18 months.

2. The budget situation has developed in the last four months according to expectations and State revenue is slightly higher than in the corresponding period of last year. On the other hand, additional expenditure has been incurred. Nevertheless, the deficit in the ordinary budget for the first four months could be limited to the amount of 46 millions as against a deficit of 65 millions in the corresponding month of last year. The first four months are in general the most difficult of the financial year, but nevertheless all efforts must now be made to keep expenditure as low as possible so as not to exceed the total deficit of 53 million schillings foreseen and covered for the greater part by non-recurrent receipts.

3. In its last report, the Financial Committee mentioned the proposals of the Austrian Government to raise a domestic loan of 100 million schillings for the purpose of carrying out public works and of consolidating part of the floating debt. Subsequently, it appeared to the Government that, in view of the existing liquidity of the Austrian market, it might well proceed to further consolidations than originally planned. After consultation with the President of the Committee of Guarantor States, the amount of the loan was therefore increased to 175 million schillings nominal with a net yield of approximately 150 million schillings, of which 66 millions will be used to cover expenses for public works and the balance to consolidate Treasury bills. The Committee welcomes this procedure and wishes the Government every success in an operation which will considerably strengthen the position of the Treasury.

4. The Austrian railways had to cope during the first quarter of the year with slightly falling receipts, but were able to meet the situation by continuing their efforts to make further economies in all departments.

5. The stability of the schilling has been maintained; the gold and foreign exchange reserves of the National Bank have further increased; and the discount rate has been reduced. The interest rates on bank deposits and the rate on loans have also been lowered: the Committee hopes that the policy of lowering the money rates will be continued.

A first step has been taken with a view to the liquidation of the transfer arrears on long-term loans other than the Federal loans, in connection with which the transfers are made regularly. The sums paid in schillings during 1932 into the foreign debtors fund will henceforward be payable in free foreign exchange against the coupons. The Committee trusts that it will soon be possible to extend this measure generally to the other arrears, and that the normal service of these loans will be resumed. The integral transfer of these payments can only assist in strengthening the international credit of Austria and aiding the future programme of the Government.

6. The Financial Committee wishes to draw attention to the efforts which the Austrian Government is making to meet the difficulties of international trade. The Committee hopes that, wherever possible, the efforts of the Austrian Government to maintain and to develop the foreign trade of the country will be supported.

II. BULGARIA.

The Financial Committee considered the situation of Bulgaria together with M. Stoyanoff, Director-General of the Public Debt, who had been specially delegated by the Bulgarian Government for the purpose. The Committee further heard M. Cheysson, the League of Nations Commissioner in Bulgaria, and M. Köstner, Adviser to the National Bank of Bulgaria.

The Committee took note of the thirty-fourth report of the League of Nations Commissioner, of an account of the financial situation of Bulgaria submitted by the Bulgarian Finance Minister, and of a statement as to the situation of the public debt by the Director-General of the Bulgarian Public Debt.

1. The published figures for the nine-months budget 1934 show a deficit of 250 million leva, but, owing to the existence of "mandats impayés" for 82 millions, to the delays in accounting and to the exclusion of various funds not shown in the actual budget, the true deficit is certainly much larger. The cash accounts of the Treasury show a deficit of 820 millions, and even that figure may not be the total figure.

2. The total budget for 1935, which was promulgated in April, balances receipts and expenditure at a total of 7,149.9 million leva. In comparison with the budget for 1934, calculated for the full twelve months of the year, it shows an increase of 978.1 millions over the ordinary receipts and 946 millions over the ordinary expenditure.

The budget carries certain new charges arising in connection with the execution of the German-Czech-Austro-Hungarian-Bulgarian compensation agreement and the law for the relief of debtors.

Taking into account the recommendation put forward by the Financial Committee at its session in January 1935, the Finance Minister has charged the railway and the City of Sofia with the value of the deliveries for which they are responsible.

3. The estimates concerning the receipts appear to the Committee very optimistic. The search for fresh revenue is rendered difficult by the present reduction in the tax-paying capacity of the country. Improvements in the assessment and collection of arrears, desirable as they are, can only be based on administrative re-organisation, the effects of which will take a long time to make themselves fully felt.

In these circumstances, reduction of expenditure becomes absolutely essential. The Committee has therefore been gratified to note the statements of the Finance Minister with regard to the strict supervision which he proposes to exercise in connection with commitments and the utilisation of budgetary credits.

4. The Treasury has had special difficulties to face during the first four months of the financial year. As at April 20th, payments in arrear amounted to 523 million leva, of which 394 millions were owing to the officials and represented one and a-half months' salaries in arrear. In addition, the Finance Minister indicated in his statement that these figures would have to be increased, as a large number of the warrants issued had not been delivered in time by the budgetary control departments.

5. The Bulgarian Government emphasised to the Financial Committee the importance which it attached to paying the officials their salaries in arrear, which at the end of April were one and a-half months overdue and at present one and a-third months. The Finance Minister asked the Financial Committee's consent to raising, on the one hand, the right to issue additional Treasury bills and to increasing, on the other hand, the bonds which the National Bank is authorised to discount by a similar sum, on the understanding that these bills will be gradually repaid by a special draft on budgetary receipts.

6. The Committee takes note of the undertaking to restore immediately the preventive control of the Finance Minister both over commitments for expenditure and over the utilisation of the credits which he will place each month at the disposal of the ministerial departments.

7. This control, having been restored, the Committee is prepared to agree to the request for raising the total of the Treasury bills, and it proposes that the Council should approve the following arrangements which constitute a fresh amendment to Article IX of the Protocol of March 10th, 1928 :

(1) The total amount of bills which the Treasury is authorised to issue be temporarily increased by 300 million leva to a total of 1,400 million leva, this total being automatically reduced in conformity with the provisions of the following paragraph until, on January 1st, 1938, the present limit of 1,100 million leva is restored ;

(2) The following addition be made to Article 35 of the Statutes of the National Bank in the manner prescribed for such amendments : " The Bank is authorised to discount an additional amount of Treasury Bills totalling 300 million leva, provided that the total is reduced at the end of every three-monthly period beginning March 31st, 1936, by 37.5 million leva, in order to restore the limit again to 1,100 millions by December 31st, 1937. For this purpose, the National Bank is hereby authorised and required to apply the necessary amounts from the current revenue of the State to the payment of the Treasury bills as they become due to be retired, without the special sanction of the Treasury " ;

(3) With the help of the new credit facilities so created, the arrears of the salaries of State employees be paid in full ;

(4) After the payment of these arrears, the clause of the law governing the payment of salaries and pensions (Finance Law for the year 1933/34, section 82) providing for a special " Fonds d'amortissement " for these arrears be annulled.

The Committee proposes these modifications on the express conditions that :

(1) The Commissioner is satisfied as to the introduction of the preventive control and monthly budget ; and

(2) That the Government and the National Bank will follow strictly the remaining provisions of the above-mentioned law (§ 83)—i.e., they will undertake the payment of salaries and pensions as they fall due, the necessary sums being set aside for the purpose each week in accordance with the instructions of the Minister for Finance of July 11th, 1933.

The Commissioner will be requested to report especially to the Committee on these matters at its next meeting and subsequently on the functioning of the whole system.

8. The Committee understands that the Bulgarian Government proposes to make at once a serious effort to restore order in its finances, it desires therefore to draw attention once again to the extreme complication of the Bulgarian budgetary system and obscurity resulting therefrom and the unnecessary elaboration of the present procedure. As matters stand, neither the Committee nor the Bulgarian Government itself is able to obtain from the current published figures any complete picture of the true financial position.

The primary function of a budget system should be to give, in a simple and comprehensive form, an accurate view of the total expenditure of the State and of the consequent fiscal burden. The present budget system in Bulgaria is far from fulfilling this requirement and, in the opinion of the Committee, is in urgent need of radical recasting. The Committee has often drawn attention to this need—as early as the Protocol of 1928 it emphasised the necessity for “ a complete unity of the budget (involving, *inter alia*, the inclusion of a great number of separate funds) ”, and it has repeated this recommendation on many occasions. (Reports of September 1931, January 1932, January 1933, January 1935, etc.) While, from time to time, minor improvements in this direction have been effected (notably in 1928, when a list of special funds which could properly be excluded from the general rule of inclusion in the budget was agreed with the Committee), a far stronger tendency has led in the opposite direction and the position now is even more confused than it was originally in 1928.

The Committee would therefore most strongly urge the Bulgarian Government to undertake at once a complete recasting of the financial system in the direction of unity and simplicity. This is not a matter of political principle or of alteration of taxes, but merely of good administration.

9. The guiding principle should be simplicity and the avoidance of administrative complications which serve no useful purpose. The Committee wishes to emphasise certain fundamental principles which should be kept continuously in mind and should guide the whole project of reform :

(1) *Unity of the Budget.* — The Budget should contain the whole expenditure of the State, all of which should be subject to identical processes of administration and control. The whole of the revenue, apart from the exceptions agreed in 1928, should be paid into a central account without exception, and the whole of the expenditure should be provided in a single annual budget as a charge on such single account without the affectation of particular taxes or parts of taxes to particular items of expenditure.

A detailed consideration of all heads of the Bulgarian budget expenditure, item by item, should be undertaken by competent experts to secure that this principle is in future fully observed.

(2) *Concentration of Balances.* — All balances of public funds should similarly be concentrated in one single account at the National Bank, and separate balances should not be held in cash in a number of separate pockets. In no other way can an economy in the use of balances and the ready oversight of the cash position of the State be assured.

(3) *Cash Basis of Budget Accounts.* — The present system of budget involves not only a waste of labour on the allocation of expenditure and receipts to different years on a purely statistical basis, but a constant concealment of the real financial position owing to the use of cash receipts of one year to meet expenditure charged to the “ *exercice* ” of another year. In the opinion of the Committee, this confusion between the statistical figures of the “ *exercice* ” and the actual cash available might be avoided by a far simpler system, more suited to the needs of Bulgaria. The Committee would therefore recommend the adoption of a budget “ *de gestion* ” in preference to a budget “ *par exercice* ”, so that the budget results and the Treasury cash position would be identical. Under the system of budget “ *de gestion* ”, all revenue actually received in cash during a financial year and all expenditure actually paid in cash during the financial year would be charged against the budget of that year, and no account would be taken of the hypothetical period to which such expenditure or receipts might be related ; the sole test would be the actual and simple date of receipt or payment. It would follow that the budget estimates both of receipts and expenditure would be framed on the same principle and must be estimates of the actual cash to be received or expended during the year, and not of receipts or expenditure deemed to arise in respect of the same year, but not actually received or paid within that year. The results of this system, which is well known in many countries, would be that the budget estimates should approximate to and the actual budget results be identical with the cash position of the Treasury as shown by its account at the National Bank. But it is evident that the value of any system depends upon the strictness of its application.

The Committee believes that the strict observance of these three principles would not only obviate a considerable amount of wasted labour, but would secure to the Bulgarian Government a truer and clearer picture of the financial position and the possibility of more effective

consideration and control of the total level of their expenditure than anything which the present confused and inconsistent system could ever produce. It would most strongly urge an immediate reform on these lines.

10. As these suggestions, to which the Committee attaches much importance, involve not only a detailed administrative effort, but also a continuous grip of budgetary principles, the Committee would again refer to the suggestion that it has several times made of the desirability of appointing a permanent head of the Treasury under a suitable title and of a suitable status, who would be particularly concerned with this administrative reform and with the continuous observance of its central principles whatever may be the political complexion of the Ministry of the day. The questions involved are in no way matters of political principle or economic theory, but of the businesslike presentment of the financial accounts of the country in an adequate and simple form.

11. The necessity for reducing expenditure renders more essential than ever an administrative reform often recommended by the Financial Committee—namely, the cutting-down of certain public departments which appear to possess too large and complex an organisation for the country's economic and financial resources.

It should be mentioned in this connection that all the measures of economic regulation or of Government intervention in economic life cannot fail to add to the already excessive weight of the administrative machinery.

12. Furthermore, the Committee is once more bound to note the dangerous tendencies of the general economic policy pursued in the last few years by Bulgaria, which has not yet undergone the necessary change of direction repeatedly recommended by the Committee.

In its previous report, the Committee analysed, as and when they came to its attention, the different aspects of these tendencies and the harmful consequences which have resulted. It thus emphasised the drawbacks of a regulation of production, trade and prices which has to-day become more far-reaching and more complicated. The price-fixing policy has often taken the form in practice of the granting of a series of privileges to categories of the population at the community's expense. To achieve the aims of this policy or other aims not based on purely economic considerations, certain monopolies to be managed by the State or by bodies under its control have been set up or at least contemplated. The Government would thus assume the risks and losses involved by holding stocks which are, in addition, liable to depreciation; it would in any case find itself under the obligation of providing working capital and financing these undertakings at a time when it is only able to procure the necessary resources for its essential task with the greatest difficulty.

If to this be added the extreme complication of the system in force for the control of foreign currency and foreign trade (bounties, surtaxes, licences), some idea may be formed of the obstacles of every kind which are progressively stifling the economic activity of the country.

The Committee has several times repeated that it does not insist particularly on any individual measure. It fully realises the difficulties with which the Bulgarian Government is faced and it can understand that the necessities of the situation have obliged it to endeavour to solve by exceptional means certain problems such as that of internal private indebtedness or that of the balance of payments. Furthermore, all the monopolies contemplated need not be condemned out of hand; some of them, indeed, are capable of giving good results from the fiscal point of view without damaging the economic structure of the country. Thus, without wishing to give way to any doctrinary prejudice, the Committee is convinced that the State's intervention in the country's economic life has certain limits beyond which private initiative, on whose activity a genuine and lasting improvement in general economic conditions must in the last resort depend, runs the risk of being gradually paralysed.

The Committee hopes, therefore, that the financial reforms that the Government proposes to enforce will be accompanied by an economic policy likely to facilitate its task.

III. HUNGARY.

The Financial Committee took note of the fourteenth report of its representative in Hungary, Mr. Tyler. It considered the financial and economic situation of Hungary, with the assistance of the Hungarian Government's representative, Dr. Imredy, President of the National Bank of Hungary, Mr. Tyler and Mr. Bruce, Adviser to the National Bank of Hungary.

1. The budgetary situation at the end of the first ten months of the financial year 1934-35 corresponds pretty closely to the estimates and shows no considerable change as compared with the corresponding period of the previous financial year. The expenditure and receipts have increased very slightly, by some 1½%, and the deficit remains at about the same level. It was difficult to effect any improvement in the financial situation owing to the poor harvest in 1934, although the decrease in the volume of the harvest was offset in part by an increase in the prices of agricultural products.

2. The budget for the financial year 1935-36, which is at present before Parliament, contains the following estimates; the figures of the budget for the current financial year are given for comparison :

<i>Administration.</i>	1935-36	1934-35
	(millions of pengö)	
Expenditure	766.5	746.6
Receipts	<u>748.0</u>	<u>740.6</u>
Deficit	18.5	6.0
<i>State Undertakings.</i>		
Expenditure	409.5	404.0
Receipts	<u>352.1</u>	<u>343.9</u>
Deficit	<u>57.3</u>	<u>60.0</u>
Total deficit	75.8	66.0

The estimates of expenditure include an appropriation corresponding to the full cover of the service of the public debt. The Government proposes, as on previous occasions, to invest in Treasury bills a certain part of the non-transferred service of the public debt. This will enable the deficit to be covered for a proportionate amount; the balance will have to be met by an actual issue on the market, which in view of the amount involved should not offer any difficulties. The effect will be, however, to increase the internal floating debt, the amount of which on December 31st, 1934, was 258 million pengö.

3. The bad harvest of last year continues to be the dominating factor in the development of the economic situation in general. The marked falling-off in railway traffic is significant in this connection, as is also the decrease in the volume of exports for nearly a year past. The decline in exports during the first quarter of 1935, as compared with the first quarter of 1934, is nearly 30 per cent, though the figures of values show little change.

4. The Hungarian Government and the National Bank have recently introduced various changes in the foreign exchange regulations. Free dealing in gold has been abolished, and transactions in stocks and securities with abroad have been subject to strict control. The main object of these changes was to increase the restrictions on non-commercial remittances, while at the same time not reducing the funds available for current commodity trade.

IV. SAAR.

1. At the request of the Committee of the Council entrusted with questions concerning the Saar, the Financial Committee appointed a Sub-Committee of three members, which held itself at the Council Committee's disposal during the meetings at Rome and Naples in February last.

2. Under the terms of Article 3 of the resolution adopted on February 19th, 1935, by the Council Committee with regard to debts contracted by individuals or legal entities in the Saar with the approval of the Governing Committee, the Committee was instructed to establish in a report to be communicated to the Council before June 30th, 1935, a final list of loans entitled to the benefits of the sums paid into the Fund B created under the resolution in question.

3. On the basis of the information supplied by the Governing Commission of the Saar Territory, and as a result of the investigation made by Dr. Pospíšil, whom the Council Committee appointed to act as Referee under Article 4 of the resolution, the Financial Committee has confirmed the list of the loans in question as established by its Sub-Committee as follows :

A. Communal Loans.

- (1) Zweckverband der Kreise des Saargebietes 7% 1925.
- (2) Stadt Saarbrücken 6% 1927.
- (3) Stadt Saarbrücken 6% 1928.
- (4) Vereinigte Saarelektrizität A.G. 6% 1928.
- (5) Völklingen-Fürstenhausen 6% 1929/1933.
- (6) Stadt Saarlouis 6½% 1932.

Further, the following loans of the same category have been excluded from the benefits of Fund B at the French Government's request, following upon arrangements concluded concerning those loans between the French and German Governments :

- (1) Gemeinnützige Bau u. Siedlungs A.G. Saarlouis.
- (2) " " 9/7% 1929/1933 (nominal : 2,000,000 francs).
- (3) " " 9/7% 1929/1933 (nominal : 4,000,000 francs).

- (4) Stadt Saarbrücken 7.4% 1931.
- (5) Kreis Saarbrücken Land 6¾% 1931.
- (6) Kreis Ottweiler 6¾% 1931.
- (7) Stadt Neunkirchen 6¾% 1931.
- (8) Kreis St. Wendel 6¾% 1931.
- (9) Stadt St. Wendel 6¾% 1931.
- (10) Kreis St. Ingbert 6¾% 1931.
- (11) Bürgermeisterei Bons 6½% 1931.
- (12) Kreis Merzig 6¾% 1931.

B. Mortgage and other Bonds of the Hypothekenbank and of the Allgemeine Bodenkreditbank of Saarbrücken.

(a) *Hypothekenbank.*

- (1) Mortgage Bonds Series A 6% 1927.
- (2) " " B 6% 1927.
- (3) " " I F 7% 1929.
- (4) " " II F 7% 1929.
- (5) " " IV F 6% 1930.

(b) *Allgemeine Bodenkreditbank.*

- (1) Mortgage Bonds Series S lit. A. 7% 1929.
- (2) " " S lit. B. 7% 1930.
- (3) " " D lit. A. 6½% 1931.
- (4) Communal Bonds 6% 1930 Series S lit. A.B.C.
- (5) " " " " " S lit. D.

The following bonds in this category have been excluded from the benefits of Funds B at the French Government's request in virtue of arrangements concluded concerning them between the French and German Governments.

(a) *Hypothekenbank.*

- (1) Series I F Ia II, 7% 1929, Bonds of 500 francs Nos. 7001-8000.
- (2) Series I F Ia III, 7% 1929, Bonds of 500 francs Nos. 9589-9606 and 10901-10980.
- (3) Series II F 7% 1929 — Bond of 1,000 francs No. 21413.
Bonds of 5,000 francs Nos. 22337-22351, 22574-22576.
Bonds of 10,000 francs Nos. 22983-22987, 22911-22915,
22931, 22996-22997 and 23000.
- (4) Series III F 7% 1929 — Bonds of 10,000 francs Nos 23001-24000.

(b) *Allgemeine Bodenkreditbank.*

- (1) Series S lit. A — Bonds of 5,000 francs Nos. 2501-3100.
Bonds of 10,000 francs Nos. 3601-3800.

C. Parochial Loans.

- (1) 7% Bildstock 1930.
- (2) 7% Eppelborn 1927.
- (3) 8% Friedrichsthal 1926.
- (4) 8 (3½)% Holz 1926.
- (5) 7 (3½)% Holz 1927.
- (6) 6% Ittersdorf 1928.
- (7) 7½ (3½)% Landsweiler-Boden 1927.
- (8) Lisdorf 1930 (Rate of interest varying).
- (9) 8 (3)% Marpingen 1929.
- (10) 6½ (5)% Obervölklingen-Luisenthal 1931.
- (11) Riesbach-Bettstadt 1923 (Rate of interest varying).
- (12) 7% Saarbrücken-St. Jakob 1927.
- (13) 7% Saarbrücken-St. Johann 1927.
- (14) 8 (4)% Urexweiler 1927.
- (15) 7¼% St. Wendel 1930.

The following loans in this category have been excluded from the benefits of Fund B at the French Government's request, following upon arrangements concluded concerning them between the French and German Governments :

- (1) 6½% Caritasverband Saarbrücken 1930.
- (2) 5¾% Ludweiler 1932.

4. Dr. Pospišil informed the Financial Committee that, in consequence of a request by certain Governments for the punctual payment—or at as early a date as possible—of the amounts falling due in April in respect of two loans entitled to the benefits of Fund B, he had, in the spirit of Article 19 of the Rome resolution, made the necessary transfers to the fiscal agents of the loans in question, the legal position of which was perfectly clear. As it was not possible at that date for the stamping provided for in Article 8 of the Rome resolution to be effected, Dr. Pospišil instructed the fiscal agents in question to require a declaration of residence from the holders of coupons of these two loans when the coupons were presented for payment.

The Council will no doubt desire to approve the referee's action in the matter, which is based on considerations of fairness and on the spirit in which the negotiations in this connection were conducted at Rome between the French and German Governments.

V. MOLLOFF-CAPHANDARIS AGREEMENT.

1. By a letter dated February 5th, 1935, the Swiss National Bank asked to be relieved of the functions of trustee to which it was appointed by the Council, under the Molloff-Caphandaris Agreement of December 9th, 1927. The Bank is indeed no longer able to exercise these functions owing to the *de facto* suspension of the payments for which the Agreement provided.

2. The Bulgarian and Greek Governments, which are parties to the Agreement, have been informed of this situation and proposals have been made to them with a view to the custody of the bonds in respect of which the Swiss National Bank was made the trustee. The Greek Government has accepted these proposals. The Bulgarian Government has not yet replied; but the Committee believes that it is possible to accede at once to the Bank's request. It accordingly proposed that the Council should decide that the Swiss National Bank be relieved of the functions of trustee. The Financial Committee does not consider necessary the appointment of a new trustee, so long as the suspension of payments continues.

VI. ZELTWEG-WOLFSBERG AND UNTERDRAUBURG-WOELLAN RAILWAY COMPANY.

1. In September 1934, the Council authorised the Financial Committee to appoint for the bondholders of the Zeltweg-Wolfsberg and Unterdrauburg-Woellan Railway Company a Trustee, whose functions had been provided for in an award dated May 12th, 1934, given by the Board of Arbitrators appointed by the Council on May 26th and 30th, 1933. Article III of this award appointed as Trustee the Bank for International Settlements—which declined these duties—or some other qualified institution to be designated by the Financial Committee.

2. On September 10th, 1934, the Financial Committee designated the Société de Banque Suisse at Basle as Trustee and this Bank accepted the appointment.

3. In a letter dated February 8th, 1935, the Société de Banque Suisse informed the Committee that it was not able to perform the duties proposed, owing to the existence of certain unsettled disputes, for which judicial proceedings, whose issue it was impossible to foresee, were in progress.

In a second letter, the Société de Banque Suisse informed the Committee on February 21st, 1935, that the difficulties in question "not only continue to exist, but seem to have become still further aggravated. As it is unlikely that they will soon be removed and as we do not wish to be involved in the disputes which have arisen between the parties, we are regretfully obliged to ask you to relieve us of our duties as Trustee of the fund in question".

4. The Financial Committee considers that, owing to the circumstances outlined by the Trustee, the latter's request to be relieved of its duties should be granted. The Committee therefore asks the Council to authorise it to take action to this effect.

The Committee further considers that it is clearly impossible for the moment to consider the appointment of a new Trustee; nor is it competent to seek a means of overcoming the difficulties mentioned above.

VII. JOINT COMMITTEE FOR THE STUDY OF COMPENSATION AND CLEARING AGREEMENTS.

1. The Financial Committee had appointed four of its members to sit on this Committee, and M. Dayras also took part in the Committee's work in his capacity as Chairman of the Financial Committee.

2. The report drawn up by the Joint Committee at the conclusion of its session is before the Council.

3. This report shows the growing interdependence between commercial exchanges and financial and monetary problems in international relations, as well as the utility of co-operation between the Financial Committee and the Economic Committee for this study.

4. The Financial Committee has often met with examples of clearing agreements when studying the situation of countries with which it has had to deal. It fully endorses the proof given of the close connection which exists between the question of clearing and compensation agreements and the general and fundamental causes which have been responsible for, and continue to influence, the present depression.

5. The Financial Committee emphasises in this connection the observations of the report, which recalls that the introduction of foreign exchange control, described in the replies of the Governments as the immediate cause of the adoption of clearing agreements, is only one form of defence against the effects of the general depression on countries, the economic and financial structure of which was specially vulnerable. The heavy fall in prices and the paralysis of international credit could not fail, in the absence of the regulating influence of the movements of capital, to give rise to a grave disturbance of the currents of international trade. The reaction of this disturbance on the monetary systems had the effect of hindering the natural and automatic international clearing process. It tended, on the one hand, to create abnormal channels of trade and, on the other hand, to lead to defaults in payments or to conditions in which artificial methods of payment had to be sought.

6. The Financial Committee also wishes to emphasise the final conclusion, which is of a general nature and is summarised as follows :

“ While clearing agreements and other agreements for the settlement of international payments by compulsory compensation are in most cases the outcome, as we have seen, of the introduction of restrictions on foreign exchange dealings in various countries, this action is itself the outcome of certain fundamental causes. The countries which adopt such restrictions and maintain them persistently, notwithstanding the growing difficulties that they cause to their economic life and to international trade, would no doubt be more willing to abandon them if they were not dominated by a feeling of insecurity, due in the main to the three following causes :

“ The risk of seeing certain foreign markets for their products suddenly closed by measures of prohibition ;

“ The instability of the international market in goods and capital, due to the instability of the rates of exchange between the principal currencies ;

“ Uncertainty as to the real and final weight of their indebtedness, despite the substantial alleviations which have already been generally brought about.

“ Hence, without prejudice to the suggestions made above—which should be put into force to the greatest possible extent—the Committee would regard the restoration of an international monetary standard, with the conditions of commercial freedom essential to its normal operation, as the most effective safeguard against disturbing action being taken as regards either dealings in foreign exchange or international agreements for the settlement of payments. ”

Geneva, June 17th, 1935.

LEAGUE OF NATIONS

FISCAL COMMITTEE

**REPORT TO THE COUNCIL ON THE FIFTH SESSION
OF THE COMMITTEE**

Held at Geneva from June 12th to 17th, 1935.

INTRODUCTION.

The Fiscal Committee has the honour to submit to the Council the following report on its fifth session, held at Geneva from June 12th to 17th, 1935.

The following members of the Committee were present :

M. G. BOLAFFI, *Chairman*,
M. H. BLAU,
M. M. BORDUGE,
Mr. Mitchell B. CARROLL,
M. G. MANTZAVINOS,
M. J. NAVARRO REVERTER Y GOMIS,
M. R. PUTMAN,
Mr. C. H. WAKELY.

Representing the International Chamber of Commerce :

M. Robert JULLIARD.

I.

**EXAMINATION OF THE INTERNATIONAL CONVENTIONS FOR THE PREVENTION
OF DOUBLE TAXATION RECENTLY CONCLUDED.¹**

1. The Committee is glad to note that, since June 1931, the last occasion on which it carried out a general examination of international Conventions for the prevention of double taxation, there has been a constant extension of this network of Conventions.

2. The progress achieved has been particularly remarkable in the field of direct taxes on income. Besides a number of secondary agreements limited to particular taxes, ten general Conventions have been concluded since July 1931, with the object mainly of avoiding double taxation in respect of taxes on income as a whole.

These Conventions were concluded between :

- (1) Italy and Belgium, July 11th, 1931 ;
- (2) Switzerland and Germany, July 15th, 1931 (with an additional agreement dated January 11th, 1934) ;
- (3) Austria and Poland, April 22nd, 1932 ;
- (4) France and the United States of America, April 27th, 1932 ;
- (5) Sweden and Denmark, May 6th, 1932 ;
- (6) Hungary and Roumania, June 16th, 1932 ;
- (7) Roumania and Yugoslavia, January 30th, 1933 ;
- (8) Belgium and Netherlands, February 21st, 1933 ;
- (9) France and Germany, November 9th, 1934 ;
- (10) Netherlands and Sweden, March 21st, 1935.

¹ The agreements and Conventions mentioned below will be found in the "Collection of International Agreements and Internal Legal Provisions for the Prevention of Double Taxation and Fiscal Evasion", Volumes III, IV, V and VI (this latter volume is in preparation).

All these Conventions, with certain differences of detail, apply the principles laid down by the model Conventions drafted in 1928 by the general meeting of Government experts.

3. If to these ten Conventions concluded since July 1931 are added those concluded in 1930 and the first half of 1931 — namely, between Italy and France, June 16th, 1930; Finland and Sweden, March 16th, 1931; France and Belgium, May 16th, 1931 (all three are mentioned in the Committee's report for 1931), and the Convention between Belgium and the Grand-Duchy of Luxemburg, March 9th, 1931 (which had not yet been communicated to the Committee at the time when that report was drafted), it will be seen that, in all, fourteen general Conventions have been concluded in the five years which have elapsed since June 1930. In that period — a period covering a depression of exceptional intensity, during which every country showed a marked tendency to withdraw within itself and to increase its economic self-dependence — an economic war was waged in other fields by means of tariffs, prohibitions, etc. It is a remarkable fact that in the fiscal domain nothing of the kind occurred and that, on the contrary, there was a growing tendency towards the conclusion of general agreements denoting a clear intention to alleviate excessive taxation.

4. The progress achieved in recent years is due in part to the fact that the Conventions concluded tend to have a cumulative effect. Thus, when two States have both concluded a convention with a third State, it often happens that they in their turn arrive at an agreement. The Conventions concluded on June 16th, 1930, between Italy and France and on May 16th, 1931, between France and Belgium were soon followed, on July 11th, 1931, by an agreement between Italy and Belgium. Similarly, after Hungary had successively concluded Conventions with Yugoslavia on February 22nd, 1928, and with Roumania on June 16th, 1932, Roumania and Yugoslavia in their turn concluded an agreement between themselves on January 30th, 1933.

Moreover, when a new clause is embodied in a convention, it frequently constitutes a recognised precedent for subsequent agreements, and sometimes States which have not had the benefit of it ask for an amendment of their existing agreements. Thus the Convention of May 16th, 1931, between France and Belgium contains, in Article 8, a provision, relating to the taxation of companies, which did not exist in the agreement previously concluded between France and Italy on June 16th, 1930. On November 16th, 1931, a supplementary agreement was concluded between those two countries, inserting in their Convention an article (11 *bis*) reproducing the first two paragraphs of Article 8 of the Franco-Belgian Agreement.

5. These general Conventions concluded in recent years are not as a rule confined to taxes on income. Several of them deal with administrative assistance. The Convention between Germany and Switzerland covers death duties. These two questions had also been dealt with in the model Conventions drawn up by the Government experts in 1928.

Several of these Conventions, unlike the model Conventions of 1928, include a clause expressly recognising, in cases of double taxation, the right of the taxpayer to appeal to the State of which he is a national. The clauses embodied in these agreements reproduce almost exactly the text of Article 14 of the Convention between Italy and France, dated June 16th, 1930 — namely :

“ If the measures taken by the financial authorities of the contracting States have resulted in double taxation, the taxpayer affected may forward a protest to the State of which he is a subject; if the protest is admitted to be justified, the supreme financial authority of such State shall be authorised to arrange with the supreme financial authority of the other State to find a just remedy for the double taxation. ”

6. In addition to the general Convention between Germany and Switzerland, which, as already mentioned, covers death duties as well as taxes on income, Conventions dealing specially with death duties were concluded between the Union of South Africa and Southern Rhodesia, April 8th and 21st, 1932; Hungary and Roumania, June 16th, 1934, and Germany and Denmark, January 13th, 1934.

7. Conventions specially intended to avoid double taxation in respect of import duties and turnover and similar taxes were concluded between Belgium and France, June 18th, 1932; France and Italy, October 3rd, 1932, and France and the Grand-Duchy of Luxemburg, November 30th, 1933.

8. As regards maritime navigation, the principles laid down by the model Conventions of 1928 continue to be applied to an increasing extent. In this connection, reference may be made to the following new agreements — between Greece and Italy, January 11th, 1932; Italy and Canada, March 29th, 1932; the United Kingdom of Great Britain and Northern Ireland and France, October 1st, 1932; Canada and France, October 19th, 1932; the Netherlands and Japan, January 26th, 1933; the United States of America and the Irish Free State, January 9th, 1934, and Germany and Japan, July 25th, 1934.

To the Committee's knowledge, the principle of the taxation of profits on maritime navigation in the State in which the real centre of management of the undertaking is situated is now applied in at least sixty international agreements.

II.

DRAFT CONVENTION ON THE ALLOCATION OF PROFITS OF INTERNATIONAL ENTERPRISES.

The draft Convention framed by the Committee at its last session was, in accordance with its request approved by the Council, communicated to Governments, which were invited to submit their observations.

A. *Revision of the Draft Convention.*

1. Thirty-three Governments replied, and the Committee devoted a considerable part of its time to the study of these replies and to a further reading of the draft. This examination led to the conclusion that, as a whole, the text drawn up two years ago was well suited to secure the objects in view, and that there was no need to make any fundamental change in it, although certain States whose legislation is based on different principles are not at present in a position to adapt their legislation to the Convention. In the light, however, of certain of these observations and of suggestions made by certain of its members, the Committee decided to make the amendments and additions indicated below :

(a) The only important alteration is that regarding banking and financial enterprises. These enterprises were previously covered by Article 4. "Business income", which was defined, in the case of enterprises in general, in Article 2 by the exclusion of certain elements, was defined in Article 4, in the case of banking and financial enterprises, by a non-exhaustive enumeration of items. It seemed more logical to adopt the same procedure in both cases, and to define "business income" in the new text of Article II, both as regards enterprises in general and as regards banking and financial enterprises, by the exclusion of certain elements.

A new Article IV, reproducing almost entirely the second half (b) of the former Article 4, deals with the allocation of profits in the case of banking and financial enterprises.

(b) The reconsideration by the Committee of the question of banking and financial enterprises has led it to recognise that the rules laid down in the Convention were not readily applicable to mortgage banks nor to companies whose object is to hold real property. The Committee thought it preferable to indicate that the Convention should not apply to such enterprises. This is the object of the new Article VII.

(c) The Committee further considered the possibility of extending the Convention, over and above the special case of the banks, to other forms of international enterprises whose operations call for special treatment, such as maritime and air navigation enterprises and insurance undertakings.

(d) In the case of maritime and air navigation enterprises, the principle of taxing the enterprises at the place of its real centre of management, which was laid down in the 1928 Conventions, tends to become more and more general as a result of the bilateral treaties concluded. The Committee decided to embody this principle in a new Article V.

(e) The case of insurance enterprises is more complicated, and the Committee did not consider that it would be well advised to attempt to prepare a definitive text at this stage for insertion in the draft Convention. It considered, however, in first reading, a special article for the case of those enterprises.

2. Annex I contains the new text of the draft Convention ; the special article concerning insurance enterprises will be found in Annex II.

3. A more thorough examination of the problem of insurance enterprises — as also of other questions which have been, or may be, raised in connection with the draft Convention — *e.g.*, the question of its future extension to property taxes — has been entrusted to a Sub-Committee on the Allocation of Profits, consisting of M. Borduge (Chairman), M. Blau, Mr. Carroll, M. Navarro Reverter y Gomis and Mr. Wakely.

B. *Suggested Procedure.*

1. The number of States that have pronounced definitely in favour of the conclusion of a multilateral convention does not appear sufficient to justify the Committee in recommending the Council to call an international conference on the subject.

2. Certain States have, however, declared themselves ready to sign a multilateral convention. It remains to be seen whether their attitude will be affected by the fact that they are few in number. The Committee has no doubt that, should any one of these States express the desire that a meeting should be arranged by the Council between such States as have expressed themselves ready to sign a multilateral convention, the Council would be prepared to take the necessary action. Such a procedure might help to advance matters.

3. The Committee is of the opinion, however, that progress is more likely to be achieved by means of bilateral agreements, and it is in this connection that it anticipates and hopes that the work it has done will prove of real value. The fact that relatively few countries are prepared to enter forthwith into negotiations for the purpose of concluding a multilateral convention is not, in general, due to any important disagreement with the Committee's draft

— on the contrary, the principles contained in the draft, subject to what has been said above, have been generally approved. Governments consider, however, that bilateral agreements are likely to prove more appropriate.

4. The Committee fully shares this view. It believes that in such questions as this the most valuable work that the League can perform is to elaborate, after careful study and consultation with Governments and experts, a draft convention which Governments can employ as a model when negotiating bilateral treaties. The existence of model draft treaties of this kind has proved of real use in such circumstances in helping to solve many of the technical difficulties which arise in such negotiations. This procedure has the dual merit that, on the one hand, in so far as the model constitutes the basis of bilateral agreements, it creates automatically a uniformity of practice and legislation, while, on the other hand, inasmuch as it may be modified in any bilateral agreement reached, it is sufficiently elastic to be adapted to the different conditions obtaining in different countries or pairs of countries. The Committee is strongly of opinion that this procedure is likely in the end to lead to more satisfactory results and to have a wider and more lasting effect than the convocation of an international conference with a view to concluding a multilateral convention, even though it may at first attract less general attention and interest.

It suggests to the Council therefore that the present draft Convention should be circulated to Governments for the purposes just indicated.

5. In this connection, the Committee would remark that five model Conventions have been drafted under the auspices of the League prior to that now submitted, which have been employed, according to the procedure just outlined, as the basis of bilateral Conventions. While in 1922, when there was set up the Committee of Technical Experts on Double Taxation (whose work has been continued since 1929 by the Fiscal Committee), only a very small number of Conventions on double taxation existed, there are at present approximately 140, of which 60 have been signed since 1929. These simple figures are sufficient to show the influence exercised in this sphere by the meetings of experts convened by the League of Nations, and the practical scope of the studies undertaken under its auspices.

III.

COMPARISON OF FISCAL SYSTEMS.

1. In its last report, the Committee stated that, in accordance with its terms of reference, it proposed to undertake a study of fiscal systems. In certain countries, important changes are in progress, and the Committee considers, as stated in the report mentioned above, that a study of these changes would allow it to bring out certain principles the general adoption of which might contribute towards economic progress. It thinks it possible to derive from the experience of recent years lessons as to the manner in which the different categories of taxes have resisted the depression and have been adapted to the new conditions created by the changes in the economic situation. In this connection, the Secretariat has prepared studies dealing with the trend of fiscal revenue in six countries. The Committee believed that the general lessons which may be drawn from such studies may prove of very considerable value to States wishing to modify their fiscal systems. It therefore decided to continue and extend its enquiries in this direction, and to set up a Sub-Committee to co-operate with the Secretariat in this task, consisting of M. Mantzavinos (Chairman), M. Bolaffi, M. Borduge, M. Navarro Reverter y Gomis and M. Putman.

2. Certain observations presented by the Governments regarding the draft Convention on the Allocation of Profits have confirmed the Committee in the conviction which it expressed in its last report, that it would be very useful to define the meaning of certain essential terms used with different shades of meaning in the various legislations in order to facilitate the understanding, both by administrations and by taxpayers, of the various fiscal systems and in order to avoid all error of interpretation as regards agreements. This work, which consists in studying the evolution of fiscal systems from the point of view of administrative practice and of legal terminology, has been entrusted to a Sub-Committee consisting of M. Blau (Chairman), M. Bolaffi, Mr. Carroll, M. Sinninghe-Damsté and Mr. Wakely. The Committee's first task would be to endeavour to define, in the light of their meaning in the legislation of different countries, certain essential terms which are commonly used in conventions dealing with fiscal matters and notably in the Convention on the Allocation of Business Income. The formulation of such definitions might further provide the norms which Governments could follow in drafting their legislation. The resulting uniformity would assist in reducing international double taxation.

Annex I.

**REVISED TEXT OF THE DRAFT CONVENTION
FOR THE ALLOCATION OF BUSINESS INCOME BETWEEN STATES FOR THE
PURPOSES OF TAXATION.**

Being desirous to prevent the double taxation of the income of business enterprises, which results from conflicting principles and methods of allocating taxable income, the High Contracting Parties have agreed to the following provisions :

Article I.¹

1. An enterprise having its fiscal domicile in one of the contracting States shall not be taxable in another contracting State except in respect of income directly derived from sources within its territory and, as such, allocable, in accordance with the articles of this Convention, to a permanent establishment situate in such State.

2. If a permanent establishment of an enterprise in one State extends its activities into a second State in which the enterprise has no permanent establishment, the income derived from such activities shall be allocated to the permanent establishment in the first State.

Article II.

1. For the purposes of this Convention, the term " business income " shall not include the following :

- (a) Income from immovable property ;
- (b) Income from mortgages, from public funds, bonds (including mortgage bonds), loans, deposits and current accounts ;
- (c) Dividends and other income from shares in a corporation ;
- (d) Rentals or royalties arising from leasing personal property or from any interest in such property, including rentals or royalties for the use of, or for the privilege of using, patents, copyrights, secret processes and formulæ, goodwill, trade marks, trade brands, franchises and other like property, provided the enterprise is not engaged in dealing in such property ;
- (e) Profit or loss from the casual purchase and sale of immovable or movable property.

2. Notwithstanding the provisions of paragraph 1 above, the term " business income " shall include, in so far as banking and financial enterprises are concerned, all items which, in conformity with the laws in force governing national enterprises, enter into the computation of profit and loss ; it shall not, however, include the following :

- (a) Income from immovable property ;
- (b) Income from mortgages.

3. There shall be excluded with the above-mentioned items of income the related expenses (including general overhead) and charges.

4. Such items of income shall be taxed separately or together with business income, in accordance with the law and the international agreements of the States concerned.

Article III.

1. If an enterprise with its fiscal domicile in one contracting State has permanent establishments in other contracting States, there shall be attributed to each permanent establishment the net business income which it might be expected to derive if it were an

¹ If the contracting States should desire to avoid, by means of this Convention, the double taxation resulting from liability to the State of fiscal domicile in respect of its total net income, as well as to the other States in which the income of permanent establishments is taxable, one of the following clauses may be added to Article I :

" The State of fiscal domicile shall exempt from its tax the income taxable in other contracting States in accordance with the first paragraph of this article."

Or :

" The State of fiscal domicile shall deduct from its tax on the total net income of the enterprise the lesser of the two following amounts :

" (a) The tax imposed by the other contracting State on the income taxable therein, in accordance with the first paragraph of this article, or :

" (b) An amount which represents the same proportion of the tax payable on the total net income as the net income taxable in the other contracting States in accordance with the first paragraph of this article bears to the total net income."

Obviously double taxation would be avoided and the present Convention would be ineffective if, as frequently in the case of maritime or air navigation enterprises, the States agreed to exempt income from sources within their territory when derived by enterprises not having their fiscal domicile therein.

independent enterprise engaged in the same or similar activities under the same or similar conditions. Such net income will, in principle, be determined on the basis of the separate accounts pertaining to such establishment. Subject to the provisions of this Convention, such income shall be taxed in accordance with the legislation and international agreements of the State in which such establishment is situated.

2. The fiscal authorities of the contracting States shall, when necessary, in execution of the preceding paragraph, rectify the accounts produced, notably to correct errors or omissions, or to re-establish the prices or remunerations entered in the books at the value which would prevail between independent persons dealing at arm's length.

3. If an establishment does not produce an accounting showing its own operations, or if the accounting produced does not correspond to the normal usages of the trade in the country where the establishment is situated, or if the rectifications provided for in the preceding paragraph cannot be effected, or if the taxpayer agrees, the fiscal authorities may determine empirically the business income by applying a percentage to the turnover of that establishment. This percentage is fixed in accordance with the nature of the transactions in which the establishment is engaged and by comparison with the results obtained by similar enterprises operating in the country.

4. If the methods of determination described in the preceding paragraphs are found to be inapplicable, the net business income of the permanent establishment may be determined by a computation based on the total income derived by the enterprise from the activities in which such establishment has participated. This determination is made by applying to the total income coefficients based on a comparison of gross receipts, assets, number of hours worked or other appropriate factors, provided such factors be so selected as to ensure results approaching as closely as possible to those which would be reflected by a separate accounting.

Article IV.

1. The net income of banking and financial enterprises shall be determined in conformity with the principles laid down in Article III.

2. Where one permanent establishment of the enterprise is in the position of a creditor or debtor in relation to another permanent establishment of the enterprise, the following provisions shall apply :

(a) If a permanent establishment in one State (creditor establishment) supplies funds, whether in the form of an advance, loan, overdraft, deposit, or otherwise, to a permanent establishment in a second State (debtor establishment), for tax purposes interest shall be deemed to accrue as income to the creditor establishment and as a deduction from gross income to the debtor establishment, and such interest shall be computed at the inter-bank rate for similar transactions in the currency used.

(b) Contrary to the provisions of the preceding paragraph, from the interest accruing as income to the creditor establishment and deductible from gross income by the debtor establishment there shall be excluded the interest corresponding to the permanent capital allotted to the debtor establishment whether in the form of advances, loans, overdrafts, deposits, or otherwise.

Article V.

Income from maritime shipping and air navigation enterprises shall be taxable only in the State in which the real centre of management is situate.

Article VI.

When an enterprise of one contracting State has a dominant participation in the management or capital of an enterprise of another contracting State, or when both enterprises are owned or controlled by the same interests, and as the result of such situation there exists, in their commercial or financial relations, conditions different from those which would have been made between independent enterprises, any item of profit or loss which should normally have appeared in the accounts of one enterprise, but which has been, in this manner, diverted to the other enterprise, shall be entered in the accounts of such former enterprise, subject to the rights of appeal allowed under the law of the State of such enterprise.

Article VII.

The provisions of the present Convention shall not apply to mortgage banks or to companies the object of which is to hold real property.

Article VIII.

1. Should a dispute arise between the contracting States as to the interpretation or application of the provisions of the present Convention, and should such dispute not be settled either directly between the States or by the employment of any other means of

reaching agreement, the dispute may be submitted, with a view to an amicable settlement, to such technical body as the Council of the League of Nations may appoint for this purpose. This body will give an advisory opinion after hearing the parties and arranging a meeting between them if necessary.

2. The contracting States may agree, prior to the opening of such procedure, to regard the advisory opinion given by the said body as final. In the absence of such an agreement, the opinion shall not be binding upon the contracting States unless it is accepted by both, and they shall be free, after resort to such procedure or in lieu thereof, to have recourse to any arbitral or judicial procedure which they may select, including reference to the Permanent Court of International Justice as regards any matters which are within the competence of that Court under its Statute.

3. Neither the opening of the procedure before the body referred to above nor the opinion which it delivers in any case involves the suspension of the measures complained of; the same rule shall apply in the event of proceedings being taken before the Permanent Court of International Justice, unless the Court decides otherwise under Article 41 of its Statute.

PROTOCOL.

At the moment of signing the present Convention, concluded on this day's date between, the undersigned plenipotentiaries have made the following declarations, which shall form an integral part of the said Convention :

1. The taxes referred to in this Convention are :

(a) For

(b) For

(c) For

2. (a) As used in this Convention, the term "enterprise" includes every form of undertaking, whether carried on by an individual, partnership, corporation or any other entity.

(b) The term "fiscal domicile" for the purposes of this Convention means the place where an enterprise, as defined under (a) above, has its real centre of management.

(c) The term "permanent establishment" includes the real centre of management, branches, mines and oil-wells, plantations, factories, workshops, warehouses, offices, agencies, installations, and other fixed places of business of an enterprise, but does not include a subsidiary company.

When the term "permanent establishment" is used with reference to a particular State, it includes all the permanent establishments, whatever their form, which are situate within such State.

The fact that an enterprise with its fiscal domicile in one of the contracting States has business dealings in another contracting State through an agent of genuinely independent status (broker, commission agent, etc.) shall not be held to mean that it has a permanent establishment in the latter State.

When a foreign enterprise regularly has business relations in a State through an agent established there who is authorised to act on its behalf, it shall be deemed to have a permanent establishment in that State.

A permanent establishment shall for instance, be deemed to exist when the agent established in the State:

(1) Is a duly accredited agent (*fondé de pouvoir*) who habitually enters into contracts for the enterprise for which he works; or

(2) Is bound by an employment contract and habitually transacts commercial business on behalf of the enterprise in return for remuneration from the enterprise; or

(3) Is habitually in possession, for the purpose of sale, of a depot or stock of goods belonging to the enterprise.

As evidence of an employment contract under the terms of (2) above may be taken, moreover, the fact that the administrative expenses of the agent, in particular the rent of premises, are paid by the enterprise.

A broker who places his services at the disposal of an enterprise in order to bring it into touch with customers does not in his own person constitute a permanent establishment of the enterprise, even if his work for the enterprise is to a certain extent continuous or is carried on at regular periods. Similarly, a commission agent (*commissionnaire*), who acts in his own name for one or more enterprises and receives a normal rate of commission, does not constitute a permanent establishment of any such enterprise.

A permanent establishment shall not be deemed to exist in the case of commercial travellers not coming under any of the preceding categories.¹

¹ The first draft Convention elaborated by the Fiscal Committee on the allocation of profits was followed by a commentary to which reference could usefully be made. (See Report to the Council on the Work of the Fourth Session of the Committee, C.399.M.204.1933.II.A). The report by Mr. Carroll on the "Methods of allocating Taxable Income" ("Taxation of Foreign and National Enterprises", Vol. IV: C.425(b).M.217 (b).1933.II.A) might also be consulted.

Annex II.

ALLOCATION OF THE INCOME OF INSURANCE ENTERPRISES.

SPECIAL ARTICLE CONSIDERED IN FIRST READING BY THE FISCAL COMMITTEE.

Notwithstanding Articles II and III above, the following provision shall apply as regards the allocation of the income of insurance enterprises :

When an insurance enterprise the fiscal domicile of which is situate in one of the contracting States possesses a permanent establishment in another contracting State, the latter State shall tax the permanent establishment situated on its territory on the basis of the same proportion of the total net income of the enterprise as the premiums paid to such establishment bear to the total premiums paid to the enterprise.

Geneva, July 31st, 1935.

LEAGUE OF NATIONS

COMMITTEE OF STATISTICAL EXPERTS

**REPORT TO THE COUNCIL
ON THE WORK OF THE FOURTH SESSION**

(Held in Geneva from June 3rd to 6th, 1935.)

The following members of the Committee were present :

Mr. E. D. DURAND,
Sir Alfred W. FLUX,
M. C. GINI,
M. M. HUBER,
M. G. JAHN,
M. E. SZTURM DE SZTREM,
M. V. DORE,
Mr. J. W. NIXON.

Also present : M. GAYON, associated member of the Sub-Committee on the Classification of Commodities.

I. MINIMUM LIST OF COMMODITIES FOR INTERNATIONAL TRADE STATISTICS.

1. In its last report (document C.152.M.63.1934.II.A), the Committee submitted to the Council, in accordance with the recommendation of the Statistical Conference of 1928, a classification of commodities for the purpose of the international comparison of trade statistics. The Council decided, on May 14th, 1934, to communicate this list, together with a statement regarding the principles which had guided the Committee in its preparation, to all Governments of States Members and non-members of the League of Nations, for their observations.

2. The Committee devoted a considerable part of its present session to revising this list in the light of the very valuable observations received. The revised list, together with explanatory notes for the guidance of those who use it, is annexed to this report (Appendix I).

3. A number of Governments suggested in their comments that various specifically named commodities should be taken out of the more general categories into which they had been combined by the Committee and shown as separate items or sub-items. The Committee has given careful attention to these, as to all the other suggestions received. It found, however, that the list of items would become unduly long if all of the commodities specifically mentioned by the Governments should be thus segregated. The Committee accepted, therefore, only such of these suggestions as related to products of importance to several countries or to international trade as a whole, while each country will, of course, show in its own trade statistics all the items which are of importance to itself.

4. The Committee had necessarily to seek a compromise between completely logical definition and grouping of commodities on the one hand and rather rigid condensation on the other. It had to prepare a list which could be utilised for reporting the trade of countries widely divergent in their economic activities. It may well be, however, that modifications

will hereafter suggest themselves as a result of experience in the actual utilisation of the list. The Committee will not fail to follow closely that experience and to report to the Council should any condensation, extension or other revision of the list as now drafted appear advisable.

5. When the International Statistical Conference of 1928 recommended that a uniform classification should be drawn up for use in international trade statistics, it contemplated that that classification might be based upon the uniform Customs tariff nomenclature on which work was then being done. In fact, however, the uniform Customs nomenclature has not yet been adopted and the Committee doubts whether most Governments would be prepared, prior to such general modification of their Customs nomenclature, to break the historical sequence of their trade statistics by replacing their present systems of classification by a new one. A great step forward, however, would be taken if Governments would use the Minimum List as a basis of supplementary trade statistics.

A number of countries already publish such supplementary statistics, based on the classification established by the Brussels Convention of 1913. This Convention, which was an important first step towards international uniformity in the presentation of trade statistics, is now being maintained by certain Governments from year to year pending the adoption of a new classification more in accordance with the needs of the day. The Committee trusts that the Minimum List, annexed to this report, will prove to be a suitable substitute for the Brussels Classification and be generally employed as the basis for internationally comparable trade statistics.

6. The Committee believes that most countries will be able to compile such supplementary statistics according to this list with relatively little departure from their present practice as regards either the returns required from importers and exporters or the compilation of the data. They will find that most items of the list are either already shown as such in their statistics or can be made up, precisely or with a fair approximation to accuracy, by combining two or more items already distinguished. It is true, however, that the Governments will find it necessary to subdivide some of the items now recorded by them in order to provide reasonably satisfactory figures for certain items of the list. The advantage of thereby bringing about international comparability of trade statistics would appear fully to warrant the moderate effort involved in such adaptation of present national practice. When from time to time in the future the several Governments modify their national lists for their own national purposes, an opportunity will be afforded to make the items correspond still more closely to the requirements of the International List.

7. The Committee is happy to note that the general principles of classification on which the list is based have been approved by the great majority of Governments from whom comments have been received. Several Governments, however, have emphasised the desirability of grouping the commodities entering into international trade by stage of production. The Committee has, in fact, used this principle of classification where particularly appropriate as one of the bases for defining and grouping the commodities in the Minimum List. It considers, however, that it would be unwise to give the stage of production predominance over all other principles of classification in a list intended for general use. Moreover, it seemed impractical to complicate the framework of the list by carrying through the whole of it the large number of groupings which would be necessary if all the major principles of classification were to be used simultaneously in defining groups. It appears preferable, in order to bring out fully the nature of the trade of a given country according to this principle of stage of production, to recast the items in the list into a second and supplementary analysis.

The Committee has accordingly prepared a separate grouping of commodities based on stage of production and use. This supplementary classification is appended (Appendix II). For reasons set forth in the accompanying explanatory statement, the number of groups and sub-groups suggested is greater than the number heretofore employed by most Governments, thus tending to give a more precise picture of the economic nature of exports and imports. The utilisation of this classification, as supplementary to any similar grouping now utilised by different Governments, would greatly facilitate international comparisons.

8. The Committee ventures to hope that the Council will decide to circulate the Minimum List to all parties to the International Convention relating to Economic Statistics and to all other Governments of States Members and non-members of the League, and invite them to compile and publish, at least annually, supplementary statistics of their imports and exports classified in the manner indicated in the Minimum List.

The Committee also hopes that the Council will see fit to transmit the classification according to use and stage of production to Governments, and that many of them will find it advantageous to make use of it, at least for annual summaries.

The Committee would add that the publication, monthly or at least quarterly, of summary data showing the total value of trade under the several sections and chapters of the Minimum List, and under the groups and sub-groups by use and stage of production, would be of much utility both for national purposes and for international comparison.

II. TOURIST STATISTICS.

On the recommendation of the Economic Committee of the League of Nations that the methods of compiling statistics of tourist traffic should be improved and standardised, the Council decided, on September 8th, 1934, to bring this matter to the notice of the Committee of Statistical Experts. This Committee had a preliminary discussion of the problems involved. In accordance with the ordinary procedure, a special Sub-Committee was set up to study this subject with the assistance of outside experts. The Committee agreed that this Sub-Committee should study only the economic side of the problem in its international aspect and should endeavour :

- (1) To frame a definition of the persons to be regarded as tourists ;
- (2) To determine the best methods of ascertaining the number of tourists entering a country and the length of their stay ;
- (3) To suggest the most appropriate methods for an evaluation of tourists' expenditure.

III. ENQUIRY INTO THE ADAPTATION OF NATIONAL STATISTICS TO THE PROVISIONS OF THE INTERNATIONAL CONVENTION RELATING TO ECONOMIC STATISTICS.

At its second session, in December 1933, the Committee of Statistical Experts requested the Secretariat to ascertain, for its information, to what extent economic statistics in countries parties to the Convention have been made to conform with its provisions. The Council approved this request and, up to the end of May 1935, seventeen of the twenty-four parties to the Convention had replied to the enquiry made by the Secretariat.

The Committee referred the information received on the various topics covered by the Convention to the relevant Sub-Committees for a more detailed and thorough study before the next meeting.

IV. MISCELLANEOUS QUESTIONS.

The Committee reviewed the work done since its last session by the Sub-Committees on Mineral and Metallurgical Statistics, Timber Statistics and Price Statistics ; it will report on these subjects at its next or a later session.

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Appendix I.

MINIMUM LIST OF COMMODITIES FOR INTERNATIONAL TRADE STATISTICS.

INTRODUCTORY NOTE.

1. The principles which have guided the Committee of Statistical Experts in the preparation of the Minimum List are explained in the report of the Committee on the work of its third session (document C.152.M.63.1934.II.A, pages 26 to 32). The relevant passage of this report containing this explanation is given in Appendix III.

2. The list is divided into sections, chapters, numbered items and lettered sub-items.

3. Statistics should be shown for each numbered item for which the annual import or export normally exceeds in value 100,000 Swiss francs (of the gold content of 0.2903 grm. of fine gold), provided that every item should be shown of which the exports or imports, respectively, represent normally over one-tenth of 1% of the total exports or imports of the given country. If the annual imports or exports are below these limits, the item might, if preferred, be grouped with some other suitable item or items in the same chapter. This item should then bear the numbers of the combined items. Any item for which such grouping is not practicable may be grouped under a special heading at the end of the chapter or section.

4. The lettered sub-items are provided in order to promote international comparison between those countries which subdivide any given major item of the list. It is hoped that each country which, in its national statistics, maintains items that can conveniently be adapted to correspond to the lettered sub-items of the Minimum List will publish the resulting figures, especially if the trade is of considerable magnitude.

5. It will doubtless be the case that compilation of the trade statistics according to the Minimum List will be accomplished by re-grouping and re-arranging items of the existing national list. It is not indispensable that the resulting item should correspond with entire exactness to the definition of that item in the Minimum List. The correspondence should, however, be reasonably close, and, in order to bring this about, it will be desirable, in certain cases, that an existing item of the national list should be subdivided. If, for special reasons, this cannot be done, it may be necessary for the country to add up two or three items of the Minimum List, so as to correspond to a given national item or group of several national items.

For each item, the values should be given and the quantities should also be stated, if all commodities included can be expressed in terms of the same unit of quantity. Totals of values should also be given for each chapter and section.

6. The abbreviation "n.e.s." is to be interpreted as "not elsewhere specified or included".

7. The numbers in the first column refer to the corresponding items of the draft Customs Nomenclature (document C.921.M.486.1931.II.B, Volumes I and II); from which the content of each item may be ascertained. The second volume of the draft Customs Nomenclature gives detailed explanatory notes which will be found of value. The fact that any number in the first column is given in parentheses indicates that the item of the Minimum List in question represents, or includes, only a part of the corresponding item of the Customs Nomenclature.

8. The reference numbers and letters in the last column indicate the group and sub-group of the classification by use and stage of production to which the item belongs. The groups distinguished are shown in Appendix II of this document. The principles upon which this classification by use and stage of production is based are also explained at that place.

9. When two or more reference numbers or letters are specified in these columns for a given item, that fact indicates that this item may comprise merchandise varying in use or stage of production. In such cases, the item should be allocated by each country to that particular group representing its predominant use and nature in that country.

10. In the application of this system of classification, it is intended that the distinction between "crude" on the one hand, and other articles on the other, should be maintained in all cases. The distinction between "simply transformed" and "more elaborately transformed" is considered less essential and is somewhat more difficult of application, but it will in many cases prove very useful.

11. For the convenience of the several countries which may wish to utilise the classification according to use and stage of production, a supplementary list is presented in which the items of the Minimum List are re-arranged in order according to the ten use-groups and the three stage-of-production groups (see Appendix II, C).

A. CLASSIFICATION OF THE SECTIONS AND CHAPTERS.

SECTION I. — FOOD PRODUCTS, BEVERAGES, TOBACCO.¹

1. Live animals, chiefly for food.²
2. Meat and preparations thereof.
3. Dairy products, eggs and honey.
4. Fishery products, for food.
5. Cereals.
6. Manufactured products of cereals, chiefly for human food.
7. Fruits and nuts, except oil-nuts.
8. Vegetables, roots and tubers, chiefly used for human food, and their preparations n.e.s.
9. Sugar and sugar confectionery.
10. Coffee, tea, cocoa and preparations thereof; spices.
11. Beverages and vinegars.
12. Feeding stuffs for animals n.e.s.
13. Tobacco.

SECTION II. — FATTY SUBSTANCES AND WAXES, ANIMAL AND VEGETABLE.

14. Oil-seeds, nuts and kernels.
15. Animal and vegetable oils, fats, greases and waxes and their manufactures n.e.s.

SECTION III. — CHEMICALS AND ALLIED PRODUCTS.

16. Chemical elements and compounds; pharmaceutical products.
17. Dyeing, tanning, and colouring substances (not including crude materials).
18. Essential oils, perfumery, cosmetics, soaps and related products.
19. Fertilisers.

SECTION IV. — RUBBER.

20. Rubber and manufactures thereof n.e.s.

SECTION V. — WOOD, CORK.

21. Wood, cork and manufactures thereof.

SECTION VI. — PAPER.

22. Pulp, paper and cardboard and manufactures thereof.

SECTION VII. — HIDES, SKINS AND LEATHER AND MANUFACTURES THEREOF N.E.S.

23. Hides and skins and leather.
24. Manufactures of leather, not including articles of clothing.
25. Furs, not made up.

SECTION VIII. — TEXTILES.

26. Textile materials, raw or simply prepared.
27. Yarns and thread.
28. Textile fabrics and small wares.
29. Special and technical textile articles.

SECTION IX. — ARTICLES OF CLOTHING OF ALL MATERIALS AND MISCELLANEOUS MADE-UP TEXTILE GOODS.

30. Clothing and underwear of textile materials; hats of all materials.
31. Clothing of leather and fur.
32. Footwear, boots, shoes and slippers.
33. Made-up articles of textile materials other than clothing.

SECTION X. — PRODUCTS FOR HEATING, LIGHTING AND POWER, LUBRICANTS AND RELATED PRODUCTS N.E.S.

34. Products for heating, lighting and power, lubricants and related products.

SECTION XI. — NON-METALLIC MINERALS AND MANUFACTURES THEREOF N.E.S.

35. Non-metallic minerals, crude or simply prepared n.e.s.
36. Pottery and other clay products.

¹ Excluding certain oils and fats which may be used either for food or for other purposes.
² Excluding beasts of burden and other live animals which are not chiefly used for food.

- 37. Glass and glassware.
- 38. Manufactures of non-metallic minerals n.e.s.

SECTION XII. — PRECIOUS METALS AND PRECIOUS STONES, PEARLS AND ARTICLES MADE OF THESE MATERIALS.

- 39. Precious metals and precious stones, pearls and articles made of these materials.

SECTION XIII. — BASE METALS AND MANUFACTURES THEREOF N.E.S.

- 40. Ores, slag, cinder.
- 41. Iron and steel.
- 42. Non-ferrous base metals.
- 43. Manufactures of base metals n.e.s.

SECTION XIV. — MACHINERY, APPARATUS AND APPLIANCES N.E.S. AND VEHICLES.

- 44. Machinery, apparatus and appliances n.e.s., other than electrical.
- 45. Electrical machinery, apparatus and appliances.
- 46. Vehicles and transport equipment n.e.s.

SECTION XV. — MISCELLANEOUS COMMODITIES N.E.S.

- 47. Miscellaneous crude or simply prepared products n.e.s.
- 48. Manufactured articles n.e.s.

SECTION XVI. — RETURNED GOODS AND SPECIAL TRANSACTIONS.

- 49. Returned goods and special transactions.

SECTION XVII. — GOLD AND SPECIE.

- 50. Gold and specie.

B. CLASSIFICATION BY SECTIONS, CHAPTERS, ITEMS AND SUB-ITEMS.

SECTION I. — FOOD PRODUCTS, BEVERAGES, TOBACCO.¹

	Corresponding item of the Draft Customs Nomenclature	Classification by stage of production and use
Chapter 1. — Live Animals, chiefly for Food.²		
1. Bovine cattle, including buffaloes	3	1a
2. Sheep and lambs	4	1a
3. Swine	6	1a
4. Poultry	8	1a
5. Other kinds (goats and kids, domestic hares and rabbits, game birds and animals).	5, 7, 9	1a
Chapter 2. — Meat and Preparations thereof.		
<i>Meat, fresh, chilled or frozen :</i>		
6. Meat of bovine cattle (beef and veal).	13a	8b
7. Mutton and lamb	13b	8b
8. Meat of swine (pork).	13c 17a	8b
9. Poultry	14	8b
10. Other kinds	13d, 15, 16	8b
<i>Meat, salted, dried, smoked, cooked or otherwise simply prepared:</i>		
11. Meat of swine (bacon and hams, pork).	17b, 18a, (18b)	8b
12. Other kinds	(18b)	8b
13. Sausages and similar articles, not in air-tight containers	116	8c
14. Meats, including sausages, in air-tight containers; extracts and other preparations of meat.	117, 118	8c
Chapter 3. — Dairy Products, Eggs and Honey.		
15. Milk and cream, fresh	22, 23	8a
16. Milk and cream, evaporated, condensed or dried		8b
a. Evaporated or condensed	(24)	"
b. Dried (powder)	(24)	"

¹ Excluding certain oils and fats which may be used either for food or for other purposes.
² Excluding beasts of burden and other live animals which are not chiefly used for food.

	Corresponding item of the Draft Customs Nomenclature	Classification by stage of production and use
17. Butter (fresh or salted), including melted	25	8b
18. Cheese	26	8b
19. Eggs in the shell	27a	8a
20. Eggs not in the shell, yolks of eggs	(27b)	1b
a. Dried	(27b)	"
b. Other, including frozen	(27b)	"
21. Natural honey	28	8a

Chapter 4. — Fishery Products, for Food.¹

22. Fish, fresh, chilled or frozen ²	19, (38)	8a
23. Fish, salted, dried or smoked, not further prepared	20, (38)	8a
24. Crustaceans and molluscs, fresh, chilled, frozen, salted or simply cooked.	21	8a
25. Fish, crustaceans and molluscs in air-tight containers or prepared in a manner not above specified.		8c
a. Caviar and substitutes therefor	119	"
b. Fish	120 (38)	"
c. Crustaceans and molluscs	121	"

Chapter 5. — Cereals.

26. Wheat, spelt and meslin	68	1a
27. Rye	69	1a
28. Rice, in the husk	70a	1a
29. Rice, not in the husk, including polished and broken rice	70b	8b
30. Barley	71	2a or 1a
31. Oats	72	2a
32. Maize (Indian corn).	73	2a or 1a
33. Other cereals	74	1a or 2a

Chapter 6. — Manufactured Products of Cereals principally for Human Food.

34. Meal and flour of wheat, spelt and meslin.	75a	1b
35. Rye meal and flour	75b	1b
36. Meal and flour of other or of mixed ³ cereals.	75c-g	1b
37. Groats, semolina and cereals flaked, pearled or prepared in a manner not otherwise specified ("breakfast foods")	76	8b
38. Malt	80	1b
39. Alimentary pastes (macaroni, vermicelli and similar preparations)	134	8c
40. Bakery products (bread, biscuits, cakes, etc.).	135, 136	8c
41. Malt extracts and flour, starch and malt extracts prepared for infants' foods and dietetic and culinary use	81, 133	8c

Chapter 7. — Fruits and Nuts, except Oil-nuts.⁴

42. Citrous fruits.		8a
a. Oranges	55a	"
b. Lemons	(55b)	"
c. Grapefruit	(55b)	"
d. Other	(55b)	"
43. Bananas	54b	8a
44. Other tropical fruits, fresh		8a
a. Pineapples	(54d)	"
b. Other	(54a,) (54d), 56a	"
45. Apples	(59)	8a
46. Other fruits of temperate countries fresh.		8a
a. Grapes	57a	"
b. Orchard fruits, except apples	(59), 60	"
c. Berries and other small fruit	61a	"
d. Other, including melons.	61b	"
47. Dried fruits		8a
a. Dates	54a	"
b. Figs	56b	"
c. Raisins and currants	57b	"
d. Prunes	62b	"
e. Other	(54d), 62a, c	"
48. Edible nuts, other than nuts chiefly used for extraction of oil		8a
a. Tropical (cocoanuts, Brazil nuts and similar nuts)	54c	"
b. Other	58	"

¹ Fish roes intended for food, other than caviar and substitutes, are classed with items 22, 23 or 25b, according to the condition.

² Including fish lightly salted for transport.

³ Other than mixtures which, in accordance with national regulation or commercial practice, are grouped with 34 or 35.

⁴ Fruits simply preserved in brine are classed as fresh fruits.

	Corresponding item of the Draft Customs Nomenclature	Classification by stage of production and use
49. Fruits and nuts, prepared or preserved, except dried fruits and fruit juices for beverages.	140-142	8c
Chapter 8. — Vegetables, Roots and Tubers chiefly used for Human Food and their Preparations, n.e.s.		
50. Potatoes, fresh (not including sweet potatoes). . .	(49)	8a
51. Other vegetables chiefly for human food (including olives), fresh or simply preserved in brine.	(45-48), 50	8a
52. Beans, peas, lentils and other legumes (pulses), dry, including split (including dried legumes used chiefly for animal food).	51	8a
53. Other dried vegetables	(45-49), 52	8a
54. Vegetables preserved or prepared, except dried or in brine	137-139	8c
55. Hops, hop cones and lupulin	87	1a
56. Crude vegetable products chiefly for human food, n.e.s.		1a
a. Roots with a high starch content (arrowroot, tapioca, etc.)	53	"
b. Chicory root not roasted	86	"
c. Sugar beets, sugar cane	85	"
57. Flour, semolina and flakes of potatoes and flour n.e.s.		8b
a. Flour, semolina and flakes of potatoes	79	"
b. Flour, n.e.s.	78	"
58. Vegetable preparations for food n.e.s.	145, 147-150	8c or 8b
Chapter 9. — Sugar and Sugar Confectionery.		
59. Beet and cane sugar, not refined	(122)	1b
60. Beet and cane sugar, refined, including edible molasses and sugar syrups	(122)	8c
61. Other sugars (glucose, maltose, lactose, etc.).	123	1b
62. Molasses, not edible	124	1b or 2b
63. Sugar preparations, not including chocolate confectionery		8c
a. Sugar confectionery	125	"
b. Other articles of food with a sugar base n.e.s.	126	"
Chapter 10. — Coffee, Tea, Cocoa and Preparations thereof; Spices.		
64. Coffee, not roasted	63a	1a
65. Coffee, roasted	63b	8b
66. Extracts and other preparations of coffee.	146	8c
67. Tea and maté		8a
a. Tea	64	"
b. Maté	89d	"
68. Cocoa beans, including husks and shells	127, 128	1a
69. Cocoa preparations, including chocolate confectionery	129-132	8c
70. Spices		8a
a. Pepper and pimento (including ground).	65	"
b. Vanilla	66	"
c. Other sorts	67	"
Chapter 11. — Beverages and Vinegars.		
71. Natural and artificial waters	151a, (151b)	8b
72. Lemonade and other unfermented beverages n.e.s.	160	8c
73. Fruit juices		8c
a. Grape juice, not for wine	(153)	"
b. Other	143, 144	"
74. Cider and fermented fruit juices, n.e.s.	156	8c
75. Wine and grape must	(153), 154, 155	8c
76. Beer (including ale, stout, porter and other fermented cereal beverages)	152	8c
77. Distilled alcoholic beverages	157, 159	8c
78. Vinegar for domestic use or for use in food preservation	161	8c
Chapter 12. — Feeding-stuffs for Animals, n.e.s.		
79. Cereal straw, including chopped straw.	90	2a
80. Hay and fodder, green or dry	91, 89c	2a
81. Offals from the preparation of cereals	77	2b
82. Oil-seed cake and meal and other vegetable-oil residues	165	2b

	Corresponding item of the Draft Customs Nomenclature	Classification by stage of production and use
83. Wastes and by-products of the other food-preparing industries		2b
<i>a.</i> Meat meal and fish meal	162	"
<i>b.</i> Other	163, 164, 166, 168	"
84. Feeding-stuffs for animals, manufactured, n.e.s.	169, 170	2b

Chapter 13. — Tobacco.

85. Unmanufactured tobacco		1a
<i>a.</i> Leaf, including stemmed	(171)	"
<i>b.</i> Stems, trimmings, shorts and other unmanufactured offal	(171)	"
86. Manufactured tobacco		8c
<i>a.</i> Cigars and cheroots	(172)	"
<i>b.</i> Cigarettes	(172)	"
<i>c.</i> Other, for human use	(172)	"

SECTION II. — FATTY SUBSTANCES AND WAXES, ANIMAL AND VEGETABLE.

Chapter 14. — Oil-seeds, Nuts and Kernels.

87. Groundnuts (peanuts), not shelled	(83a)	5a
88. Groundnuts (peanuts), shelled	(83a)	5a
89. Copra	83b	5a
90. Palm kernels	83c	5a
91. Soya beans	83d	5a
92. Linseed	83f	5a
93. Cotton seed	(83k)	5a
94. Other oil-seeds, nuts and kernels	83e, g-i, (83k)	5a

Chapter 15. — Animal and Vegetable Oils, Fats, Greases and Waxes and their Manufactures, n.e.s.

95. Lard, not including neutral lard.		
96. Oils from fish and marine animals	(100)	5b
<i>a.</i> Whale oil	(103)	"
<i>b.</i> Fish-liver oils	(103)	"
<i>c.</i> Other sorts	(103)	"
97. Other animal oils, fats and greases.		5b
<i>a.</i> Tallow and premier jus (oleo stock)	101a	"
<i>b.</i> Oleo-margarine (oleo oil) and neutral lard	(100), 102a	"
<i>c.</i> Other, including degreas	(100), 101b, 104, 108	"
98. Linseed oil	105a	5b
99. Soya-bean oil	(105c)	5b
100. Cottonseed oil	105d	5b
101. Groundnut (peanut) oil	105e	5b
102. Olive oil	105g	5b
103. Palm oil	105i	5b
104. Palm-kernel oil	(105k)	5b
105. Coconut (copra) oil, unrefined	(105k)	5b
106. Coconut (copra) oil, refined	(105k)	5b
107. Other oils from seeds, nuts and kernels.	105b, (c), f, h, l	5b
108. Oils, oxidised or blown, of every kind, linseed and similar oils, boiled.	107	5b
109. Hydrogenated oils and fats.	111	5b
110. Margarine, lard substitutes, and similar edible fats	112	5b
111. Glycerine	110	5b
112. Acid oils, fatty acids, and solid residues from the treatment of oils and fats		5b
<i>a.</i> Oleo-stearine	102b	"
<i>b.</i> Acid oils and fatty acids	106, 109	"
<i>c.</i> Other	115	"
113. Waxes of animal and vegetable origin.	113, 114	5b

SECTION III. — CHEMICALS AND ALLIED PRODUCTS.

Chapter 16. — Chemical Elements and Compounds; Pharmaceutical Products.

114. Chemical elements, n.e.s.		3b
<i>a.</i> Iodine	(213)	"
<i>b.</i> Mercury	215	"
<i>c.</i> Other elements	212, (213), 214,	"
115. Compressed gases	216	
116. Inorganic and aliphatic organic acids.	217	3b
<i>a.</i> Nitric acid	218	3c
<i>b.</i> Sulphuric acid	219	"

	Corresponding Item of the Draft Customs Nomenclature	Classification by stage of production and use
<i>c.</i> Hydrochloric acid	220	3c
<i>d.</i> Other inorganic acids, n.e.s.	221	"
<i>e.</i> Acetic acid and acetic anhydride	222	"
<i>f.</i> Tartaric acid	223c	"
<i>g.</i> Citric acid	223d	"
<i>h.</i> Other aliphatic organic acids, n.e.s.	223a, b, e-f	"
117. Inorganic chemicals (other than acids) and salts of aliphatic acids with inorganic bases.		3c
<i>a.</i> Sodium hydrate (caustic soda)	224	"
<i>b.</i> Sodium borate (refined borax)	233a	"
<i>c.</i> Sodium carbonate	234a	"
<i>d.</i> Salts of cyanic, hydrocyanic, ferrocyanic, ferricyanic and sulphocyanic acids	235	"
<i>e.</i> Sodium sulphate and bisulphate	240a	"
<i>f.</i> Copper sulphate	240j	"
<i>g.</i> Bitartrate of potash	257a	"
<i>h.</i> Calcium carbide	265a	"
<i>i.</i> Artificial abrasions	229a, 265b, c, 225-228, 229b, 230-232, 233b	"
<i>k.</i> Other, n.e.s.	234b-k, 236-239, 240b-h, k-l, 241- 256, 257b, c, 258- 264, 266, 267	"
118. Ethyl alcohol, pure	(158)	3c
119. Ethyl alcohol, denatured, and methyl alcohol.	(158), 269a	3c
120. Organic compounds n.e.s.	268, 269b-e, 270-274	3c
121. Turpentine	284	3b
122. Starches, starchy substances and gluten.		3b or 1b
<i>a.</i> Chiefly for food	(82)	1b
<i>b.</i> Other	(82)	3b
123. Casein, albumen, gelatine, glue and dressings.		3c
<i>a.</i> Casein and albumen	326, 327	"
<i>b.</i> Gelatine, pastes	328, 330	"
<i>c.</i> Glues, dextrines, etc.	329, 331-333	"
124. Chemical products n.e.s.		3c or 9c
<i>a.</i> Derivatives of cellulose, except collodions	277	3c
<i>b.</i> Artificial plastic materials	278, 279	3c
<i>c.</i> Chemical products for use in photography, put up for retail sale	297	9c
<i>d.</i> Other descriptions	(172), 275, 276, 280-283, 285-287	3c or 9c
125. Pharmaceutical products	288-292	9c
Chapter 17. — Dyeing, Tanning and Colouring Substances (not Crude Materials).		
126. Tanning materials		3b or 3c
<i>a.</i> Tanning extracts of vegetable origin	298	3b
<i>b.</i> Synthetic tanning materials	299	3c
127. Extracts for dyeing.	300, 301	3b
128. Dyestuffs prepared from coal tar; natural indigo.	302	3c
129. Other colouring materials, semi-manufactured		3b
<i>a.</i> Lampblack and other mineral and vegetable blacks	303	"
<i>b.</i> Chalk and barytes, ground, washed, etc.	304	"
<i>c.</i> Mineral earth pigments, ground, washed, etc.	305	"
<i>d.</i> Others	306, 307	"
130. Prepared paints and enamels, varnishes, siccatives, mastics, printers' ink and inked ribbons.	308-311	3c
131. Writing and drawing ink	313	9c
132. Pencils (except mechanical), pencil leads, crayons.	314	9c
Chapter 18. — Essential Oils, Perfumery, Cosmetics, Soaps and Related Products.		
133. Essential vegetable oils (except turpentine).	315	3c
134. Perfumes and cosmetics		9c or 3c
<i>a.</i> Synthetic perfumes, mixtures of perfumes and con- centrated solutions of perfumes in greases and oils	316-318	3c
<i>b.</i> Perfumery, cosmetics and dentifrices.	319	9c
135. Soaps and cleansing preparations		9c
<i>a.</i> Toilet soaps, including shaving soaps and creams, medicinal soaps	320d	"
<i>b.</i> Other soaps and washing powders	320a, b, c, 321	"
136. Turkey red oils and other sulphuric acidates.	322	3c
137. Cleaning and polishing materials.	324	9c
Chapter 19. — Fertilisers.		
138. Fertilisers of animal or vegetable origin, not chemically prepared.	342	2a

	Corresponding item of the Draft Customs Nomenclature	Classification by stage of production and use
139. Natural sodium nitrate	(343a)	2a
140. Synthetic nitrates of sodium, calcium and ammonia	(343a)	2b
141. Other nitrogenous mineral or chemical fertilisers.	343b, c, d	2b
142. Natural phosphates, ground or not.	344a	2a
143. Other phosphates, including superphosphates and basic slag	344b, c, d	2b
144. Crude potash salts	345a	2a
145. Other potash fertilisers	345b, c, d	2b
146. Mineral and chemical fertilisers n.e.s., and compound manures	346, 347	2b

SECTION IV. — RUBBER.

Chapter 20. — Rubber and Manufactures thereof, n.e.s.

147. Crude rubber and rubber substitutes (gutta-percha, balata, etc.)	369a	3a
148. Reclaimed, imitation and artificial rubber, and artificial substitutes	369b, c	3c
149. Wastes of rubber and of rubber substitutes.	370	3a
150. Rubber tyres	375	9c
151. Other manufactures of soft rubber, n.e.s.		3c or 9c
a. Pastes, sheets, bands, thread and tubes, not chiefly of textile material	371, 372, 373, 374	3c
b. Other	376, 377	3c or 9c
152. Other articles of hard rubber, n.e.s.		3c or 9c
a. Plates, sheets, rods and tubes	378	3c
b. Other	379	3c or 9c

SECTION V. — WOOD, CORK.

Chapter 21. — Wood, Cork and Manufactures thereof.

153. Wood for fuel	380	6a
154. Charcoal	381	6b
155. Pulpwood	(382)	3a
156. Other wood in the round, whether rough-hewn or not, conifer		4a
a. Saw-logs	(382)	"
b. Pit-props (mine timber)	(382)	"
c. Other	(382)	"
157. Other wood in the round, whether rough-hewn, or not, non-conifer	(382)	4a
158. Railway sleepers (ties)	385	4b
159. Wood, simply sawn lengthwise or squared with the axe, conifer, n.e.s.	(383), (384)	4b
160. Wood simply sawn lengthwise or squared with the axe, non-conifer, n.e.s.	(383), (384)	4b
161. Wood, planed, grooved or tongued, conifer.	(390)	4b
162. Wood, planed, grooved or tongued, non-conifer	(390)	4b
163. Boxes, cases and crates and parts thereof	396	3b
164. Other wood simply shaped or worked n.e.s.	387-389	4b or 3b
165. Blocks and strips for parquet flooring	391	4c
166. Beadings and mouldings	394	4c
167. Veneers and plywood		4b
a. Veneers	392	"
b. Plywood	393	"
168. Cooperage products and parts therefor.		3c or 10c
a. In wood of conifers	(386), (397)	"
b. Other	(386), (397)	"
169. Builders' woodwork (doors, sash and other mill- work) n.e.s.	398	4c
170. Furniture and parts thereof, including picture- frames	395, 401, 402	10c
171. Other manufactures of wood, n.e.s.	399, 400, 403- 405	10c
172. Cork, raw or partly worked.	406, 407	3a
173. Manufactures of cork		3c or 4c
a. Materials for building and insulation	409	4c
b. Bottle corks	408	3c
c. Other	410	3c

SECTION VI. — PAPER.

Chapter 22. — Pulp, Paper and Cardboard and Manufactures thereof.

174. Paper waste, old paper, etc.	415	3a
175. Mechanical wood pulp	416b(1)	3b

	Corresponding item of the Draft Customs Nomenclature	Classification by stage of production and use
176. Chemical pulp of wood, straw, fibres and rags.	416a, 416b(2)	3b
177. Cardboard, including corrugated cardboard	417, 418	3c
178. Newsprint paper	419e	3c
179. Common packing paper		3c
a. Kraft paper	(419a)	»
b. Other common packing paper	(419a)	»
180. Other kinds of papers in rolls or sheets, n.e.s.	419b-d, f, 420b, 421	3c
181. Wallpaper	422	3c
182. Other special papers and cardboards, including cut-out		3c
a. Cigarette paper	420a, 427	»
b. Blotting paper and filter paper, cellulose for filtering	423, 424	»
c. Cardboard and paper, impregnated, vulcanised, etc.	425	»
d. Cardboard and paper cut out for a particular purpose, n.e.s.	426	»
183. Paper bags, cardboard boxes and other containers of paper or cardboard	429, 430	3c
184. Manufactures of writing paper.		9c
a. Envelopes, paper with envelopes in boxes, packets, etc.	428	»
b. Exercise books, registers, albums, letter-racks, etc.	431	»
185. Other manufactures of paper, cardboard or pulp n.e.s.	432-435	3c or 9c

SECTION VII. — HIDES, SKINS AND LEATHER AND MANUFACTURES THEREOF N.E.S.

Chapter 23. — Hides and Skins and Leather.

186. Hides of cattle, including buffalo, undressed (exclud- ing calfskins and kips)	(348)	3a
187. Other hides or skins, undressed.		3a
a. Calfskins and kips	(348)	»
b. Sheepskins and lambskins	(348)	»
(1) Woolled.		
(2) Other than woolled.		
c. Goatskins and kidskins	(348)	»
d. Other	(348)	»
188. Leather		3b
a. Sole leather and leather for transmission belts	349	»
b. Other leather from hides of large animals, tanned or curried	350	»
c. Leather from skins of small animals, tanned or curried	351-352	»
d. Other dressed leather	353-355	»
189. Waste and used leather	356	3a
190. Imitation or artificial leather with a basis of leather waste	357	3b

**Chapter 24. — Manufactures of Leather, not including Articles
of Clothing.**

191. Saddlery and harness-makers' goods, excluding gaiters and leggings	359a	7c
192. Other articles made of leather or skin, n.e.s.		7c or 9c
a. Machine belting of leather	363a	7c
b. Fancy leather goods	360a	9c
c. Travelling requisites	360b	9c
d. Other articles, n.e.s.	363b, 364	7c or 9c

Chapter 25. — Furs, not made up.

193. Fur skins, undressed	366	3a
194. Dressed furs, not made up	367	3b

SECTION VIII. — TEXTILES.

Chapter 26. — Textile Materials, raw or simply prepared.

195. Silk cocoons	441	3a
196. Silk noils, waste and floss silk	442	3a
197. Artificial textile fibres and waste of such fibres.		3c
a. Fibres, including straw (flat filaments) and staple fibre	464-465	»
b. Waste	466	»
198. Sheep's and lambs' wool, greasy or back-washed.	493a	3a
199. Sheep's and lambs' wool, scoured.	493b	3a
200. Other fine animal hair suitable for spinning, n.e.s. (goat, Angora rabbits, etc.)	495a	3a
201. Fine animal hair not suitable for spinning (beaver, hare, rabbit, except Angora rabbit)	495b	3a
202. Horsehair and other coarse hair, including curled hair	494, 495c, 499	3a
203. Wool shoddy	498	3a
204. Wool and fine hair carded or combed	500	3b
205. Waste of wool and of other animal hair.		3a
a. Wool and fine hair waste	496	»
b. Horsehair and coarse hair waste	497	»

	Corresponding Item of the Draft Customs Nomenclature	Classification by stage of production and use
206. Raw cotton	518	3a
a. Other than linters	519a	"
b. Linters		"
207. Cotton waste and devilled cotton, raw, excluding linters	519b	3a
208. Cotton, cotton waste and devilled cotton, bleached or dyed	520	3b
209. Cotton, carded or combed	521	3b
210. Flax and flax tow	541	3a or 3b
211. Hemp and hemp tow (<i>Cannabis sativa</i> and <i>Crotalaria juncea</i>)	542, (544b)	3a or 3b
212. Ramie fibre	544a	3a
213. Jute and jute tow	543	3a or 3b
214. Other vegetable textile fibres		3a
a. Manila hemp (abaca)	(544b)	"
b. New Zealand hemp (<i>Phormium tenax</i>), sisal (maguey, hennegew), agave	(544b)	"
c. Coir and other	(544b)	"
215. Waste material from textile fabrics, rags.	598, 599	3a
Chapter 27. — Yarns and Thread.		
216. Raw silk in skeins (not thrown)	443a	3b
217. Thrown silk and other silk yarns and thread except raw silk		3b or 9c
a. Thrown silk		3b
(1) Wholly of silk	443b	
(2) Of silk mixed with other materials	(445)	
b. Spun silk yarn and noil yarn (schappe, bourrette)		3b
(1) Wholly of silk	444	
(2) Of silk mixed with other materials	(445)	
c. Yarn and thread of silk or spun silk put up for retail sale	446	9c
218. Yarns and thread of artificial textiles.		3c or 9c
a. Continuous yarn	(462a), (463a)	3c
b. Yarns spun from staple and waste fibres, except c	(462a), 462b	3c
c. Yarn and thread put up for retail sale (for sewing, knitting, embroidery, etc.)	(463a), 463b, 467	
219. Yarns of wool and hair	468	9c
a. Of wool and fine hair; except c :		3b or 9c
(1) Wholly of wool or fine hair	501-503	3b
(2) Of wool or fine hair mixed with other materials	504	"
b. Of coarse hair	505	3b
c. Put up for retail sale (for knitting, darning, embroi- dery, etc.)	506	9c
220. Cotton yarn and thread		3b or 9c
a. Grey (not bleached, dyed or mercerised)	522a	3b
b. Other (except (c))	552b-e, 523-525	3b
c. Yarn and thread put up for retail sale (sewing, knitting, embroidery, etc.)	526	9c
221. Yarns and thread of flax, hemp and ramie.		3b or 9c
a. Not put up for retail sale	545, 546	3b
b. Put up for retail sale	550	9c
222. Yarns of other textile materials		3b
a. Of jute	547	"
b. Others, including paper yarn	548, 549	"
223. Yarns of mixed textile and metal fibres	491	3b
Chapter 28. — Textile Fabrics and Small Wares.		
224. Velvets and plushes of silk, or of silk mixed with other textile fibres	448, 452	3c
225. Other silk fabrics, n.e.s.		3c
a. Wholly of silk	449, 450	"
b. Of silk mixed with other textile fibres	453, 454, 460, 461	"
226. Ribbons of silk	447, 451	3c
227. Trimmings, lace and lace net of silk	455-457	3c
228. Velvets and plushes of artificial textile fibres, pure or mixed with other textile fibres.	470, 474, 478,	3c
229. Other fabrics of artificial textile fibres n.e.s..	482	
a. Pure	471, 472, 479,	3c
b. Mixed with other fibres	480,	"
230. Ribbons of artificial textile fibres	475, 476, 483,	"
231. Trimmings, lace and lace net of artificial textile fibres	484, 490	
232. Fabrics of wool and other fine hair.	469, 473, 477, 481,	3c
a. Velvets and plushes	485-487	3c
b. Blankets, travelling rugs and coverlets		3c or 9c
c. Other fabrics, all wool or fine hair	510	3c
d. Other fabrics of wool or fine hair mixed with other textile fibres	509a-b	9c
	507a, (508)	3c
	507b, (508)	3c

	Corresponding Item of the Draft Customs Nomenclature	Classification by stage of production and use
233. Trimmings and other small wares, lace and lace net of wool or other fine hair.	512-514	3c
234. Fabrics and other articles of horsehair or other coarse hair n.e.s.	509c, 516, 517	3c
235. Cotton velvets and plushes.	533a	3c
236. Other cotton fabrics (piece goods).		3c
a. Grey (unbleached)	527a	"
b. Bleached (not mercerised)	527b	"
c. Dyed in the piece (not mercerised).	527c	"
d. Printed (not mercerised)	527d	"
e. Woven of yarns of different colours (not mercerised)	527e	"
f. Mercerised	527f	"
g. Other	527g, 528-532, 533b	"
237. Ribbons, tape and other small wares of cotton.	535-536	3c
238. Cotton lace and lace net.	537-539	3c
239. Fabrics (piece goods) of flax, hemp and ramie, n.e.s.	551-552	3c
240. Fabrics (piece goods) of jute, n.e.s.	553	3c
241. Fabrics of other vegetable fibres n.e.s. and all articles of paper yarn	554, 561	3c
242. Velvets and plushes, ribbons and other small wares, lace and lace net of fibres mentioned in 239-241.		3c
a. Velvets and plushes	555	"
b. Ribbons, trimmings, lace and lace net	557-559	"
243. Fabrics and articles of mixed textile and metal fibres	492	3c
244. Carpets and rugs of textile fibres.		10c
a. Of wool and fine hair	511a	"
b. Other	459, 489, 511b, 534, 556	"
245. Embroidery		3c
a. Of silk	458	"
b. Of cotton	540	"
c. Of other textile fibres	488, 515, 560	"
 Chapter 29. — Special and Technical Textile Articles.		
246. Felts and felt articles, except hats and hoods for hats (hat bodies)	564, 565	3c
247. Cordage, cables, ropes and twine and manufactures thereof	566-568	3c
248. Fabrics and felts, impregnated or coated.		3c or 4c
a. Rubber-proofed	577	3c
b. Linoleum, linocrusta, etc.	574	4c
c. Other sorts	571-573, 575	3c
249. Elastic fabrics, ribbons, webbing and other small wares	576	3c
250. Other special textile fabrics and technical articles n.e.s.		3c 7c or 9c
a. Absorbent cotton: wadding and articles made thereof, n.e.s.	562, 563	3c or 9c
b. Other	569, 570, 578, 579	3c or 7c

SECTION IX. — ARTICLES OF CLOTHING OF ALL MATERIALS AND MISCELLANEOUS MADE-UP TEXTILE GOODS.

Chapter 30. — Clothing and Underwear of Textile Materials; Hats of all Materials.

251. Knitted fabrics and other articles of clothing.		9c
a. Of natural silk, pure or mixed	580	"
b. Of artificial textile fibre, pure or mixed	581	"
c. Of wool, pure or mixed	582	"
d. Of cotton and other vegetable textile fibres	583	"
252. Outer garments, not knitted.		9c
a. For men and boys	584	"
b. For women and girls	(585)	"
c. For infants	(585)	"
253. Clothing and underwear of rubbered fabrics, oiled fabrics, etc.	586	9c
254. Underclothing n.e.s.	587, 588	9c
255. Hats and caps of all materials, not knitted (but including fulléd tricot)		9c or 3c
a. Hoods for hats (hat bodies)	607-609	3c
(1) Of wool-felt and fur-felt.		
(2) Of straw, fibre, etc.		
(3) Other kinds.		
b. Hats	610-615	9c
(1) Of wool-felt and fur-felt.		
(2) Of straw, fibre, etc.		
(3) Other kinds.		
c. Caps, bonnets and bérèts	616	9c

	Corresponding item of the Draft Customs Nomenclature	Classification by stage of production and use
256. All other articles of clothing (handkerchiefs, ties, scarves, shawls, stitched fabric gloves, collars, corsets, suspenders, garters and similar articles).	590-593, (597)	9c
Chapter 31. — Clothing of Leather and Fur.		
257. Leather coats, gaiters and other leather clothing n.e.s.	359b, 361	9c
258. Gloves wholly or mainly of leather, including parts	362	9c
259. Furs made up, including gloves of fur, but not hats, caps or shoes	368	9c
Chapter 32. — Footwear : Boots, Shoes and Slippers.		
260. Uppers, legs and other prepared parts of footwear.	358, 606	3c
261. Slippers and house footwear	601	9c
262. Other footwear, wholly or mainly of leather.	600, (602b)	9c
a. For men and boys	(602b)	"
b. For women and girls	602a	"
c. For infants		9c
263. Other footwear of textile materials.	(603)	"
a. With rubber soles	(603)	"
b. Other	604	9c
264. Footwear of rubber.	605	9c
265. Footwear of other materials.		
Chapter 33. — Made-up Articles of Textile Materials, other than Clothing.		
266. Table-linen, bed-linen and toilet-linen.	589	9c
267. Bags or sacks for packing, new or used.	594	3c
268. Other made-up articles of textile materials.		9c
a. Tarpaulins, tents, awnings, buckets and other made-up canvas goods	595	"
b. Requisites for travel, handbags, etc.	596	"
c. Other descriptions	(597)	"

SECTION X. — PRODUCTS FOR HEATING, LIGHTING AND POWER, LUBRICANTS AND RELATED PRODUCTS N.E.S.

Chapter 34. — Products for Heating, Lighting and Power, Lubricants and Related Products n.e.s.

269. Coal	199a	6a
270. Lignite	200a	6a
271. Peat	(202)	6a
272. Briquettes of coal, lignite or peat.	199b, 200b, (202)	6b
273. Gas, natural or manufactured	— ¹	6a or 6b
274. Natural asphalt	203	6a
275. Crude petroleum and partly refined petroleum for further refining	206a	6a
276. Motor spirit (gasoline and other light oils for similar uses)	(206b)	6b
277. Lamp oil and white spirit (kerosene; illuminating oil)	(206b)	6b
278. Gas oil and fuel oil	(206b)	6b
279. Lubricating oils and greases, including mixtures with animal and vegetable lubricants.	(206b), 323	6b
280. Coke of coal, of lignite and of petroleum.	201	6b
281. Tar and tar oils and other products of tar distillation		6b
a. Tar	204	"
b. Tar oils and their directly isolated constituents (benzol, tolnol, phenol, naphthalene, anthracene, etc.)	205	"
282. Pitch, resin, petroleum asphalt, and other by-products of coal and petroleum (including mixtures with asphalt), n.e.s.	210, 211	6b
283. Mineral jelly and waxes		6b
a. Vaseline	207	"
b. Paraffin wax	208	"
c. Lignite wax and mineral wax	209	"
284. Candles and tapers	325	6b
285. Electric energy	— ¹	6b

¹ Not covered by the Customs Nomenclature.

SECTION XI. — NON-METALLIC MINERALS AND MANUFACTURES THEREOF N.E.S.

	Corresponding item of the Draft Customs Nomenclature	Classification by stage of production and use
Chapter 35. — Non-metallic Minerals, Crude or Simply Prepared, n.e.s.		
286. Sand	174	4a
287. Clay	175	4a
288. Salt	178	3a
289. Sulphur	179	3a
290. Natural abrasives	181	4a
291. Building stone		4a
a. Slate	182	"
b. Marble, alabaster, serpentine	183	"
c. Granite sandstone, limestone and other	184, 185	"
292. Gravel and crushed stone for road-making and for concrete	187	4a
293. Stone for industrial uses including the making of lime and cement		4a
a. Limestone unworked	186	"
b. Magnesite, crude, calcined or pulverised	188	"
c. Gypsum	189	"
d. Puzzolanas and materials for hydraulic mortar	191	"
294. Asbestos	194b	4a
295. Lime	190	4b
296. Cement	192	4b
297. Other non-metallic minerals n.e.s.		3a
a. Chalk and colouring earths, unworked	176	"
b. Graphite, natural or artificial	177	"
c. Mica	194c	"
d. Other sorts	173, 180, 193, 194a, d, e, f, g	"
Chapter 36. — Pottery and Other Clay Products.		
298. Bricks, tiles, pipes, etc., of brick earth or ordinary baked clay		4b or 10c
a. Bricks, tiles and pipes	646-648	4b
b. Other	649	4b or 10c
299. Refractory articles, n.e.s. (bricks, pipes, crucibles, etc.)	650, 651	4c or 7c
300. Table and other household articles of faience or fine earthenware	660a	10c
301. Table and other household articles of porcelaine	662a	10c
302. Other articles of stoneware and articles of pottery n.e.s.		4c, 7c or 10c
a. Bricks, tiles, pipes, receptacles and other utensils of stone ware	652-654	4c or 7c
b. Other	655-659, 660b, 662b	4c, 7c or 10c
Chapter 37. — Glass and Glassware.		
303. Glass in the mass, bars and tubes, unworked, includ- ing broken and powdered glass.	663, 664	4b
304. Plate and sheet glass		4c or 10c
a. Unworked	665, 666	4c
b. Worked	667	4c
c. Reinforced (safety glass)	669	4c
d. Tinned, silvered or coated with platinum, looking- glasses and mirrors	668	4c or 10c
305. Tiles, paving-blocks and squares of cast or pressed glass	670	4c
306. Carboys, bottles and flasks, unworked.	671	3c
307. Illuminating glassware and scientific glassware n.e.s. a. Bulbs for electric lamps and valves	672	3c, 7c or 10c
b. Other illuminating glassware.	673	3c
c. Glassware for laboratory use	674	10c
308. Blown or pressed glassware n.e.s..	675	7c
309. Optical glass and spectacle glass, crude.	677	10c
310. Beads, drops, pendants, imitation pearls and stones, and similar decorative articles of glass and objects made therefrom	679-680	4c
311. Other articles of glass n.e.s..	676, 678, 681	10c
Chapter 38. — Manufactures of Non-metallic Minerals n.e.s.		
312. Building-stone worked	628-630	4b or 4c
313. Grinding and polishing wheels and stones.	632-634	7c
314. Abrasive cloths and papers.	635, 636	3c

	Corresponding item of the Draft Customs Nomenclature	Classification by stage of production and use
315. Manufactures of asbestos.	642	4c
316. Other manufactures of non-metallic minerals, n.e.s.		4c or 10c
a. Of asphalt	638	4c
b. Of cement or concrete	639	4c
c. Other, n.e.s.	631, 637, 640, 641, 643-645	4c or 10c

SECTION XII. — PRECIOUS METALS AND PRECIOUS STONES, PEARLS AND ARTICLES MADE OF THESE MATERIALS.

Chapter 39. — Precious Metals and Precious Stones, Pearls and Articles made of these Materials.

317. Precious and semi-precious stones and pearls, not set		4a or 4c
a. Pearls including cultured pearls, unworked or worked	682	4a
b. Unworked stones	683a	4a
c. Cut stones	683b, c	4c
318. Ores of precious metals.	(195g)	4a
319. Silver, crude		4b
a. In ingots or bars	(684)	"
b. Other (powder, scrap, waste and ash)	(684)	"
<i>Note:</i> According to the practice of the country concerned, crude silver should be shown here or in Chapter 50 (item 453*).		
320. Silver, partly worked.	687	4b
321. Gold, partly worked (for gold metal, unworked, see Chapter 50)	688	4b
322. Platinum and other metals of the platinum group, crude or partly worked	686, 689	4b
323. Jewellery and other wares of precious metals (except watch cases)	690-692	10c

SECTION XIII. — BASE METALS AND MANUFACTURES THEREOF N.E.S.

Chapter 40. — Ores, Slag, Cinder.

324. Iron ores (except pyrites not roasted).	195a	4a
325. Ores of metals chiefly used for alloying with iron. . .		4a
a. Manganiferous and manganese ore	(195g)	"
b. Chromiferous and chromium ore	(195g)	"
c. Other ferro-alloy ores	(195g)	"
326. Ores of non-ferrous base metals.		4a
a. Of copper	195c	"
b. Of tin	(195g)	"
c. Of aluminium (bauxite)	195d	"
d. Other	195b, e, f, (195g)	"
327. Slag and other wastes from the treatment of metals, except basic slag	196-198	4a

Chapter 41. — Iron and Steel.

328. Pig-iron and ferro-alloys unworked.		4b
a. Pig-iron	696	"
b. Ferro-alloys	697	"
329. Scrap iron and steel	698	4b
330. Other crude iron and steel: simply cast (ingots, blocks, etc.) or simply rolled or forged (blooms, billets, slabs, etc.) requiring further manufacture. . .		4b
a. Special alloy steels	707a, b	"
b. Other	699, 700	"
331. Bars, rods and structural shapes.		4b
a. Wire rods	(701), (707c)	"
b. Other	(701), (707c)	"
332. Wire		4b or 7c
a. Not barbed	702, (707c)	4b
b. Barbed	724	7c
333. Plates, sheets, hoops and strips.		4b
a. Tinned plates (tinned sheets)	704c, (707c)	"
b. Plates and sheets, zinc coated (galvanized) or lead coated	704b, (707c)	"
c. Hoops and strips	706, (707c)	"
d. Plates and sheets, n.e.s.	703, 704a, d, e, 705, (707c)	"
334. Tubes, pipes and fittings.		4b
a. Cast iron	708	"
b. Other	709-712	"
335. Railway track material		4b
a. Rails	713	"
b. Other (points, switches and crossings, joints, fish-plates, chairs, sleepers, etc.)	714-716	"
336. Castings and forgings, in the rough or simply machined, n.e.s.	752a, b, 755a, b	4b

	Corresponding Item of the Draft Customs Nomenclature	Classification by stage of production and use
Chapter 42. — Non-ferrous Base Metals.		
337. Copper, not refined, including scrap.	(756a), 756b	4b
338. Copper, refined, including alloys of copper, unwrought	(756a)	4b
339. Copper, including alloys of copper, wrought (bars, rods, sheets, leaves, wire, pipes, tubes, castings and forgings)	757-762	4b
340. Aluminium, unwrought, including scrap.	774	4b
341. Aluminium, wrought (bars, rods, sheets, leaves, wire, pipes, tubes, castings and forgings).	775, 780	4b
342. Lead, unrefined or refined, unwrought, including scrap.	785	4b
343. Lead, wrought (bars, rods, sheets, leaves, wire, pipes, tubes, castings and forgings).	786-788	4b
344. Zinc, unrefined or refined, unwrought, including scrap	790	4b
345. Zinc, wrought (bars, rods, sheets, leaves, wire, pipes, tubes, castings and forgings).	791-792	4b
346. Tin, unwrought, including scrap and solder.	794, 797	4b
347. Tin, wrought (bars, rods, sheets, leaves, wire, pipes, tubes, castings and forgings).	795, 796, 798	4b
348. Other non-ferrous base metals, unwrought, including scrap		4b
a. Nickel	770	"
b. Other	800	"
349. Other non-ferrous base metals, wrought (bars, rods, sheets, leaves, wire, pipes, tubes, castings and forg- ings)		4b
a. Nickel	771, 772	"
b. Other	(801)	"
Chapter 43. — Manufactures of Base Metals, n.e.s.		
350. Metallic structures and their finished or processed parts	719	7c
351. Wire cables and ropes, iron or steel	723	7c
352. Wire netting, wire fencing, wire mesh and expanded metal of iron or steel	725	4c
353. Nails, bolts, nuts, screws, etc., of iron or steel . . .		4c
a. Nails, tacks and spikes	727	"
b. Bolts, nuts, rivets and washers, wood screws and screw eyes and hooks	728, 729	"
354. Needles and pins of iron or steel n.e.s..	730, 731	4c or 10c
355. Hardware of iron or steel (locks and keys; fittings for doors, windows, furniture, vehicles, harness, trunks, etc.)	733, 734	4c
356. Stoves, grates and ranges, boilers and radiators for central heating, of iron or steel.	735-737	7c or 10c
357. Safes, strong-room fittings and strong boxes of iron or steel.	738	7c
358. Furniture of iron and steel.	739	7c or 10c
359. Household utensils of sheet iron or sheet steel. . .	740	10c
360. Hand tools of iron or steel mainly for agricultural use (spades, shovels, picks, mattocks, hoes, forks, rakes, axes, hatchets, pruning-hooks, billhooks, clea- vers, hand-choppers, scythes and sickles, hay or straw cutters)	741-743	7c
361. Other tools of iron or steel.	744-751	7c
362. Cutlery, forks and spoons, not including cutting tools (knives, etc., operated by machinery, or agri- cultural hand tools).	802-809	10c
363. Other manufactures, chiefly of iron or steel, n.e.s. .		7c, 4c or 10c
a. Containers for liquids and gases	720-722	7c
b. Chain	726	7c
c. Springs	732	4c
d. Other	718, 752 c, 753, 754, 755 c	4c, 7c or 10c
364. Advanced manufactures of copper, n.e.s..		4c, 7c or 10c
a. Hardware (locks and keys, fittings for doors, windows, furniture, vehicles, harness, trunks, etc.)	767 763-766, 768- 769	4c 7c, 4c or 10c
b. Other, n.e.s.		
365. Advanced manufactures of aluminium	781-784	10c, 4c or 7c
366. Advanced manufactures of lead.	789	3c
367. Advanced manufactures of zinc.	793	4c, 10c or 7c
368. Advanced manufactures of tin.	799	3c
369. Advanced manufactures of other base metals. . .		4c or 10c
a. Nickel	773	4c or 10c
b. Other	801	4c

	Corresponding item of the Draft Customs Nomenclature	Classification by stage of production and use
370. Metal articles for lighting (lamps, lanterns, gas-light and electric-light fixtures and fittings, and parts thereof)	812	10c
371. Special or mixed articles, chiefly of non-ferrous base metals, n.e.s.		10c, 7c or 9c
<i>a.</i> Printers' type, stereotypes, etc.	814, 815	7c
<i>b.</i> Pens of base metal	817	9c
<i>c.</i> Imitation jewellery	(819)	10c
<i>d.</i> Other descriptions	810, 811, 813, 816, 818, (819)	10c

SECTION XIV. — MACHINERY, APPARATUS AND APPLIANCES, N.E.S., AND VEHICLES.

Chapter 44. — Machinery, Apparatus and Appliances, n.e.s., other than Electrical.

(Under each heading, detached parts should be included, wherever possible.)

372. Prime movers		7c
<i>a.</i> Steam boilers and boiler-house equipment	820	"
<i>b.</i> Steam tractors and semi-stationary engines	821	"
<i>c.</i> Steam engines without their boilers	822	"
<i>d.</i> Explosion and internal combustion motors	823	"
<i>e.</i> Hydraulic motors, windmills and motors driven by compressed air, by gas or by hot air	824, 825	"
<i>f.</i> Road-rollers	826	"
373. Agricultural machinery and appliances.		7c
<i>a.</i> For preparing and cultivating the soil	834	"
<i>b.</i> For harvesting and threshing	835	"
<i>c.</i> Other	836	"
374. Office machines and appliances.		7c
<i>a.</i> Typewriters	852	"
<i>b.</i> Others, including cash registers	853, 854	"
375. Machines and appliances chiefly for household use (refrigerators, washing and ironing machines, grinding and chopping machines, etc.).	(839), (855)	10c
376. Other machines and appliances n.e.s. (chiefly for industrial and commercial equipment).		7c
<i>a.</i> Pumps for liquids	827	"
<i>b.</i> Conveying, hoisting and excavating machinery (cranes, hoists, mechanical shovels, etc.)	833	"
<i>c.</i> Printing machinery	843	"
<i>d.</i> Textile machinery	844-846, 858 <i>g, h</i>	"
<i>e.</i> Sewing machines	847	"
<i>f.</i> Machinery for working metals, wood, stone, glass and similar materials (machine tools), including pneumatic tools operated by hand or otherwise	848, 849	"
<i>g.</i> Other	828-832, 837- 838, (839), 840, 842, 850, 851, (855)	"
377. Machine parts and accessories not assignable to a particular class of machinery.	856-858 <i>a-f, i</i>	7c

Chapter 45. — Electrical Machinery, Apparatus and Appliances.

(Under each heading, detached parts should be included wherever possible.)

378. Dynamos, motors, converters, transformers.	859	7c
379. Electric batteries and accumulators.	860, 861	7c
380. Bulbs and tubes for electric lighting, complete.	866	7c
381. Apparatus for telegraphy and telephony, wireless or other		7c or 10c
<i>a.</i> Wireless	868	10c or 7c
<i>b.</i> Other	869	7c
382. Insulated cables and wire for electricity.	874	7c
383. Portable tools and appliances and small household electro-mechanical appliances (ordinarily not exceeding 15 kilogrammes in weight).	862	10c
384. Other appliances and apparatus, n.e.s.		7c or 10c
<i>a.</i> Electric appliances for motor vehicles, cycles and explosion motors	863, 864	10c or 7c
<i>b.</i> Electric heating apparatus, including small domestic heating appliances	865	7c
<i>c.</i> Other, n.e.s.	867, 870-873	7c
385. Parts and accessories not assignable to a particular class of machinery, apparatus or appliances.	875-878	7c

Chapter 46. — Vehicles and Transport Equipment, n.e.s.

386. Railway locomotives		7c
<i>a.</i> Steam, including tenders	879, 883	"
<i>b.</i> Electric	880	"
<i>c.</i> Other	(882)	"

	Corresponding item of the Draft Customs Nomenclature	Classification by stage of production and use
387. Rail motors (cars for railways with power equipment)		7c
a. Electric	881	"
b. Other	(882)	"
388. Railway cars and wagons, without power equipment		7c
a. Passenger cars	884	"
b. Other, including mine wagons	885, 886	"
389. Parts of railway rolling-stock (except electric parts, internal combustion or explosion engines and parts thereof)	717, 887	7c
390. Signalling and other track equipment for railways, n.e.s., and parts thereof except electric parts.	888	7c
391. Tractors with explosion or internal combustion, including gas, engines	889	7c
392. Road motor vehicles, complete, for the transportation of persons, private, but including taxicabs.	(890a)	10c
393. Other road motor vehicles, complete.	(890a), 890b-d	7c
394. Chassis of vehicles — of the class specified in 392, with engines mounted	(891)	10c
395. Chassis of other road motor vehicles with engines mounted	(891)	7c
396. Bodies and other parts of road motor vehicles and tractors, n.e.s.		7c or 10c
a. Bodies	892	"
b. Other (except chassis with engine, engines, rubber tyres and electric parts)	893	"
397. Motor-cycles, side-cars.		10c
a. Motor-cycles, complete, and side-cars, complete	894	"
b. Parts (except motors, bodies rubber tyres and electric parts)	(896)	"
398. Cycles, foot or hand-driven		10c
a. Complete	895	"
b. Parts	(896)	"
399. Other vehicles, including detached parts and pieces (except rubber tyres)	897-899	7c
400. Aircraft		7c
a. Airships and balloons	900	"
b. Aeroplanes and gliders	901	"
c. Parts (except engines, bodies rubber tyres and electric parts)	902	"
401. Vessels exceeding 100 gross registered tons.		7c
a. Steam vessels	(903), (904), (905a), (906-907)	"
b. Motor vessels	(903), (904), (905a), (906-907)	"
c. Other vessels	(903), 905b, c, (906-907)	"
402. Other ships and boats.	(903-907)	7c or 10c

SECTION XV. — MISCELLANEOUS COMMODITIES N.E.S.

**Chapter 47. — Miscellaneous Crude or Simply Prepared Products
n.e.s.**

403. Live horses, asses and mules.	1, 2	7a
404. Other live animals.	10, 11, 12	7a
405. Pigs' and boars' bristles	30	3a
406. Intestines, stomachs and bladders of animals other than marine for use as food containers or for industrial uses		3a
a. For use as food containers	(31)	"
b. Other	(31)	"
407. Products of marine animals, n.e.s.		3a
a. Sponges	36	"
b. Other (not including fish roe intended for food)	(32), (35), (37), (38)	"
408. Other products of animal origin, n.e.s.		3a
a. Human hair	29	"
b. Birds' skins, feathers, etc.	33	"
c. Bones, ivory, horns, hoofs, claws and similar products	34, (35)	"
d. Products used in medicine and perfumery	(37)	"
e. Other descriptions	(32), (38), 39	"
409. Products of horticulture, n.e.s.		2a or 9c
a. Bulbs, tubers and rhizomes of flowering or foliage plants	40	2a
b. Cuttings, slips, live trees and other live plants	41, 42	2a
c. Cut flowers and foliage	43, 44	9c
410. Seeds for sowing n.e.s.	84	2a
411. Plants and parts of plants for use in dyeing and tanning, whether ground or not	92	3a
412. Other plants, seeds, flowers and parts of plants n.e.s. (mainly for use in medicines or perfumery)	88, 89a, b, c	3a

	Corresponding item of the Draft Customs Nomenclature	Classification by stage of production and use
413. Gums, resins and balsams	(93)	3a
a. Pine resin	(93)	"
b. Gums for varnishes and lacquers	(93)	"
c. Others	(93)	3b
414. Vegetable extracts, n.e.s.	94b	"
a. Opium	94a, c, d	"
b. Other		
415. Vegetable materials for plaiting (for basketware, plaited rugs etc.)	95	3a
416. Crude and semi-manufactured vegetable products n.e.s.	167	3a
a. Wine lees	96-99	"
b. Others	(151b)	"
417. Ice, natural or manufactured.		3a or 3b
Chapter 48. — Manufactured Articles n.e.s. (Under each heading, parts should be included wherever possible.)		
418. Scientific, medical and optical instruments and appliances		10c or 7c
a. Photographic and cinematographic apparatus and appliances	913, 914	"
b. Other optical instruments and appliances	908-912, 915	"
c. Surgical and medical instruments and appliances, including artificial teeth	661, 923, 924	"
d. Other	916-922, 925-927	"
419. Watches, watch-movements, cases and other parts of watches	928-932	10c
420. Clocks, clock-movements	933-935	10c
421. Phonographs (gramophones) and records	943, 944a	10c
422. Other musical instruments		10c
a. Pianos and piano-playing mechanisms	936, (938)	"
b. Other	937, (938), 939- 942, 944b, 945-950	"
423. Fire-arms of war and other arms of war (including " tanks " and armoured vehicles for military use)	952	7c
424. Projectiles and ammunition for arms of war.	955	3c
425. Other arms		10c
a. Side arms (swords, etc.)	951	"
b. Fire-arms, other than fire-arms of war	953, 954	"
426. Ammunition for firearms other than arms of war.	956	9c
427. Propellant powders and high explosives.	334-336	3c
428. Fuses, primers and detonators.	337, 338	3c
429. Matches	340	9c
430. Pyrotechnical articles (fireworks) and articles of inflammable materials n.e.s.	339, 341	9c
431. Umbrellas, parasols, walking-sticks and whips.	617-621	9c
432. Prepared decorative feathers and human hair; artificial flowers, foliage and fruits; articles made from these materials; fans of all kinds.	622-627	9c
433. Manufactures of gut, except strings for musical instruments.	365	9c
434. Buttons and studs	981	3c
435. Fancy carved or moulded articles of natural animal or vegetable or artificial plastic materials (coral, tortoise-shell, mother-of-pearl, ivory, bone, horn; corozo, areca-nut etc.; jet, amber, amberoid, meer- schaum; celluloids, galalith and other artificial plastic materials) n.e.s.	957-967	10c
436. Articles of vegetable plaiting materials (bamboo, straw, willow, etc.) n.e.s.		10c or 3b
a. Furniture	413	10c
b. Mats and matting	412b	10c
c. Other, including plaited packing materials	411, 412a, c, 414	10c or 3b
437. Brooms and brushes	968-972	9c
438. Sieves	973	7c
439. Toys, games and sports goods, except arms and ammunition	974-980	9c
440. Fountain pens, propelling pencils, pen and pencil holders	982-983	10c
441. Sealing wax	312	9c
442. Pipes, cigar-holders and cigarette-holders.	984, 985	10c
443. Films other than cinematographic (moving picture) plates and paper sensitised for photography.		9c
a. Films and plates	294, 295	"
b. Papers and cards.	296	"
444. Cinematographic (moving picture) films, not sensi- tised, or sensitised but not exposed.	293a, b	3c

	Corresponding item of the Draft Customs Nomenclature	Classification by stage of production and use
445. Cinematographic (moving picture) films, exposed, whether developed or not	293c, d	3c
446. Works of art and articles for collections		10c
<i>a.</i> Works of art	986-988	"
<i>b.</i> Other articles for collection	989-991	"
447. Books, pamphlets, periodicals, music, maps and plans		9c
<i>a.</i> Books and pamphlets	436 <i>a</i>	"
<i>b.</i> Newspapers and periodicals	436 <i>b</i>	"
<i>c.</i> Music	436 <i>c</i>	"
<i>d.</i> Maps and plans	436 <i>d</i>	"
448. Pictures and designs printed or otherwise reproduced on paper or cardboard		9c
<i>a.</i> Picture post-cards	437	"
<i>b.</i> Playing-cards	438	"
<i>c.</i> Other	439	"
449. Other printed matter, paper or cardboard.	440	9c
450. Postal packages not classified according to kind	— ¹	—

SECTION XVI. — RETURNED GOODS AND SPECIAL TRANSACTIONS.

Chapter 49. — Returned Goods and Special Transactions.

451. Goods returned to the country whence exported	— ¹	—
452. Special transactions		—
<i>a.</i> Personal effects of travellers and migrants	— ¹	—
<i>b.</i> Samples and articles temporarily admitted	— ¹	—
<i>c.</i> Other special cases	— ¹	—

SECTION XVII. — GOLD AND SPECIE.

Chapter 50. — Gold and Specie.

453. Gold metal		—
<i>a.</i> In bars (in the form accepted in inter-bank transactions)	(685)	—
<i>b.</i> Other unworked gold	(685)	—
453.* According to the practice of the country concerned, crude silver should be shown here or in Chapter 39 (item 319).		
454. Gold coins	693	—
455. Silver coins	694	—
456. Base metal coins	695	—

¹ Not covered by the Customs Nomenclature.

Appendix II.

CLASSIFICATION OF COMMODITIES BY STAGE OF PRODUCTION AND USE.

INTRODUCTION.

For reason set forth in the previous report of this Committee (reproduced as Appendix III of this document), different principles of classification were employed in framing the sections and chapters for different parts of the Minimum List. To a large extent, they were based on the nature of the material entering into the commodities, but in other cases the use to which the products are put was made a basis for grouping, and still other chapters were distinguished on the basis of stage of production.

In its previous report, the Committee suggested the desirability of classifying statistics of exports and imports in two or more different ways, and particularly of classifying them according to a combination of the principle of stage of production and the principle of the use of the several commodities. A number of governments in commenting on the Minimum List have also urged the Committee to prepare a supplementary classification on this combination basis. The present Appendix represents the result of this work. The names of the groups distinguished are classified in Section A of this Appendix. Section B sets forth the conceptions underlying these groups. In Section C, the individual items of the list are allocated among the groups. It may be noted also that, in the Minimum List itself, the proper allocation of each item according to stage of production and use is indicated in the last column.

A. LIST OF GROUPS.

This classification distinguishes three lettered groups based on the stage of production and ten numbered groups based on use (in the sense of the word "use" more fully explained in Section B below). These groups are as follows :

GROUPS BASED ON STAGE OF PRODUCTION.

- a. Crude.
- b. Simply transformed.
- c. More elaborately transformed.

GROUPS BASED ON USE.

Materials for Production.

1. Materials for the production of human food, of beverages and of tobacco (all non-durable).
2. Materials for agricultural production (all non-durable).
3. Non-durable materials for industry and commerce (except groups 1 and 2).
4. Durable materials for industry and commerce.
5. Animal and vegetable oils and fats and materials therefor (all non-durable).
6. Fuels, electric energy and lubricants (all non-durable).
7. Capital equipment for agriculture, industry and commerce (all durable).

Articles ready for Retail Sale or for Consumers' Use.

8. Food, beverages and tobacco (all non-durable).
9. Other non-durable articles.
10. Durable equipment ("consumers' capital").

A cross classification of lettered groups and the numbered groups is proposed. The most convenient method is to sub-divide each numbered group (based on use) according to the lettered groups (based on stage of production) into which the commodities fall; in several cases, only one or two of the lettered groups will be found applicable to the given numbered group. The result of this cross classification appears in Section C.

B. DISCUSSION OF THE PRINCIPLES OF CLASSIFICATION INVOLVED.

I. INTER-RELATION OF THE PRINCIPLES OF STAGE OF PRODUCTION AND USE.

Although groupings of commodities (in statistics of international trade, of production or of prices) according to the so-called principle of stage of production have often been made by governmental agencies or by private agencies and individuals, careful examination of these groupings, and of the discussions accompanying them, indicates that those undertaking the classification have had in mind at least two and often three aspects under which commodities may be viewed. If a clear picture is to be gained of the nature and trends of a country's industry and commerce, and particularly of the movements of the business cycle, it is necessary to consider (a) the distinction between the cruder and the more advanced commodities (stage of production in the strict sense); (b) the distinction between commodities ready for consumption and other commodities, and (c) the distinction between non-durable and durable commodities.

The distinctions under (a) and (b) are by no means always identical. Potatoes for example, are crude, but they are also ready for human consumption. On the other hand, bodies or chassis or motors for motor vehicles are highly elaborated commodities, but they are not ready for the use of consumers.

The distinction between durable and non-durable commodities is particularly significant with respect to the movements of the business cycle.

Finished durable commodities constitute capital equipment of producers on the one hand or of consumers (residential buildings, private motor-cars) on the other. Phrases also used with respect to these items are "producers' investment goods" and "consumers' investment goods". The demand for capital equipment, of both kinds, varies more widely with the ups and downs of the business cycle than does the demand for non-durable consumption goods. This difference in demand affects not only finished articles, but the materials entering into those articles.

A classification of commodities which takes into account points (b) and (c) above mentioned, may be called a classification by use, that word being here employed in a sense quite different from that of the nature of the human wants which the commodities satisfy. The phrase "readiness for use" conveys part of the conception involved, but does not carry with it also the distinction as to durability.

II. THE SEGREGATION OF FOOD.

In the statistics of many countries, and in the Brussels classification, a basic distinction is made between articles of food on the one hand and all other articles. This, of course, is a distinction according to use in the second sense above mentioned, but it is one of such great importance from the economic standpoint that the Committee has incorporated it in its general plans for grouping commodities, both in the Minimum List itself and in the present classification by stage of production and use.

III. CLASSIFICATION BY STAGE OF PRODUCTION.

Certain countries which undertake to classify imports and exports according to stage of production distinguish only two groups, while others distinguish three. Where only two groups are distinguished, practice differs widely with respect to the assigning of numerous commodities to the less advanced or the more advanced group. On the whole, it seems preferable to distinguish three groups, while insisting, however, that the first of these groups, the crude articles, shall be set off with special sharpness from the other two. "Crude articles" are intended by the Committee to represent ordinarily the direct products of the extractive industries (agriculture, mining, forestry, fisheries and hunting); in some cases, these commodities have been subjected to a very simple preparation by the primary producers themselves, or have been so assorted and packed as may be necessary for their entry into international commerce.

The distinction between commodities simply transformed and those more elaborately transformed, cannot be drawn with such sharpness as the distinction between them and the crude articles. Many commodities go through numerous stages of transformation before they become finished consumers' goods or equipment. In general, the Committee has aimed at including in its group *b* (simply transformed articles) the products as they leave the hands of the manufacturing industry which undertakes their first transformation, even though, within this manufacturing industry, several successive processes may be performed, and even though in some cases, these successive processes may be conducted in different plants. Articles resulting from still further elaboration in one or more other industries are all classed with group *c*.

It is possible that some countries may not find it practicable to carry through the distinction between groups *b* and *c*, at least, in some parts of the classification, but all countries should be able to distinguish with reasonable accuracy between crude articles and those which have been subjected to manufacturing processes.

IV. CLASSIFICATION BY USE.

(a) *Distinction between Materials for Production, Producers' Equipment and Consumers' Goods.*

From the standpoint of use (in the special sense here involved) commodities may conveniently be grouped into three major classes: (1) materials for transformation or for auxiliary use in productive processes; (2) productive equipment (producers' capital); and (3) articles ready for the consumer; this third group constitutes the final goal of productive activity, to which commodities of the other two classes contribute. There are, however, two groups of articles which cannot readily be distributed among these three main classes. The animal and vegetable oils and fats are partly used for human consumption as food, and partly serve as materials for further manufacture (soap, etc.). The fuels serve in part as materials for transformation by industry, in part as auxiliary materials furnishing power for industry and commerce, and in part for the direct use of consumers. It has been deemed necessary to introduce two special groups to provide for these commodities.

(b) *Sub-groups of Materials for Production.*

The Committee has sub-divided materials for production into four groups, which, in its opinion, will serve more clearly to indicate the nature of the industry and commerce of the several countries. One group is set aside to cover materials entering into food, beverages and tobacco. The second represents materials used by the agricultural industry, principally themselves products of agriculture (food for animals). In the statistics of agricultural production of any country, great duplication is involved if the value of farm products used on farms for productive processes is added to the value of the final products of agriculture. The distinction between non-durable and durable materials for industry and commerce draws its significance from the difference between the demand for permanent equipment (whether for producers or consumers) and the demand for other consumers' goods.

V. DIFFICULTIES OF ALLOCATION OF COMMODITIES AMONG THE GROUPS.

However numerous the groups distinguished, and however logically they may be defined, many commodities do not lend themselves readily to allocation.

A single commodity may have two or more different uses. It must be allocated to the use which is dominant. From time to time, the dominant use may change in a given country. At any given time, the dominant use in one country may be different from that in another. In the case of numerous items, the Committee has found it necessary to indicate alternative allocations, according to use, leaving it to each country to classify the item according to the dominant use in that country.

A single illustration of this problem of differences in use may be mentioned — namely, the case of cloth. Some decades ago, most cloth went from textile factories either to local bespoke tailors or to homes to be transformed into garments or other articles. At that time, cloth could properly have been classified, in the statistics of all countries, under group 9 of the present classification (non-durable goods ready for retail sale or for consumers' use). At present, however, the greater part of the cloth goes to clothing and other factories, where it is transformed before reaching the retail dealer or the consumer. Cloth should therefore be classed not with group 9 but with group 3 (non-durable materials for industry and commerce).

Still greater difficulties of allocation, both as regards use and as regards stage of production, arise in the case of the numerous items of the Minimum List which comprise more than one commodity; in some cases, numerous commodities. Although the Committee has sought as far as is practicable to avoid including in any given item of the List commodities differing radically from one another in stage of production or use, the necessity for severe condensation has, in some cases, resulted in combining articles that in fact vary in these respects. In such cases, the Committee has indicated alternative allocations of the commodities. Each country desiring to make use of this method of classification will find it necessary to allocate any such item, if it must be allocated as a whole, according to the predominant nature of the commodity in its own industry and commerce. Of course, those countries which distinguish sub-divisions of any given item of the Minimum List will be in a position to allocate the several parts thereof with greater precision.

C. CLASSIFICATION BY STAGE OF PRODUCTION AND USE.

Note. — The fact that any number of an item is given in parentheses indicates that this item may comprise merchandise varying in use or stage of production. In such cases, the item should be allocated by each country to that particular group which represents its predominant use and nature in that country.

Lettered sub-items of the Minimum List are only shown if the various sub-items of a numbered item fall under different groups.

**1. MATERIALS FOR THE PRODUCTION OF HUMAN FOOD, OF BEVERAGES AND OF TOBACCO
(ALL NON-DURABLE).**

a. Crude.

1. Bovine cattle, including buffaloes.
2. Sheep and lambs.
3. Swine.
4. Poultry.
5. Other kinds of live animals chiefly for food (goats and kids, domestic hares and rabbits, game birds and animals).
26. Wheat, spelt and meslin.
27. Rye.
28. Rice in the husk.
- (30). Barley (*see also under 2a*).
- (32). Maize (Indian corn) (*see also under 2a*).
- (33). Other cereals (*see also under 2a*).
55. Hops, hop cones and lupulin.
56. Crude vegetable products chiefly for human food n.e.s.
64. Coffee, not roasted.
68. Cocoa beans, including husks and shells.
85. Unmanufactured tobacco.

b. Simply transformed.

20. Eggs not in the shell, yolks of eggs.
34. Meal and flour of wheat, spelt and meslin.
35. Rye meal and flour.
36. Meal and flour of other, or of mixed, cereals.
38. Malt.
59. Beet and cane sugar, not refined.
61. Other sugars (glucose, maltose, lactose, etc.).
- (62). Molasses, not edible (*see also under 2b*).
- 122.a. Starches and starchy substances, chiefly for food.

2. MATERIALS FOR AGRICULTURAL PRODUCTION (ALL NON-DURABLE).

a. Crude.

- (30). Barley (*see also under 1a*).
31. Oats.
- (32). Maize (Indian corn) (*see also under 1a*).
- (33). Other cereals (*see also under 1a*).
79. Cereal straw, including chopped straw.
80. Hay and fodder, green or dry.
138. Fertilisers of animal or vegetable origin, not chemically prepared.
139. Natural sodium nitrate.
142. Natural phosphates, ground or not.
144. Crude potash salts.
409. Products of horticulture n.e.s. :
 - a. Bulbs, tubers and rhizomes of flowering or foliage plants.
 - b. Cuttings, slips, live trees and other live plants.
410. Seeds for sowing.

b. Simply transformed.

- (62). Molasses, not edible (*see also under 1b*).
81. Offals from the preparation of cereals.
82. Oil-seed cake and meal and other vegetable-oil residues.
83. Wastes and by-products of the other food-preparing industries.
84. Feeding-stuffs for animals, manufactured, n.e.s.
140. Synthetic nitrates of sodium, calcium and ammonia.
141. Other nitrogenous mineral or chemical fertilisers.
143. Phosphates, other than natural, including superphosphates and basic slag.
145. Potash fertilisers, other than crude potash salts.
146. Mineral and chemical fertilisers n.e.s. and compound manures.

3. NON-DURABLE MATERIALS FOR INDUSTRY AND COMMERCE (EXCEPT GROUPS 1 AND 2).

a. *Crude.*

- 147. Crude rubber and rubber substitutes (gutta percha, balata, etc.).
- 149. Wastes of rubber and of rubber substitutes.
- 155. Pulpwood.
- 172. Cork, raw or partly worked.
- 174. Paper waste, old paper, etc.
- 186. Hides of cattle, including buffalo, undressed (excluding calfskins and kips).
- 187. Other hides or skins, undressed.
- 189. Waste and used leather.
- 193. Fur skins, undressed.
- 195. Silk cocoons.
- 196. Silk noils, waste and floss silk.
- 198. Sheep's and lambs' wool, greasy or back-washed.
- 199. Sheep's and lambs' wool, scoured.
- 200. Other fine animal hair suitable for spinning n.e.s. (goat, Angora rabbits, etc.).
- 201. Fine animal hair not suitable for spinning (beaver, hare, rabbit, except Angora rabbit).
- 202. Horsehair and other coarse hair, including curled hair.
- 203. Wool shoddy.
- 205. Waste of wool and of other animal hair.
- 206. Raw cotton.
- 207. Cotton waste and devilled cotton, raw, excluding linters.
- (210). Flax and flax tow (*see also under 3b*).
- (211). Hemp and hemp tow (*Cannabis saliva* and *Crotalaria juncea*) (*see also under 3b*).
- (212). Ramie fibre.
- (213). Jute and jute tow (*see also under 3b*).
- 214. Other vegetable textile fibres.
- 215. Waste material from textile fabrics, rags.
- 288. Salt.
- 289. Sulphur.
- 297. Other non-metallic minerals n.e.s.
- 405. Pigs' and boars' bristles.
- 406. Intestines, stomachs and bladders of animals, other than marine, for use as food containers or for industrial uses.
- 407. Products of marine animals n.e.s.
- 408. Other products of animal origin n.e.s.
- 411. Plants and parts of plants for use in dyeing and tanning, whether ground or not.
- 412. Other plants, seeds, flowers and parts of plants n.e.s. (mainly for use in medicines or perfumery).
- 413. Gums, resins and balsams.
- 415. Vegetable materials for plaiting (for basketware, plaited rugs, etc.).
- 416. Crude and semi-manufactured vegetable products n.e.s.
- (417). Ice, natural (*see also under 3b*).

b. *Simply transformed.*

- 114. Chemical elements n.e.s.
- 115. Compressed gases.
- 121. Turpentine.
- 122b. Starches, starchy substances and gluten, other than for food.
- 126a. Tanning extracts of vegetable origin.
- 127. Extracts for dyeing.
- 129. Other colouring materials, semi-manufactured.
- 163. Boxes, cases and crates and parts thereof.
- (164). Other wood simply shaped or worked n.e.s. (*see also under 4b*).
- 175. Mechanical wood-pulp.
- 176. Chemical pulp of wood, straw, fibres and rags.
- 188. Leather.
- 190. Imitation or artificial leather with a basis of leather waste.
- 194. Dressed furs, not made-up.
- 204. Wool and fine hair carded or combed.
- 208. Cotton, cotton waste and devilled cotton, bleached or dyed.
- 209. Cotton carded or combed.
- (210). Flax and flax tow (*see also under 3a*).
- (211). Hemp and hemp tow (*Cannabis saliva* and *Crotalaria juncea*) (*see also under 3a*).
- (213). Jute and jute tow (*see also under 3a*).
- 216. Raw silk in skeins (not thrown).
- 217a, b. Thrown silk and other silk yarns and thread except raw silk not put up for retail sale.

3. NON-DURABLE MATERIALS FOR INDUSTRY AND COMMERCE (EXCEPT GROUPS 1 AND 2) (continuation).

b. *Simply transformed* (continuation).

- 219a, b. Yarns of wool and hair, not put up for retail sale.
- 220a, b. Cotton yarn and thread, not put up for retail sale.
- 221a. Yarns and thread of flax, hemp and ramie, not put up for retail sale.
- 222. Yarns of other textile materials.
- 223. Yarns of mixed textile and metal fibres.
- 414. Vegetable extracts n.e.s.
- (417). Ice, manufactured (*see also under 3a*).
- (436c). Articles for packing of vegetable plaiting materials (bamboo, straw, willow, etc.). (*see also under 10c*).

c. *More elaborately transformed*.

- 116. Inorganic and aliphatic organic acids.
- 117. Inorganic chemicals (other than acids) and salts of aliphatic acids with inorganic bases.
- 118. Ethyl alcohol, pure.
- 119. Ethyl alcohol, denatured, and methyl alcohol.
- 120. Organic compounds n.e.s.
- 123. Casein, albumen, gelatine, glue and dressings.
- 124. Chemical products n.e.s. :
 - a. Derivatives of cellulose, except collodions.
 - b. Artificial plastic materials.
 - (d) Other descriptions n.e.s. (*see also under 9c*).
- 126b. Synthetic tanning materials.
- 128. Dyestuffs prepared from coal tar; natural indigo.
- 130. Prepared paints and enamels, varnishes, siccatives, mastics, printers' ink and inked ribbons.
- 133. Essential vegetable oils (except turpentine).
- 134a. Synthetic perfumes, mixtures of perfumes and concentrated solutions of perfumes in greases and oils.
- 136. Turkey red oils and other sulphuric acid derivatives.
- 148. Reclaimed, imitation and artificial rubber, and artificial substitutes.
- 151a, (b). Manufactures of soft rubber n.e.s. (*see also under 9c*).
- 152a, (b). Articles of hard rubber n.e.s. (*see also under 9c*).
- (168). Cooperage products and parts therefor (*see also under 10c*).
- 173b, c. Manufactures of cork other than materials for building and insulation.
- 177. Cardboard, including corrugated cardboard.
- 178. Newsprint paper.
- 179. Common packing-paper.
- 180. Other kinds of papers in rolls or sheets n.e.s.
- 181. Wallpaper.
- 182. Other special papers and cardboards, including cut-out.
- 183. Paper bags, cardboard boxes and other containers of paper or cardboard.
- (185). Other manufactures of paper, cardboard or pulp n.e.s. (*see also under 9c*).
- 197. Artificial textile fibres and waste of such fibres.
- 218a, b. Yarns and thread of artificial textiles, not put up for retail sale.
- 224. Velvets and plushes of silk, or of silk mixed with other textile fibres.
- 225. Other silk fabrics n.e.s.
- 226. Ribbons of silk.
- 227. Trimmings, lace and lace net of silk.
- 228. Velvets and plushes of artificial textile fibres pure or mixed with other textile fibres.
- 229. Other fabrics of artificial textile fibres n.e.s.
- 230. Ribbons of artificial textile fibres.
- 231. Trimmings, lace and lace net of artificial textile fibres.
- 232a, c, d. Fabrics of wool and other fine hair n.e.s. (excluding blankets, etc.)
- 233. Trimmings and other small wares, lace and lace net of wool or other fine hair.
- 234. Fabrics and other articles of horsehair or other coarse hair n.e.s.
- 235. Cotton velvets and plushes.
- 236. Other cotton fabrics (piece goods).
- 237. Ribbons, tape and other small wares of cotton.
- 238. Cotton lace and lace net.
- 239. Fabrics (piece goods) of flax, hemp and ramie n.e.s.
- 240. Fabrics (piece goods) of jute n.e.s.
- 241. Fabrics of other vegetable fibres n.e.s. and all articles of paper yarn.
- 242. Velvets and plushes, ribbons and other small wares, lace and lace net of vegetable fibres mentioned in 239-241.
- 243. Fabrics and articles of mixed textile and metal fibres.
- 245. Embroidery.
- 246. Felts and felt articles except hats and hoods for hats (hat bodies).
- 247. Cordage, cables, ropes and twine and manufactures thereof.
- 248a, c. Fabrics and felts, impregnated or coated, except linoleum, linocrusta, etc.
- 249. Elastic fabrics, ribbons, webbing and other small wares.

3. NON-DURABLE MATERIALS FOR INDUSTRY AND COMMERCE (EXCEPT GROUPS 1 AND 2) (continuation).

c. More elaborately transformed (continuation).

- (250). Other special textile fabrics and technical articles n.e.s. (see also under 7c and 9c).
- 255a. Hoods for hats (hat bodies) of all materials, not knitted (but including fulled tricot).
- 260. Uppers, legs and other prepared parts of footwear.
- 267. Bags or sacks for packing, new or used.
- 306. Carboys, bottles and flasks, unworked.
- 307a. Bulbs for electric lamps and valves.
- 314. Abrasive cloths and papers.
- 366. Advanced manufactures of lead.
- 368. Advanced manufactures of tin.
- 424. Projectiles and ammunition for arms of war.
- 427. Propellant powders and high explosives.
- 428. Fuses, primers and detonators.
- 434. Buttons and studs.
- 444. Cinematographic (moving picture) films, not sensitised, or sensitised but not exposed.
- 445. Cinematographic (moving picture) films, exposed, whether developed or not.

4. DURABLE MATERIALS FOR INDUSTRY AND COMMERCE.

a. Crude.

- 156. Wood in the round, whether rough-hewn, or not, *conifer* (excluding pulpwood).
- 157. Wood in the round, whether rough-hewn, or not, *non-conifer* (excluding pulpwood).
- 286. Sand.
- 287. Clay.
- 290. Natural abrasives.
- 291. Building-stone.
- 292. Gravel and crushed stone for road-making and for concrete.
- 293. Stone for industrial uses, including the making of lime and cement.
- 294. Asbestos.
- 317a, b. Precious and semi-precious stones, unworked, and pearls, unworked or worked, but not set.
- 318. Ores of precious metals.
- 324. Iron ores (except pyrites not roasted).
- 325. Ores of metals chiefly used for alloying with iron.
- 326. Ores of non-ferrous base metals.
- 327. Slag and other wastes from the treatment of metals, except basic slag.

b. Simply transformed.

- 158. Railway sleepers (ties).
- 159. Wood, simply sawn lengthwise or squared with the axe, *conifer*, n.e.s.
- 160. Wood, simply sawn lengthwise or squared with the axe, *non-conifer*, n.e.s.
- 161. Wood, planed, grooved or tongued, *conifer*.
- 162. Wood, planed, grooved or tongued, *non-conifer*.
- (164). Other wood simply shaped or worked n.e.s. (see also under 3b).
- 167. Veneers and plywood.
- 295. Lime.
- 296. Cement.
- 298a, (b) Bricks, tiles, pipes, etc., of brick earth or ordinary baked clay (see also under 10c).
- 303. Glass in the mass, bars and tubes, unworked, including broken and powdered glass.
- (312). Building-stone worked (see also under 4c).
- 319. Silver, crude.
- 320. Silver, partly worked.
- 321. Gold, partly worked.
- 322. Platinum and other metals of the platinum group, crude or partly worked.
- 328. Pig-iron and ferro-alloys unworked.
- 329. Scrap iron and steel.
- 330. Other crude iron and steel : simply cast (ingots, blocks, etc.) or simply rolled or forged (blooms, billets, slabs, etc.) requiring further manufacture.
- 331. Bars, rods and structural shapes of iron and steel.
- 332a. Wire of iron and steel, not barbed.
- 333. Plates, sheets, hoops and strips of iron and steel.
- 334. Tubes, pipes and fittings of iron and steel.
- 335. Railway track material.
- 336. Castings and forgings of iron and steel ; in the rough or simply machined.
- 337. Copper, not refined, including scrap.
- 338. Copper, refined, including alloys of copper, unwrought.
- 339. Copper, including alloys of copper, wrought (bars, rods, sheets, leaves, wire, pipes, tubes, castings and forgings).

4. DURABLE MATERIALS FOR INDUSTRY AND COMMERCE (continuation).

b. *Simply transformed* (continuation).

- 340. Aluminium, unwrought, including scrap.
- 341. Aluminium, wrought (bars, rods, sheets, leaves, wire, pipes, tubes, castings and forgings).
- 342. Lead, unrefined or refined, unwrought, including scrap.
- 343. Lead, wrought (bars, rods, sheets, leaves, wire, pipes, tubes, castings and forgings).
- 344. Zinc, unrefined or refined, unwrought, including scrap.
- 345. Zinc, wrought (bars, rods, sheets, leaves, wire, pipes, tubes, castings and forgings).
- 346. Tin, unwrought, including scrap and solder.
- 347. Tin, wrought (bars, rods, sheets, leaves, wire, pipes, tubes, castings and forgings).
- 348. Other non-ferrous base metals, unwrought, including scrap.
- 349. Other non-ferrous base metals, wrought (bars, rods; sheets, leaves, wire, pipes, tubes, castings and forgings).

c. *More elaborately transformed.*

- 165. Blocks and strips for parquet flooring.
- 166. Beadings and mouldings.
- 169. Builder's woodwork (doors, sash and other millwork) n.e.s.
- 173a. Manufactures of cork for building and insulation.
- 248b. Linoleum, lincrusta, etc.
- (299). Refractory articles, n.e.s. (bricks, pipes, etc.) (see also under 7c).
- (302). Articles of stoneware and articles of pottery n.e.s. (see also under 7c and 10c).
- 304a, c, (d). Plate and sheet glass (see also under 10c).
- 305. Tiles, paving-blocks and squares of cast or pressed glass.
- 309. Optical glass and spectacle glass, crude.
- (312). Building stone, worked (see also under 4b).
- 315. Manufactures of asbestos.
- 316a, b, (c). Other manufactures of non-metallic minerals n.e.s. (see also under 10c).
- 317c. Precious and semi-precious stones cut, but not set.
- 352. Wire netting, wire fencing, wire mesh and expanded metal of iron or steel.
- 353. Nails, bolts, nuts, screws, etc., of iron or steel.
- (354). Needles and pins, of iron or steel, n.e.s. (see also under 10c).
- 355. Hardware of iron or steel (locks and keys; fittings for doors, windows, furniture, vehicles, harness, trunks, etc.).
- 363c, (d). Springs and other manufactures chiefly of iron or steel n.e.s. (see also under 7c and 10c).
- 364a, (b). Advanced manufactures of copper n.e.s. (see also under 7c and 10c).
- (365). Advanced manufactures of aluminium (see also under 10c and 7c).
- (367). Advanced manufactures of zinc (see also under 10c and 7c).
- 369(a), b. Advanced manufactures of other base metals (see also under 10c).

5. ANIMAL AND VEGETABLE OILS AND FATS AND MATERIALS THEREFOR (ALL NON-DURABLE).

a. *Crude.*

- 87. Ground nuts (peanuts) not shelled.
- 88. Ground nuts (peanuts) shelled.
- 89. Copra.
- 90. Palm kernels.
- 91. Soya beans.
- 92. Linseed.
- 93. Cotton seed.
- 94. Other oil-seeds, nuts and kernels.

b. *Simply transformed.*

- 95. Lard, not including neutral lard.
- 96. Oils from fish and marine animals.
- 97. Other animal oils, fats and greases.
- 98. Linseed oil.
- 99. Soyabean oil.
- 100. Cottonseed oil.
- 101. Groundnut (peanut) oil.
- 102. Olive oil.
- 103. Palm oil.
- 104. Palm-kernel oil.
- 105. Coconut (copra) oil, unrefined.
- 106. Coconut (copra) oil, refined.
- 107. Other oils from seeds, nuts and kernels.
- 108. Oils, oxidised or blown, of every kind, linseed and similar oils, boiled.
- 109. Hydrogenated oils and fats.
- 110. Margarine, lard substitutes and similar edible fats.
- 111. Glycerine.
- 112. Acid oils, fatty acids and solid residues from the treatment of oils and fats.
- 113. Waxes of animal and vegetable origin.

6. FUELS, ELECTRIC ENERGY AND LUBRICANTS (ALL NON-DURABLE).

a. *Crude.*

- 153. Wood for fuel.
- 269. Coal.
- 270. Lignite.
- 271. Peat.
- (273). Gas, natural.
- 274. Natural asphalt.
- 275. Crude petroleum and partly refined petroleum for further refining.

b. *Simply transformed.*

- 154. Charcoal.
- 272. Briquettes of coal, lignite or peat.
- (273). Gas, manufactured.
- 276. Motor spirit (gasoline and other light oils for similar uses).
- 277. Lamp oil and white spirit (kerosene; illuminating oil).
- 278. Gas oil and fuel oil.
- 279. Lubricating oils and greases, including mixtures with animal and vegetable lubricants.
- 280. Coke of coal, of lignite and of petroleum.
- 281. Tar and tar oils and other products of tar distillation.
- 282. Pitch, resin, petroleum, asphalt and other by-products of coal and petroleum (including mixtures with asphalt) n.e.s.
- 283. Mineral jelly and waxes.
- 284. Candles and tapers.
- 285. Electric energy.

7. CAPITAL EQUIPMENT FOR AGRICULTURAL, INDUSTRY AND COMMERCE (ALL DURABLE).

a. *Crude.*

- 403. Live horses, asses and mules.
- 404. Other live animals, not for food.

c. *More elaborately transformed.*

- 191. Saddlery and harness-makers' goods, excluding gaiters and leggings.
- 192a, (d). Machine belting of leather and other articles made of leather or skin n.e.s. (*see also under 9c*).
- (250b). Other special textile fabrics and technical articles n.e.s. (*see also under 3c*).
- (299). Refractory articles n.e.s. (retorts, crucibles, etc.) (*see also under 4c*).
- (302). Articles of stoneware and articles of pottery n.e.s. (*see also under 4c and 10c*).
- 307c. Glassware for laboratory use.
- 313. Grinding and polishing wheels and stones.
- 332b. Barbed wire of iron and steel.
- 350. Metallic structures of iron and steel and their finished or processed parts.
- 351. Wire cables and ropes, iron or steel.
- (356). Stoves, grates and ranges, boilers and radiators for central heating of iron or steel (*see also under 10c*).
- 357. Safes, strong-room fittings and strong boxes of iron or steel.
- (358). Furniture of iron and steel (*see also under 10c*).
- 360. Hand tools of iron or steel mainly for agricultural use.
- 361. Other tools of iron or steel.
- 363. Other manufactures chiefly of iron or steel n.e.s. :
 - a. Containers for liquids and gases.
 - b. Chains.
 - (d). Other (*see also under 4c and 10c*).
- (364b). Advanced manufactures of copper n.e.s. (*see also under 4c and 10c*).
- (365). Advanced manufactures of aluminium (*see also under 10c and 4c*).
- (367). Advanced manufactures of zinc (*see also under 10c and 4c*).
- 371a. Printers' type, stereotypes, etc.
- 372. Prime movers.
- 373. Agricultural machinery and appliances.
- 374. Office machines and appliances.
- 376. Other machines and appliances n.e.s. (chiefly for industrial and commercial equipment).
- 377. Machine parts and accessories not assignable to a particular class of machinery.
- 378. Dynamos, motors, converters, transformers.
- 379. Electric batteries and accumulators.
- 380. Bulbs and tubes for electric lighting, complete.
- 381(a), b. Apparatus for telegraphy and telephony, wireless or other (*see also under 10c*).

7. CAPITAL EQUIPMENT FOR AGRICULTURE, INDUSTRY AND COMMERCE (ALL DURABLE) (continuation)*

c. *More elaborately transformed* (continuation).

- 382. Insulated cables and wire for electricity.
- (384). Other appliances and apparatus n.e.s. (*see also under 10c*).
- 385. Parts and accessories not assignable to a particular class of machinery, apparatus or appliances.
- 386. Railway locomotives.
- 387. Rail motors (cars for railways with power equipment).
- 388. Railway cars and wagons, without power equipment.
- 389. Parts of railway rolling-stock (except electric parts, internal combustion or explosion engines and parts thereof).
- 390. Signalling and other track equipment for railways n.e.s. and parts thereof, except electric parts.
- 391. Tractors with explosion or internal combustion, including gas engines.
- 393. Road motor vehicles (other than private cars and taxicabs) complete.
- 395. Chassis of road motor vehicles of the class specified in 393 with engines mounted.
- (396). Bodies and other parts of road motor vehicles and tractors n.e.s. (*see also under 10c*).
- 399. Other vehicles, including detached parts and pieces (except rubber tyres).
- 400. Aircraft.
- 401. Vessels exceeding 100 gross registered tons.
- (402). Other ships and boats (*see also under 10c*).
- (418). Scientific, medical and optical instruments and appliances (*see also under 10c*).
- 423. Firearms of war and other arms of war (including " tanks " and armoured vehicles for military use).
- 438. Sieves.

8. FOOD, BEVERAGES AND TOBACCO (ALL NON-DURABLE).

a. *Crude.*

- 15. Milk and cream, fresh.
- 19. Eggs in the shell.
- 21. Natural honey.
- 22. Fish, fresh, chilled or frozen.
- 23. Fish, salted, dried or smoked, not further prepared.
- 24. Crustaceans and molluscs, fresh, chilled, frozen, salted or simply cooked.
- 42. Citrous fruits.
- 43. Bananas.
- 44. Other tropical fruits, fresh.
- 45. Apples.
- 46. Other fruits of temperate countries, fresh.
- 47. Dried fruits.
- 48. Edible nuts, other than nuts chiefly used for extraction of oil.
- 50. Potatoes, fresh (not including sweet potatoes).
- 51. Other vegetables chiefly for human food (including olives), fresh or simply preserved in brine.
- 52. Beans, peas, lentils and other legumes (pulses), dry, including split (including dried legumes used chiefly for animal food).
- 53. Other dried vegetables.
- 67. Tea and maté.
- 70. Spices.

b. *Simply transformed.*

Meat, fresh, chilled or frozen.

- 6. Meat of bovine cattle (beef and veal).
- 7. Mutton and lamb.
- 8. Meat of swine (pork).
- 9. Poultry.
- 10. Other kinds.

Meat, salted, dried, smoked, cooked or otherwise simply prepared.

- 11. Meat of swine (bacon and hams, pork).
- 12. Other kinds.
- 16. Milk and cream, evaporated, condensed or dried.
- 17. Butter (fresh or salted) including melted.
- 18. Cheese.
- 29. Rice, not in the husk, including polished and broken rice.
- 37. Groats, semolina and cereals flaked, pearled or prepared in a manner not otherwise specified (" breakfast foods ").
- 57. Flour, semolina and flakes of potatoes and flour n.e.s.
- (58). Vegetable preparations for food n.e.s. (*see also under 8c*).
- 65. Coffee, roasted.
- 71. Natural and artificial waters.

8. FOOD, BEVERAGES AND TOBACCO (ALL NON-DURABLE) (*continuation*).

c. More elaborately transformed.

13. Sausages and similar articles, not in air-tight containers.
14. Meats, including sausages, in air-tight containers; extracts and other preparations of meat.
25. Fish, crustaceans and molluscs in air-tight containers or prepared in a manner not elsewhere specified.
39. Alimentary pastes (macaroni, vermicelli and similar preparations).
40. Bakery products (bread, biscuits, cakes, etc.).
41. Malt extracts and flour, starch and malt extracts prepared for infants' foods and dietetic and culinary use.
49. Fruits and nuts, prepared or preserved, except dried fruits and fruit juices for beverages.
54. Vegetables preserved or prepared, except dried or in brine.
- (58). Vegetable preparations for food n.e.s. (*see also under 8b*).
60. Beet and cane sugar, refined, including edible molasses and sugar syrups.
63. Sugar preparations, not including chocolate confectionery.
66. Extracts and other preparations of coffee.
69. Cocoa preparations, including chocolate confectionery.
72. Lemonade and other unfermented beverages n.e.s.
73. Fruit juices.
74. Cider and fermented fruit juices n.e.s.
75. Wine and grape must.
76. Beer (including ale, stout, porter and other fermented cereal beverages).
77. Distilled alcoholic beverages
78. Vinegar for domestic use or for use in food preservation.
86. Manufactured tobacco.

9. OTHER NON-DURABLE ARTICLES READY FOR RETAIL SALE OR FOR CONSUMERS' USE.

All c. More elaborately transformed.

124. Chemical products n.e.s.
 - c.* Chemical products for use in photography, put up for retail sale.
 - (d).* Other descriptions n.e.s. (*see also under 3c*).
125. Pharmaceutical products.
131. Writing and drawing ink.
132. Pencils, except mechanical, pencil leads, crayons.
- 134*b*. Perfumery, cosmetics and dentifrices.
135. Soaps and cleansing preparations.
137. Cleaning and polishing materials.
150. Rubber tyres.
- (151*b*). Other manufactures of soft rubber n.e.s. (*see also under 3c*).
- (152*b*). Articles of hard rubber n.e.s. (*see also under 3c*).
184. Manufactures of writing paper.
- (185). Other manufactures of paper, cardboard or pulp n.e.s. (*see also under 3c*).
192. Articles made of leather or skin n.e.s. :
 - b.* Fancy leather goods.
 - c.* Travelling requisites.
 - (d).* Other articles n.e.s. (*see also under 7c*).

Yarn and thread put up for retail sale.

- 217*c*. Yarn and thread of silk or spun silk.
- 218*c*. Yarns and thread of artificial textiles.
- 219*c*. Yarns of wool and hair.
- 220*c*. Cotton yarn and thread.
- 221*b*. Yarns and thread of flax, hemp and ramie.
- 232*b*. Blankets, travelling rugs and coverlets of wool and other fine hair.
- (250*a*). Absorbent cotton, wadding and articles made thereof n.e.s. (*see also under 3c*).
251. Knitted fabrics and other articles of clothing.
252. Outer garments, not knitted.
253. Clothing and underwear of rubbered fabrics, oiled fabrics, etc.
254. Under clothing n.e.s.
- 255*b, c*. Hats and caps of all materials, not knitted (but including fulled tricot).
256. All other articles of clothing (handkerchiefs, ties, scarves, shawls, stitched fabric gloves, collars, corsets, suspenders, garters and similar articles).
257. Leather coats, gaiters and other leather clothing n.e.s.
258. Gloves wholly or mainly of leather including parts.
259. Furs made up, including gloves of fur, but not hats, caps or shoes.
261. Slippers and house footwear.
262. Other footwear, wholly or mainly of leather.
263. Other footwear of textile materials.

9. OTHER NON-DURABLE ARTICLES READY FOR RETAIL SALE OR FOR CONSUMERS' USE (continuation).

All c. More elaborately transformed (continuation).

- 264. Footwear of rubber.
- 265. Footwear of other materials.
- 266. Table-linen, bed-linen and toilet-linen.
- 268. Other made-up articles of textile materials.
- 371b. Pens of base metal.
- 409c. Cut flowers and foliage.
- 426. Ammunition for firearms other than arms of war.
- 429. Matches.
- 430. Pyrotechnical articles (fireworks) and articles of inflammable materials n.e.s.
- 431. Umbrellas, parasols, walking-sticks and whips.
- 432. Prepared decorative feathers and human hair; artificial flowers, foliage and fruits; articles made from these materials; fans of all kinds.
- 433. Manufactures of gut, except strings for musical instruments.
- 437. Brooms and brushes.
- 439. Toys, games and sports goods, except arms and ammunition.
- 441. Sealing-wax.
- 443. Films other than cinematographic (moving picture) plates and paper sensitised for photography.
- 447. Books, pamphlets, periodicals, music, maps and plans.
- 448. Pictures and designs printed or otherwise reproduced on paper or cardboard.
- 449. Other printed matter, paper or cardboard.

10. DURABLE EQUIPMENT ("CONSUMERS' CAPITAL").

All c. More elaborately transformed.

- (168). Cooperage products and parts therefor (see also under 3c).
- 170. Furniture and parts thereof, including picture-frames.
- 171. Other manufactures of wood n.e.s.
- 244. Carpets and rugs of textile fibres.
- (298b). Pottery and other articles of ordinary baked clay (see also under 4b).
- 300. Table and other household articles of faience or fine earthenware.
- 301. Table and other articles of porcelaine.
- (302b). Other articles of stoneware and articles of pottery n.e.s. (see also under 4c and 7c).
- (304d). Looking-glasses and mirrors (see also under 4c).
- 307b. Illuminating glassware n.e.s.
- 308. Blown or pressed glassware n.e.s.
- 310. Beads, drops, pendants, imitation pearls and stones, and similar decorative articles of glass and objects made therefrom.
- 311. Other articles of glass n.e.s.
- (316c). Other manufactures of non-metallic minerals n.e.s. (see also under 4c).
- 323. Jewellery and other wares of precious metals (except watch cases).
- (354). Needles and pins, of iron or steel, n.e.s. (see also under 7c).
- (356). Stoves, grates and ranges, boilers and radiators for central heating of iron or steel (see also under 7c).
- (358). Furniture of iron and steel (see also under 7c).
- 359. Household utensils, of sheet iron or sheet steel.
- 362. Cutlery, forks and spoons, not including cutting tools (knives, etc., operated by machinery or agricultural hand tools).
- (363d). Other manufactures chiefly of iron or steel n.e.s. (see also under 4c and 7c).
- (364b). Advanced manufactures of copper n.e.s. (see also under 4c and 7c).
- (365). Advanced manufactures of aluminium (see also under 4c and 7c).
- (367). Advanced manufactures of zinc (see also under 4c and 7c).
- (369a). Advanced manufactures of nickel (see also under 4c).
- 370. Metal articles for lighting (lamps, lanterns, gas-light and electric-light fixtures and fittings, and parts thereof).
- 371. Special or mixed articles, chiefly of non-ferrous base metals n.e.s. :
 - c. Imitation jewellery.
 - d. Other descriptions.
- 375. Machines and appliances chiefly for household use (refrigerators, washing and ironing machines, grinding and chopping machines, etc.).
- (381a). Wireless apparatus (see also under 7c).
- 383. Portable tools and appliances and small household electro-mechanical appliances (ordinarily not exceeding 15 kilogrammes in weight).
- (384a). Electric appliances for motor vehicles and cycles (see also under 7c).
- 392. Road motor vehicles, complete, for the transportation of persons, private, but including taxicabs.
- 394. Chassis of vehicles — of the class specified in 392, with engines mounted.
- (396). Other parts of road motor vehicles and tractors n.e.s. (see also under 7c).
- 397. Motor-cycles, side-cars.
- 398. Cycles, foot or hand-driven.
- (402). Ships and boats not exceeding 100 gross registered tons (see also under 7c).

10. DURABLE EQUIPMENT ("CONSUMERS' CAPITAL") (continuation).

All c. More elaborately transformed (continuation).

- (418). Scientific, medical and optical instruments and appliances (see also under 7c).
- 419. Watches, watch-movements, cases and other parts of watches.
- 420. Clocks, clock-movements.
- 421. Phonographs (gramophones) and records.
- 422. Other musical instruments.
- 425. Arms other than arms of war.
- 435. Fancy carved or moulded articles of natural animal or vegetable or artificial plastic materials (coral, tortoise-shell, mother-of-pearl, ivory, bone, horn; corozo, areca-nut, etc.; jet, amber, amberoid, meerschaum; celluloids, galalith and other artificial plastic materials) n.e.s.
- 436. a, b, (c). Articles of vegetable plaiting materials (bamboo, straw, willow, etc.) n.e.s. (excluding (c) plaited packing materials under 3b).
- 440. Fountain pens, propelling pencils, pen and pencil holders.
- 442. Pipes, cigar-holders and cigarette-holders.
- 446. Works of art and articles for collections.

ARTICLES WHICH CANNOT BE CLASSIFIED OR ARE SUBJECT TO SPECIAL CONDITIONS.

- 450. Postal packages not classified according to kind.
- 451. Goods returned to the country whence exported.
- 452. Special transactions (personal effects of travellers and migrants, samples and articles temporarily admitted, etc.).
- 453. Gold metal.
- 454. Gold coins.
- 455. Silver coins.
- 456. Base metal coins.

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Summary.

1. MATERIALS FOR THE PRODUCTION OF HUMAN FOOD, OF BEVERAGES AND OF TOBACCO (ALL NON-DURABLE).
 - a. Crude: Items 1-5, 26-28, (30), (32), (33), 55, 56, 64, 68, 85.
 - b. Simply transformed: Items 20, 34-36, 38, 59, 61, (62), 122a.
2. MATERIALS FOR AGRICULTURAL PRODUCTION (ALL NON-DURABLE).
 - a. Crude: Items (30), 31, (32), (33), 79, 80, 138, 139, 142, 144, 409a, b, 410.
 - b. Simply transformed: Items (62), 81-84, 140, 141, 143, 145, 146.
3. NON-DURABLE MATERIALS FOR INDUSTRY AND COMMERCE (EXCEPT GROUPS 1 AND 2).
 - a. Crude: Items 147, 149, 155, 172, 174, 186, 187, 189, 193, 195, 196, 198-203, 205-207, (210), (211), 212, (213), 214, 215, 288, 289, 297, 405-408, 411-413, 415, 416, (417).
 - b. Simply transformed: Items 114, 115, 121, 122b, 126a, 127, 129, 163, (164), 175, 176, 188, 190, 194, 204, 208, 209, (210), (211), (213), 216, 217a, b, 219a, b, 220a, b, 221a, 222, 223, 414, (417), (436c).
 - c. More elaborately transformed: Items 116-120, 123, 124a, b, (d), 126b, 128, 130, 133, 134a, 136, 148, 151a, (b), 152a, (b), (168), 173b, c, 177-183, (185), 197, 218a, b, 224-231, 232a, c, d, 233-243, 245-247, 248a, c, 249, (250), 255a, 260, 267, 306, 307a, 314, 366, 368, 424, 427, 428, 434, 444, 445.
4. DURABLE MATERIALS FOR INDUSTRY AND COMMERCE.
 - a. Crude: Items 156, 157, 286, 287, 290-294, 317a, b, 318, 324-327.
 - b. Simply transformed: Items 158-162, (164), 167, 295, 296, 298a, (b), 303, (312), 319-322, 328-331, 332a, 333-349.
 - c. More elaborately transformed: Items 165, 166, 169, 173a, 248b, (299), (302), 304a-c, (d), 305, 309, (312), 315, 316a, b, (c), 317c, 352, 353, (354), 355, 363c, (d), 364a, (b), (365), (367), 369(a), b.
5. ANIMAL AND VEGETABLE OILS AND FATS AND MATERIALS THEREFOR (ALL NON-DURABLE).
 - a. Crude: Items 87-94.
 - b. Simply transformed: Items 95-113.

6. FUELS, ELECTRIC ENERGY AND LUBRICANTS (ALL NON-DURABLE).

- a. *Crude*: Items 153, 269-271, (273), 274, 275.
- b. *Simply transformed*: Items 154, 272, (273), 276-285.

7. CAPITAL EQUIPMENT FOR AGRICULTURE, INDUSTRY AND COMMERCE (ALL DURABLE).

- a. *Crude*: Items 403, 404.
- c. *More elaborately transformed*: Items 191, 192a, (d), (250b), (299), (302), 307c, 313, 332b, 350, 351, (356), 357, (358), 360, 361, 363a, b, (d), (364b), (365), (367), 371a, 372-374, 376-380, 381(a), b, 382, (384), 385-391, 393, 395, (396), 399-401, (402), (418), 423, 438.

8. FOOD, BEVERAGES AND TOBACCO (ALL NON-DURABLE).

- a. *Crude*: Items 15, 19, 21-24, 42-48, 50-53, 67, 70.
- b. *Simply transformed*: Items 6-12, 16-18, 29, 37, 57, (58), 65, 71.
- c. *More elaborately transformed*: Items 13, 14, 25, 39-41, 49, 54, (58), 60, 63, 66, 69, 72-78, 86.

9. OTHER NON-DURABLE ARTICLES READY FOR RETAIL SALE OR FOR CONSUMERS' USE.

- All c. *More elaborately transformed*: Items 124c, (d), 125, 131, 132, 134b, 135, 137, 150, (151b), (152b), 184, (185), 192b, c, (d), 217c, 218c, 219c, 220c, 221b, 232b, (250a), 251-254, 255b, c, 256-259, 261-266, 268, 371b, 409c, 426, 429-433, 437, 439, 441, 443, 447-449.

10. DURABLE EQUIPMENT ("CONSUMERS' CAPITAL").

- All c. *More elaborately transformed*: Items (168), 170, 171, 244, (298b), 300, 301, (302b), (304d), 307b, 308, 310, 311, (316c), 323, (354), (356), (358), 359, 362, (363d), (364b), (365), (367), (369a); 370, 371c, d, 375, (381a), 383, (384a), 392, 394, (396), 397, 398, (402), (418), 419-422, 425, 435, 436a, b, (c), 440, 442, 446.

* * *

ARTICLES WHICH CANNOT BE CLASSIFIED OR ARE SUBJECT TO SPECIAL CONDITIONS.

Items 450-456.

Appendix III.

[Reprint from document C.152.M.63.1934.II.A, with various changes in the numbering of chapters and sections, etc., to conform with the Revised Minimum List.]

STATEMENT REGARDING THE PRINCIPLES WHICH HAVE GUIDED THE COMMITTEE OF STATISTICAL EXPERTS IN THE PREPARATION OF THE MINIMUM LIST OF COMMODITIES FOR FOREIGN TRADE STATISTICS.

INTRODUCTION.

The Committee of Statistical Experts, in submitting the accompanying minimum list of commodities prepared in accordance with the provisions of Recommendation VI adopted by the Statistical Conference in 1928, deems it appropriate to set forth the general considerations which have guided the Committee in its preparation.

The Sub-Committee of Experts for the Unification of Customs Nomenclature has prepared a preliminary project for a unified list of commodities to be used in the Customs tariffs of the several nations, which had been submitted to the Governments for their observations. In accordance with the intimation contained in the resolution of the Conference on Economic Statistics, the Committee of Statistical Experts took the list of items in that project as the starting-point for its work. Broadly speaking, the present list is of the nature of a combination and re-arrangement of the items as listed in the project for Customs nomenclature. The minimum statistical list is necessarily much the more condensed.

A. INDIVIDUAL ITEMS IN THE LIST.

I. *Number of Items and Sub-items.*

The minimum statistical list, as herein submitted, contains 456 primary items. Of these, 126 have been subdivided into two or more sub-items each. The total number of these sub-items is 362. The net total number of items and sub-items is thus 692 (456 + 362 — 126, the last-mentioned figure representing the number of primary items which would not have to be listed if all the sub-items were distinguished).

It is not expected by the Committee that all countries which supply foreign trade statistics on the basis of this list will compile data for all the sub-items set forth. For certain countries, the total trade in a given item may be too small to justify a subdivision. In many cases, however, the data for the sub-items will be of great use. In this connection, the Committee recognises that many countries, owing to the nature of their trade falling under a given item of the nomenclature, will desire to subdivide it in greater detail than is here specified. It is to be hoped, however, that, with possible rare exceptions, the Governments may find it practicable to avoid the use of sub-items which are incapable of being combined in the form here suggested. Since the number of sub-items specified in this list is usually small, the difficulty and expense involved in conforming to them will be relatively insignificant.

II. *Principles considered in determining the Length of the List.*

In determining how many items should be distinguished in the minimum list, the Committee had to strike a balance between opposing considerations, certain of which favour a short and others a long list.

On the one hand, the shorter the list, the less burden is thrown upon the countries accepting it, both as regards the making of accurate distinctions among articles and as regards the expense of tabulation and publication. In the trade of any great commercial country there are very numerous items which appear in considerable quantities, but in the trade of some of the smaller countries the number of items which are of especial importance in the export trade may be much more restricted. The minimum list must be one adapted to the presentation of export as well as import statistics, and to small as well as to large countries.

On the other hand, important considerations favour a long list of commodities for the foreign trade statistics of all countries. In the first place, each country as an exporter desires as complete information as possible regarding the imports into all other countries of the articles important in its own export trade. The facts regarding even relatively small imports of these articles into any country may have much significance to the exporting country. In the second place, and more important, it is highly desirable, so far as possible, to avoid combining in a single item of the list articles which are essentially unrelated; the total for a mixture of dissimilar things is practically useless to producers and merchants, as well as to the general student and the law-maker. Since the number of articles which enter into the

international trade of the world, especially when regard is given to variations of style, size, quality, and the like, runs into the tens if not hundreds of thousands, there must necessarily be in the presentation of foreign trade statistics combinations of related articles, the separation of which would serve some more or less useful purpose. Condensation is imperative. But this condensation should not be carried so far as virtually to destroy the commercial and economic significance of a large fraction of the items. Furthermore, undue resort to combinations of articles precludes satisfactory grouping for the purposes of general statistical analysis. As more fully pointed out in Section B of this memorandum, it is desirable, in studying the economic position and trends of any country, to classify the commodities in its export and import trade according to several distinct principles, notably according to (a) the character of the basic material entering into the several commodities, (b) the stage of preparation (raw, semi-manufactured, manufactured) and (c) the use served. As far as practicable, no single item should include articles which fall into different classes according to any one of these basic principles of grouping.

The list presented by the Committee is perforce a compromise between these opposing considerations. It is not as long as the exporters of each country would like for the import statistics of other countries to which they sell, nor is it sufficiently long to avoid altogether illogical combinations of articles. On the other hand, the Committee believes that it does distinguish clearly the most important items in international trade, and that the number of "illogical" combination-items is relatively small. In other words, the Committee has restricted the list to what appeared to be the essential minimum. The Committee has endeavoured to lighten the burden which might confront certain countries in the use of the minimum list by the suggestion that, if they desire, they might omit from separate mention in their statistics those items in the list which are of insignificant amount in their own trade.

III. *Relation of Individual Items to Items in the Project for Customs Nomenclature.*

In the majority of cases, a given item in the present list is either actually identical with an item in the Customs nomenclature or represents a combination of two or more *successive* items in that nomenclature. In some cases, however, a given item consists of a combination of items of the Customs nomenclature which are not successive but are in the same chapter, or in contiguous chapters, of that nomenclature. Such combinations are attributable to the necessity of listing the more important commodities separately, leaving the less important to be grouped together. It is true, of course, that combinations of this sort sometimes involve a slight departure from logical order, but this is the inevitable result of the necessity for condensation.

There are a considerable number of cases in which items given a secondary rank in the Customs nomenclature have been made primary items in the present list (for example, certain major oil-seeds, such as pea-nuts, copra and flax-seed). In some instances, moreover, an item of the Customs nomenclature which contains no subdivisions has been broken down in the present list either by dividing it into two or more primary items or by showing sub-items — for example, item 206 (b) of the Customs nomenclature includes all the liquid products of petroleum without subdivision; in the present list four principal classes are distinguished, not merely as secondary, but as primary items. This breaking-down of items is a natural result of the difference in point of view between the two nomenclatures.

B. SECTIONS AND CHAPTERS OF THE MINIMUM LIST.

I. *Purpose of the Grouping by Chapters.*

A proper grouping of the items of the minimum list of commodities for foreign trade statistics is important for three reasons: (1) Arrangement by chapters is almost essential in order to enable a person examining the statistics to find readily any particular item in which he is interested. (2) The fact that the list is a relatively short one makes it necessary to utilise many group items, which combine several or even many articles of commerce under a single heading with such a designation as "all other". These "all other" items must necessarily, if they are to be of any utility, be arranged along with the more specific items to which they are most nearly related, and that fact necessitates the designation of chapters in which related items are grouped. (3) It is important that foreign trade statistics be so presented as to make possible a summary view of the commerce of each country, and such a view cannot be obtained from any list of individual items, which, even though greatly condensed, will necessarily run into the hundreds; it requires logical grouping into chapters.

In determining the proper grouping of the items of exports and imports, it is essential to bear in mind the need of comparability between statistics of foreign trade and other classes of economic statistics. In order to afford a summary view of the economic conditions of any country, groupings of commodities in the statistics of production and of prices are quite as essential as groupings in foreign trade statistics; industries and occupations must likewise be arranged in groups. So far as practicable, the groupings used for these different series of statistics should be made on parallel lines. This need adds to the importance of basing the "commodity framework" for foreign trade statistics on broad economic considerations.

The reasons which have led the Committee to the adoption of the system of sections and chapters used in the accompanying list can be understood only by a general consideration of the principles of classification of commodities. This is attempted, briefly, in what follows.

II. *General Principles of Commodity Classification.*

There is no one principle which should be the sole, or the dominant, basis in the classification of commodities. On the contrary, commodities should, if feasible, be classified in several different ways to meet different needs, and, if only one presentation of the data can be afforded, several different principles should be taken into consideration in determining the framework.

The most important of these principles are five in number, but three of them are so closely related that it is perhaps more proper to speak of three basic principles of classification, one of which embraces three sub-principles. They may be briefly defined as follows :

- (1) Nature and origin of the commodity or of its basic material :¹
 - (a) The natural kingdom under which the basic material of the commodity falls — animal, vegetable or mineral.
 - (b) The primary branch of industry by which the basic material of the commodity is produced — animal husbandry, agriculture (vegetable products), hunting and trapping, fishing, forestry, mining.
 - (c) The specific basic material of the commodity — such, for example, as cotton, wood, iron, petroleum — involving, of course, some miscellaneous groups embracing minor materials related as regards (a) or (b).
- (2) Stage of production — crude, semi-manufactured, fully manufactured.
- (3) Use to which the product is put, as for food, clothing, transport, etc.

Each of the above-mentioned principles of classification has its particular utility, and, so far as the items actually lend themselves thereto, the foreign trade of any country may advantageously be grouped according to all of them, separately or combined ("crossed") with one another. Each principle is, however, subject to limitations and difficulties, and in the case of the first and third principles these limitations virtually preclude their use as a basis of classification for considerable numbers of commodities.

(1) *Classification by Nature and Origin of Basic Material.* — Of the three sub-principles classified under (1) above, the most useful is obviously the third, (c). The grouping of commodities according to the specific raw material of which they are (wholly or principally) composed has the advantage of being far more definite than grouping according to the natural kingdom or the broad branch of industry under which that raw material falls. Moreover, it serves, in fact, to make classification according to these two broader bases readily possible, since, in practically all cases, a given raw material belongs to one only of the three natural kingdoms, and is the product of one only of the broad branches of industry.

Grouping of commodities according to the specific raw material of which they are composed corresponds in a large proportion of cases to the actual organisation of industry and commerce. For the most part, the products derived from a given raw material are made either in the same or in closely related industries, and are bought and sold either by the same or by closely related groups of merchants. Frequently, also, articles derived from a given raw material are wholly or chiefly devoted to a given human use, so that classification on this principle facilitates also classification according to use.

On the other hand, although classification of commodities according to the raw material entering into them is of the utmost utility in the case of simply manufactured products the value of which usually consists chiefly of the value of one major raw material, it ceases to have much significance in the case of highly elaborated articles the value of which has been contributed chiefly by manufacturing processes. It means little to class a book as a product of paper or as originating in the forestry industry, or to class a watch as a product of metal or as originating in the mining industry. Classification by material breaks down entirely where advanced products include several or many different raw materials no one of which predominates to such an extent as to justify naming it as the basic raw material. In practical application, the method of classification by material may properly be used with regard to a large proportion (perhaps two-thirds of world commerce considered as a whole, as measured by value) of the commodities entering into commerce, but many others must be thrown into miscellaneous groups comprising articles of mixed composition or of a highly elaborated character.

In the foreign trade statistics of every country, even although the most fundamental basis of classification used may be one of the other principles above mentioned, much regard is also paid to the principle of material. Articles obviously related by material will naturally be listed in juxtaposition.

¹ Hereinafter, for brevity, the phrase "basic material of the commodity" will be used to include cases in which the commodity itself is a strictly raw and unmixed material.

(2) *Classification by Stage of Production.*¹ — This method of classification is widely used in foreign trade statistics. Under the Brussels international classification, as well as under the practice of a number of important countries, one group of commodities based on use is first set apart — namely, that of food products — and other commodities are placed in groups according to stage of production. The Brussels classification, and those of several countries, distinguish only two groups: (a) crude materials and (b) more advanced products; other countries, such as the United States of America and Germany, introduce an intermediate group of semi-manufactured articles, including manufactured articles intended for further manufacture, and, according to the practice of certain countries, also articles which, although ready for final consumption, have been subjected only to very simple manufacturing processes. Where only two groups are distinguished, the practice of different countries varies as regards the allocation of certain highly important individual articles, such as pig-iron and so-called “raw” silk, which are semi-manufactured products. Even where an intermediate group is introduced, it is difficult, for a good many items, to draw the line between the first and second of the groups distinguished or to draw the line between the second and the third. Some experts have suggested that this difficulty may be lessened by the introduction of still a fourth group. It is impossible, however, by any device to obviate the necessity of making a more or less arbitrary allocation in the case of some few commodities a certain fraction of which is used without further manufacture, while the remainder is subjected to additional processes of transformation.

The classification of foreign trade according to stage of production furnishes information of much utility regarding the economic position of the country and the trends therein. Countries differ greatly as regards the general nature of their industries and their commerce. Some export chiefly raw or only slightly manufactured articles and import largely or chiefly advanced products. With some other countries the situation is substantially reversed. Gradual changes often take place in these conditions. Trade statistics grouped on this principle of stage of production bring out these facts with a considerable measure of accuracy.

(3) *Classification by Use.*¹ — From the standpoint of the use which they serve, commodities have been viewed by economists and statisticians in two different ways. In the first place, there is classification according to the nature of the human want served by the commodity — for example, food, clothing, transportation. In the second place, the commodity may be classed according to whether it is for direct human use or whether it constitutes material or equipment, for the production of other commodities, thus serving human use indirectly rather than directly. This second form of use classification is sometimes expressed by the distinction between “producers’ goods” and “consumers’ goods”. Producers’ goods are taken as comprising (a) raw products for use in manufacture (or construction), (b) semi-manufactured products for further use in manufacture (or construction), and (c) machinery and other means of production. Consumers’ goods, for the most part, are products which have been subjected to manufacture (though some are raw) and are for direct human use. The separation of these two groups is considered particularly significant as regards price movements, producers’ goods tending to rise or fall in price more rapidly than consumers’ goods. The further distinction is sometimes made, as regards those commodities which serve human use directly, between those which are less and those which are more enduring; food and clothing, for example, are of a less enduring character than motor-cars or houses.

The distinction between producers’ and consumers’ goods can be brought out quite clearly in connection with a system of classification by stage of production, provided that, in addition to the segregation of raw and semi-manufactured products, the finished manufactures are so classified that machinery and other capital goods are readily separable from articles which serve human consumption directly. Moreover, the segregation of consumers’ goods according to the duration of their use may be fairly well brought out by defining the different consumers’ goods in sufficient detail; in other words, most of the goods serving a given human want are likely by their nature to be either, on the one hand, chiefly of short duration or, on the other hand, chiefly of long duration in use.

Classification of commodities according to their use has very obvious utility from the economic and social standpoint, provided it is applied both to statistics of production, which must be available in sufficient degree of completeness, and to statistics of foreign trade. The consumption of a wealthy country is very different in character from that of a poor country; it includes a smaller proportion of necessities and a larger proportion of semi-luxuries and luxuries. By the use classification, much may be learned regarding the standard of living of the people.

On the other hand, the classification of commodities according to this principle is subject to important limitations. In the first place, there is the difficulty of multiple uses of the same commodity. Whereas classification according to the nature and origin of the basic material tends to break down in the case of more advanced commodities, classification according to use tends to break down in the case of raw materials and semi-manufactured products. The same raw material, elaborated in different ways, may serve widely different uses. Iron, for example, may become the material of a machine or of a building or of a motor-car. In some cases, as with raw textile materials, one may perhaps be justified in throwing a crude product into a single use classification, on the ground that the greater part of it ultimately serves that use, but with certain other important materials the principle breaks down entirely. Even a finished article may serve two or more entirely different purposes, though the difficulty here arises less commonly than with raw materials. In the second place, any condensed statistical

¹ See Appendix II.

classification must necessarily include numerous "combination" items (especially the "all other" items), comprising a wide variety of minor articles which may serve entirely different uses. Only a country which is prepared to distinguish a very large number of items, many of decidedly minor importance, in its production and trade statistics can carry out the principle of classification according to use in thoroughgoing fashion, even as regards articles actually ready for use.

It follows that, if the use principle is applied as the basis for classifying commodities, there should be a large residual group to which are assigned items not properly falling under any of the more specific groups.

III. *Application of Principles of Classification in the Framework of the Minimum List.*¹

The above discussion indicates that it would be desirable, if practicable, that each country in the classification of commodities in its foreign trade statistics should make use — to the extent that they are respectively applicable — of all three of the principles set forth; namely, nature of the basic material, stage of production, and use. A country might do this either (a) by presenting the statistical items classified according to each of the three principles separately; (b) by making a cross-classification of the groups arising under the different principles, using these principles in pairs;² or (c) by making in a single framework a cross-classification of the groups arising under all three of the principles.

The first plan mentioned, that of using each of the three principles of classification independently, while it has the advantage of simplicity, fails to bring out many highly significant relationships. It is desirable, for example, to know, not merely the total value of the imports or exports of the products derived from a given material, but also the several uses to which the products of that material are devoted.

The third of these methods of arranging the statistics is obviously the most satisfactory. For example, having established a group consisting of articles of a given basic material, this group would be divided into sub-groups according to the stage of elaboration, and each of these sub-groups in turn would be further subdivided according to the different uses of the commodities. This triplex combination of the groupings arising under the different principles, if carried out with entire consistency, would result in a number of sub-groups so great as to be more or less unwieldy; but, by consolidating sub-groups where they are of minor importance, the framework might be brought within reasonable compass.

Although it is appropriate for the Committee of Statistical Experts to call attention to the advantages of classifying trade statistics according to these more elaborate methods, any plan for securing trade statistics for international comparison on a uniform basis must of necessity have a relatively simple framework. The Committee has, so far as practicable in so condensed a list, made use of all three of the principles of classification above discussed. It has reached the conclusion that, so far as practicable (the segregation of foodstuffs into a separate section constituting an exception), the principle of classification by nature or material should be dominant in determining the composition of a given chapter, and that, where this principle is less applicable, the principle of use should ordinarily dominate in that grouping. As pointed out above, many advanced commodities cannot be satisfactorily grouped according to material and many crude commodities cannot be satisfactorily grouped according to use. So far as a condensed framework permits, these two principles have been "crossed" with one another in the present plan. It so happens, moreover, that, in a considerable number of cases, the distinction by material is also tantamount to a distinction by use; all, or most, of the products of that material having the same use.

The chief reason which has led the Committee to give preference, in determining the content of the chapters, to the principle of material over the principle of stage of production lies in the convenience, from the practical commercial standpoint, of listing in the same place all articles closely related as regards material, whether they be themselves crude commodities or semi-manufactured or finished articles derived therefrom. This arrangement both facilitates the finding of a desired item in the list and brings together those articles which are of interest to a given group of producers or merchants.

The Committee has by no means wholly disregarded the principle of classification according to stage of production in the preparation of its framework. Wherever the number of commodities in a group based on the principle of material is sufficient to justify doing so, separate chapters have been introduced for the different stages of production — for example, there is a chapter on textile raw materials, another on yarns and a third on textile fabrics. Moreover, where a single chapter includes commodities of different stages of production, the crude articles have, in general, been listed first, followed by the semi-manufactured and the finished articles, so that sub-chapters can readily be marked off by those desiring to do so.

As a means of further facilitating international comparison of trade statistics, the Committee proposes, as soon as the minimum list of commodities is prepared in final form, to devise a project of classification by stage of production. This will involve a definition, in general terms, of the scope of each group distinguished, and an allocation of each article of the minimum list to the appropriate group.³

The Committee of Statistical Experts is fully aware that the framework of the present list is not altogether logical or consistent within itself, but believes that it is as nearly logical and consistent as is practicable in view of the requirement of severe condensation.

¹ See Appendix II.

² That is to say: (1) by "crossing" the principle of material with the principle of stage of production; (2) by crossing material with use; and (3) by crossing stage of production with use (this last is perhaps somewhat less important than (1) and (2)).

³ This classification has been prepared at the fourth session of the Committee and is given in Appendix II to the present document.

IV. *Analysis of the Framework of the Minimum List.*

Section I deals with food products (except oils and fats, which are mentioned below). The principle of classification by use is here made dominant, both because of the great importance of this particular use and the frequency with which it is employed as a basis in existing trade statistics, and because of the ease with which most of the food products can be distinguished as serving that use. Within the section the chapters follow the principle of nature of material, and in two major cases the principle of stage of production is likewise introduced into the general chapter framework.

Sections II to VIII relate to non-food products of animal or vegetable origin, and to chemicals, each section (except that of chemicals) representing the products of a given raw material or group of closely related materials; the numerous less important crude animal and vegetable products are kept apart from these sections, being thrown together in Section XV. The Committee deemed it necessary to place all oils and fats (not mineral), whether used for food or otherwise, in a single section; in practice precisely the same oil may be used for both food and non-food purposes. In most chapters in Sections II to VIII, the classification by material corresponds, at least roughly, to a classification by use. Those products of hides, skins and furs which are used for clothing (including footwear) have been omitted from Section VII and placed in Section IX along with textile articles of clothing; the reason for this lies chiefly in the fact that many of these products consist of a combination of leather or fur with cloth.

In Section III (Chemicals and Related Products), three of the four chapters are based primarily on the use of the commodities, while Chapter 16 embraces the great number of chemicals with less well-defined uses. In this section, it was found impracticable to follow the principle of classification by material, both because of the multiplicity of the materials and because several materials may enter into a single finished chemical article. The distinction according to stage of production cannot be made satisfactorily as regards chemicals, especially in a highly condensed list.

In the case of Section VIII (Textiles), the Committee has deemed it wise to depart from its general policy of giving classification by material preference over classification by stage of production in determining the content of the chapters. Chapter 26 covers textile fibres of all kinds; Chapter 27, yarns derived from all fibres; and Chapter 28, fabrics derived from all fibres. This arrangement seems justified especially by reason of the very extensive and increasing practice of mixture of different textile fibres. Within each of these three chapters the individual items are arranged, so far as practicable in view of such mixtures, according to the basic fibre, and it will be easily possible for those so desiring to combine the various products of a given textile fibre. The total value of exports or of imports for a given textile chapter is much more significant when the framework is based on the stage-of-production principle than when products of different stages of production are included in the same chapter.

In Section IX (Finished Articles of Clothing), which, as a whole, is based on the use principle, the principle of classification by material is introduced into the chapter framework so far as practicable, but, in the footwear chapter (32), the distinction by material appears only in the individual items.

Section X deals with products for heating, lighting and power, lubricants and related products.

Section XI deals with non-metallic minerals. Here the distinctions according to material in some cases carry with themselves distinctions of use, and elsewhere the use principle was observed in the naming of the individual items of the list. Chapter 35 consists exclusively of crude products, and Chapters 36 to 38 comprise more advanced products derived from those of Chapter 35.

Section XII deals with precious metals and stones. In accordance with the practice of most countries, the international movements of gold coin and bullion are not shown here, but in a special section (XVII) dealing with monetary transactions. Silver bullion is mentioned both in Section XII and in Section XVII, leaving the assignment to be determined according to the different practice of the several countries.

Section XIII covers the non-precious metals and their products, other than machinery and transport equipment. As many ores include several different metals, all ores (except of precious metals) have been placed in a single chapter. Iron and steel products are thrown into two groups — the crude (*i.e.*, semi-manufactured) and the more advanced. In the chapter on non-ferrous metals, each of the major semi-manufactured metals, in its cruder forms, is listed as an item, followed by one or more items for the products derived therefrom; since, in the case of copper, certain countries import large quantities of the unrefined metal and export large quantities of the refined, a distinction between the two has been made. The use principle cannot be very satisfactorily applied to the products of Section XIII; many of the cruder products serve, directly or after further elaboration, several quite distinct uses, and the need for condensation often results in throwing together, in a single item, advanced articles which serve different uses.

In Section XIV, which deals with machinery, electrical and transport equipment, all the products are, of course, of an advanced character and nearly all of them consist primarily of metals. The individual items under each chapter are so arranged that it is possible to distinguish, at least approximately, between commodities intended for capital use (that is,

as means of production for other commodities) and those intended for direct human use, but it was deemed impracticable to make this distinction a basis for the chapter framework itself.

Section XV consists of miscellaneous products, mostly of less importance than those comprised in the other sections. Chapter 47 is confined to crude (raw or semi-manufactured) inedible animal and vegetable products, it being found impracticable to associate with these minor crude products the advanced products, also minor in importance, derived from them. Chapter 48 deals with miscellaneous manufactured products. Because of their minor importance as regards volume of trade, the number of items, and consequently the number of chapters, in Section XV is much smaller in the minimum statistical list than in the corresponding sections of the project for uniform Customs nomenclature, extensive use being necessarily made of "combination items".

Geneva, July 26th, 1935.

LEAGUE OF NATIONS

**FINANCIAL POSITION
OF AUSTRIA IN THE SECOND QUARTER OF 1935**

FIFTEENTH QUARTERLY REPORT

by **M. Rost van Tonningen**, the Representative
of the League of Nations in Austria

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I. INTRODUCTION.

During the period under review, the attention of financial authorities has centred round the events in the field of international currency and banking. Amid the uneasiness prevailing in certain countries, the Austrian Schilling developed further strength. Austrians who in the post-war years had invested part of their capital abroad became increasingly inclined to repatriate, the result being that a steady inflow of foreign exchange enabled the National Bank to increase considerably its foreign exchange and gold reserve.

At the same time, the publication of the balance-sheets of the joint-stock banks in Vienna and the comments in their annual reports revealed the progressing liquidity of the Vienna market, which was also reflected in the increase of savings banks deposits and the falling cost of credit.

The thawing of frozen positions in industry and trade was followed in the spring of this year by the liquidation of the frozen position of the Treasury. The consolidation of the major part of the floating debt of the State was in fact secured by the issue of a domestic loan of 175 million Schillings, which provided also 66 millions for the financing of public works.

From every point of view, therefore, the credit position and the money market in Vienna have improved substantially during the second quarter of 1935.

It should be borne in mind, however, that agricultural indebtedness and the budget position are still both in a more or less frozen situation. In several cases, the state of landed property is still deteriorating and taxes are only paid by incurring new debts.

The budget for 1936, which will be drawn up in the course of the summer months, will show whether it is possible to maintain the liquid position of the money market or whether in time the Treasury will have to appeal again to the capital market. The Austrian budget is as rigid as those in most other countries. It can only be improved by rising revenue and falling unemployment. In other words, the improvement of the currency and the credit situation must radiate so widely that the effects are directly felt in the State budget. There are some signs that State revenue may have a tendency to rise above last year's level. There appear to be signs of a rising trend in tax receipts, even if railway revenue is still disappointing. Should this tendency gain in strength, the budgetary situation would be immediately relieved and the present rather vague upward movement would gain a very desirable firmness of outline.

* * *

1. The estimated deficit for the first seven months of 1935 is 61.67 million Schillings, a decrease of 5.88 millions, when compared with that incurred during the corresponding period of last year. Expenditure is 42.33 million Schillings lower, mainly because of lower debt service requirements and smaller contributions towards the railway deficit. Receipts are 36.45 million Schillings lower than last year, but this is mainly due to the virtual abolition of the contribution from the Municipality of Vienna, which accounts for 29.57 millions of the shortfall. Tobacco receipts were 14.31 millions lower. Tax receipts were 6.85 millions above 1934 and 8.12 millions above the 1935 estimates. The deficit already incurred during the first half of 1935 was covered by the issue of 23 million Schillings Treasury bills and 28.3 millions released by the Trustees of the 1923-1943 Loan out of the reserves.

Extraordinary expenditure amounting to 66.19 million Schillings was covered by the last balances of the Lottery Loan and out of the new internal loan. Of the estimated total for 1935, 34 million Schillings are to be financed through the Reserve Fund of the 1923-1943 Loan still in the hands of the Trustees of that loan.

Subscription to the internal loan authorised by the Committee of Control in January 1935 for a nominal amount of 175 million Schillings at 5½% closed on June 4th. Offered at 86, it attracted 136.9 million Schillings of public subscriptions. The syndicate had only to take up 38.1 million Schillings, which was much less than they expected. Of the yield, 80 millions were applied to the consolidation of floating debt and the balance will be used to cover extraordinary expenditure.

2. The annual report of the Federal Railways for 1934 shows an operating deficit of only 8 million Schillings, as against 20.2 millions in 1933. The final deficit was 94.1 millions in 1934 and 121.5 millions in 1933.

Goods traffic receipts showed an increase of 2.1%, but passenger receipts were 8.7% lower. Traffic receipts in 1935 are unsatisfactory, as both passenger and goods revenue is below last year's level. Car-loading statistics show that transit and import traffic are mainly responsible for this decline.

3. The National Bank reports a large increase in its gold and foreign currency holdings and the cover increased during the quarter from 24.6% to 27.6%. The bank rate was lowered to 3½% on July 10th, and the interest on sight deposits in Vienna has been reduced again to 2%.

During May and June, the National Bank authorised the resumption of transfer on all Austrian funded foreign debts and the liquidation in foreign exchange of all outstanding arrears.

4. The annual reports of the principal Viennese banks reveal a satisfactory state of affairs and a greatly enhanced liquidity.

5. The foreign trade returns for the first five months of the year show a further reduction of the import surplus from 133.5 million Schillings in 1934 to 108.5 millions in 1935. This is mainly due to an increase of exports from 337.7 million Schillings to 358.2 millions.

6. Industrial activity remains appreciably above last year's level and unemployment has diminished at an increasing rate, so that the difference between 1934 and 1935, which was only 9.066 at the end of April, had risen to 25.853 by the end of June.

2. FEDERAL BUDGET.

(a) FEDERAL BUDGET, 1935.

Ordinary budget :	January-July		Increase + or decrease —
	1935	1934	
Expenditure :	(In millions of Schillings)		
Personnel	409.29	410.42	— 1.13
Material	723.22	764.42	— 41.20
Total	<u>1,132.51</u>	<u>1,174.84</u>	— 42.33
Receipts	1,070.84	1,107.29	— 36.45
Ordinary deficit	61.67	67.55	— 5.88
Extraordinary budget :			
Expenditure	66.19	52.08	+ 14.11

A. Ordinary Budget.

The returns at present available indicate a probable deficit in the ordinary budget for the first seven months of 61.67 million Schillings, or 5.88 million Schillings less than in the same period of 1934. Of this, 53.46 million Schillings has already been incurred during January-June and was covered by the issue of 23 million Schillings Treasury bills and by the release of 28.7 million Schillings from the interest and sinking-fund reserves in the hands of the Trustees of the 1923-1943 Loan. The estimated deficit of 8.21 million Schillings for July may perhaps be partially covered by larger tax receipts.

Although the current deficit is smaller than last year, it has exceeded by 31.59 million Schillings that allowed for in the 1935 budget (*cf.* Thirteenth Quarterly Report, page 4).

In spite of a 2.13 million Schilling increase in pensions over last year, personnel expenditure is 1.13 million Schillings lower, while material expenditure shows a fall of 41.20 million Schillings.

Debt-service requirements were 32.90 million Schillings lower, though, on balance, this represents an improvement of only 15.85 million Schillings, as contributions from other departments on this account which are included in revenue were 17.05 million Schillings lower. Unemployment subsidies were 1.17 million Schillings lower, and various agricultural subsidies also showed a reduction of 5.36 million Schillings.

The costs of the auxiliary defence corps were 6.78 million Schillings lower, but nevertheless 3.74 million Schillings above the 1935 estimates. The State Monopolies reduced their expenditure by 2.41 million Schillings (Tobacco, 2.27 million Schillings), and the State contribution towards the deficit of the Railways was 12.48 million Schillings lower.

On the other side of the account, army expenditure was 10.68 million Schillings higher than last year, but only 1.59 above the estimates, while interest on Treasury bills required 2.30 million Schillings more than last year.

Receipts show a falling-off against last year of 36.45 million Schillings, but are only 6.39 million Schillings below the estimates for 1935. The virtual abolition of the extraordinary contribution from the Municipality of Vienna accounts for 29.57 million Schillings of the total shortfall, while tobacco receipts were 14.31 million Schillings lower. The management of this monopoly have recently introduced certain price reductions which are expected to improve returns.

Tax receipts were 6.85 million Schillings above last year and 8.12 million Schillings above the 1935 estimates. Direct taxes show an improvement of 10.88 million Schillings above last year, mainly due to the security tax, which only came into force during the second quarter of 1934, and excise duties, though below the estimates, are 7.16 million Schillings higher than last year. Turnover taxes are up to estimate and nearly 2 million Schillings above 1934. Customs receipts were only 1.04 million Schillings below last year, while the tax on cattle-fodder imports produced 4.15 million Schillings more. The issue of new silver and cupro-nickel coins yielded a profit of 19.1 million Schillings in 1935, as against nothing in the same period of 1934. Little more is to be expected from this source during the rest of the year, as the estimated receipt for the full year is 20 million Schillings.

The suppression of the motor tax by a Law of April 30th is expected to have a beneficial effect on the State and provincial revenues, as the stimulus thereby given to the utilisation of motor-cars should lead to heavier petrol consumption, thereby increasing the yield of the petrol tax. The motor tax was estimated to yield 5 million Schillings in 1935, of which only

1.5 million Schillings were to be retained by the State, the remainder going to the local authorities. The petrol tax is also a joint tax.

The State undertakings took in 5.21 million Schillings more than last year, of which the Post and Telegraph administration accounted for 3.59 million Schillings.

B. Extraordinary Budget.

The public works expenditure during the first seven months of 1935 amounted to 66.19 million Schillings, distributed as follows :

	In millions of Schillings
Extra-urban small holdings	0.40
Stream regulation and land reclamation	14.54
Road construction	22.88
Public buildings	0.48
Post Office : telephones and cables	4.00
Railways : electrification, etc.	20.01
Tobacco Monopoly	2.76
Other undertakings	1.12
Total	66.19

The amount of 11.1 million Schillings was financed out of the remainder of the Lottery Loan, now virtually exhausted, and the balance from the newly issued Domestic Loan. The estimate for the whole year is 100 million Schillings, of which 34 millions will be covered out of the Reserve Fund of the 1923-1943 Loan still in the hands of the trustees of that loan. The prompt release of at least part of these moneys is imperative, if the interruption of the public works programme is to be avoided.

(b) TREASURY POSITION.

As mentioned above, part of the current ordinary deficit was financed by the issue of 23 million Schillings Treasury bills and, pending the issue of the new internal loan, extraordinary expenditure was met by the further issue of 20.9 million Schillings Treasury bills.

The flotation of the new internal loan has not only permitted the repayment of these 20.9 million Schillings, but also enabled the reimbursement of 80 million Schillings of other short-term liabilities, as the following figures show :

	End of April	End of May 1935	End of June
	(In millions of Schillings)		
Bills under the standing authorisation of 1927	75.0	71.0	20.0
Bills under the Control Committee authorisation of September 1934	25.0	20.0	—
Bills under the first Control Committee authorisation of January 1935	10.0	—	—
	110.0	91.0	20.0
Public works bills under the second Control Com- mittee authorisation of January 1935	20.9	8.9	—
	130.9	99.9	20.0
Collateral loan from Postal Savings Bank	25.0	25.0	25.0
Treasury bills issued for the bank reform of 1933 ..	67.0	67.0	67.0
Total	222.9	191.9	112.0

Actually 110.9 million Schillings—i.e., 10 million Schillings more than stipulated—have been consolidated, for, in order to save interest, the bills issued under the first Control Committee authorisation, reimbursable out of the 1933-1943 Loan reserve fund, have, pending its release, been repaid out of the new loan.

The trustees of the 1923 Loan have already released the interest and amortisation funds in their hands, of which some 28.3 million Schillings have gone to strengthen the Treasury balances, the remainder, about 6 million Schillings, being used to create the reserve for the Conversion Loan 1934-1959. The trustees still have some 45 million Schillings in their hands, of which 34 millions are earmarked for the extraordinary budget.

Further issues of bills may be inevitable during the second half of the year, even if the deficit does not increase at the same rate as last year.

(c) THE NEW INTERNAL LOAN 1935-1960 (ARBEITSANLEIHE).

(Cf. Fourteenth Quarterly Report, page 5.)

In agreement with the Committee of Control, the net yield of the internal loan authorised in January 1935 was increased from 100 to 150 million Schillings, the portion for floating debt consolidation being raised to 80 million Schillings, while 66 millions were reserved for financing the extraordinary budget.

The loan, which was open to subscription from May 14th to June 4th, 1935, has a nominal value of 175 million Schillings. It was issued to the public at 86%, and bears interest at

5½%, payable half-yearly on May 1st and November 1st. It is issued in so-called " Lottery Loan " Schillings, based on the value in Austrian legal currency of the present gold equivalent of the Schilling. Amortisation by purchase or drawings commences in 1938 and must be completed by 1960.

The loan is repayable at par on any interest maturity date after ninety days' notice, and subscribers receive an amnesty, in the measure of the amount subscribed, for past infringements of currency regulations.

The annual charge, including sinking fund, will be about 13.6 million Schillings, or 7.77%.

Public subscriptions, including those of the banks for their own purposes, apart from any obligations as syndicate members, amounted to 136.9 million Schillings, so that the issuing syndicate only had to take up 38.1 million Schillings, which was less than they expected.

(d) FEDERAL RAILWAYS, 1934.

The annual report of the Federal Railways for 1934 announces a deficit for the year of 68 million Schillings. The deficit which the State will have to reimburse under the Railway Law is 89.4 million Schillings, for the following charges, amounting to 21.4 million Schillings, have been omitted from the normal accounts :

	In millions of Schillings
Interest on previous deficits not yet fully reimbursed	4.6
Subsidy for the operation of local lines	6.5
Passenger-ticket reductions in connection with the Government tourist propaganda	4.0
Second instalment on the amortisation of 26.9 million Schillings renewals effected in 1931	5.0
Extra policing of railway buildings and permanent way	1.3
	<hr/>
	21.4

If, furthermore, the full provision of 48 million Schillings (*cf.* Eleventh Quarterly Report, page 4) is made for amortisation and renewals, the final deficit is increased from 89.4 million Schillings to 94.1 millions, as against 121.5 million Schillings in 1933.

The following table gives more detailed figures for the years 1932, 1933 and 1934 :

	1932	1933	1934
	(In millions of Schillings)		
<i>Closed Accounts :</i>			
Operating expenditure :			
Salaries	241.2	210.7	195.0
Pensions	124.3	133.3	138.7
Fuel	30.3	29.1	22.9
Sundry material expenditure	52.8	46.8	50.4
General expenditure	35.0	32.9	27.4
	<hr/>	<hr/>	<hr/>
Total	483.6	452.8	434.4
Operating receipts	465.1	432.6	426.4
	<hr/>	<hr/>	<hr/>
Operating deficit	18.5	20.2	8.0
Debt service	77.3	72.0	73.5
Exchange fluctuation reserve	10.0	—	—
(—) Credit or (+) debit balance of sundry items (net)	— 4.5	— 6.6	— 13.5
	<hr/>	<hr/>	<hr/>
Deficit	101.3	85.6	68.0
Shortage of provision for amortisation and renewals	15.9	17.5	4.7
	<hr/>	<hr/>	<hr/>
Total deficit	117.2	103.1	72.7
Charges outside the normal budget	5.0	18.4	21.4
	<hr/>	<hr/>	<hr/>
Final deficit	122.2	121.5	94.1
	<hr/>	<hr/>	<hr/>
<i>Traffic Returns :</i>			
Receipts :			
Passengers	169.3	151.9	138.8
Goods	266.3	265.8	271.3
	<hr/>	<hr/>	<hr/>
Total	435.6	417.7	410.1
		(In thousands)	
Passenger-kilometres	2,527	2,284	2,107
Goods ton-kilometres	2,584	2,556	2,707
Gross ton-kilometres	11,684	11,445	11,707
Train-kilometres	45,661	45,679	47,145
Axle-kilometres	1,311,473	1,289,884	1,319,723

	1932	1933 (Schillings)	1934	Reduction (percentage) 1933-34
Operating expenditure per :				
Kilometre of line operated ..	92,289	86,614	83,178	— 4.0
Thousand train-kilometres ..	10,894	10,181	9,473	— 7.0
Thousand axle-kilometres ..	379	361	338	— 6.4
Thousand gross ton-kilometres	42.6	40.6	38.1	— 6.2

For the first time since 1930, goods receipts show an increase (2.1%) over the previous year, a not unexpected result in view of the perceptible improvement in trade repeatedly noted in previous reports. The actual goods tonnage shipped was 5% higher and the goods ton-kilometres rose 5.9%. Owing to the extension of freight rebates, however, receipts per ton-kilometre were only 100.2 Schillings against 103.9 Schillings in 1933. Sugar-beet, timber, stone and road-metal, iron ore and iron and metal goods were shipped in larger quantities, while cereals, flour, coal and coke fell off.

Passenger receipts show a reduction of 8.7%, and the number of passengers transported fell from 60 millions to 55.5 millions and the average journey length from 38.1 to 38 kilometres. Under the influence of all these factors, the receipts per thousand passenger-kilometres fell from 66.5 Schillings to 65.9 Schillings.

The fact that it was nevertheless possible to reduce the ratios of operating expenditure speaks highly of the efficiency of the management.

(c) FEDERAL RAILWAYS, 1935.

	Car-loadings				
	Year	April	May	June	January-June
Total good traffic	1934	145,527	153,777	168,016	911,359
	1935	153,256	162,725	150,633	904,014
Internal traffic	1934	107,368	111,262	118,297	641,646
	1935	110,798	118,680	105,495	640,695
Of which :					
Customers' traffic	1934	97,564	99,149	103,547	588,639
	1935	100,045	105,486	93,982	590,827
Railways' own traffic	1934	9,804	12,113	14,750	53,007
	1935	10,753	13,194	11,513	49,868
Foreign traffic :					
Import	1934	19,008	20,561	22,430	138,906
	1935	20,375	21,285	22,728	131,467
Export	1934	10,356	10,988	12,454	64,029
	1935	12,272	12,695	11,947	70,234
Transit	1934	8,795	10,966	14,835	66,778
	1935	9,811	10,065	10,463	61,618
	Traffic receipts (In thousands of Schillings)				
	Year	March	April	May	January-May
Goods	1934	22,626	20,704	21,161	106,598
	1935	22,059	21,054	21,571	105,150
Passengers	1934	10,963	11,085	11,871	52,216
	1935	9,619	10,819	10,013	47,773

Traffic receipts for the first five months of 1935 are not altogether satisfactory, for, although well up to the estimates for the period, they show a falling-off of 3.7% against last year. The single months of the two years are not comparable owing to the different incidence of Easter and Whitsun, but over the period January-May, 1935 is 8.5% and 1.4% behind in passengers and goods receipts respectively.

Car-loading figures, which are already available for the first six months of the year, give a slightly more satisfactory picture, for the analysis of the statistics shows that, while total loadings were 0.8% lower, this is partly due to a falling-off of 5.9% in company traffic and to a 7.7% reduction in transit loadings. Customers' internal traffic was 0.4%, and exports 9.7% higher; imports 5.4% lower.

POSITION OF THE CENTRAL BANK.
(Appendix III, Columns 14 to 20.)

(This chapter has been drawn up in consultation with the Adviser to the National Bank, M. Maurice Frère.)

(a) GENERAL.

	End of							
	1934				1935			
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	April	May	June
	(In millions of Schillings)							
1. Note circulation	981	955	964	964	914	925	926	937
2. Sight liabilities	154	156	174	154	199	209	233	237
3. 1 plus 2	1,135	1,111	1,138	1,118	1,113	1,134	1,159	1,174
4. Blocked "foreign debt accounts" included in 2 ..	15	15	13	12	11	11	10	8
5. 3 minus 4	1,120	1,096	1,125	1,106	1,102	1,123	1,149	1,166
6. Gold and foreign exchange ..	213	277	282	277	274	285	303	324
7. Bills discounted	308	254	254	236	234	234	232	232

The main feature of the National Bank returns for the past quarter is the great increase of the gold and foreign exchange holdings, which rose from 274 million Schillings at the end of March to 324 million Schillings at the end of June (18.2%). Doubtlessly, the uncertain situation of the gold currencies during this period was the factor determining this influx, which, it would appear, consisted mainly of funds repatriated by Austrians. The currency cover increased accordingly during the quarter from 24.6% to 27.6%.

Although the note circulation has increased slightly (2.5%) since March, it is below (1.9%) last year's figure. On the other hand, the sight liabilities have continued their upward movement, and at 237 million Schillings they are 19.1% above the March figure and 51.9% above 1934. The financial institutions have agreed to a further reduction of the rate credited on deposit accounts, and the interest on sight Schilling current-account deposits by the principal Viennese banks and savings banks has been reduced to 2% as from July 1st. A year ago it was 3-3½%, and 3½-4% in 1933. On July 10th, the bank rate was lowered from 4% to 3½%.

Savings-bank deposits have continued to accumulate, and at 2,268 million Schillings at the end of April 1935 they were 168 million Schillings (8%) higher than in 1934. Despite the great proportion of public subscriptions to the new domestic loan, the seasonally not unexpected fall in May 1935 was only 9 million Schillings.

(b) THE LIQUIDATION OF ARREARS OF TRANSFER.

In its report of May 1935, the Financial Committee noted, as a first step towards the transfer of arrears on long-term loans other than Federal loans, that the National Bank had agreed that the sums paid on interest or capital account in Schillings during 1932 into the foreign-debts fund would henceforward be transferable in free foreign exchange against surrender of the coupons. This decision of May 3rd was followed by another, of May 28th, which extended payments in free foreign exchange to the maturities of 1933 and 1934. On June 24th, the current and future transfer of all funded foreign liabilities was authorised. For all practical purposes, this last decision of the National Bank implied the full resumption of transfer on all Austrian foreign liabilities with those creditor countries which, in their turn also, punctually meet the service of their foreign debt.

It should be noted that, in all cases subsequent to January 1934 (September 1st, 1933, for dollars and sterling), Schilling payments into the foreign-debts fund have been based on the "private clearing" valuation of the Schilling.

As the Schilling has remained stable since, the sums deposited are now sufficient to buy the required foreign exchange. Earlier deposits were made, however, at the "official rates", which means that they would not now be sufficient to buy the full amount due in foreign exchange. For dollar debts, the amounts are actually adequate, as, since the deposits were made, the dollar has depreciated more than the Schilling. The only important cases where there was really a deficit were the City of Vienna Loans in Swiss and French francs. In these cases, the City of Vienna has made a special arrangement, already in force, with its creditors by which, in the desire of maintaining its credit, it accepted to cover the greater part of the difference.

Important withdrawals have been made lately out of the foreign-debts fund and the balance outstanding at the time of writing is about 5.5 million Schillings, as against 11.3 million Schillings at the beginning of May.

This resumption of normal payments on debt account by Austria is a proof, not only of the goodwill and sound policy of the authorities, but also of the progress which has been made during the past years. When the foreign-debts fund was instituted in July 1932, no one expected that, three years later, the country would be in a technical position, not only to meet current maturities, but also to pay off in cash the accumulated arrears. The National Bank can be congratulated on this justification of its policy, which has so greatly contributed towards improving Austrian credit abroad.

4. THE VIENNESE BANKS.

(a) CREDITANSTALT-WIENER BANKVEREIN.

The fusion of the Wiener Bankverein with the Creditanstalt and the simultaneous transfer of certain banking assets and liabilities—60 million Schillings—from the Niederösterreichische Escompte-Gesellschaft to the combined bank was reported on in the Eleventh Quarterly Report. It was the third reorganisation to which both the State and the National Bank had contributed heavily since the outbreak of the Creditanstalt crisis in the spring of 1931.

The dominating position which the Creditanstalt had obtained by this absorption of the last purely Austrian banks in Vienna was also strengthened by obtaining control over certain local banks outside Vienna, such as the "Bank für Oberösterreich und Salzburg" (see Seventh Quarterly Report) and the "Hauptbank für Tirol und Vorarlberg" in Innsbruck.

The leading principles underlying the systematic reorganisation of the Austrian banks have been strictly maintained. The activities of the Austrian banks in the Succession States and certain other countries which were so considerable at the time of the Creditanstalt crisis are being systematically liquidated, wherever risks seem unduly high. The contraction of such foreign activities was helped by the transfer to the foreign creditors of the Creditanstalt of frozen foreign assets in payment of their claims in 1933 (*cf.* Seventh Quarterly Report, page 10) and by the progressive liquidation of the Amstel Bank's foreign assets. Such liquidation has continued during the year 1934 directly by the management of the Creditanstalt-Wiener Bankverein. By this policy, the risks were correspondingly reduced and the relative weight of pure Austrian assets is increased.

A further reduction of foreign risks was secured by the repayment of liabilities in foreign exchange, which are now reduced to some 10 million Schillings.

The liquidation of foreign assets and similar liquidation of Austrian assets has enabled the management to increase considerably the liquidity of the bank. The balance-sheet as per December 31st, 1934, clearly demonstrates the progress made up to that date in regard to liquidity and otherwise.

		<i>Balance-sheet, December 31st, 1934.</i>	
<i>Liabilities.</i>			Schillings
Share capital			167,000,000
General reserve fund			500,000
Uncollected dividends			18,085
Savings deposits			114,671,820
Deposits and other accounts :			
Current accounts :		Schillings	
Public bodies		14,480,309	
Savings banks		105,416,933	
Other financial houses		86,021,569	
Other current accounts		167,940,780	
Sundry		69,179,058	
Mortgage bonds outstanding			443,038,649
Bonds under the "Wohnbauförderungs-Gesetz"			26,789,477
Profit and loss account :			46,894,466
(a) Brought forward from 1933		116,420	
(b) Profit 1934		151,917	
		<hr/>	268,337
Total			<hr/> 799,180,834
<i>Assets.</i>			Schillings
Cash in hand and at bankers			51,386,969
Balances with foreign banks			10,123,79
Bills receivable			63,301,598
Investments :		Schillings	
(a) Quoted on the Stock Exchange		26,991,282	
(b) Not quoted, including nominal 11,500,000 Schilling shares of the Österreichische Realitäten A.G.		24,606,961	
(c) Agreement securities (Federal bonds, shares and bonds of the Société Continentale de Gestion, Monaco)		13,000,000	
		<hr/>	64,598,243

Participations :		Schillings	
(a) Quoted on the Stock Exchange	.. .. .	7,331,491	Schillings
(b) Unquoted	.. .. .	9,272,403	
		<hr/>	16,603,894
Loans and advances :			
(a) Legally loans, practically participations	.. .. .	141,029,021	
(b) Public bodies	.. .. .	43,630,061	
(c) Savings banks	.. .. .	6,436,140	
(d) Other financial houses	.. .. .	31,055,288	
(e) Ordinary banking debtors	.. .. .	248,670,498	
(f) Sundry	.. .. .	26,742,124	
		<hr/>	497,563,132
Mortgage loans	.. .. .		34,789,012
Loans under the " Wohnbauförderungs-Gesetz "	.. .. .		48,869,914
Real estate	.. .. .		6,944,272
Inventory	.. .. .		I
Pensions compounded	.. .. .		5,000,000
			<hr/>
Total	.. .. .		799,180,834

Profit and Loss Account, December 31st, 1934.

<i>Dr.</i>	Schillings	<i>Cr.</i>	Schillings
Interest on deposits	3,265,361	Brought forward from 1933	116,420
Salaries	15,086,412	Interest	21,062,930
Pensions	10,175,897	Commission	6,483,125
General expenses	4,636,002	Investments and participations	1,821,471
Taxes	1,177,258	Foreign-exchange dealings	4,616,421
Payment to Österreichische Industriekredit A.G. for 1934	666,667	Mortgages	191,117
Balance carried forward to next account	268,337	Sundry	984,450
	<hr/>	Total	<hr/>
Total	35,275,934		35,275,934

The bank amalgamation of last year makes a comparison with previous balance-sheet totals misleading, but the report throws some light on the changes which have taken place. The fusion with the Wiener Bankverein and the taking-over of the current business of the Niederösterreichische Escompte-Gesellschaft should have increased the balance-sheet total by some 390 million Schillings. The actual increase was only 280 million Schillings. Of this difference of 110 millions, only some 30 millions are due to real shrinkage in business. The remaining 80 millions are due to liquidation of assets in Austria and abroad and to the amalgamation of the banks, which tends in itself to reduce balance-sheet totals by cancelling outstanding accounts, which now are matters of internal bookkeeping.

The liquidity of the amalgamated bank is good, as appears from an analysis of the assets :

	In millions of Schillings
Cash in hand and at bankers	51.39
Balance with foreign banks	10.12
Bills receivable	63.30
Total	<hr/>
	124.80
are first-class liquid bank assets.	
From investments	64.60
and participations	16.60
the major part can be considered as liquid, say 50%—i.e., approximately the balance would no doubt in part be eligible as collateral.	40.00
From loans and advances :	
(a) Legally loans, practically participations	141.03
the major part should be considered as frozen, but even here considerable progress is made by the improvement of the situation of the debtors concerned (see further below).	
(b) Public bodies	43.63
should be considered as more or less liquid.	
(c) Savings banks	6.44
(d) Other financial houses	31.05
should also be liquid for their major part.	
(e) Ordinary banking debtors	248.67
(f) Sundry	26.74

These last two sections and section (a) of current-account debtors represent the real problem for the management of the Creditanstalt. This joint commitment of over 300 million Schillings represents mainly the Creditanstalt's large interests in the Austrian industry. All efforts of the management are being directed to the systematic liquidation of the bank

interests in these industries in so far as these credits do not represent liquid bank credits. To this effect, a patient work of reorganisation is being carried through by fusions, reduction of overhead expenses and otherwise and by the writing-down of the bank's claims to a figure which is compatible with the carrying power of the industries concerned. This procedure, costly as it is, was rendered possible by the help of the State, which contributed to the limit of its financial capacity to the reorganisation of the Creditanstalt in the past. By this reduction of the Creditanstalt's liabilities, it became possible to lower the bank's claims on Austria's industries and the benefits of the State's action are radiating from its centre, the Creditanstalt, to all the industrial centres of Austria.

It is reassuring to study the Creditanstalt's annual report for 1934 and to find that, with very few exceptions, all industries have increased their earnings. This improvement in itself reacts favourably on the Creditanstalt's interests in the industries and improves the prospects for their progressive liquidation.

From the point of view of the liquidity of the bank, the current-account debtors, though in part frozen, do not represent such an inconvenience as would appear at first sight. They are balanced in great part by the current-account deposits, which are to a considerable extent debtor balances, the withdrawal of which need therefore not be feared.

It can be safely stated that genuine deposits are almost covered 100% by liquid bank assets.

This strong position of the bank—however satisfying it may be from the point of view of liquidity—could be secured only by sacrificing some of its earning power.

The efforts of the bank management are therefore concentrated on the improvement of the interest account by reducing interest paid on deposits. At the time of writing, a further step was made in this direction. Since the bank is now in a strong liquid position, it also states that further increases of deposits by savings banks are not welcome, as each financial institution should itself bear the responsibility for the investment of its liquid funds. The Creditanstalt finds the payment of a high interest on deposits which it can only invest in first-class liquid assets, a costly process.

The management has also tried to reduce overhead expenses, which have increased through the fusion with the Wiener Bankverein to some 25 million Schillings—14.5 millions in salaries and 10 millions in pensions. The disproportion between the number of pensioners (4,052) and of the active staff (1,722) is deplorably high, and the management therefore endeavours to settle with pensioners for a simple cash payment involving a considerable discount.

During 1934, 582 pensioners and redundant employees have compounded their claim for lump sums, amounting in all to 6.9 million Schillings, of which 1.9 millions were booked against a special reserve account. As thereby an annual saving in pensions of 1.18 million Schillings has been effected, the balance of 5 million Schillings is entered as an asset which will be written off every year at least in the measure of the economy actually realised.

The management has further tried to improve earnings by extending its genuine banking business. It claims that all demands for short-term accommodation are examined without severity, as it is of the opinion that, in a depression, credit must be freely given. The contraction of total assets demonstrates the fact, however, that, for the time being, liquidation still exceeds new business.

In the light of the foregoing, the final result of the profit and loss account may seem disappointing, but due account must be made for the fact that the effect of the amalgamation will only show itself from 1935 onwards, as the rationalisation started only in the summer of last year and was hardly completed in the beginning of 1935. Furthermore, to the profit and loss account is charged an amount of 1.4 million Schillings arising out of the amalgamation which represents a non-recurrent item.

The payment of 666,666 Schillings to the Österreichische Industriekredit A.G. is the quota for 1934 of the 16 million Schillings which the Creditanstalt agreed to pay in connection with the taking-over of 60 million Schillings assets and liabilities of the Niederösterreichische Escompte-Gesellschaft.

Finally, it may be assumed that secret reserves have been accumulated. All in all, it can be said that, unless the general situation in Austria deteriorates, the 1935 report should show a substantial improvement over 1934.

(b) THE ÖSTERREICHISCHE INDUSTRIEKREDIT-AKTIENGESELLSCHAFT (FORMERLY NIEDERÖSTERREICHISCHE ESCOMPTE-GESELLSCHAFT).

As mentioned above (4(a), Creditanstalt), the Niederösterreichische Escompte-Gesellschaft transferred its liquid bank assets and an equivalent amount of liabilities to the Creditanstalt-Wiener Bankverein in the course of the bank reorganisation of last year.

The National Bank, which was the most important creditor of the Niederösterreichische Escompte-Gesellschaft, provided the bank with a new capital of 10 million Schillings (after writing down the old capital of 29.5 millions). A new management was appointed, which undertook the work of reorganisation of the bank, the name of which was changed into Österreichische Industriekredit-Aktiengesellschaft. As a matter of fact, this institution should be considered an industrial holding company rather than a bank.

In its annual report, the management points out that its efforts are primarily directed towards the liquidation of its important foreign interests. In this respect, as well as in the repayment of almost all foreign liabilities, the management complies with the fundamental principle of the Austrian bank reorganisation (cf. Creditanstalt). The work in Austria itself

should, in the view of the management, concentrate on the reorganisation of those Austrian industrial concerns which would appear to have a certain recuperative power.

This work will progress only slowly, but the management is not confronted with a serious problem of liquidity, as its main creditor is the Austrian National Bank.

The far more important part of the urgent work to be done is the improvement of the profit and loss account of the bank, which was obviously affected by the transfer of the liquid bank business to the Creditanstalt. Some progress could be made in the reduction of costs, but here again possibilities are limited.

The profit and loss account does not contain profits or losses incurred through the revaluation of assets, as such charges are booked against a special reserve created for the purpose. Only operating results are given. They would show a deficit had not the National Bank allowed a reduction of its claims of interest on the bills of the bank which it holds.

An amount of 9.5 million Schillings was remitted, of which 7.3 millions was included amongst revenue of the profit and loss account and 2.2 millions were applied to a special reserve which will be used for paying out indemnities to employees who are being dismissed.

The balance-sheet and profit and loss account are given below :

Balance-sheet, December 31st, 1934.

<i>Liabilities.</i>												Schillings
Share capital	..	..	..	..	..	..	..	..	..	..	..	10,000,000
Creditors	..	..	..	..	..	..	..	..	..	..	..	288,997,719
Unclaimed dividends	..	..	..	..	..	..	..	..	..	..	..	2,301
State guarantee	..	..	..	..	..	..	..	..	..	..	20,000,000	
Total												299,000,020
<i>Assets.</i>												Schillings
Cash	..	..	..	..	..	..	..	..	..	..	..	1,025,010
Bills receivable	..	..	..	..	..	..	..	..	..	..	..	3,656,797
Investments	..	..	..	..	..	..	..	..	..	..	..	15,776,625
Participations	..	..	..	..	..	..	..	..	..	..	..	45,487,745
Debtors	..	..	..	..	..	..	..	..	..	..	..	231,151,119
Real estate and inventory	..	..	..	..	..	..	..	..	..	..	..	1,890,000
Loss	..	..	..	..	..	..	..	..	..	..	..	12,724
State guarantee	..	..	..	..	..	..	..	..	..	..	20,000,000	
Total												299,000,020

Profit and Loss Account, December 31st, 1934.

				Schillings	Cr.					Schillings
Salaries	..	..	..	2,743,535	Interest and commission	..	..	..	..	5,769,032
Pensions	..	..	..	1,882,143	Foreign exchange and secu-	..	..	..	..	741,828
Social charges	..	..	..	528,070	rity transactions	..	..	..	..	147,701
General expenditure	..	..	..	1,228,254	Real estate	..	..	..	..	12,724
Taxes	..	..	..	229,283	Loss	..	..	..	..
Written off real estate and	..	..	..				
inventory	..	..	..	60,000						
Total				6,671,285	Total				6,671,285	

(c) THE ZENTRAL-EUROPAISCHE LÄNDERBANK, VIENNA BRANCH.

This bank—the only remaining big bank in Vienna next to the Creditanstalt—is the Austrian subsidiary of the group which has its head office in Paris. It was always carefully managed and was able to pass through the crisis without any serious difficulty. Its management has insisted since the beginning of the crisis on maintaining a very high liquidity, which of course tends to reduce the earning power of the bank, which has not paid any dividends since 1930. This fact explains that the bank complains about certain measures taken or claimed by the National Bank and the Government in the interest of a cheapening of the cost of credit.

It may be assumed that, in the course of time, the management will find its way towards adapting itself to the situation created by the cheapening of credit.

Balance-sheet, December 31st, 1934.

<i>Liabilities.</i>												Schillings
Drafts	..	..	..	..	..	..	..	..	..	..	..	303,091
Deposits	..	..	..	..	..	..	..	..	..	..	..	130,832,891
Creditors	..	..	..	..	..	..	..	..	..	..	..	160,353,237
Profit	..	..	..	..	..	..	..	..	..	..	..	304,963
Total												291,794,182

<i>Assets.</i>	Schillings
Cash in hand and at bankers	44,981,519
Bills receivable	74,182,902
Investments	2,288,702
Participations	28,229,365
Debtors	141,946,886
Coupons	164,808
Total	291,794,182

Profit and Loss Account, December 31st, 1934.

<i>Dr.</i>	Schillings	<i>Cr.</i>	Schillings
Salaries	4,725,362	Interest	4,403,664
General expenses	1,172,956	Commission	3,043,114
Taxes	1,423,261	Sundry	1,825,844
Pensions	1,646,080		
Profit	304,963		
Total	9,272,622	Total	9,272,622

(d) THE MERCURBANK.

This bank, which is a smaller one than those mentioned above, has, by patient and careful management, made noteworthy progress since its reorganisation a few years ago. It is reassuring to read in its annual report that its volume of business has so increased that it had to engage new staff. If profits have not so far increased in the same proportion, a further broadening of business may bring the desired results.

Balance-sheet, December 31st, 1934.

<i>Liabilities.</i>	Schillings
Share capital	15,000,000
Reserves	1,250,000
Deposits	17,306,000
Drafts	3,000
Creditors	60,673,000
Sundry	44,000
Profit	166,000
Total	94,442,000

<i>Assets.</i>	Schillings
Cash	7,894,000
Bills receivable	18,460,000
Investments	179,000
Debtors	61,959,000
Real estate	2,400,000
Participations	3,549,000
Total	94,442,000

Profit and Loss Account, December 1934.

<i>Dr.</i>	Schillings	<i>Cr.</i>	Schillings
Salaries	1,986,000	Commission	1,453,000
General expenses	551,000	Investments	231,000
Taxes	361,000	Interest	2,153,000
Pensions	773,000		
Profit	166,000		
Total	3,837,000	Total	3,837,000

5. ECONOMIC SITUATION.

(a) FOREIGN TRADE.

(Appendix III, Columns 1 to 5.)

(Weight in thousands of metric tons. Value in millions of Schillings.)

Classes of the International (Brussels) Classification	January-May									
	Imports				Exports				Import Surplus	
	1934		1935		1934		1935		1934	1935
	Weight	Value	Weight	Value	Weight	Value	Weight	Value	Value	Value
I. Live animals..	36.0	31.9	38.6	32.6	1.5	2.6	2.1	2.9	29.3	29.7
II. Articles of food and drink..	518.8	100.9	469.1	101.5	15.4	6.4	30.6	11.0	94.5	90.5
III. Mineral fuel and turf ..	1,086.2	38.8	1,017.7	33.3	—	—	—	—	38.8	33.3
Other raw material ..	440.0	152.2	479.9	148.7	827.2	93.2	927.5	103.0	59.0	45.7
IV. Finished goods..	47.1	147.2	53.5	150.6	124.2	235.5	130.6	241.3	88.3 ¹	90.7 ¹
V. Gold and silver ..	—	12.9	—	8.6	—	11.6	—	4.1	1.2	4.5
Total ..	2,128.1	483.9	2,058.9	475.3	968.3	349.3	1,090.9	362.3	134.5	113.0
Total, excluding gold and silver ..	2,128.1	471.0	2,058.9	466.7	968.3	337.7	1,090.9	358.2	133.3	108.5

Austrian foreign trade has continued its favourable development. The import surplus for the first five months of 1935 was 108.5 million Schillings against 133.3 millions last year, an improvement of 18.5%, mainly due to an improvement of 6.1% in exports. Raw-material exports showed a notable increase of 10.5%, and among the principal items which have risen are iron-ore and pyrites (to Czechoslovakia), timber, paper-pulp, raw hides, magnesite and non-ferrous metals. On the other hand, imports of fuel and other raw material show a reduction of 14.2% and 2.3% respectively, for which tobacco and cattle fodder are almost entirely responsible, as most other items in this class show increases, notably mineral ores, cotton, hair and feathers, raw hides and sundry raw materials.

In spite of larger finished-goods imports, the export surplus in this class is 2.7% higher. Exports of cotton and cotton goods, wool-yarn, glass, fireproof bricks and metal goods were higher, but a falling-off is noticeable in paper and paper goods, leather and rubber goods.

There have been considerable changes in the orientation of trade, as the following table shows :

(Merchandise only. In millions of Schillings.)

January-May	Imports				Exports				Balance	
	Value		Percentage		Value		Percentage		Value	
	1934	1935	1934	1935	1934	1935	1934	1935	1934	1935
Hungary ..	50.4	48.6	10.7	10.4	33.8	40.8	10.0	11.4	-16.6	-7.8
Roumania ..	23.1	29.5	4.9	6.3	20.3	17.3	6.0	4.8	-2.8	-12.2
Czechoslovakia ..	62.2	58.8	13.2	12.6	26.3	25.4	7.8	7.1	-35.9	-33.4
Yugoslavia ..	38.5	35.4	8.2	7.6	21.1	21.7	6.2	6.1	-17.4	-13.7
Total ..	174.2	172.3	37.0	36.9	101.5	105.2	30.0	29.4	-72.7	-67.1
Germany ..	83.1	74.9	17.7	16.1	52.0	64.6	15.4	18.0	-31.1	-10.3
Poland ..	26.6	28.2	5.6	6.0	12.7	13.9	3.8	3.9	-13.9	-14.3
Italy..	22.2	24.0	4.7	5.2	38.8	48.8	11.5	13.6	+16.6	+24.8
Switzerland ..	17.7	15.8	3.8	3.4	26.1	20.3	7.7	5.6	+8.4	+4.5
United Kingdom ..	18.6	19.1	4.0	4.1	17.1	14.3	5.1	4.0	-1.5	-4.8
France ..	13.8	15.0	2.9	3.2	13.1	11.9	3.9	3.3	-0.7	-3.1
Netherlands ..	6.8	8.2	1.4	1.7	7.2	6.3	2.1	1.8	+0.4	-1.9
U.S.A. ..	26.1	27.3	5.5	5.9	5.1	6.8	1.5	1.9	-21.0	-20.5
Other countries ..	81.9	81.9	17.4	17.5	64.1	66.1	19.0	18.5	-17.8	-15.8
Total ..	471.0	466.7	100	100	337.7	358.2	100	100	133.3	108.5

¹ Export surplus.

Through higher exports, the deficitary balance with Hungary has been more than halved, while higher imports of industrial fats and fodder and lower exports of finished goods have raised the Roumanian import surplus from 2.8 million Schillings to 12.2 millions. Increased purchases by Germany, mainly timber, metal scrap and finished goods, have reduced the import surplus from 31.1 million Schillings to 10.3 millions, while larger exports of timber, paper-pulp and finished goods to Italy have raised the export figure from 38.8 to 48.8 million Schillings, and the export surplus from 16.6 million Schillings to 24.8 millions.

(b) PRODUCTION.

(Appendix III, Columns 9 to 12.)

		January	February	March	April	May	
Pig-iron ..	} 1923-1932 = 100	1934	34	28	28	38	45
		1935	42	39	44	47	48
Steel ..	}	1934	45	43	50	57	72
		1935	49	60	70	83	76
Industrial fuel requirements (1,000 tons) :							
Foodstuffs industry	}	1934	26	20	31	20	21
		1935	21	16	18	20	—
Iron and metal industry	}	1934	53	45	52	48	43
		1935	57	54	55	53	—
Chemical industry	}	1934	16	12	13	11	10
		1935	17	14	14	13	—

The industrial production index has remained fairly steady since the beginning of the year and is appreciably above last year's level. The iron and steel indices indicate further improvement in this branch.

Conditions in the textile trade are also improving and the reporting spinning-mills were working at the end of April at 89% of capacity, while unfilled orders increased. Industrial fuel requirements are, in general, higher than last year, except in the foodstuffs branch, while electric power production remains appreciably above last year's level.

A particularly satisfactory feature is the improvement in the turnover of consumption goods, which had hitherto lagged rather behind that of investment goods. This might indicate that the undoubted improvement in the general situation has led to an increase in the effective purchasing power of the population.

(c) CROPS.

The latest index published by the Ministry of Agriculture gives the following estimate for the main Austrian crops :

	End of June			
	1932	1933	1934	1935
Winter wheat	2.5	2.1	2.4	1.9
Winter rye	2.4	2.1	2.5	1.9
Summer barley	2.5	2.1	2.3	2.2
Oats	2.5	2.4	2.6	2.4
Potatoes	2.0	2.4	2.3	2.4
Sugar beet	2.7	2.5	2.3	2.3
Clover	2.7	2.2	2.6	2.1
Apples.. .. .	2.5	3.2	2.4	2.8
Vineyards	1.8	2.6	2.2	2.0

(Classification : 1 = very good, 2 = good, 3 = middling, 4 = poor, 5 = very poor.)

(d) THE LABOUR MARKET.

Unemployed receiving Benefit in Austria.

End of :	1932	1933	1934	Decrease between 1933 and 1934		1935	Decrease between 1934 and 1935	
					and %			%
January	358,114	397,920	357,291	40,629	10.2	334,337	22,954	6.4
February	361,948	401,321	352,451	48,870	12.2	334,658	17,793	5.0
March	352,444	379,693	325,657	54,036	14.2	314,923	10,734	3.3
April	303,888	350,552	295,814	54,738	15.6	286,748	9,066	3.1
May	271,481	320,955	273,576	47,379	14.7	755,746	17,830	6.5
June	265,040	307,873	263,883	43,990	14.3	238,030	25,853	9.8
July.. ..	266,365	300,762	257,213	43,549	14.4			
August	269,179	291,224	248,028	43,196	14.8			
September	275,825	279,053	243,847	35,179	12.6			
October	297,791	280,381	249,275	31,106	11.1			
November	329,707	300,477	275,148	25,329	8.4			
December	367,829	335,919	308,116	27,803	8.3			

The volume of unemployment has progressively decreased during the second quarter of 1935 and the difference against last year, which was only 9,066 at the end of April, increased by the end of June to 25,853.

Unemployed Applicants for Work classified according to Industries.

		Building	Iron and metal	Machine	Electrical	Clothing	Printing	Chemical	All industries
End of :		(In thousands)							
December	1933	104	36	19	6.9	29	7.0	6.9	422
	1934	97	31	17	5.2	27	7.7	7.3	399
January	1933	119	41	22	9.2	35	7.1	7.9	478
	1934	106	38	19	7.5	32	7.1	7.4	440
	1935	106	32	17	5.8	29	7.7	7.8	424
February	1933	118	42	22	9.2	35	7.2	8.0	480
	1934	103	38	19	7.7	30	7.5	7.5	435
	1935	104	32	17	6.1	28	7.6	7.6	422
March	1933	107	42	21	9.0	28	7.3	7.8	455
	1934	93	35	18	7.3	23	7.8	7.0	403
	1935	96	30	16	6.4	24	7.5	7.3	400
April	1933	92	40	20	8.8	26	7.2	7.5	423
	1934	78	34	17	7.2	23	8.0	6.8	376
	1935	82	29	15	6.3	22	7.6	7.2	372

The numbers of unemployed applicants for work have decreased all round, except in the building and printing trades.

(e) PRICES.

(Appendix III, Columns 7 and 8.)

The following table shows the wholesale prices, in Vienna, of certain "key" agricultural and industrial articles, as published by the Federal Statistical Office :

	Price in Schillings per 100 kg.								
	Middle of								
	1932	1933	1934		1935				
	Dec.	December	June	Dec.	March	April	May	June	
Wheat (domestic)	34.40	35.40	35.15	35.85	37.60	37.60	37.50	37.45	
Potatoes	9.25	9.90	23.50 ¹	10.50	No change			37.00 ¹	
Sugar	119.00	119.25	No change						
Beef	240.00	230.00	210.00	220.00	210.00	200.00	210.00	200.00	
Cotton	111.80	129.00	145.00	151.40	144.30	135.75	147.30	140.20	
Wool	755.00	1,158.00	1,112.00	790.00	742.00	842.00	929.00	929.00	
Rubber	76.80	143.60	197.60	178.60	154.00	151.60	154.00	162.70	
Hard coal	8.56	No change							
Copper	98.00	99.00	100.00	88.00	86.00	99.00	101.00	98.00	
Lead	51.00	52.00	50.00	51.00	55.00	56.00	56.00	56.00	
Foodstuffs	1914	102.00	99.00	102.40	101.70	101.80	100.40	102.20	103.70
Industrial articles	= 100	120.00	126.50	126.70	124.00	124.10	124.70	125.50	125.30

Owing to an increase in the price of pork, maize, rice and potatoes, the wholesale-foodstuffs index rose at the end of June from 102.2 to 103.7 ; the index of industrial articles fell slightly from 125.5 to 125.3. Under these influences, the joint index rose from 110 to 110.9

The rise in the cost-of-living index from 103.6 to 106.6 is mainly due to the higher price of new potatoes, the higher price of pork and eggs also contributing.

¹ New Italian potatoes.

(f) STOCK EXCHANGE.

	1934-1959 Conversion Loan, Austrian tranche, 5% (issued at 87)	1930 Loan, Austrian tranche, 7%	1933 Lottery Loan, 4% (issued at 98)	1931 Building Loan, 5%	Niederöster- reichische Mortgage Bonds, 5%	Internal Loan 1935 (Arbeitsan- leihe) 5½% (issued at 86%)
	(Percentage of face value)					
End of :						
1934 :						
June		82.42	82.50	59.71	66.80	
December		94.53	88.75	64.65	73.83	
1935 :						
January	90.80	98.05	92.25	70.31	78.91	
February	93.75	100.08	93.00	74.61	79.69	
March	93.00	97.66	90.00	69.53	78.13	
April	93.00	100.86	91.50	72.07	77.34	
May	92.75	100.20	90.00	71.10	75.39	
June	95.00	102.73	92.00	73.63	77.73	86.50

		December		March	April	May	June
Bond index (I.f.K.) average 1927 = 100	1933	87.8	1934	97.1	96.1	99.7	97.1
	1934	108.6	1935	116.1	113.0	112.1	104.8
Index of 35 industrial shares 1923- 1932 = 100 (I.f.K.)	1933	40.0	1934	45.1	48.8	48.7	48.1
	1934	55.4	1935	59.2	60.3	64.1	63.7
Turnover from security transac- tions (million Schillings)	1933	17.0	1934	25.8	15.7	21.4	16.0
	1934	34.7	1935	38.8	34.1	31.4	—

The bond index fell between May and June, partly owing to the substitution of the Conversion Loan, which is under par, for the 1923 Loan, which had been at or above par. Other fixed-interest securities were firm.

The share market was slightly weaker towards the end of the quarter and, except electrical and metal industry shares, the quotations for most securities fell slightly.

(g) COMMERCIAL POLICY.

On May 15th, 1935, a modification of the Franco-Austrian Agreement of December 29th, 1932, granting preferential treatment to Austrian timber exports, while reducing the annual Austrian quota from 152,000 tons to 100,000 tons, granted a further preference as regards import licence taxes.

An agreement regulating commercial payments between Austria and Roumania came into force on May 15th. It covers all payments arising out of the exchange of goods and is based on the principle of compensation. While Roumanian importers will in future pay for their purchases in their national currency into accounts at specified institutions, Austria agrees to pay foreign exchange for 25% of the value of imported Roumanian oil and oil products. Of the remaining 75%, 10% will be reserved for the settlement of small shipments of goods for which, in practice, it is difficult to arrange compensation. A further 5% is set aside for a special travelling and visitors' account out of which travellers' cheques, medical and students' expenses, etc., can be defrayed. The remaining balance must be settled through compensations. Foreign currency payments into the oil account will be based on the legal parities; payment into the other accounts will be based on the rates of the Roumanian National Bank. This agreement should help to develop Austrian exports which, in the first five months of 1935, had fallen from 20.3 million Schillings to 17.3 (— 14.8%), while Roumanian imports had risen from 23.1 million Schillings to 29.5 million Schillings (+ 27.7%). By exchanges of notes at the beginning of May, Austria also reduced the tariff rates on certain Roumanian oil products and extended facilities to imports of poultry from that country.

The 1934 agreement with Hungary concerning wheat imports has been renewed in June; negotiations were successfully concluded facilitating tourist traffic between Austria and Hungary.

Appendix I.

ANALYSIS OF ANNUAL AND QUARTERLY BUDGET ACCOUNTS.

RECEIPTS (In millions of Schillings)	1934		1935		First quarter			Second quarter		
	Estimates	Provisional results	Estimates	1934		1935		Provisional results	1935	
				Provisional results	Estimates		Provisional results			
					1934	1935	1934		1935	
ORDINARY BUDGET.										
A. Administration :										
Direct taxes	268.50	279.67	269.00	70.96	69.00	75.50	67.21	69.00	71.43	
Customs	232.00	198.09	193.76	38.44	47.00	49.29	59.28	52.90	54.13	
Excise duties	162.76	171.45	186.80	35.37	40.20	37.96	37.30	42.51	43.32	
Turnover tax	129.00	137.62	133.50	35.19	33.70	33.23	32.96	31.90	41.00	
Turnover tax, emergency surtax	119.00	124.44	124.00	31.22	31.60	31.45	28.79	30.90	24.41	
Taxes on transactions, legal fees, etc.	101.26	99.13	98.71	25.51	24.30	25.51	24.89	24.50	22.96	
Other receipts	3.17	2.93	2.72	0.58	0.81	0.69	0.57	0.69	0.78	
Total taxes	1,013.69	1,013.33	1,010.49	237.27	246.61	253.63	251.00	251.80	258.03	
<i>Deduct :</i>										
Shares of local authorities	163.75	173.25	180.13	42.24	47.65	46.48	35.78	40.63	40.59	
Total : State taxation	851.94	840.08	830.36	195.03	198.96	207.15	215.22	211.17	217.03	
Receipts of Social Administration	197.72	195.04	188.84	48.83	44.11	50.86	47.14	46.70	—	
Other administrative receipts	100.90	151.21	91.14	30.45	36.13	33.57	39.21	22.54	—	
Contribution towards Debt Service	111.00	110.40	79.88	21.59	19.64	20.38	31.57	19.69	—	
Total receipts of the Administration ..	1,261.56	1,296.73	1,190.22	295.90	298.84	311.76	333.14	300.10	—	
B. Monopolies :										
Tobacco	311.55	307.99	316.33	72.23	71.35	64.87	76.98	71.47	73.68	
Salt	28.81	28.94	29.29	7.57	7.46	7.77	6.88	6.66	—	
Lotteries and gunpowder	55.30	58.77	54.44	15.82	15.10	15.99	13.20	13.15	—	
Total : Monopolies	395.66	395.70	400.06	95.62	93.91	88.63	97.06	91.28	—	
C. Public Undertakings :										
Posts and Telegraphs	225.30	207.86	223.56	51.31	51.67	51.68	49.60	50.89	—	
Forests	8.85	10.08	10.25	1.84	2.20	2.49	2.01	2.40	—	
Federal theatres	6.55	5.00	6.19	1.90	1.84	1.78	1.51	1.53	—	
Other	15.06	16.64	16.27	3.50	3.98	4.00	3.93	4.38	—	
Total : Public Undertakings	255.76	240.48	256.27	58.55	59.69	59.95	57.05	59.20	—	
D. Railways :										
Federal railways	—	—	—	—	—	—	—	—	—	
Other railways	—	0.02	—	—	—	—	0.02	—	—	
Total : Railways	—	0.02	—	—	—	—	0.02	—	—	
Total ordinary receipts	1,912.98	1,932.93	1,846.65	450.07	452.44	460.34	487.27	450.58	—	

EXPENDITURE (In millions of Schillings)	1934		1935		First quarter			Second quarter		
	Estimates	Provisional results	Estimates	1934		1935		Provisional results	1935	
				Provisional results	Estimates		Provisional results			
					1934	1935	1934		1935	
ORDINARY BUDGET.										
A. Administration :										
Army	94.00	104.50	115.91	25.61	29.74	29.66	24.37	29.00		
Foreign Affairs	6.23	6.28	6.46	1.55	1.60	1.60	1.49	1.64		
Justice	50.35	51.02	51.17	12.57	12.85	12.64	12.69	12.56		
Supreme organs	4.78	3.48	3.21	1.00	0.78	0.73	0.82	0.75		
Chancellor's office	10.07	21.81	13.54	6.99	4.73	4.57	3.51	3.51		
Interior	95.91	143.03	117.04	38.51	32.17	32.63	30.55	31.00		
Social Administration	385.26	409.98	392.80	116.03	112.96	113.01	97.52	98.87		
Agriculture	39.10	59.34	50.00	10.13	11.76	11.69	15.70	10.41		
Commerce and Traffic	56.48	63.08	63.22	11.59	15.34	15.38	14.79	14.82		
Education, Science, Church	71.50	72.24	72.01	18.82	17.99	18.01	17.73	18.12		
Finance	57.86	67.80	62.91	14.45	15.98	16.84	14.35	14.96		
Subsidy to Postal Savings Bank	2.50	3.83	4.20	0.63	1.05	1.05	0.63	1.05		
Payments to local authorities	26.67	26.42	24.06	6.19	5.54	5.54	6.83	6.24		
Pensions	210.00	214.38	213.34	54.32	55.03	55.08	53.46	54.44		
Charges under the Peace Treaty	2.66	2.13	4.57	0.10	0.12	0.07	1.53	1.78		
Debt Service	240.89	229.64	175.85	60.68	45.01	48.95	57.78	44.19		
Total : Administration	1,354.26	1,478.96	1,369.29	379.17	362.65	367.45	353.35	343.34		
B. Monopolies :										
Tobacco	111.04	114.26	112.75	25.44	24.67	24.09	28.19	24.93		
Salt	14.33	15.00	14.94	4.02	3.88	3.85	3.91	3.71		
Lotteries	35.76	34.87	32.45	9.00	8.26	8.57	8.55	9.05		
Gunpowder	5.01	6.66	5.81	1.66	1.54	1.28	1.59	1.52		
Total : Monopolies	166.14	172.69	165.95	40.12	38.35	37.79	42.24	39.21		
C. Undertakings :										
Posts and Telegraphs	226.60	230.64	222.01	56.41	58.45	58.35	56.90	55.21		
Forests	20.98	20.53	20.73	4.90	4.99	4.79	5.05	5.20		
Federal theatres	10.64	10.68	9.95	2.71	2.65	2.62	2.85	2.57		
Other undertakings	15.14	17.32	15.53	4.18	4.46	4.17	4.18	4.31		
Total : Undertakings	273.36	279.16	268.22	68.20	70.55	69.93	68.92	67.29		
D. Railways :										
Federal Railways	100.00	100.02	79.00	25.00	19.75	19.75	25.00	19.75		
Charges under the Südbahn Convention	15.51	13.54	13.99	3.09	3.10	3.08	3.07	3.10		
Other railways	3.61	3.54	3.48	0.86	1.11	1.11	0.96	0.99		
Total : Railways	119.12	117.10	96.47	28.95	23.96	23.96	29.03	23.84		
Total ordinary expenditure	1,912.88	2,046.91	1,899.93	516.44	495.51	499.13	493.34	473.68		
Total ordinary receipts	1,912.98	1,932.93	1,846.65	450.07	452.44	460.34	487.27	450.58		
Ordinary budget balance	+ 0.10	- 113.98	- 33.28	- 66.37	- 43.07	+ 38.79	- 6.27	- 23.10		
EXTRAORDINARY BUDGET.										
Bank reorganisation	—	20.00	—	—	—	—	—	—		
Extra-urban small holdings	—	—	6.00	—	—	—	—	0.40		
Commerce and Traffic	38.16	36.63	28.70	3.67	13.76	11.65	7.96	6.77		
Agriculture	18.00	17.82	18.00	4.22	3.62	3.53	4.75	8.20		
Posts and Telegraphs	46.90	6.97	9.46	0.65	1.95	1.66	1.29	1.84		
Railways	—	28.73	22.27	0.91	2.70	2.70	13.33	14.09		
Monopolies and Undertakings	—	—	15.57	—	1.51	1.52	—	1.73		
Total extraordinary expenditure	103.06	110.15	100.00	9.45	23.54	21.06	29.33	33.03		
Total extraordinary receipts	—	—	—	—	—	—	—	—		
Extraordinary budget balance	- 103.06	- 110.15	- 100.00	- 9.45	- 23.54	- 21.06	- 29.33	- 33.03		
Total budget balance	- 102.96	- 224.13	- 153.28	- 75.82	- 66.61	+ 59.83	- 35.60	- 56.13		

Appendix II.

MONTHLY ESTIMATES AND PROVISIONAL RESULTS.

RECEIPTS	February		March			April			May			June			July		
	1934 Provisional results	1935		1934 Provisional results	1935		1934 Provisional results	1935		1934 Provisional results	1935		1934 Provisional results	1935		1934 Provisional results	1935 Estimates
		Estimates	Provisional results		Estimates	Provisional results		Estimates	Provisional results		Estimates	Provisional results		Estimates	Provisional results		
(In millions of Schillings)																	
ORDINARY BUDGET.																	
A. Administrations:																	
Direct taxes	15.58	20.00	19.87	26.42	26.00	28.76	23.36	24.00	24.17	20.11	19.00	21.46	23.74	26.00	25.8	24.56	22.50
Customs	13.29	15.50	16.37	15.15	16.00	15.23	20.54	16.50	17.77	20.49	17.50	16.06	18.25	18.30	20.3	15.41	16.80
Excise duties	11.60	13.53	12.17	11.27	13.00	12.19	12.11	13.51	13.52	12.23	14.00	15.90	12.96	15.00	14.5	16.00	14.55
Turnover tax	10.40	10.50	11.59	12.23	11.00	9.65	10.60	10.70	10.65	11.18	10.50	19.35	11.18	10.70	11.0	10.94	11.00
Turnover tax, emergency surtax ..	9.29	9.90	10.64	10.87	10.30	9.07	9.57	10.30	10.37	9.62	10.20	3.34	9.60	10.40	10.7	10.13	10.50
Taxes on transactions, legal fees, etc.	7.54	7.30	8.46	8.30	7.80	7.45	9.27	9.10	8.66	7.79	7.80	7.90	7.83	7.60	6.4	9.02	8.90
Other receipts	0.16	0.27	0.22	0.23	0.27	0.27	0.24	0.23	0.27	0.23	0.23	0.31	0.10	0.23	0.2	0.25	0.22
Total taxes	67.86	77.00	79.12	84.47	84.37	82.62	85.69	84.34	85.41	81.65	79.23	83.72	83.66	88.23	88.9	86.31	84.47
Deduct:																	
Shares of local authorities	14.74	16.92	16.20	15.07	15.80	15.78	8.89	11.81	11.81	13.66	13.89	13.88	13.23	14.93	14.9	10.90	16.85
Total: State taxation	53.12	60.08	62.92	69.40	68.57	66.84	76.80	72.53	73.60	67.99	65.34	69.84	70.43	73.90	74.0	75.41	67.62
Receipts of Social Administration ..	15.33	14.88	17.07	13.96	13.60	13.82	16.87	16.68	15.37	13.85	14.60		16.42	15.42		16.01	16.19
Other administrative receipts	11.22	9.56	8.62	7.78	16.30	16.36	10.82	7.89	8.39	9.61	6.74		18.78	7.91		11.71	6.30
Contribution towards Debt Service ..	9.26	6.59	6.87	3.13	6.52	6.73	9.18	6.54	6.80	10.72	6.50		11.67	6.65		10.63	6.34
Total receipts of the Administration	88.93	90.91	95.48	94.27	104.99	103.75	113.67	103.64	104.25	102.17	93.18		117.90	103.28		113.78	96.45
B. Monopolies:																	
Tobacco	22.87	22.87	20.86	24.98	24.74	22.14	24.87	24.79	23.59	27.00	22.49	23.49	25.11	24.19	24.6	29.06	25.83
Salt	2.49	2.47	2.51	2.38	2.17	2.21	2.77	2.43	2.48	1.99	2.08	2.22	2.12	2.15	2.15	2.15	2.14
Lotteries and gunpowder	4.90	4.87	5.16	5.63	5.05	5.46	5.03	5.10	5.50	2.83	2.58	2.64	5.34	5.47	5.06	5.36	5.36
Total: Monopolies	30.26	30.21	28.53	33.01	31.96	29.81	32.67	32.32	33.57	31.82	27.15	28.35	32.57	31.81		36.27	33.33
C. Public Undertakings:																	
Posts and Telegraphs	14.53	15.07	15.28	19.62	19.43	19.02	16.27	16.67	17.84	15.42	16.03		17.91	18.19		17.54	18.29
Forests	0.58	0.70	0.90	0.68	0.80	0.71	0.77	0.80	0.53	0.59	0.80		0.65	0.80		1.11	0.80
Federal theatres	0.46	0.53	0.50	0.58	0.57	0.53	0.57	0.60	0.55	0.49	0.51		0.45	0.42		0.14	0.09
Other	1.06	1.43	1.39	1.27	1.40	1.48	1.36	1.48	1.45	1.24	1.39		1.33	1.51		1.09	1.54
Total: Public Undertakings ..	16.63	17.73	17.97	22.15	22.20	21.74	18.97	19.55	20.37	17.74	18.73		20.34	20.92		19.88	20.72
D. Railways:																	
Federal Railways	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other railways	—	—	—	—	—	—	—	—	—	—	—	—	0.02	—	—	—	—
Total: Railways	—	—	—	—	—	—	—	—	—	—	—	—	0.02	—	—	—	—
Total ordinary receipts	135.82	138.85	141.98	149.43	159.15	155.90	165.31	155.51	158.19	151.73	139.06		170.23	156.01		169.93	150.50

MONTHLY ESTIMATES AND PROVISIONAL RESULTS (concluded).

EXPENDITURE	February		March			April			May			June		July	
	1934	1935		1934	1935		1934	1935		1934	1935		1934	1935	
	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results
ORDINARY BUDGET.															
(In millions of Schillings)															
A. Administration:															
Army	7.95	8.90	8.88	8.40	9.39	9.17	7.70	8.91	9.09	8.53	9.85	8.14	10.24	8.45	10.43
Foreign Affairs	0.50	0.50	0.50	0.54	0.59	0.59	0.50	0.54	0.55	0.49	0.55	0.50	0.55	0.59	0.56
Justice	3.93	4.05	3.99	4.55	4.55	4.46	4.28	4.22	4.11	3.98	3.96	4.43	4.38	4.20	4.17
Supreme organs	0.36	0.25	0.24	0.29	0.26	0.26	0.30	0.27	0.25	0.31	0.25	0.21	0.23	0.35	0.40
Chancellor's office	3.44	1.71	2.00	2.31	1.40	1.27	0.71	1.02	1.13	1.09	1.49	1.51	1.00	1.90	2.46
Interior	14.47	10.69	10.81	15.27	10.95	11.26	11.52	10.05	10.88	9.42	10.53	9.61	10.42	11.53	9.93
Social Administration	34.86	33.37	33.82	41.71	39.84	39.54	32.28	33.08	32.40	31.41	32.45	33.83	33.54	29.99	30.24
Agriculture	3.50	3.78	3.76	3.59	4.23	4.20	3.07	3.91	3.52	6.01	3.15	6.62	3.35	5.07	3.47
Commerce and Traffic	3.92	4.65	4.62	4.01	5.00	5.34	4.11	4.44	5.26	4.94	5.42	5.42	5.44	5.41	6.79
Education, Science, Church	5.89	5.45	5.45	7.05	6.82	6.81	5.57	5.64	5.64	5.72	5.49	6.44	6.90	5.49	5.51
Finance	4.40	4.91	4.94	4.83	5.19	6.22	4.70	4.99	4.74	4.72	4.79	4.93	5.18	4.93	4.63
Subsidy to Postal Savings Bank	0.21	0.35	0.35	0.21	0.35	0.35	0.21	0.35	0.35	0.21	0.35	0.21	0.35	0.46	0.35
Payments to local authorities	2.06	1.86	1.86	2.07	1.84	1.84	2.10	1.88	1.88	2.09	1.87	2.64	2.49	2.13	1.87
Pensions	17.86	18.05	18.07	17.82	18.08	18.14	17.82	18.10	18.11	17.78	18.15	17.86	18.19	17.78	18.14
Charges under the Peace Treaty	0.04	0.03	0.04	0.05	0.06	0.03	0.19	0.23	0.23	0.07	0.03	1.07	1.52	0.04	0.05
Debt Service	16.64	12.73	12.05	18.32	12.14	11.72	21.44	17.14	17.00	14.52	9.78	21.82	17.27	22.62	15.18
Total: Administration	120.03	111.28	111.38	131.02	120.69	121.20	116.50	114.77	124.72	111.61	107.63	125.24	120.94	120.04	114.18
B. Monopolies:															
Tobacco	8.13	8.26	8.17	8.92	8.03	7.64	9.15	7.67	7.62	9.91	8.27	8.69	9.13	8.99	11.24
Salt	1.39	1.27	1.27	1.31	1.26	1.26	1.37	1.14	1.21	1.27	1.33	1.27	1.24	1.37	1.28
Lotteries	2.06	1.67	2.01	5.33	4.91	4.63	5.89	6.21	6.19	1.30	1.16	1.36	1.68	1.34	1.67
Gunpowder	0.54	0.51	0.40	0.62	0.52	0.49	0.50	0.50	0.58	0.45	0.52	0.64	0.50	0.46	0.49
Total: Monopolies	12.12	11.71	11.85	16.18	14.72	14.02	16.91	15.52	15.60	12.93	11.28	12.40	12.41	14.41	14.48
C. Undertakings:															
Posts and Telegraphs	18.79	17.95	17.90	18.97	18.19	18.27	18.90	18.18	18.33	18.95	18.38	19.05	18.65	20.30	19.63
Forest	1.67	1.67	1.70	1.60	1.73	1.67	1.61	1.62	1.63	1.70	1.79	1.74	1.79	1.69	1.74
Federal theatres	0.84	0.89	0.88	0.89	0.86	0.83	0.92	0.90	0.87	0.97	0.84	0.96	0.83	0.81	0.70
Other undertakings	1.38	1.42	1.30	1.37	1.57	1.56	1.45	1.56	1.56	1.34	1.33	1.33	1.42	1.36	1.47
Total: Undertakings	22.68	21.93	21.78	22.92	22.35	22.33	22.88	22.26	22.19	22.96	22.34	23.08	22.69	24.16	23.54
D. Railways:															
Federal Railways	8.33	6.58	6.58	8.34	6.59	6.59	9.10	6.58	6.58	7.81	6.58	8.09	6.59	8.33	6.35
Charges under the Südbahn Convention	—	—	—	3.09	3.10	3.08	—	—	—	—	—	3.07	3.10	—	—
Other railways	0.30	0.32	0.32	0.28	0.46	0.46	0.35	0.37	0.37	0.28	0.34	0.35	0.28	0.29	0.16
Total: Railways	8.63	6.90	6.90	11.71	10.15	10.13	9.45	6.95	6.95	8.09	6.92	11.49	9.97	8.62	6.51
Total ordinary expenditure	163.46	151.82	151.91	181.83	167.91	167.68	165.74	159.50	159.46	155.59	148.17	172.21	166.01	168.13	158.71
Total ordinary receipts	135.82	138.85	141.98	149.43	150.15	155.30	165.31	155.51	158.19	151.73	139.06	170.23	156.01	169.93	150.50
Ordinary budget balance	- 27.64	- 12.97	- 9.93	- 32.40	- 8.76	- 12.38	- 0.43	- 3.99	- 1.27	- 3.86	- 9.11	- 1.98	- 10.00	+ 1.80	- 8.21
EXTRAORDINARY BUDGET.															
Bank reorganisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Extra-urban small holdings	—	—	—	—	—	—	—	—	—	—	0.40	—	—	—	—
Commerce and Traffic	1.51	1.03	0.76	0.75	10.33	9.60	2.09	1.00	1.47	2.33	2.18	3.54	3.59	4.62	4.16
Agriculture	1.49	1.04	0.97	1.28	1.95	1.94	1.40	2.42	2.41	1.64	2.79	1.71	3.99	1.89	2.82
Posts and Telegraphs	0.21	0.75	0.68	0.22	0.51	0.33	0.42	0.44	0.39	0.42	0.83	0.45	0.57	0.53	0.55
Railways	—	1.00	1.00	0.91	1.70	1.70	—	4.15	4.15	11.10	4.94	4.23	5.00	2.98	3.21
Monopolies and Undertakings	—	0.43	0.43	—	0.63	0.65	—	0.49	0.48	—	0.59	—	0.67	—	0.62
Total extraordinary expenditure	3.21	4.25	3.84	3.16	15.12	14.22	3.91	8.50	8.91	15.49	11.73	9.93	12.82	10.02	11.36
Total extraordinary receipts	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Extraordinary budget balance	- 3.21	- 4.25	3.84	- 3.16	- 15.12	- 14.22	- 3.91	- 8.50	- 8.91	- 15.49	- 11.73	- 9.93	- 12.82	- 10.02	- 11.36
Total budget balance	- 30.85	- 17.22	- 13.77	- 35.56	- 23.88	- 26.60	- 4.34	- 12.49	- 10.18	- 19.35	- 20.84	- 11.91	- 22.82	- 8.22	- 19.57

Appendix III.

	FOREIGN TRADE ¹ (Merchandise only)					Economic Indicators								NATIONAL BANK					Discount rate Per cent	Savings Bank deposits (millions of Schillings) ²	
	Value (millions of Schillings)			Weight (thousands of tons)		Railway goods traffic (million net ton kms.)	Wholesale price index January 1914 = 100 ³	Cost-of- living index July 1914 = 100 ⁴	Industrial production index ⁵ 1923-1931 = 100 ⁴	Production of			Unemployed receiving benefit (thousands)	Gold and cover exchange	Other exchange	Bills discounted	Government Debt	Note circulation and sight liabilities			Total Cover Per cent
	Imports	Exports	Excess Imports	Imports	Exports					Cotton-yarn per spindle ⁶ 1923-1931 = 100 ⁴	Cellulose (wagons)	Electric power (million kwhs.)									
	(In millions of Schillings)																				
1	2	3	4	5	6	7	8	9 (Average)	10	11	12	13	14	15	16	17 (End of)	18	19	20 (Average)	21 (End of)	
1924	3,447	1,970	1,477	8,931	2,563	297.9	136	—	83	84	1,245	—	95	488	—	188	218	894	54.6	11.57	—
1925	2,813	1,923	910	8,240	3,246	307.2	136	—	96	111	1,464	—	150	499	59	180	188	945	59.1	10.86	—
1926	2,708	1,733	1,033	8,263	3,228	332.1	123	103	96	95	1,522	—	177	337	143	124	177	985	69.0	7.30	—
1927	3,088	2,037	1,051	8,754	3,929	350.0	133	106	109	118	1,605	80	172	464	274	132	173	1,045	70.6	6.34	1,755
1928	3,239	2,208	1,031	9,063	4,718	351.4	130	108	119	111	1,725	91	156	411	386	208	116	1,124	70.9	6.27	2,119
1929	3,262	2,188	1,074	10,272	4,109	369.4	130	111	122	110	1,870	96	164	406	334	306	109	1,158	69.9	7.33	2,419
1930	2,609	1,851	848	8,272	3,513	314.0	117	111	104	102	1,779	97	208	412	518	148	101	1,183	78.6	5.73	2,025
1931	2,161	1,291	870	7,996	2,538	270.6	109	106	91	96	1,796	93	253	292	26	908	96	1,311	24.2	7.04	2,064
1932	1,383	764	629	6,001	1,879	208.9	112	108	79	95	1,664	90	304	188	—	379	663	1,132	16.6	6.83	2,056
1933	1,148	775	373	5,688	2,098	209.9	108	105	81	98	1,830	89	329	189	13	275	624	1,095	18.4	5.23	2,113
1934	1,134	863	291	5,649	2,583	222.3	110	105	88	122	1,988	92	287	242	33	236	624	1,118	24.8	4.71	2,102
1933: 1st quarter	267	155	112	1,263	363	187.0	107	105	72	91	1,793	89	393	189	—	287	660	1,089	17.3	6	2,105
1933: 2nd quarter	271	184	87	1,226	560	194.5	108	105	76	86	1,818	84	327	189	7	275	659	1,110	17.6	5	2,051
1933: 3rd quarter	274	207	67	1,429	594	212.6	109	105	80	109	1,855	84	290	189	8	225	624	1,026	19.2	5	2,050
1933: 4th quarter	334	225	109	1,679	490	248.7	108	106	91	129	2,042	98	305	189	13	275	624	1,093	18.4	5	2,095
1934: I ..	91	57	24	452	149	225.9	109	106	91	121	2,007	93	337	189	17	262	624	1,095	18.8	5	2,030
1934: II ..	85	61	24	410	156	201.0	110	105	80	113	1,681	78	352	189	22	297	624	1,130	18.7	5	2,038
1934: III ..	101	79	22	431	199	222.9	113	105	83	122	1,967	93	326	189	24	308	624	1,135	18.8	5	2,076
1934: IV ..	96	72	24	310	234	107.8	112	103	83	112	1,863	86	296	241	36	301	624	1,133	24.5	5	2,100
1934: V ..	99	67	32	439	230	209.8	110	104	84	115	2,214	91	274	241	38	278	624	1,121	24.9	5	2,085
1934: VI ..	94	72	22	470	245	225.4	110	105	90	121	2,039	88	264	241	36	254	624	1,111	24.9	4 1/2	2,069
1934: VII ..	85	66	19	426	243	209.7	110	105	83	110	2,009	91	257	242	40	248	624	1,127	25.0	4 1/2	2,090
1934: VIII ..	85	71	14	456	227	214.5	110	104	89	118	2,044	95	248	242	44	253	624	1,140	25.1	4 1/2	2,092
1934: IX ..	95	79	16	542	233	237.5	108	105	89	124	1,905	92	244	242	41	254	624	1,138	24.8	4 1/2	2,103
1934: X ..	106	80	26	533	241	257.4	108	105	92	135	1,906	99	249	242	43	250	624	1,134	25.2	4 1/2	2,132
1934: XI ..	108	78	30	560	219	246.6	109	105	97	141	2,101	100	275	242	46	241	624	1,127	25.6	4 1/2	2,113
1934: XII ..	110	78	32	540	210	227.4	109	105	93	130	2,116	101	308	242	35	236	624	1,118	24.8	4 1/2	2,221
1935: I ..	93	59	34	443	151	192.4	110	105	90	139	1,593	100	334	242	36	237	624	1,117	24.9	4 1/2	2,248
1935: II ..	89	67	22	414	178	191.2	109	104	86	143	1,482	89	335	242	38	234	624	1,114	25.1	4	2,256
1935: III ..	95	82	13	390	253	212.3	109	104	88	124	2,163	95	315	242	32	234	624	1,113	24.6	4	2,268
1935: IV ..	93	78	17	402	248	203.5	108	103	87	131	1,697	93	287	242	43	234	624	1,134	25.1	4	2,259
1935: V ..	94	72	22	409	261	—	110	104	—	—	—	—	256	242	61	232	624	1,159	26.2	4	—
1935: VI ..	—	—	—	—	—	—	111	106	—	—	—	—	238	242	82	232	624	1,174	27.6	4	—

¹ Only provisional figures after January 1934.

² Source: Bundesamt für Statistik.

³ Seasonally corrected index.

⁴ Source: Institut für Konjunkturforschung.

⁵ Source: National Bank.

Geneva, July 13th, 1935.

LEAGUE OF NATIONS
FINANCIAL POSITION
OF HUNGARY IN THE SECOND QUARTER OF 1935

FIFTEENTH QUARTERLY REPORT

by **Mr. Royall Tyler, Representative in Hungary**
of the **Financial Committee**

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I. GENERAL.

I. INTRODUCTORY.

(1) The fiscal year ended June 30th, 1935, shows a cash deficit of 42.6 million pengö. This figure allows for the losses of the State Undertakings. Actual internal borrowings during the year, over and above sums reborrowed from the Foreign Credit Cash Office, amounted to 20.4 million pengö. The Treasury position at June 30th, 1935 (see I, 2, (e) below), is stronger than it was a year previously.

(2) Budgetary receipts of the Administration in 1934-35 amounted to 762.9 million pengö : an increase of 4.3 million pengö over the figure for 1933-34. There has been some increase in turnover, consumption taxes and customs, and a slight decline in departmental receipts, dues and direct taxes. In connection with the increase in turnover, consumption taxes and customs, it should be noted that the monthly average of the Hungarian wholesale-price index for 1933-34 was just under 74, while for eleven months of 1934-35 it was 84.

(3) The budget for 1935-36 was voted by both Houses of Parliament before June 30th last. Estimated expenditure, for the first time since the 1931 crisis, shows an increase over the estimate for the previous year. The estimated deficit for Administration and Undertakings together is roughly 10 million pengö higher than that shown by the 1934-35 budget :

Combined Budgets of the Administration and Undertakings.

	1935-36	1934-35 (Millions of pengö)	Difference for 1935-36
Estimated expenditure	1,176.1	1,150.7	+ 25.4
Estimated receipts	1,100.2	1,084.6	+ 15.6
	<hr/>	<hr/>	<hr/>
Balance	-75.9	-66.1	

(4) The 1935-36 estimates provide in full for the service of the State's foreign debts. The Government intends to proceed as formerly, depositing Treasury Bills in the Foreign Credits Cash Office in respect of non-transferred service, except where other arrangements have been made with the creditors. Thus, the actual cash deficit to be covered by internal borrowing may be considerably less than the 76 million pengö shown by the budget.

(5) Efforts to attain financial equilibrium made over the last four years have considerably reduced the amount of the annual cash deficit. In 1935-36, while there is still a deficit, budgetary expenditure is beginning to increase again.

(6) Apart from the marketing and exchange difficulties frequently referred to in these reports and which continue unabated, Hungary's trade has suffered during the past six months from a shortage of agrarian products available for export, due to the weak wheat harvest of 1934. Quantities exported have been less than in the corresponding period of 1934. Values, owing to the increase of prices in Hungary, show a slight increase, the excess of export over import values being rather smaller than it was last year.

The percentage of total exports passing through the clearings, and therefore not bringing equivalent exchange to the National Bank, has increased. There has been a sharp decrease in export against pengö, the National Bank having restricted such exports.

(7) Provisional returns point to a wheat harvest this year of 20.2 million quintals, as against 17.6 in 1934, when, however, there was a carry-over of some 2.5 million quintals, which is lacking this year. This year's may be regarded as an average crop. The autumn crops are reported to be doing well. Much harm was done locally to the fruit trees and vegetables by frost and hail in May.

(8) An agreement between Hungarian banks and British and American banking creditors in respect of short-term debts (Standstill) has been initialled, for one year as from July 15th, with certain modifications allowing for the increased foreign exchange difficulties which Hungary has to face.

(9) The National Bank has made transfers in execution of the programme, announced on June 30th, 1934, where the service of the League of Nations Loan, 1934, is concerned.

With regard to the service year 1935-36, a *communiqué* issued on July 5th indicates that the Hungarian Government hopes to provide in exchange for 50% of the interest.

(10) The agreements between Hungary and Italy and Hungary and Austria, known as the Rome agreements, providing notably for the taking over of the greater part of Hungary's normal export surplus of grain, have been renewed without important modification for a second year.

(11) I am indebted to Mr. Henry J. Bruce, Adviser to the National Bank, for the data on which are based the sections of this report dealing with the Bank, exchange control and compensation agreements, and clearing agreements.

2. STATE BUDGET.

(a) *Administration Budget, 1934-35.*

Provisional figures for the year ended June 30th last show a slight increase in the cash deficit as compared with 1933-34. These figures refer to the Administration, without the Undertakings, results for which are only available up to May 31st (see (d) below). However, the Undertakings' deficit, in the form of advances from the Treasury, constitutes the bulk of the 84.2 million pengö extra-budgetary expenditure shown below.

Figures for the last quarter, month by month, will be found in Appendix I.

Estimates for 1934-35 were as follows :

	Administration (Millions of pengö)	Undertakings
Expenditure	746.6	404.1
Receipts	740.6	343.9
Balance	- 6.0	- 60.1

Provisional returns for the Administration compare as follows with figures for 1933-34 :

<i>Expenditure :</i>	1934-35		1933-34	
	(Millions of pengö)			
Actual, budgetary	728.1		717.0	
Actual, extra-budgetary	84.2		86.3	
Total		812.3		803.3
<i>Receipts :</i>				
Actual, budgetary	762.9		758.6	
Actual, extra-budgetary	6.8		6.6	
Total		769.7		765.2
Balance		-42.6		-38.1

It will be remembered that the expenditure estimates included the pengö equivalent of the full service of the State's foreign debts. Actual expenditure includes the whole of the service of the Reconstruction Loan, 1924—both the part actually transferred and the part reborrowed (20.3 million pengö in 1934-35). It does not include the service of the other State debts, in respect of which Treasury Bills have been deposited in the Foreign Credits Cash Office (17.5 million pengö in 1934-35) or arrangements making deposit unnecessary have been made. Additions to the State's short-term debt may be seen in No. 4 below.

Expenditure in and outside the budget shows a very small (roughly 1%) increase in 1934-35 as compared with the previous year ; budget receipts have risen in a still smaller measure. Increases of 10.7 million pengö in turnover and consumption taxes, 5.9 million pengö in customs, 1.5 million pengö in salt are practically offset by decreases of 6.5 million pengö in departmental receipts, 4.9 million pengö in dues and 3.2 million pengö in direct taxes. The following table gives an analysis of actual receipts in 1934-35, side by side with the estimates and results for the foregoing year :

Receipts of the Administration.

	1934-35		+ or - than estimated	1933-34 results	+ or - than results for 1933-34
	Monthly estimates	Results			
	(Thousands of pengö)				
Direct taxes	224,200	225,137	+ 937	228,407	- 3,270
Turnover	101,602	108,802	+ 7,200	99,071	+ 9,731
Dues	90,400	94,402	+ 4,002	99,323	- 4,921
Consumption taxes	82,240	85,061	+ 2,821	84,064	+ 997
Customs	37,600	42,461	+ 4,861	36,482	+ 5,979
Tobacco	104,680	106,570	+ 1,890	105,845	+ 725
Salt	24,703	26,229	+ 1,526	24,712	+ 1,517
Saccharine and lotteries	2,021	2,021	-	2,008	+ 13
Departmental receipts	66,914	72,201	+ 5,287	78,726	- 6,525
Total	734,360	762,884	+28,524	758,638	+ 4,246

Budget receipts reached their lowest point (709 million pengö) in 1932-33. They recovered appreciably in 1933-34. At present they are on much the same level as last year, though, as the above figures show, certain sources are tending to produce more revenue than formerly, others less.

(b) *Budget for 1935-36.*

The estimates for the fiscal year beginning July 1st, 1935, were voted by both Houses of Parliament before June 30th. Closed accounts for 1933-34 were available when the budget was under discussion.

The new estimates compare as follows with the budget for 1934-35 :

<i>Administration :</i>	1935-36 (Millions of pengö)	1934-35
Expenditure	766.5	746.6
Receipts	748.0	740.6
	<hr/>	<hr/>
Balance	— 18.5	— 6.0
 <i>Undertakings :</i>		
Expenditure	409.6	404.1
Receipts	352.2	343.9
	<hr/>	<hr/>
Balance	— 57.4	— 60.1

The total estimated deficit is therefore 75.9 million pengö. In the light of results for the last two years, it may be expected that receipts will not fall below the estimates. It is important that expenditure should not exceed them, allowance being made for the fact that the State Undertakings losses are a charge on the Treasury. A summary by headings will be found in Appendix II.

Since public expenditure reached its peak just before the 1931 crisis, each successive year down to and including 1934-35 marked a reduction in expenditure. In the year now beginning, as compared with the 1934-35 estimates, there is to be an increase of 25.3 million pengö on a total expenditure, Administration and Undertakings together, which now reaches 1,176 million pengö. Total receipts are estimated at 15.6 million pengö more than last year, the estimated deficit thus being 9.7 million pengö higher. The increase in the deficit and in the level of expenditure is relatively slight, but the change deserves attention. The deficit shown by the 1935-36 estimates will not weigh on the Treasury as heavily as the figures might suggest. Expenditure includes 99.4 million pengö for debt service of State and Undertakings, the greater part of these debts being external. But the Government intends to proceed as in previous years, actually transferring in foreign currency a part only (see (h) below) of the interest of the League of Nations Loan, 1924. For the rest of the League Loan service and other State debts, it intends, as in the past, either to negotiate *ad hoc* agreements or to deposit Treasury Bills in the Cash Office for Foreign Credits. In the fiscal year just ended, Treasury Bills were deposited to a total of 37.8 million pengö, and, in respect of certain debts, special arrangements were concluded with creditors or negotiations were pending. The actual cash deficit to be covered by internal borrowing may therefore, other things being equal, turn out to be considerably lower than the 75.9 million pengö shown by the estimates.

The greater part of expenditure is absorbed by personnel. Salaries and pensions for the Administration and the Undertakings, plus the State's contribution towards the personnel charges of the Local Administration, constitute 54.4% of the total. Some reduction in the numbers of active officials has been offset by an increase in those of persons entitled to pension; 34.6% go to material and maintenance. Debt service amounts to only 8.4%, and it has just been seen that the credits entered for this purpose will, for the greater part, not give rise to cash disbursements. Investments figure in the budget for 26.9 million pengö (18.3 for the Administration and 8.6 for the Undertakings), or 2.2% of the total. Of this amount, some 11 million pengö goes to the transformation and development of roads, 5.9 million pengö to the Railways, 3.1 million pengö to the Ministry of Agriculture, 2.6 million pengö to the Post, Telegraph and Telephones, the rest being scattered in smaller amounts among the departments. Outside the budget, the Government may be able to devote to investment purposes 15 million pengö, without counting investments planned by the local authorities. It should also be recalled that an amount which may exceed 20 million pengö, advanced by the National Bank, is to be paid out in the coming year, outside the budget, under the Agrarian Debts Relief Scheme (see eighth report, page 15).

It will be seen from Appendix II that the credits for almost all the spending departments, as well as the State Undertakings expenditure, have risen. It has been announced that a separate Ministry for Industry will be created. This will be done mainly by removing already existing sections from the Ministry of Commerce, but some additional expense, at present estimated at about 100,000 pengö, will have to be met.

It is estimated that receipts will be higher than in 1934-35 (estimates) by 7.4 million pengö for the Administration and 8.2 million pengö for the Undertakings. Direct taxes are expected to bring in less by 9.1 million pengö, this decrease being chiefly accounted for by 8 million pengö exemptions from house-tax for maintenance and alterations. Dues are down by 7 million pengö. Turnover and consumption taxes together are looked to for an increase of 13.3 million pengö, customs for 4 million pengö, tobacco for 2.9 million pengö, departmental receipts for 2.2 million pengö and salt for 1 million pengö.

Of total administrative receipts estimated at 748 million pengö, direct taxes are expected to supply roughly 29%, turnover and consumption taxes 25%, tobacco 14%, dues 12%, departmental receipts 10%, and customs 5%.

Of the deficit, 75 % is accounted for by the State Undertakings, the State Railways alone being expected to incur a loss of 57.3 million pengö. Here the burden of pensions is enormous.

Finally, it should be recalled that the budget does not include 49.5 million pengö (as against 45.2 million pengö last year) applied to the Agrarian Relief Fund (formerly Boletta, not to be confused with the Agrarian Debts Relief Scheme), though the Agrarian Relief Fund is also a charge on the taxpayer. These considerations suggest that, if there can be no more retrenchment, at least no further increase in public expenditure should be permitted pending a radical improvement in economic conditions.

Increases in the budget, though unwelcome, are not the worst thing that can happen when pressure to relax is being felt. The National Bank already assumed a heavy burden when it agreed to make advances calculated at 100 million pengö to finance the Agrarian Debts Relief Scheme.

(c) *Closed Accounts for 1933-34.*

These accounts show :

	Administration	Undertakings (Millions of pengö)	Total
Expenditure	755.4	429.9	1,185.3
Receipts	808.6	379.5	1,188.1
	<hr/>	<hr/>	<hr/>
Balance	+ 53.2	— 50.4	+ 2.8

Borrowings included in the receipts amounted to 69.1 million pengö, giving a deficit of 66.3 million pengö.

The cash deficit for 1933-34, as calculated by the Ministry of Finance, amounted to 38.1 million pengö. It is not possible, given the method applied by the High Court of Accounts, to reconcile the balance obtained by it with the cash balance. It may suffice to recall (see third report, page 5) that, in the closed accounts, borrowings are included in receipts, advances made by the Treasury to the State Undertakings or other enterprises are included both in expenditure and receipts, whether in fact recovered or not, and the whole of the State debt service as entered in the budget is included in expenditure, although, as explained above, it does not for the most part give rise, at present, to any cash disbursement.

The closed accounts show, under the same headings, sub-headings and detailed items that appear in the budget, the extent of which each credit has been utilised or, where the case arises, exceeded. Expenditure unprovided for in the budget also figures, but is shown scattered through the chapters devoted to the various departments where it originated. The covering report on the closed accounts enumerates a number of extra-budgetary items of 100,000 pengö or over without giving their total. In order to find the general total of expenditure unprovided for in the budget, however, it would be necessary to extract a large number of items one by one from the mass of expenditure. It would greatly facilitate study if the report accompanying the closed accounts indicated the total reached by extra-budgetary expenditure, and showed how it is distributed among the departments.

It should be added that all extra-budgetary expenditure is included in the cash returns as given by the Ministry of Finance, but without specification, except in the case of the larger State Undertakings, whose deficits, of course, account for by far the greater part of all expenditure falling upon the Treasury outside the votes for the Administration proper.

(d) *State Undertakings.*

Here, as with the Administration, there has been a slight increase in expenditure, and a still slighter increase in receipts. The increase in the deficit, 10 %, is relatively much larger. Returns, which are only available down to May 31st, enable the position of all the Undertakings together to be estimated as follows, this year compared with last. Treasury advances to the Undertakings for the year ended June 30th are given in a further table below. It will be observed that, besides their borrowings from the Treasury, the Undertakings have covered part of their deficit by direct borrowing, which they did not do last year. The burden imposed by the Undertakings on the Hungarian taxpayer is increasing.

	1934-35	1933-34
	(Millions of pengö)	
<i>Expenditure :</i>		
Actual, current budgetary	361.2	354.1
Actual, capital expenditure	9.3	11.0
Actual, capital expenditure from borrowings ..	5.4	—
Refunds to the Treasury	6.8	6.6
	<hr/>	<hr/>
Total	382.7	371.7
<i>Receipts :</i>		
Actual, current budgetary	312.5	308.1
	<hr/>	<hr/>
Balance	— 70.2	— 63.6
<i>Borrowings :</i>		
Advances from the Treasury	59.4	65.2
Treasury bills, placed with banks	18.0	—
Actual capital expenditure from borrowings ¹	5.4	—

¹ A *per contra* item ; see above, in expenditure.

Actual results for the chief individual undertakings (July-May) :

	Railways		Post, Telegraph and Telephone		Ironworks	
	1934-35	1933-34	1934-35	1933-34	1934-35	1933-34
	(Millions of pengö)					
Current expenditure	232.6	233.9	70.1	71.3	38.2	29.2
Current receipts	181.1	188.4	84.5	84.9	26.4	15.7
Balance, current items	— 51.5	— 45.5	+14.4	+13.6	—11.8	— 13.5
Capital expenditure	5.3	8.2	3.1	2.9	—	—
Balance, all items	— 56.8	— 53.7	+11.3	+10.7	—11.8	— 13.5

Advances from the Treasury for the year ending June 30th last amounted to 76.5 million pengö, and refunds to the Treasury to 6.8 million pengö. The details of advances were as follows, figures for the two previous years also being given :

	1934-35	1933-34	1932-33
	(Millions of pengö)		
To the State Railways	57.6	62.2	54.7
To the Ironworks	14.3	14.7	12.2
To the Posts, Telegraph and Telephone ..	4.0	—	—
To the silk industry	0.6	0.6	0.5
Total	76.5	77.5	67.4

(e) *Situation of the Treasury.*

(1) The Treasury position has improved over the last quarter, and is decidedly stronger than it was a year ago. There was, as usual, an increase in the Loan Account in June, but not as large an increase as in June 1934 :

	March 31st, 1935	April 30th, 1935	May 31st, 1935	June 30th, 1935
	(Thousands of pengö)			
<i>Receipts :</i>				
Balance at the beginning of the month	84,975	86,537	78,137	86,174
Budget account	56,150	51,114	68,198	70,542
Repayment of advances	1,000	10	104	—
Loan account	6,085	6,122	5,671	17,661
Surplus of the Boletta Fund	2,214	1,158	—	1,690
Total	150,424	144,941	152,110	176,067
<i>Expenditure :</i>				
Budget account	54,081	62,215	61,267	80,749
Funded investments	337	1,188	593	894
Advances	9,074	961	1,356	17,144
Deficit of the Boletta Fund	—	—	2,720	—
Loans	395	2,440	—	507
Balance at the end of the month ..	86,537	78,137	86,174	76,773
Total	150,424	144,941	152,110	176,067

(2) *Administrative Claims and Liabilities.*—Tax arrears stood at 298.2 million pengö on May 31st last, as compared with 297 million pengö (revised figure) at May 31st, 1934. Commitments outstanding on March 31st last amounted to 191.9 million pengö, having decreased by 6 million pengö since December 31st, 1934.

Commitments outstanding on March 31st, 1935.

	Foreign	Domestic	Total
	(Millions of pengö)		
Expenses connected with land reform	—	57.7	57.7
Road-building	—	20.3	20.3
Post, Telegraph and Telephone : capital expenditure ..	—	4.2	4.2
State Railways : capital expenditure	—	0.3	0.3
Forests : capital expenditure	—	0.1	0.1
Other capital outlay	—	26.3	26.3
State Railways : increase of working fund	1.4	17.4	18.8
State Ironworks : increase of working fund	2.0	10.5	12.5
Payments to the Central Corporation of Banking Companies	—	30.5	30.5
Other commitments	—	21.2	21.2
Total	3.4	188.5	191.9

(f) *Debt Position.*

Foreign funded debt increased very slightly, from 928.9 million pengö to 930.1 million pengö, over the quarter ending March 31st last, on account of the funding of interest. Domestic funded debt declined by 1.1 million pengö to 113.7 million pengö. Foreign floating debt increased in the same period by 4.8 million pengö to 350.7 million pengö, Treasury bills having been deposited in respect of accrued interest. State guarantees stood at 113 million pengö at March 31st last, as against 116.2 million pengö at December 31st, 1934. In addition to the guarantees represented by this figure, the State has undertaken to repay to the Foreign Creditors' Fund (now the Cash Office for Foreign Credits), in the event of its liquidation, the loans obtained from it for public works (see 5 (c) below).

Internal floating debt increased over the quarter ending March 31st last by 10.3 million pengö, to 268.7 million pengö.

Floating Debt of the State on March 31st, 1935.

	Foreign	Domestic	Total
	(Millions of pengö)		
£3 million Treasury bills, 1930	66.7	—	66.7
£5 million Treasury bills, 1931	100.7	43.1	143.8
Foreign currency loan	—	5.3	5.3
Loans for the purchase of State bonds	24.3	—	24.3
Loans for road-building	7.7	—	7.7
Loans for investments of State Railways	29.6	18.8	48.4
Loans for investments of Ironworks	1.8	3.0	4.8
Loans for investments of wine-shops abroad, etc.	5.9	—	5.9
Loans for working balance of State administration	27.0	1.0	28.0
Loans for working balance of State Railways	10.4	14.5	24.9
Loans for working balance of State Ironworks	14.4	3.7	18.1
Treasury bills, 1932 ¹	—	90.8	90.8
Treasury bills, 1933	—	53.0	53.0
Treasury bills deposited in connection with 1932-33 foreign debt service (interest) ²	21.2	—	21.2
Treasury bills deposited in connection with 1933-34 foreign debt service (interest) ²	16.8	—	16.8
Treasury bills deposited in connection with 1933-34 League Loan service (interest) ²	7.3	0.1	7.4
Treasury bills deposited in connection with 1934-35 foreign debt service (interest) ²	11.2	—	11.2
Treasury bills deposited in connection with 1934-35 League Loan service (interest) ²	5.7	0.1	5.8
Loan in connection with Agrarian Debt Relief (Act XXVII, 1933)	—	15.0	15.0
Treasury bills, investment loan from Foreign Creditors' Fund (Act XXVII, 1933)	—	11.5	11.5
Loan for Co-operative Societies (§ 3, Act XXI, 1934)	—	8.8	8.8
Total	350.7	268.7	619.4

(g) *Agricultural Relief Fund (Formerly Boletta).*

The 1935-36 budget of this fund, which is outside the budget but is fed by additional taxation, shows an appreciable increase, of roughly 10 %, as compared with the foregoing year :

<i>Receipts :</i>	1935-36	1934-35
	(Millions of pengö)	
1. Turnover tax on flour	24.3	22.1
2. Turnover tax on polished rice	0.9	1.3
3. Turnover tax on textiles and other goods and contribution from textile firms	14.4	12.4
4. Turnover tax on groceries and spices	0.4	0.3
5. Cartel dues	0.8	0.7
6. Coal tax	1.7	2.0
7. Contribution from firms liable to company tax	5.0	5.0
8. Increase of turnover tax on yeast	1.4	1.4
9. Contribution on sales of hogs	0.5	—
10. Dues for marking export goods	0.1	—
Total	49.5	—

¹ The total of arrears of dues amounted to 93.5 million pengö at the end of March 1935, against which Treasury bills of the face value of 90.8 million pengö have been issued as indicated above.

² The Treasury bills deposited in respect of amortisation are included in the capital amounts outstanding.

Expenditure :	1935-36	1934-35
	(Millions of pengö)	
1. Refund of tax on exported flour	5.2	3.6
2. Refund of land tax	8.6	8.0
3. Refund of contribution in place of labour	5.0	5.0
4. Reduced railway rates for agricultural produce	3.5	2.5
5. Promotion of marketing and other relief to agriculture ..	22.2	22.1
6. Administrative expenses	3.5	3.0
7. Compensation to communes for their share in turnover tax on flour	1.0	1.0
8. Promotion of products manufactured from hogs	0.5	—
Total	49.5	45.2

(h) *Reconstruction Loan, 1924, and Assigned Revenues.*

On July 5th, the following *communiqué* was issued by the League Loans Committee (London) :

" State Loan of the Kingdom of Hungary, 1924.

" 1. The League Loans Committee have the pleasure to announce that the Hungarian Government has duly carried out to date, and is continuing to carry out, the arrangements announced on June 30th, 1934, for the service of this League of Nations Loan for the period to August next. Consequently, the Trustees were able to pay the coupon due February 1st, 1935, at 50% of its value ; and it may be anticipated that they will in due course pay the coupon due August 1st, 1935, at 50% also.

" The Hungarian Government has also made good its offer announced on June 30th, 1934, when it stated :

" The Hungarian Government . . . offers to any bondholder who is willing to surrender on or after October 1st, 1934, the part-paid coupons due in February and/or August 1934 a cash payment in foreign exchange of 10% of the unpaid portion of these coupons.'

" 2. The Hungarian Government has recently been in communication with the League Loans Committee regarding the further service and now announces that it again expressly recognises the special position and claims of this loan, and it confidently hopes, and will use its best endeavours, to carry out the following arrangements for the service during the period August 2nd, 1935, to August 1st, 1936, inclusive :

" The Hungarian Government will transfer to the Trustees in foreign exchange 50% of the interest service. It will continue to provide in its budget in pengö the equivalent of the full service of the loan, including interest and sinking fund, and to deposit these amounts as at present in an account at the National Bank of Hungary. It will be entitled as hitherto to reborrow the untransferred portion of the service against the deposit of 2% One-Year Pengö Treasury Bills.'

" The Hungarian Government regrets that, in present circumstances, it is unable to propose any arrangement for final redemption of the coupons paid at 50% in 1935. The 2% Pengö Treasury Bills representing the untransferred service for the year 1934-35 will accordingly be renewed for a further year at the same rate of interest.

" 3. In all the circumstances, the Committee consider that bondholders would be well advised to accept the present proposals of the Hungarian Government."

Assigned Revenues.—These have been on a slightly higher level in 1934-35 than in 1933-34, most of the increase being in customs.

	1934-35				1933-34					
	Customs	Tobacco	Sugar	Salt	Total	Customs	Tobacco	Sugar	Salt	Total
July-March	31.5	79.7	34.1	15.9	161.1	26.9	78.9	33.9	15.2	154.9
April	4.3	9.0	2.7	1.3	17.3	3.2	8.4	2.8	1.4	15.8
May	4.3	9.0	3.1	1.2	17.7	2.7	9.3	3.3	1.4	16.7
June	2.4	8.9	3.2	2.6	17.2	3.7	9.3	3.0	1.4	17.3
June-July	42.5	106.6	43.2	21.0	213.3	36.5	105.8	43.1	19.4	204.8

3. BUDGETS OF THE LOCAL AUTHORITIES.

There are no returns available on the execution of the local authorities' budgets for 1935 given in my last report. It will be remembered that the local authorities' fiscal year is the calendar year.

4. STATE BORROWING.

The following additions have been made to the public debt in the fiscal year 1934-35. Of the total, 95.7 million pengö, 20.4 million pengö represents actual internal borrowings of fresh money from banks, industry, etc.

State Borrowing, 1934-35.

Description	Amount (Millions of pengő)	Maturity
1. Treasury bills placed under Law II of 1933 :		
(a) 5% Treasury bills (placed internally with industry, banks, etc.)	0.6	April 25th, 1935.
(b) 4% Treasury bills (Foreign Credits Cash Office, for investments, 1932-33 programme)	1.0	October 15th, 1935.
2. Treasury bills, placed under Law XIV of 1934 :		
(a) 2% Treasury bills deposited with the Foreign Credits Cash Office in respect of State debt service (interest only)	14.1	December 23rd, 1935.
(b) 2% Treasury bills, deposited in respect of non-transferred service of Reconstruction Loan, 1924 (interest only)	7.7	From August 1st, 1935, to July 1st, 1936.
3. Treasury bills, placed under Law XXVII of 1933 :		
(a) 3½% bills : Foreign Credits Cash Office, for investments, 1933-34, programme	7.0	February 1st, 1936.
(b) 2½% bills, loan from the National Bank in connection with Agrarian Debts Settlement	14.0	December 31st, 1943.
4. Increase in liabilities of the State Administration	1.0	November 1st, 1962.
5. Loans under Law XXI of 1934 to support co-operative societies	8.8	November 1st, 1943.
6. Debts of small landowners taken over by the State for the purposes of agrarian relief (Law XXVII of 1933)	1.5	December 31st, 1955.
7. 3½% Treasury bills deposited under Law XIX of 1934 with the Foreign Credits Cash Office in order to cover the deficit of State Administration	12.0	May 15th, 1936.
8. 3½% Treasury bills placed with Foreign Credits Cash Office for investments under Law XXI of 1934	8.0	September 1st, 1935.
9. 4½% Loan to the State Railways from banks under Law XIV of 1934	20.0	11.5 million pengő July 27th, 1935, 6.5 million pengő August 27th, 1935, 2 million pengő September 27th, 1935.
Total	95.7	

5. MONETARY AND FINANCIAL.

(a) *Position of the National Bank.*

A condensed table of the National Bank's returns, reproduced in Appendix III, 2, shows note circulation on a slightly higher level than at the same season last year. Sight liabilities (public) are much higher than they were a year ago, on account of the improved Treasury position; there has, however, been some decrease in private deposits. Cash certificates have decreased in consequence of repayments of the National Bank's debts to the Bank for International Settlements and other Central Banks. Other liabilities, a net figure, have decreased mainly as a result of the investment of the monies of the Cash Office for Foreign Credits. The metal reserve has been stationary for some months past at a level about 10% higher than a year ago. Rediscounts are appreciably lower than they were at June 30th, 1934. The Government debt to the Bank has increased by advances under the Agrarian Debts Relief Scheme.

(b) *Foreign Exchange Control.*

Hungary's exports and imports in the period under review, in values and quantities, are given in II, 2, below and Appendix III. The following table shows the National Bank's foreign exchange incomings and outgoings in the six months to June 30th, this year and last. Total incomings have very slightly decreased this year. Exchange recorded—*i.e.*, through clearings, compensations and export against pengő—has decreased by 6 million pengő, although in the case of clearings there is an increase of 13 million pengő. Compensations and, particularly, export against pengő show a heavy decline. The National Bank, having to face ever-increasing difficulties in maintaining its supply of freely available foreign exchange, has imposed stricter limits on exports against pengő.

On the outgoings side, there has also been a considerable increase in exchange going through the clearings—*i.e.*, recorded but not actually received—though this increase has been in part offset by a decrease in compensations. Allotments of exchange actually acquired, for imports, are slightly lower. Those for debt service and to the State have increased.

It will be realised that the foreign exchange actually acquired, or actually allotted, includes currencies of limited availability.

	First half-year 1935	1934 (Millions of pengö)	Difference for 1935
I. Incomings:			
1. Foreign exchange recorded (including exchange non-available or for specific destination):			
(a) Export through clearings	95	82	+ 13
(b) Compensations	24	32	— 8
(c) Export against pengö	9	20	— 11
Total of 1	<u>128</u>	<u>134</u>	<u>— 6</u>
2. Foreign exchange actually acquired:			
(a) Export exchange	36	35	+ 1
(b) Exchange receipts from other sources (State, obligatory declaration, etc.) ..	10	6	+ 4
Total of 2	<u>46</u>	<u>41</u>	<u>+ 5</u>
3. Purchases by authorised banks	1	2	— 1
Total of 1, 2 and 3—i.e. total of foreign exchange receipts recorded by the National Bank	<u>175</u>	<u>177</u>	<u>— 2</u>
II. Outgoings:			
1. Foreign exchange allotments recorded:			
(a) Through clearings	92	81	+ 11
(b) Through compensations	24	32	— 8
Total of 1	<u>116</u>	<u>113</u>	<u>+ 3</u>
2. Foreign exchange allotments out of exchange actually acquired:			
(a) For imports	22	25	— 3
(b) For debt service	12	8	+ 4
(c) To the State	9	3	+ 6
(d) To others	10	10	—
Total of 2	<u>53</u>	<u>46</u>	<u>+ 7</u>
3. Sales by authorised banks	1	2	— 1
Grand total of 1, 2 and 3	<u>170</u>	<u>161</u>	<u>+ 9</u>

The working of the Compensation Office, which came into existence on December 1st, 1932, is illustrated by the following figures. It will be recalled that export premiums in pengö are given to exporters, and paid for by a surcharge on the exchange allotted to importers. For technical reasons, certain non-premium exports to clearing countries are also controlled by this office:

		Values in millions of pengö ; premium and surcharge in percentages				
		January	February	March	April	May
1.	Value of exchange delivered to the Bank	9.4	6.9	7.9	6.9	5.5
	{ 1934					
	{ 1935	10.6	7.2	9.7	10.3	8.0
2.	Average of premium on exports ¹	17.9	18.3	18.9	18.7	18.9
	{ 1934					
	{ 1935	20.9	21.3	22.1	18.9	19.5
3.	Value of exchange allotted	7.6	7.1	6.4	6.2	6.7
	{ 1934					
	{ 1935	9.1	9.4	6.9	7.6	10.4
4.	Average of surcharge on import exchange	22.9	22.8	20.2	23.1	22.1
	{ 1934					
	{ 1935	27.7	26.4	28.5	28.5	26.9
5.	Allotments by the Office for raw materials (included in 4) ²	—	—	—	—	—
	{ 1934					
	{ 1935	2.6	1.9	2.1	2.6	2.5

¹ Calculated on the certificates issued by the Office.

² Including only *Edeldivison* allotted by the Office in connection with its raw-material scheme, but not exchange applied to raw-material purchases through the clearings and other compensation arrangements.

(c) *Foreign Debts.*

The position on June 30th, 1935, of the Cash Office for Foreign Credits, into which the pengő equivalent of the untransferred service of long-term loans is paid, was as follows :

I. *Receipts and Payments of the Office.*

	State loans	Municipal and other public loans	Other loans	Total
(Millions of pengő)				
A. Under Order-in-Council 6900 (M.E. ex 1931) :				
1. Receipts of the Office :				
(a) In cash	15.6	81.7	99.7	197.0
(b) In Treasury bills	62.4	—	—	62.4
Total	78.0	81.7	99.7	259.4
2. Payments by the Office :				
(a) Coupons and Bonds redeemed ..	10.8	50.3	78.8	139.9
(b) Advances to redemption offices ..	—	2.5	—	2.5
Total	10.8	52.8	78.8	142.4
3. Balance held :				
(a) In cash	4.8	28.9	20.9	54.6
(b) In Treasury bills	62.4	—	—	62.4
Total	67.2	28.9	20.9	117.0
B. Other receipts of the Office				37.6
Revenues of the Office				7.5
Balance (net)				162.1

II. *Present Position of the Office.*

Balance held by the Office :		(Millions of pengő)
(a) In cash		99.7
(b) In Treasury bills		62.4
Total		162.1
Investment out of cash :		(Millions of pengő)
(a) Loan to State (secured by Treasury bills of same amounts)		46.0
(b) Call money and deposits		31.5
Net amount at present held in cash		77.5
		22.2

The are no State arrears outstanding. Other arrears have increased, over the past year, by roughly 8 million pengő to 28.8 million pengő.

Loans made by the Office to the State amount in all to 67 million pengő, actual availments under these loans totalling 46 million pengő. The net amount held in cash by the Office has decreased over the last quarter from 40.3 million pengő to 22.2 million pengő.

Pengő amounts deposited with the National Bank under the Standstill Agreement in respect of interest and commission on short-term banking debts, not satisfied in foreign exchange, totalled, at June 30th last, 54.3 million pengő of which 48.6 million pengő had been accepted by creditors in satisfaction. The balance held by the National Bank thus amounted to 5.7 million pengő. Total capital repayments under the same agreement amounted, at June 30th last, to 22.6 million pengő, of which 21.1 million pengő had been disposed of by creditors, leaving a balance of 1.47 million pengő with the National Bank.

(d) *New Standstill Agreement.*

A new Standstill Agreement was initialled on June 25th, 1935, with the British and American short-term banking creditors, providing for a reduction of interest payable by Hungarian debtors, (a) by $\frac{1}{4}$ % if interest is paid in pengő, and (b) " a reasonable reduction " (recommended by the Committee of British and American Creditors) if interest is paid in foreign exchange. The agreement also provides for a further compulsory capital repayment in pengő, amounting to 3% (as against 5% in the previous agreement). Instead of the stipulations of the previous agreement concerning voluntary capital repayments, the new agreement provides for constructive arrangements between creditors and debtors, either by using certain assets of the debtor for payment or in other ways. Pengő payments in connection with such voluntary arrangements are only to be authorised by the National Bank in exceptional cases. The agreement is to run until July 15th, 1936.

II. ECONOMIC SITUATION.

I. GENERAL.

The latest estimates of the Ministry of Agriculture point to an average grain crop for 1935. Last year's was a weak one. However, last year there was a carry-over in wheat of some 2.5 million quintals. Estimates for this year compare as follows with the yield in previous years :

	Estimate		Actual yield			Average 1926-1930
	July 6th, 1935	1934	1933 (Millions of quintals)	1932	1931	
Wheat	20.2	17.6	26.2	17.5	19.7	22.3
Rye	7.1	6.2	9.6	7.7	5.5	7.4
Barley	6.1	5.4	8.4	7.2	5.8	6.0
Oats	2.5	2.6	3.5	3.1	1.9	3.5
Maize { Prospects		20.9	18.1	24.3	15.2	16.3
Potatoes { Average		23.4	18.6	15.6	14.5	18.7

Grain prices in Hungary have for some time past been independent of those on the free markets, a prime factor in their determination latterly having been the Rome Agreements with Italy and Austria (see eleventh report, pages 14 and 15), which took effect on July 1st, 1934, and which have now been renewed for a further year, without material change. Minimum wheat prices have been fixed in view of these agreements and of the size of this year's crop at an average between 0.50 and 0.60 pengő per quintal lower than the minimum prices which prevailed in 1934-35. Prices this year are thus not to fall below a limit ranging between 13.10 pengő and 14.60 pengő.

The latest returns on live-stock published by the Chamber of Agriculture are for 1934. They compare as follows with the earlier position :

Hungarian Live-stock.

	Cattle	Pigs
	(Millions of pieces)	
1911 (present territory)	2.14	3.32
1928	1.81	2.66
1933	1.69	1.89
1934	1.67	2.50

There was a slight decrease in the number of cattle from 1933 to 1934. The Hungarian Chamber of Agriculture's Report for June 28th, 1935 (page 80), however, states that the decrease took place mainly in calves, and this portends a further decrease for the near future. The reason appears to have been that, in parts of the country, milk commanded attractively high prices, which induced farmers to sell their calves for slaughter and to keep their cows. The large increase in pigs from 1933 to 1934 was caused by the bumper harvest of 1933 and lack of demand on the market subsequently.

2. TRADE.

Hungary's imports and exports for the period under review, in values, will be found in Appendix III, I. In connection with the increase in values over last year, it should be remembered that there has been a sharp increase in Hungarian prices. The wholesale index for 1933-34 (monthly average) stood at just under 74, while for eleven months of 1934-35 it was 84 : an increase of over 13%. In quantities, imports for the six months ending June 30th are roughly on the same level as last year, while exports have declined appreciably :

	Imports	Exports
	(Millions of quintals)	
January-June 1934	10.7	8.8
January-June 1935	10.4	6.9

The direction of Hungary's foreign trade is changing considerably, as the following figures show. In the years from 1925 to 1930, Austria and Czechoslovakia between them took 51.5% of Hungary's exports. In 1931-1933 their share fell to 34.7%, and in the first quarter of 1935 it only amounted to 25.5%. Germany's share, on the other hand, has doubled ; from 11.6% in 1925-1930 to 22.1% in the first quarter of 1935, Germany now being Hungary's

biggest customer. Italy's share has risen from 6.2% to 13.6%. It will also be observed that there has been a heavy decline, not only in values, but also in quantities over the last ten years :

Hungary's Foreign Trade.

(In percentages of total import and export values.)

	Average 1925-1930		Average 1931-1933		First quarter 1934		First quarter 1935	
	Im- ports	Ex- ports	Im- ports	Ex- ports	Im- ports	Ex- ports	Im- ports	Ex- ports
Austria	16.9	32.9	15.9	28.6	18.7	22.9	23.7	20.5
Italy	4.8	6.2	6.3	8.7	14.4	11.4	10.3	13.6
Germany	18.3	11.6	22.2	13.1	17.0	14.9	22.2	22.1
Switzerland	3.4	3.4	2.6	5.6	2.6	7.5	2.0	2.2
Czechoslovakia	23.1	18.6	10.3	6.1	8.2	4.5	4.6	5.0
France	2.5	0.9	4.3	4.6	4.0	3.5	1.7	3.0
England	2.9	2.9	4.2	8.1	6.4	8.1	6.7	9.6
Yugoslavia	4.4	6.1	5.2	5.7	4.2	5.8	3.4	2.8
Roumania	8.2	4.3	10.5	3.4	8.0	4.0	5.1	6.0
Poland	4.8	2.7	2.7	0.9	1.5	0.8	0.9	0.8
Other countries	11.2	10.1	14.8	15.3	14.0	16.6	19.4	14.4
Total	100	100	100	100	100	100	100	100
Total values in millions of pengö	1,014.5	884.7	393.5	432.1	74.6	96.3	84.0	99.8
Quantities in million quintals ..	57.3	23.3	24.1	16.7	4.3	4.7	4.5	3.3

The traffic and receipts of the State Railways were appreciably lower in the opening months of 1935 than they were last year, but there has been an improvement in May.

	State Railways			
	Ton-kilometres		Receipts	
	1935 (Millions)	1934	1935 (Millions of pengö)	1934
January	130.6	157.0	14.1	15.3
February	128.8	155.1	13.4	14.3
March	143.2	166.4	13.6	16.0
April	134.7	142.5	13.7	14.3
May	158.6	150.2	15.7	15.3

Receipts of the Post, Telegraph and Telephone show a decline over the first quarter, followed by a slight improvement in April and May.

	Post, Telegraph and Telephone	
	1935 (Millions of pengö)	1934
January	8.0	7.7
February	6.9	7.1
March	7.7	8.2
April	7.8	7.0
May	7.6	7.2

3. PRODUCTION AND CONSUMPTION.

Such information as is available points to an increase in production and deliveries of coal and electrical current, this year as compared with last, but the increase seems all to have been in industrial consumption. Private consumption, where prices are pegged, shows a slight decline. The metal industry, petroleum refinery, rubber, paper, leather and glass are reported to be doing well. Textiles (except jute, which is flourishing) and other branches are either stationary or declining.

First quarter of :	Output of coal (in hundreds of thousands of quintals)	Output of iron (thousands of tons)	Output of steel (thousands of tons)
1933	168.2	13	38
1934	187.2	32	61
1935	191.7	43	87

The City of Budapest's returns on consumption do not disclose any uniform tendency. Loans by the Post Office pawn-shop continue slightly to increase.

4. PRICES.

The Royal Hungarian Statistical Office's wholesale-price index shows a considerable increase over the last year :

	1935	1934
	(1913 = 100)	
January	86	71
February	86	74
March	85	74
April	86	75
May	88	83

As the jump from 75 in April 1934 to 83 the next month suggests, this increase was substantially caused by the rise in wheat prices which took place when the Rome Agreements referred to above were being negotiated. This increase in the agricultural group of prices has reduced, on paper, the disparity between agricultural and industrial prices in Hungary ; but it must be observed that a closing of the agrarian shears by increasing grain prices to levels out of correspondence with prices on the free markets is of limited value for the community. Industrial prices in Hungary have decreased relatively very slightly since the peak was reached some years ago. Latterly, retail prices of many individual staple articles of consumption (industrial) have risen. Consumption is consequently on an exceedingly low level, and is still declining.

It will be seen from the following figures that prices of cattle and pigs are either stationary or falling :

	Wheat (per 100 kg.)		Live cattle, midding quality (per kg.)		Calves (per kg.)		Pigs (per kg.)	
	1935	1934	1935	1934	1935	1934	1935	1934
January	17.65	8.28	0.45	0.52	0.75	0.85	0.80	0.88
February	17.93	9.55	0.47	0.47	0.76	0.87	0.74	0.93
March	16.95	10.18	0.47	0.49	0.72	0.82	0.75	0.91
April	16.88	10.08	0.49	0.51	0.74	0.72	0.73	0.84
May	16.85	14.25	0.52	0.49	0.75	0.74	0.73	0.77

5. STOCK EXCHANGE.

There was a sharp rise in the Stock Exchange index in the opening months of this year, followed in May by a decline, which has continued in June :

	1935	1934
	(1926 = 100)	
January	85.9	77.5
February	89.5	80.0
March	104.0	79.1
April	112.3	76.7
May	103.3	72.4

6. BANKING, COMMERCIAL AND PRIVATE.

There is nothing to report on the banking position since the end-year balance-sheets mentioned in my last report.

As stated in my last report, page 10, legal transactions in gold, except for strictly controlled commercial purposes, are now limited to purchases by the Central Corporation of Banking Companies, sellers being required to disclose their identity! The price at which these purchases take place has declined somewhat since the Central Corporation, on March 7th last, began its operations at the price of 6,000 pengö per kilogramme (parity rate, 3,794 pengö). It now stands at 5,800 pengö.

7. COMMERCIAL POLICY.

The agreements between Hungary and Italy and Hungary and Austria, known as the Rome Agreements (see eleventh report, pages 14 and 15), which entered into force a year ago, have now been renewed without substantial change for a further year. This means that Italy takes 1 million quintals of Hungarian wheat at the same price as last year, and takes an option on a further 1 million quintals. Austria takes 2.2 million quintals at 20 Schillings per quintal, this amount including the equivalent in flour of 700,000 quintals. In addition

to this, Austria will take further quantities of wheat, flour, wine, fruit and natrium sulphide in order to create a Schilling balance for allotment to Hungarian tourists in Austria. The agreement with Austria further includes measures devised to improve, from Hungary's point of view, the ratio of exchanges of goods between the two countries. The ratio of 1.5 : 1 in Hungary's favour originally aimed at has latterly not been maintained.

After a period of over five years, during which Hungary has had no commercial treaty with Czechoslovakia, a treaty has now been signed with effect as from June 1st last. The treaty is based on the most-favoured-nation clause, with certain restrictions. The system of quotas and import licences still subsists, however, so that this treaty, while constituting a welcome step in the right direction, cannot go far towards restoring trade between the two countries to what it was down to 1929.

In general, Hungary continues to be faced by grave difficulties in her foreign trade—reduction of the amount of freely available exchange derived from her exports—and demands that she devote more and more of the proceeds of those exports to the purchase of goods or to the reduction of outstanding merchandise debts.

Appendix I.

**MONTHLY (QUARTERLY) RESULTS FOR THE YEAR 1934-35 COMPARED WITH
THE RESULTS FOR THE YEAR 1933-34.**

	July to March		April		May		June	
	1933/34	1934/35	1934	1935	1934	1935	1934	1935
(Millions of pengö)								
A. ADMINISTRATION.								
<i>Receipts.</i>								
Direct taxes	174.0	175.0	12.0	11.8	26.1	25.3	16.3	13.0
Customs duties	26.9	31.5	3.2	4.3	2.7	4.3	3.7	2.4
Excise duties	65.8	66.2	5.5	5.9	6.5	6.6	6.3	6.5
Turnover tax	74.0	82.5	6.3	7.2	9.6	10.2	9.2	8.9
Dues	75.6	72.1	6.9	7.3	8.3	7.6	8.5	7.5
Tobacco Monopoly	78.9	79.7	8.4	9.0	9.3	9.0	9.3	8.9
Salt Monopoly (gross)	19.5	20.2	1.8	1.6	1.6	1.5	1.8	3.0
Saccharine and lotteries	1.4	1.4	0.5	0.5	0.01	0.01	0.1	0.1
Administrative receipts	47.6	44.5	5.3	3.5	3.4	3.8	22.4	20.4
Total receipts	563.7	573.0	49.9	51.1	67.4	68.2	77.6	70.6
<i>Expenditure.</i>								
Army	56.6	61.4	5.6	6.5	5.8	9.3	16.8	—
Foreign Affairs	6.6	6.7	1.1	1.1	0.6	0.6	0.8	—
Justice	25.0	24.4	2.7	2.6	2.8	2.7	3.0	—
Supreme organs of the State ¹ ..	—	—	—	—	—	—	—	—
Interior	86.6	87.0	10.2	10.1	9.2	9.4	11.5	—
Agriculture	23.5	22.5	1.7	3.5	2.1	3.4	5.6	—
Commerce	25.3	28.3	3.1	3.7	2.3	3.0	5.8	—
Education	45.7	47.4	5.1	5.1	5.4	5.4	6.0	—
Finance	64.3	57.9	5.7	6.4	6.4	7.6	10.1	—
Smaller departments	8.1	8.2	1.6	1.4	0.8	0.7	0.8	—
Subsidies to local authorities ..	35.9	37.3	4.1	4.4	3.6	4.2	4.1	—
Pensions	105.7	106.3	11.9	12.5	11.2	12.1	12.2	—
Debt service	37.1	36.4	3.5	4.9	2.7	2.8	10.8	—
Total expenditure	520.4	523.8	56.5	62.2	52.7	61.3	87.4	80.8
Balance	+ 43.3	+ 49.2	— 6.6	— 11.1	+ 14.7	+ 6.9	— 9.8	— 10.2
B. UNDERTAKINGS.								
<i>Receipts.</i>								
Post and Telegraph	70.7	69.0	7.0	7.8	7.2	7.6	7.5	—
Railways ²	158.8	151.6	14.3	13.7	15.3	15.7	17.0	—
Ironworks	12.5	20.2	1.7	2.7	1.5	3.6	1.6	—
Other undertakings	15.7	17.2	1.7	1.7	1.9	1.6	3.3	—
Total receipts	257.7	258.0	24.6	25.9	25.8	28.5	29.4	—
<i>Expenditure.</i>								
Post and Telegraph	62.1	61.6	6.0	5.8	6.1	5.9	13.0	—
Railways ²	199.2	195.3	20.8	20.9	22.2	21.7	28.3	—
Ironworks	23.8	29.6	2.9	3.8	2.4	4.9	2.8	—
Other undertakings	16.7	18.1	1.5	1.5	1.5	1.4	2.5	—
Total expenditure	301.8	304.6	31.1	32.0	32.2	33.9	46.6	—
Balance	— 44.1	— 46.6	— 6.5	— 6.1	— 6.4	— 5.4	— 17.1	—

¹ Included in "Smaller departments".

² Returns of the Railways for current fiscal year are provisional.

Appendix II.

BUDGET OF THE ADMINISTRATION FOR 1935-36.

(a) EXPENDITURE.

		Budget as voted for the year 1934-35	Budget as submitted to Parliament for the year 1935-36
		(Millions of pengö)	
Supreme organs of the State	{ Personnel	0.5	0.5
	{ Material	0.3	0.3
Parliament	{ Personnel	3.3	3.3
	{ Material	0.6	0.7
High Court of Accounts	{ Personnel	0.4	0.4
	{ Material	0.1	0.1
Administrative Tribunal	{ Personnel	0.6	0.6
	{ Material	0.1	0.04
Prime Minister's Office	{ Personnel	1.3	1.3
	{ Material	3.5	3.4
Ministry for Foreign Affairs	{ Personnel	4.8	4.9
	{ Material	4.8	4.9
Ministry of the Interior	{ Personnel	70.0	69.7
	{ Material	45.1	45.8
Ministry of Finance	{ Personnel	33.2	33.6
	{ Material	53.9	55.9
Ministry of Commerce	{ Personnel	9.2	9.2
	{ Material	19.4	23.9
Ministry of Agriculture	{ Personnel	8.1	8.1
	{ Material	16.3	18.9
Ministry of Education and Worship	{ Personnel	41.3	41.0
	{ Material	21.4	21.7
Ministry of Justice	{ Personnel	26.4	26.3
	{ Material	6.2	5.9
Ministry of National Defence	{ Personnel	56.8	58.1
	{ Material	28.8	33.3
State Debts		87.2	86.7
Charges under the Peace Treaty		1.0	1.1
Subsidies to autonomous Administrations (personnel)		47.0	47.2
Pensions		138.5	141.1
Investments		16.8	18.4
Total		746.7	766.5
(b) RECEIPTS.			
Direct taxes		228.1	219.0
Tax on business turnover		91.9	101.5
Stamps and dues		102.0	95.0
Excise		82.3	86.1
Customs		34.0	38.0
Tobacco Monopoly		104.5	107.4
Salt Monopoly		24.3	25.3
Saccharine and Lottery Monopolies		2.0	2.0
Departmental receipts		71.5	73.7
Total		740.6	748.0

Appendix III.

I. ECONOMIC INDICES.

(End of date given.)

		First quarter	April	May	June
Index of industrial production ¹ ..	1935	97.8	—	—	—
	1934	88.0	—	—	103.0
	1933	72.4	—	—	83.1
Output of coal ²	1935	191.7	50.8	—	—
	1934	187.2	45.2	46.8	46.6
	1933	168.2	42.0	42.6	41.9
Unemployment ³	1935	19.777	18.322	17.113	—
	1934	24.235	23.586	22.848	22.467
	1933	27.771	28.521	26.778	26.209
Prices : Wholesale	1935	85	86	88	—
	1934	74	75	83	81
	1933	82	80	79	79
Retail	1935	96.54	96.74	96.63	96.98
	1934	97.12	97.76	98.90	97.23
	1933	101.16	100.92	100.26	99.57
Stock-Exchange index ⁴	1935	104.0	112.3	103.3	—
	1934	79.1	76.7	72.4	68.0
	1933	79.1	77.5	77.0	80.4
(Millions of pengö)					
Savings deposits at the Post Office Savings Bank and the twelve leading commercial banks ..	1935	605.4	602.7	604.5	—
	1934	547.7	552.3	558.2	562.3
	1933	504.4	508.0	509.0	516.8
Current accounts at the Post Office Savings Bank and the twelve leading commercial banks ..	1935	662.5	660.4	659.4	—
	1934	645.9	640.8	644.2	647.2
	1933	662.0	668.7	679.2	694.8
Total	1935	1,267.9	1,263.1	1,263.9	—
	1934	1,193.6	1,193.0	1,197.4	1,209.5
	1933	1,166.4	1,176.7	1,188.0	1,211.6
Per cent					
Official discount rates	1935	4.5	4.5	4.5	4.5
	1934	4.5	4.5	4.5	4.5
	1933	4.5	4.5	4.5	4.5
Market discount rates : ⁵					
3-month bills (maximum) ..	1935	7.5	7.5	7.5	7.5
	1934	7.5	7.5	7.5	7.5
3-month bills (minimum) ..	1935	4.5	4.5	4.5	4.5
	1934	4.5	4.5	4.5	4.5
Foreign trade : ⁶					
(Millions of pengö)					
Imports	1935	84.0	31.6	31.1	26.4
	1934	76.5	29.6	28.5	30.7
	1933	70.1	22.7	25.4	25.7
Exports	1935	99.8	31.1	31.8	29.8
	1934	97.5	31.0	26.6	29.4
	1933	78.6	23.1	28.1	29.3
Difference	1935	+ 15.8	— 0.5	+ 0.7	+ 3.4
	1934	+ 21.0	+ 1.4	— 1.9	— 1.3
	1933	+ 8.5	+ 0.9	+ 2.7	+ 3.6

¹ The Economic Research Institute now publishes quarterly indices, calculated on a new basis, which cannot be compared with those reproduced in previous reports.

² Coal output in hundreds of thousands of quintals.

³ Unemployed Social-Democratic workmen.

⁴ Stock Exchange closed from July 13th, 1931, to September 1932. The present index calculated by the Office of Statistics includes eighteen shares (1926 = 100).

⁵ Returns of the National Bank of Hungary. Previous reports give those of the Economic Research Institute.

⁶ Figures for 1934 and 1933 are now definitive.

2. NATIONAL BANK.

	December 31st		March 31st	April 30th	May 31st	June 30th
	(Millions of pengö)		(Millions of pengö)			
Note circulation	{ 1934 381.4	1935	369.8	368.5	359.3	375.3
	{ 1933 368.6	1934	359.8	351.5	342.5	363.9
Sight liabilities :						
Public	{ 1934 71.6	1935	65.0	61.0	77.9	70.7
	{ 1933 64.5	1934	49.0	42.8	43.3	29.5
Private	{ 1934 34.0	1935	20.5	17.4	20.3	29.5
	{ 1933 38.6	1934	29.7	25.1	24.1	39.7
Cash certificates ¹	{ 1934 115.1	1935	115.1	109.1	109.1	109.1
	{ 1933 119.7	1934	119.7	117.7	117.7	117.7
Other liabilities (net)	{ 1934 150.1	1935	96.3	103.8	100.7	85.6
	{ 1933 155.8	1934	140.5	146.7	149.5	142.1
Metal reserve as shown	{ 1934 109.0	1935	111.8	113.0	112.0	111.6
	{ 1933 99.2	1934	104.6	102.4	102.7	101.8
- Thereof gold	{ 1934 78.9	1935	78.9	78.9	78.9	78.9
	{ 1933 78.8	1934	78.9	78.9	78.9	78.9
Commercial bills discounted	{ 1934 619.5 ²	1935	523.0 ²	514.9 ²	521.3 ²	524.7 ⁴
	{ 1933 624.8 ²	1934	571.8 ²	559.2 ²	554.0 ²	569.5 ⁴
Advances on securities ⁷	{ 1934 11.8	1935	11.8	11.8	11.8	11.8
	{ 1933 11.0	1934	11.0	11.0	11.0	11.8
Government debt	{ 1934 50.0	1935	58.5	58.4	60.4	60.4
	{ 1933 50.1	1934	49.5	49.4	49.4	48.0
	Per cent		Per cent	Per cent	Per cent	Per cent
Ratio of cover	{ 1934 24.9	1935	28.2	29.1	28.2	26.9
	{ 1933 23.5	1934	26.9	27.7	28.3	26.4

¹ Issued in connection with the consolidation of the Bank for International Settlements and Central Bank credits.

² Thereof Treasury bonds 34.1 million pengö.

³ " " " 34.7 " "

⁴ " " " 24.7 " "

⁵ " " " 31.2 " "

⁶ " " " 36.3 " "

⁷ All Treasury bonds.

Appendix IV.

I. FOREIGN EXCHANGE : PURCHASES AND SALES OF THE NATIONAL BANK OF HUNGARY IN THE SECOND QUARTER OF 1935 AND IN THE FIRST HALF-YEAR OF 1934¹ AND 1935.

	1935		
	April	May	June
(Millions of pengö)			
<i>Purchases :</i>			
(a) Export <i>Devisen</i> received ²	24.79	18.01	18.24
(b) Under obligatory declaration	0.34	0.30	0.14
(c) From the State	0.17	0.48	0.32
(d) From others	0.98	1.61	1.15
Total	26.28	20.40	19.85
Excess of sales	4.95	1.59	—
<i>Sales :</i>			
(a) For loan service	9.19	0.63	0.63
(b) For imports ²	18.36	18.38	16.41
(c) To the State	2.21	1.43	0.71
(d) To others	1.47	1.55	1.84
Total	31.23	21.99	19.59
Excess of purchases	—	—	0.26

	1934	1935		
	First half-year	First quarter	Second quarter	Total first half-year
(Millions of pengö)				
<i>Purchases :</i>				
(a) Export <i>Devisen</i> received ²	117.35	69.88	61.04	130.92
(b) Under obligatory declaration	1.56	0.83	0.78	1.61
(c) From the State	1.14	0.62	0.97	1.59
(d) From others	2.90	3.04	3.74	6.78
Total	122.95	74.37	66.53	140.90
Excess of sales	4.01	—	6.28	3.78
<i>Sales :</i>				
(a) For loan service	8.44	1.74	10.45	12.19
(b) For imports ²	106.29	61.10	53.15	114.25
(c) To the State	2.66	4.25	4.35	8.60
(d) To others	9.57	4.78	4.86	9.64
Total	126.96	71.87	72.81	144.68
Excess of purchases	—	2.50	—	—

¹ Revised figures.
² Including clearing.

2. FOREIGN EXCHANGE CONTROL.¹

	Actual exports	Exports notified	Percentage of exports notified to actual exports	Export Devisen received	Percentage of Devisen received to exports notified	Percentage of Devisen received to actual exports	Actual imports	Import Devisen allotted	Percentage of Devisen allotted to actual imports
(Millions of pengö)									
1931:									
October	64.2	40.5	64.9	15.7	38.8	25.2	40.4	5.3	13.1
November	63.3	30.8	48.7	15.0	48.7	23.7	34.6	8.0	23.1
December	43.4	20.8	47.9	14.3	68.7	32.9	41.0	7.9	19.3
1932:									
January	24.1	13.7	56.8	15.0	109.5	62.2	27.3	10.2	37.4
February	23.6	14.4	61.0	15.2	105.6	64.4	25.5	10.9	42.7
March	25.4	16.3	64.2	12.6	77.3	49.6	30.5	9.4	30.8
April	26.9	20.1	74.7	14.0	69.6	52.0	25.7	9.4	36.6
May	26.0	17.6	67.7	12.5	71.0	48.1	27.6	10.9	39.5
June	27.5	19.3	70.2	14.6	75.6	53.1	29.2	10.0	34.2
July	23.2	14.1	60.8	12.0	85.1	51.7	23.2	9.6	41.4
August	25.9	14.6	56.4	10.7	73.3	41.3	24.6	8.5	34.6
September	33.3	17.0	51.1	11.6	68.2	34.8	25.9	7.9	30.5
October	31.7	24.8	78.2	14.4	58.1	45.4	26.5	13.4	50.6
November	30.9	20.0	64.7	14.4	72.0	46.6	29.7	9.5	32.0
December	36.0	24.3	67.5	17.4	71.6	48.3	32.8	13.1	39.9
1933:									
January	23.2	17.1	73.7	14.9	87.1	64.2	22.3	13.0	58.3
February	25.7	21.2	82.5	19.3	91.0	75.1	21.6	14.9	69.0
March	29.2	21.9	75.0	18.2	83.1	62.3	26.0	16.3	62.7
April	23.1	14.8	64.1	17.7	119.6	76.6	22.7	11.2	49.3
May	28.1	22.6	80.4	16.6	73.5	59.1	25.4	12.4	48.8
June	29.3	20.6	70.3	15.5	73.3	51.5	25.7	10.4	40.5
July	29.9	18.9	63.2	14.6	77.2	48.8	25.2	14.5	57.5
August	34.5	17.7	51.3	15.5	87.6	44.9	26.5	13.6	51.3
September	44.0	29.4	66.8	17.1	58.2	38.9	26.3	16.3	62.0
October	41.3	27.5	66.6	21.7	78.9	52.5	32.4	14.6	45.1
November	43.3	34.3	79.2	21.9	63.8	50.6	31.8	17.0	53.5
December	39.7	30.9	77.8	22.2	71.8	55.9	26.7	16.8	62.9
1934:									
January	28.7	25.2	87.8	23.6	93.6	82.2	23.1	18.4	79.7
February	28.9	24.9	86.2	20.2	81.1	69.9	22.0	17.4	79.1
March	38.7	28.7	74.2	21.0	73.2	54.3	29.5	19.7	66.8
April	31.0	23.3	75.2	15.4	66.1	49.7	29.6	15.0	50.7
May	26.6	19.3	72.6	17.8	92.2	66.9	28.5	15.5	54.4
June	29.4	20.8	70.7	17.4	83.7	59.2	30.7	13.8	45.0
July	28.1	22.1	78.6	19.0	86.0	67.6	28.2	12.7	45.0
August	32.5	23.9	73.5	18.0	75.3	55.4	27.6	12.1	43.8
September	35.3	18.9	53.5	18.4	97.3	52.1	27.9	18.1	64.9
October	37.1	20.7	55.8	22.2	107.2	59.8	33.1	17.8	53.8
November	42.3	35.4	83.7	23.1	65.3	54.6	33.8	17.2	50.9
December	46.7	33.3	71.3	24.8	74.5	53.1	30.8	18.7	60.7
1935:									
January	29.8	26.1	87.6	26.4	101.1	88.6	27.2	22.6	83.1
February	29.2	22.3	76.4	18.6	83.4	63.7	27.4	20.6	75.2
March	40.8	23.7	58.1	24.8	104.6	60.8	29.4	17.9	60.2
April	31.1	23.6	75.9	24.8	105.1	79.7	31.6	18.4	58.2
May	31.8	21.2	66.7	18.0	84.9	56.6	31.1	18.4	59.2
June	29.8	15.7	50.6	19.8	126.1	66.4	26.4	16.4	62.1

¹ Figures relating to exports and imports revised by the Hungarian Statistical Office.

Genève, le 25 juillet 1935.

SOCIÉTÉ DES NATIONS

TRENTE-CINQUIÈME RAPPORT
DU COMMISSAIRE DE LA SOCIÉTÉ DES NATIONS EN BULGARIE
(PÉRIODE MARS-MAI 1935.)

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INTRODUCTION.

I. Lors de sa dernière session en mai, le Conseil de la Société des Nations, sur la proposition du Comité financier, avait autorisé le Gouvernement bulgare à élever de 300 millions de leva le plafond des bons du Trésor. Profitant de cette autorisation, le ministre des Finances a procédé à une émission de 250 millions.

II. Le Gouvernement bulgare s'est conformé aux recommandations qui avaient été liées à cette autorisation.

Les salaires arriérés ont été intégralement réglés. Le paiement des salaires se poursuit régulièrement. Les pensions sont payées en fin de trimestre.

III. Les statuts de la Banque nationale de Bulgarie ont été modifiés dans le sens du texte proposé.

IV. Le contrôle préalable a été restauré dans son ancienne forme. Il est exercé par les services du Ministère sur tous engagements de dépenses.

Des budgets mensuels fixent les crédits mis à la disposition des différents ministères et services.

V. Le Gouvernement a rétabli l'unité de caisse en prescrivant que les recettes des fonds spéciaux seraient versées à l'avenir à la Banque nationale. Les disponibilités existantes le seront également, à l'exception, toutefois, de celles qui sont actuellement à la Banque agricole.

VI. L'étude de la réforme de la comptabilité publique et du budget préconisée par le Comité financier se poursuit dans le but de réaliser l'unité budgétaire et le budget de gestion.

VII. La situation de trésorerie ne s'est pas aggravée. Si les recettes budgétaires sont sensiblement inférieures aux prévisions, le contrôle et les restrictions imposées ont heureusement permis de réduire les dépenses.

VIII. La situation en devises de la Banque nationale est toujours précaire. Elle ne pourra s'améliorer qu'au moment où les exportations de produits agricoles deviendront possibles.

Les perspectives de récolte sont assez bonnes.

IX. Le présent rapport a été établi par M. Pierre Cheysson, commissaire de la Société des Nations en Bulgarie, avec la collaboration de M. Köstner, conseiller auprès de la Banque nationale.

I. BUDGET.

	Millions de leva
Au cours des cinq premiers mois de l'exercice,	
les <i>recettes</i> de l'Etat et des Chemins de fer et Ports se sont élevées à . . .	2.091,7
les <i>dépenses</i> , à	2.327,2
	<hr/>
le <i>déficit</i> est de	235,5

Les recettes ordinaires de l'Etat (Cf. appendice I, a)) — obtenues en retranchant des recettes budgétaires la reprise des soldes non transférés du service de la dette extérieure — sont comparables aux recettes correspondantes de l'année dernière (1.691,5 millions contre 1.699,8), malgré le fléchissement très sensible des recettes en mars. Elles sont inférieures aux prévisions (2.193,5 millions) de 23 %.

Le tableau donné dans l'appendice I c) montre que le recouvrement des impôts directs (en y comprenant celui des impôts arriérés) a produit pendant la période envisagée 273,1 millions de leva contre 294,4 millions en 1934 (93 %). Il y a lieu de remarquer que depuis fin mars, l'impôt foncier et l'impôt sur les immeubles ne rentrent plus dans les caisses de l'Etat et sont versés en majeure partie aux municipalités, comme il sera expliqué plus loin. Les impôts cédulaires sont réduits du fait que les salaires des employés d'Etat sont désormais payés nets et exempts d'impôts. La patente est calculée sur la base de 1934 (réduite à neuf mois) avec un abattement de 15 %. Le taux de l'imposition sur les chèvres et les brebis a été diminué de 25 % par rapport à 1934. Enfin, 10 % de la perception des arriérés est versée au fonds « Assistance sociale ». Ces différents abattements au détriment de 1935 s'élèvent à près de 30 millions.

Ils sont en partie compensés par l'augmentation du rendement de l'impôt militaire, de l'impôt sur les successions et des sommes provenant du rachat de la prestation obligatoire. Le taux de ce rachat a du reste été diminué.

Les recettes autres que les impôts directs sont toutes inférieures aux recettes de l'année précédente et aux prévisions.

Les dépenses de l'Etat et des Chemins de fer (2.327 millions) pour les cinq premiers mois sont inférieures aux dépenses de l'année précédente (2.431 millions) et aux crédits ouverts par les budgets mensuels (2.575 millions) (— 9,5 %). Les 5/12 des crédits budgétaires annuels s'élèvent à 2.947,5 millions de leva.

La trésorerie a été sensiblement améliorée par une émission supplémentaire de bons du Trésor de 250 millions faite en mai et à décompter sur l'autorisation de 300 millions donnée par le Conseil en mai dernier. Le déficit de trésorerie, qui s'était élevé en janvier jusqu'à 652 millions est réduit à 347,6 millions. Il était, au cours des mois correspondants de 1934, compris entre 800 et 900 millions.

II. LÉGISLATION.

a) *Chômeurs intellectuels.*

La loi et son amendement sur l'emploi des chômeurs intellectuels dans les institutions et entreprises privées ont paru dans le *Journal Officiel* n° 106 du 14 mai 1935. Elle prescrit que tout employé ou ouvrier dont la famille comprend trois personnes au plus et qui dispose, par famille, à titre de pension, rente ou autre, d'un revenu mensuel minimum de 2.500 leva, s'il n'a pas reçu d'enseignement secondaire, de 3.500, au cas contraire, et de 4.500, s'il a reçu l'enseignement supérieur, sera congédié et ne pourra être embauché à l'avenir comme employé ou ouvrier. Cette limite est élevée de 250, 400 ou 500 leva par personne en sus de trois à la charge du chef de la famille. Les directeurs ou fondés de pouvoirs administratifs et techniques des entreprises industrielles échappent à ces prescriptions. Les emplois rendus vacants ne peuvent être supprimés et doivent être occupés par des chômeurs régulièrement inscrits comme tels.

Les administrations d'Etat et des municipalités, aussi bien que les entreprises agricoles sont exclues par une circulaire interprétant la loi (*Journal Officiel* n° 116 du 27 mai 1935).

Si une entreprise désire conserver un employé tombant sous le coup des prescriptions légales, elle peut le faire en versant 40 % du salaire à un « compte ouvert à la Direction du Travail pour l'emploi des chômeurs intellectuels ». Les différents ministres peuvent, après approbation du ministre de l'Economie nationale, prélever sur ce compte les salaires d'employés supplémentaires engagés à un traitement mensuel inférieur à 3.000 leva.

La même loi prescrit le prélèvement sur les salaires de tous employés des institutions privées d'une taxe progressive allant de 3 % sur les salaires mensuels de 6.000 leva, à 10 % sur les salaires supérieurs à 20.000 leva. Les différentes entreprises utilisent les sommes prélevées pour engager des stagiaires au salaire mensuel de 1.500 leva, s'ils ont reçu l'enseignement secondaire, ou 2.000 leva s'ils ont reçu l'enseignement supérieur. Ces stagiaires engagés pour deux ans ne peuvent occuper un des postes existant déjà dans l'entreprise. Au cas où l'employeur ne désirerait pas recevoir de stagiaire, il peut s'en dispenser en versant à la caisse « Direction du Travail — stagiaires » le montant du traitement. La même caisse reçoit toutes les sommes qui sont prélevées par les employeurs sur leurs employés et qui ne sont pas utilisées pour le salaire des stagiaires.

Aucun sujet étranger ne peut être employé sans l'autorisation de la Direction du Travail, qui peut exiger la nomination d'un stagiaire pour tout étranger employé.

L'emploi des chômeurs intellectuels est, spécialement pour la Bulgarie, un problème grave. La solution en est très délicate à trouver, et tout effort tenté dans ce sens est digne d'intérêt.

L'application trop rigoureuse des premières dispositions prises aurait risqué de faire perdre aux entreprises des employés expérimentés remplacés par des chômeurs d'un rendement hypothétique. L'institution de stagiaires en surplus du personnel normal apparaissait, dans nombre de cas, sans utilité pour les entreprises et sans intérêt pour la formation même des stagiaires. Enfin, la mise à l'écart de toute une classe de travailleurs « fortunés » pouvait constituer une perte pour le pays. Aussi, les amendements introduits ont-ils enlevé à la loi le caractère obligatoire. Les entreprises peuvent éviter de remplacer les employés disposant de ressources personnelles aussi bien que d'installer des stagiaires, en effectuant des versements à la Direction du Travail.

En définitive, la loi met à la disposition des chômeurs intellectuels soit des places dans celles des entreprises qui acceptent de leur en fournir, soit la possibilité d'en obtenir, grâce aux ressources de caisses alimentées par des prélèvements sur les hauts salaires et sur les salaires des employés disposant de revenus personnels.

b) *Impôt sur les immeubles* (Oukaze paru au *Journal Officiel* du 25 mai 1935).

Les immeubles et propriétés urbaines sont évalués tous les cinq ans par des commissions locales et sont frappés d'une taxe annuelle de 2 ½ ‰, plus 5 % de la taxe au profit du fonds des « Calamités publiques ». Une partie de la taxe est répartie entre le fonds « Paiement des salaires d'instituteurs » (30 %), les Chambres de Commerce et d'Industrie (2 %), le fonds des « Victimes de la guerre » (4 %), le fonds « Construction des chemins de fer » (1 %). Les 63 % restants sont versés aux municipalités.

L'impôt sur les immeubles a rapporté à l'Etat, en 1933-34, 26,2 millions de leva et, en 1934-35 (budget de neuf mois), 27,9 millions de leva. Le budget de l'Etat en cours a prévu 6 millions, tenant compte de ce que l'impôt devait être ristourné ultérieurement aux municipalités, comme vient de le prescrire l'oukaze dont il s'agit.

c) *Impôt foncier* (Oukaze paru au *Journal Officiel* du 25 mai 1935).

L'assiette en est établie sur les évaluations quinquennales de commissions locales. La loi distingue trois sortes de régions : les plaines, les collines et les montagnes. Neuf cédules sont prévues suivant la nature des cultures : pâturage, tabac, riz, vignobles ; et dans chacune de ces cédules, trois classes sont établies. Le taux varie par région, par cédule et par classe ; il est de 32 à 34 leva par décare pour les champs de riz de première classe et de ½ à 1 lev par décare pour les jachères. Le produit est versé : 15 % au fonds des instituteurs, 4 % aux « Victimes de la guerre », 1 % aux constructions de chemins de fer et 80 % aux municipalités.

Cet impôt a rapporté au budget 1931-32 101 millions de leva et 43,4 millions au budget 1934-35 (réduit à neuf mois). Le budget en cours, en prévision de la mise en vigueur de l'oukaze dont il vient d'être question, n'avait compté que sur 10 millions.

d) *Monopoles.*

Introduit par l'oukaze du 8 septembre 1934, le *monopole de l'alcool* a été supprimé par l'oukaze du 8 juin 1935 (*Journal Officiel* n° 126). L'ancienne législation sur la taxation de l'alcool a été remise en vigueur.

Le monopole du pétrole est suspendu provisoirement par le même oukaze.

Les monopoles du sel et du tabac ne sont pas appliqués : les études sur le futur régime du sel et des manufactures de tabac se poursuivent.

La Banque agricole et coopérative a reçu (*Journal Officiel* du 22 avril 1935) le *monopole du commerce de la soie grège* sous une forme et dans des conditions analogues à celles des monopoles du coton et du chanvre.

III. MONNAIE ET CRÉDIT.

a) *Banque nationale.*

M. Riascoff, nommé ministre des Finances du Gouvernement de M. Tocheff, a été remplacé dans son poste de gouverneur de la Banque nationale de Bulgarie par M. Dobri Bojiloff, ancien vice-gouverneur.

Les réserves d'or de la Banque sont augmentées de 36,2 millions de leva par l'or qui a été acheté depuis 1934 sur le marché intérieur et qui, jusqu'à présent, avait été décompté dans le poste « autres actifs ». La couverture, calculée d'après la règle fixée par les statuts (en déduisant du montant de l'or les exigibilités en devises), est voisine de 34 %.

Le portefeuille commercial est réduit à l'extrême à 240 millions de leva. Le montant des bons du Trésor escomptés directement a été porté à 596 millions par l'escompte d'une nouvelle tranche de 250 millions. Le montant des bons du Trésor réescomptés est de 70 millions, sans changement depuis avril ; la Banque agricole et coopérative préfère garder les bons qu'elle a escomptés en portefeuille.

La circulation des billets (2.096 millions) est en diminution de 492 millions sur celle de l'année précédente. La circulation totale, y compris celle des monnaies divisionnaires, est de 3.201 millions contre 3.515 millions en 1934. Le montant des dépôts est élevé : 2.249 millions, alors qu'il était de 1.661 millions le 15 juin 1934 ; l'augmentation de 600 millions environ est due pour 270 millions aux dépôts d'Etat et pour 332 millions aux « autres dépôts ». Les dépôts des banques ont repris leur importance normale de 800 millions après être momentanément tombés au niveau de l'année dernière, 500 millions. Les sommes souscrites à l'emprunt intérieur de l'année dernière ont donc été remplacées par les sommes remboursées sur dettes commerciales et par de nouveaux dépôts. La grande affaire de compensation, en mobilisant les stocks de tabac warrantés auprès des banques, a agi dans le même sens.

b) *Devises.*

Aucun changement important n'est à signaler dans la situation en devises de la Banque. Elle reste aussi difficile, tout au moins en ce qui concerne les devises libres. Les chiffres ci-dessous montrent l'évolution de cette situation au cours des douze derniers mois :

	15 juin 1934	15 mars 1935	15 juin 1935
Devises or	12,4	6,8	20,1
Autres devises	95,6	396,9	353,9
Total	108,0	403,7	374,0
Exigibilités en devises	44,2	95,9	126,7
Net	63,8	307,8	247,3

L'augmentation récente du poste « autres devises » est due surtout à des marks crédités au clearing (voir IV ci-après).

Répondant aux recommandations du Comité financier en janvier dernier, la Banque a promulgué la nouvelle ordonnance sur le commerce extérieur, approuvée par le Gouvernement le 4 juin 1935 (*Journal Officiel* n° 123). Elle simplifie les prescriptions antérieures tout en maintenant les anciens principes. En règle générale, des contingents normaux d'importation sont accordés aux intéressés à concurrence de 50 % de la moyenne des importations réalisées au cours de la période 1930-1932. Une augmentation des contingents pour l'importation du sel, du pétrole, des produits pharmaceutiques et des matières premières destinées à l'industrie est laissée à la discrétion de la Banque. Aucun contingent n'est fixé pour certaines marchandises de luxe, ainsi que pour le matériel et les produits importés sur contrats d'Etat. Les contingents relatifs à un nombre important d'articles, dont les matières premières, ne donnent au titulaire aucun droit ; une licence spéciale doit être obtenue par lui de la Banque avant toute importation. Les contingents additionnels prévus dans les précédentes ordonnances sont supprimés.

Les produits à importer qui peuvent être compensés avec les produits à exporter sont répartis en trois listes (précédemment quatre) :

Première liste : le coton, le pétrole, le sel, les médicaments, la laine et les matières de première nécessité pour l'industrie peuvent être importés dans la limite des contingents à la direction de la Banque, contre exportation de vesce (60 %), de maïs (50 %), d'orge (50 %), de semence de navette (50 %), de tabac (30 %), de millet des vieilles récoltes (30 %), d'œufs (30 %) et de quelques articles de faible importance. (Les chiffres entre parenthèses indiquent la proportion de devises qui doivent être remises à la Banque nationale par les exportateurs.)

Deuxième liste : les importations dans la limite des contingents et le paiement des anciennes dettes commerciales reconnues sont permis contre exportation de tabac (30 %), de volaille (30 %), de tourteaux (30 %), de bétail et de porcs (20 %) et de différents autres articles.

Troisième liste : les importations de tous produits en dehors de tout contingent, le règlement d'engagements financiers et commerciaux quelconques, peuvent être compensés avec l'exportation des articles qui figurent dans cette liste, entre autres, les produits de laiterie (15 %), l'opium (15 %), le bacon (10 %) et nombre d'autres articles difficiles à exporter, pour lesquels l'exportation est libérée de toute obligation de remettre les devises à la Banque nationale.

Les articles qui ne figurent sur aucune liste peuvent être inscrits sur l'une d'elles à la demande d'exportateurs. Le blé ne peut être exporté que contre 100 % de devises à la Banque nationale. Toutes compensations accordées pour produits exportés vers des pays liés avec la Bulgarie par un accord de clearing sont subordonnées aux conditions admises par cet accord (en particulier les dispositions de l'ordonnance sur le commerce extérieur relatives aux devises libres ne s'appliquent que si et dans la mesure où l'accord de clearing prévoit le paiement à l'exportateur bulgare de devises libres).

Les pays à devises libres reçoivent beaucoup de produits bulgares pour lesquels la proportion de devises à délivrer à la Banque est faible ; aussi, la principale source de devises libres pour cette dernière doit-elle être l'exportation du blé, pour autant que la récolte justifie les espoirs mis en elle.

La Banque évite, dans la mesure du possible, d'accorder des licences vers des pays à clearing pour des produits qui peuvent être vendus ailleurs contre devises libres.

Une cour spéciale d'arbitrage a été instituée avec les Chambres de Commerce pour traiter des conflits sur compensations (*Journal Officiel* n° 138 du 24 juin 1935).

Un accord est intervenu le 17 mai entre la Ville de Sofia et la « Berliner Handelsgesellschaft » ; il a été ratifié par le Gouvernement le 3 juin. L'emprunt 5 % Sofia 1906 est remboursé par le paiement, pour chaque obligation de 500 francs-or, de 32 ou 42 marks bloqués suivant qu'elle est échue avant ou après le 30 avril 1935. La somme nécessaire au règlement est d'environ 2 millions de marks, dont 600.000 à verser le 15 juin et le reste avant le 1^{er} décembre 1935. En définitive, le rachat est fait pour une somme inférieure à 10 % du capital nominal.

En ce qui concerne les porteurs allemands qui n'accepteraient pas le remboursement, une convention sera conclue entre la municipalité de Sofia et la « Berliner Handelsgesellschaft », dans un délai de trois mois après l'exécution du remboursement, analogue pour l'avenir à celle qui a été signée en 1928 et 1934 par les porteurs autrichiens de l'emprunt Ville de Sofia 1910.

c) *Banque agricole et coopérative.*

Les statuts de la Banque ont été modifiés les 1^{er} juin et 26 juin pour permettre, tout d'abord, au Gouvernement, sur proposition du ministre de l'Economie nationale, de révoquer le gouverneur et les vice-gouverneurs, puis, de supprimer les postes des deux sous-gouverneurs, ceux des quatre membres du Conseil élus et celui du commissaire du Gouvernement, et enfin, de nommer cinq nouveaux administrateurs. En exécution de ces textes, l'ancien gouverneur, M. Andréev, deux sous-gouverneurs et les titulaires des postes supprimés ont quitté la Banque. Le nouveau gouverneur, M. Radi Vasilef, était auparavant le président de l'Union des banques coopératives populaires. Il prépare un nouveau programme d'action pour la Banque.

IV. COMMERCE EXTÉRIEUR.

Les chiffres ci-dessous (en millions de leva) montrent, d'une part, une augmentation de l'exportation aussi bien que de l'importation et, d'autre part, une diminution de l'excédent favorable de la balance du commerce extérieur.

	Exportations	Importations	Balance
Janvier-mai 1934.	1.025	858	+ 167
Janvier-mai 1935.	1.174	1.088	+ 86
	<hr/>	<hr/>	<hr/>
	+ 149	+ 230	— 81

L'augmentation de l'exportation est due principalement au tabac (13.000 tonnes ont été exportées d'une valeur de 720,7 millions de leva contre 8.700 tonnes pour 416 millions au cours de la période correspondante de 1934). L'on constate aussi un accroissement des exportations de bétail, volailles, semences de tournesol et fromages. La prohibition de sortie des céréales a été levée en partie, en raison des perspectives favorables de la prochaine récolte ; de janvier à mai 1935, 10.000 tonnes de blé et 3.000 tonnes de maïs ont été exportées, contre 35.000 et 72.000 tonnes pendant les mêmes mois de 1934. Cette différence dans l'ensemble des tonnages exportés correspond à une différence en valeur de 150 millions de leva.

Par contre, l'exportation des œufs est en diminution de 44,5 millions en valeur. En dehors de l'influence exercée par la mauvaise récolte, un changement dans la production agricole bulgare peut expliquer cette diminution de l'exportation des œufs qui est corrélative à une augmentation de l'exportation des volailles vivantes ou mortes (Voir le tableau suivant). Ce

changement paraît dû au fait que l'exportation des œufs a toujours été soumise, depuis l'introduction du contrôle des devises, aux prescriptions les plus défavorables en ce qui concerne la remise des devises à la Banque nationale.

	Œufs		Exportation des Volailles vivantes		Volailles mortes	
	Tonnes	(Millions de leva)	Mille	(Millions de leva)	Tonnes	(Millions de leva)
1931	22.368	850,0	1.139	52,8	1.418	71,3
1932	18.804	623,9	1.103	46,6	1.881	72,6
1933	15.670	456,5	1.089	34,5	1.640	48,4
1934	14.534	341,4	1.040	34,2	2.689	79,7
1934(I-V)	7.431	139,5	769	25,2	1.332	38,4
1935(I-V)	4.226	95,0	944	27,6	1.789	52,4

La statistique du commerce extérieur par pays fait ressortir la place prépondérante de l'Allemagne dans les importations aussi bien que dans les exportations ; l'Italie vient en second rang, loin derrière l'Allemagne. La part de cette dernière, au cours de la période considérée, dépasse 50 % (56,1 % pour les exportations, 44,7 % pour les importations). Un autre fait caractéristique est la diminution des exportations sur les « pays à clearing » et le caractère favorable du commerce avec les « pays à devises libres ». Sauf pour l'Allemagne, où l'excédent des exportations bulgares est élevé, la balance avec tous les pays à clearing est largement déficitaire : Suisse (68,7 millions), Espagne (23,7), Belgique (15,2), Tchécoslovaquie (27,0). Au contraire, avec les pays à devises libres, la balance est favorable : Danemark (+ 13,8), Egypte (+ 47,2), Palestine (+ 33,6), Suède (+ 4,4). L'aspect de la balance vers certains pays à clearing est du reste quelque peu illusoire ; en effet, des exportations importantes de tabac au titre de l'accord de compensation ont été faites au cours de la période considérée, alors que les importations correspondantes prévues dans cet accord n'auront lieu qu'après un certain laps de temps.

V. DIRECTION DES CÉRÉALES.

Du 1^{er} juillet 1934 au 15 juin 1935, la Direction des céréales a disposé de :

	Millions de tonnes
Stocks de la récolte 1933 au 1 ^{er} juillet 1934	53,6
Achat de la récolte 1934	276,5
	<hr/>
	330,1
Les cessions se sont élevées à :	
Vieille récolte	53,6
Récolte 1934	245,7
	<hr/>
	299,3
Solde	<hr/>
	30,8
Les achats de la récolte 1934 se décomposent en :	
Blé	266,0
Seigle	6,5
Mélange	4,0
	<hr/>
	276,5
Les cessions se sont réparties en :	
Vente pour la consommation intérieure	234,4
Vente pour la population « improductive » ¹	5,5
Don au fonds des « Calamités publiques »	4,2
Vente à l'armée et aux prestataires	16,8
Prêts à des paysans	10,0
Prêts comme semences	16,1
Exportation	10,1
Divers	2,2
	<hr/>
	299,3

La soudure avec la nouvelle récolte se fera sans sérieuse difficulté. Néanmoins, la Direction a préféré réduire momentanément la consommation en prescrivant le mélange de 20 % de farine de maïs à la farine de froment.

Les achats de céréales de la récolte 1933 s'étaient élevés à 253.000 tonnes, mais la Direction des céréales n'avait commencé ses opérations qu'à fin janvier 1934. Il y a lieu de supposer que si les achats avaient débuté six mois plus tôt, les opérations auraient porté sur un tonnage plus élevé d'au moins 100.000 tonnes et auraient atteint au minimum 350.000 tonnes.

¹ Qui ne produit pas de céréales.

Les évaluations de la prochaine récolte étant d'environ 1.500.000 tonnes, la Direction envisage l'acquisition de près de 400.000 tonnes, dont 100.000 tonnes pourraient être exportées.

Les prix auxquels seront achetés les céréales de la nouvelle récolte n'ont pas encore été fixés. Le Gouvernement a affirmé que le budget n'aurait à supporter aucune charge du fait de la Direction des céréales ; le prix intérieur devra donc être déterminé de façon que toute perte sur les produits exportés puisse être couverte par les réserves de la Direction ; il sera certainement inférieur aux prix actuels (3,20 leva par kilogramme pour le blé).

Aucune modification dans les attributions de la Direction des céréales n'est prévue, pas plus en matière de céréales que pour le tournesol.

VI. DIVERS.

a) Industrie.

La statistique de la production de certaines industries démontre une tendance nettement défavorable, comme on le remarquera ci-dessous :

Production industrielle.

	Premier trimestre 1934	Premier trimestre 1935
Ciment (tonnes)	12.520	6.922
Glucose (tonnes)	668	404
CO ² (tonnes)	71	39
Fils de coton (tonnes)	1.269	1.519
Savon (tonnes)	1.212	1.349
Cuir (tonnes)	237	333
Cotonnades (1.000 mètres)	4.500	3.888
Draps (1.000 mètres)	604	649
Chaussettes et bas (douzaines)	37.000	27.000
Galoches (paires)	160.000	91.000
Electricité (millions de kW.)	30,6	30,2

Si la production dans l'industrie textile a augmenté, l'industrie du papier, rendue incapable de concurrencer l'étranger par la charge des accises, a marqué une dure régression.

b) Prix.

Depuis le début de 1933, la tendance de l'index général des prix est à la hausse, mais cette tendance n'est pas uniforme. Elle s'est manifestée particulièrement pour les produits alimentaires d'origine végétale, dont l'indice s'est élevé de 40,5 en novembre 1933 à 59,0 en mai 1935 (+ 46%). Si le prix des céréales a monté du fait de l'intervention de l'Etat dans sa fixation aussi bien que de l'insuffisance de la récolte, le prix des produits alimentaires d'origine animale est tombé entre novembre 1933 et mai 1935 de 61,2 à 45,6 (— 25%). L'index des produits divers vient de faire un nouveau bond, résultant de la hausse des prix du tabac, de l'alcool et du pétrole. Le résumé de ces variations est donné dans le tableau ci-dessous :

	1931	1932	1933	1934	Avril 1934	Avril 1935
	(1926 = 100)					
Produits alimentaires d'origine végétale	58,1	54,0	43,4	54,2	50,8	59,0
Produits alimentaires d'origine animale	68,4	63,6	54,2	50,4	45,4	45,6
Textiles	70,4	67,1	66,7	64,9	65,8	62,6
Matériaux de construction	98,0	92,5	90,8	89,5	90,2	90,2
Combustibles	89,4	89,9	81,3	78,5	79,2	74,2
Divers	125,7	93,8	82,8	75,9	76,2	86,9
Indice général	79,1	70,3	61,8	63,6	61,6	66,0

c) Salaires.

En divisant l'index des salaires par l'index du coût de la vie (voir le tableau général donné à l'appendice IV), l'on remarque que les salaires réels ont diminué de 100 en 1926 à 88 en 1931, à 83,5 en 1934 et à 77 en avril 1935.

d) Récoltes.

D'après les informations actuelles, les récoltes sont quelque peu supérieures à la moyenne, pour les céréales. Les perspectives de la récolte de maïs et de tournesol sont belles jusqu'à présent.

VII. ÉTABLISSEMENT DES RÉFUGIÉS BULGARES.

1. Position au 31 mai 1935 du compte bloqué de l'emprunt 1926.

	Leva
Produit net	1.614.296.149
Dont mis à la disposition du service d'établissement	1.608.824.302
	<hr/>
Solde en dépôt à la Banque nationale	5.471.847

2. Rendement des revenus gagés.

(En millions de leva.)

Chapitres du budget	Encaissements			1/12 des évaluations budgétaires
	Mars	Avril	Mai	
13. Accise sur le sel, le café, les boissons, etc., importés .	6,3	8,8	9,3	17,5
14. Accise sur le vinaigre, la bière, etc., indigènes et versement remplaçant l'accise sur l'alcool	2,8	4,9	5,5	4,2
17. Accise sur le sel, le sucre, etc., indigènes	24,2	24,7	20,7	29,2
19. Vente des allumettes	3,2	5,8	6,6	6,8
Total	36,5	44,2	42,1	57,7

Les versements des réfugiés affectés au remboursement des dépenses d'établissement ont atteint les montants ci-après (en leva) :

	Mars	Avril	Mai	Antérieurs	31 mai 1935
Intérêts	53.893	52.745	24.855	5.022.966	5.154.459
Amortissement et impôt foncier	26.217	36.248	12.300	18.645.406	18.720.171
Total	80.110	88.993	37.155	23.668.372	23.874.630

3. Utilisation de l'emprunt.

Les engagements restant à régler au 31 mai 1935 s'élèvent à 6.873.030 leva.

VIII. EMPRUNT DE STABILISATION 7 1/2% 1928.

1. Position au 31 mai 1935 du compte bloqué de l'emprunt.

	Leva
Produit net	3.370.065.553
Dont mis à la disposition des administrations	3.366.427.028
	<hr/>
Solde en dépôt à la Banque nationale	3.638.525

2. Rendement des revenus gagés (douanes).

(En millions de leva.)

Mars	Avril	Mai	1/12 des évaluations budgétaires
34,7	56,7	61,2	61,29

soit une moyenne mensuelle de 50,9 millions.

3. Utilisation du produit de l'emprunt.

I. Routes et ponts :

	Leva
La totalité de cette tranche est montée à	182.031.732
dont engagés au 30 juin 1935	181.844.182
	<hr/>
Solde non engagé	187.550
Reste à payer sur engagements opérés	—
Solde à engager ou à payer	187.550
Sommes aux mains de l'Administration	844.182
Solde à recevoir du produit de l'emprunt	1.031.732
	<hr/>
Solde libre	187.550

II. Chemins de fer et ports :

La totalité de cette tranche est montée à	672.300.000
dont engagés au 31 mai 1935	671.288.343
	<hr/>
Solde non engagé	1.011.657
Reste à payer sur engagements opérés	728.244
	<hr/>
Solde à engager ou à payer	1.739.901
Sommes aux mains de l'Administration	926.869
Solde à recevoir du produit de l'emprunt	2.606.793
	<hr/>
	3.533.662

Appendice I.

**a) RÉSULTATS PROVISOIRES DES CINQ PREMIERS MOIS DE L'EXERCICE 1935
COMPARÉS AUX RÉSULTATS DES EXERCICES PRÉCÉDENTS.**

(En millions de leva.)

	Données annuelles			Résultats provisoires 1 ^{er} janvier — 31 mai			
	Résultats définitifs		Prévisions budgétaires 1935	1934	1935	5/12 des prévisions 1935	%
	1933-34	1934					
I. RECETTES.	(12 mois)	(9 mois)	(12 mois)				
A. Budget de l'Etat :							
Impôts directs	455,7	418	432	186,8	136,4	180	75,7
Douanes	626,3	684	945,5	336,8	326,4	394	82,8
Accises	1.315,1	920,7	1.375	462,4	458,1	573	79,9
Taxes et droits de timbre .	552,5	339,9	568	177	177,6	236,7	74
Amendes et confiscations .	71,9	74,8	92	29	36,4	38,3	94,9
Annuité des chemins de fer et recettes ports	118,6	52,6	163,9	—	—	68,3	—
P. T. T.	259,2	198,1	280	125,9	102,5	116,7	87,8
Domaines et capitaux	189,9	221,3	331,3	68,5	116,1	138	84,1
Participation des commu- nes aux appointements des instituteurs et méde- cins	329,6	212,7	320	123,9	117	133,3	87,7
Recettes diverses	488,3	60	251,5	38	29	104,8	27,6
Fonds incorporés	286	130,6	185,1	62,9	70	77,1	90,7
Recettes sur exercices clos	286	225	320	88,8	122	133,3	91,4
Reprises en recettes des soldes non transférés du service de la dette exté- rieure	293,8	175,6	430,8	251,1	—	179,5	—
Total	4.986,9	3.713,3	5.695,1	1.950,9	1.691,5	2.373	71,2
Total des recettes ordi- naires (sans les soldes non transférés)	(4.693,1)	(3.537,7)	(5.264,3)	(1.699,8)	(1.691,5)	(2.193,5)	(76,9)
B. Budget des chemins de fer et ports	1.276,1	915,5	1.454,8	478,7	400,2	531,5	75,2
C. Budget extraordinaire . . .	—	259,5	—	—	—	—	—
Total général	6.263	4.888,3	7.149,9	2.429,6	2.091,7	2.904,5	72
Total général des recettes ordinaires (sans les soldes non transférés)	(5.969,2)	(4.712,7)	(6.719,1)	(2.178,5)	(2.091,7)	(2.725)	

	Données annuelles			Résultats provisoires 1 ^{er} janvier-31 mai			
	Résultats définitifs		Prévisions budgétaires 1935	1934	1935	Dépenses autorisées par budgets mensuels ¹	%
	1933-34	1934					
II. DÉPENSES.	(12 mois)	(9 mois)	(12 mois)				
A. Budget de l'Etat.							
Pouvoir suprême	66,9	32,7	46,5		13,5	18	
Cour des comptes	15,2	11,2	21,5		6,7	8,7	
Affaires étrangères et Cul- tes	140,4	108,4	158,2		26,8	62,7	
Intérieur et Santé publique	367,9	267,4	393,4		76,6	141,3	
Instruction publique	838,3	548,6	785,4		153,3	315	
Finances et Dette publique	2.037,8	1.445,9	2.210,6		531,8	786,6	
Justice	178,8	122,2	167,7		36,4	67,7	
Guerre	793	724	1.010		250,3	416	
Economie nationale	328	217,9	365		57,9	133,9	
Communications	499,7	387,2	536,8		93	200,1	
Crédits supplémentaires divers	125,6	485,7	—		163,5	—	
Total	5.391,6	4.351,2	5.695,1		1.409,8	2.150	
B. Budget des chemins de fer et ports	1.104,3	786,9	1.454	1.260,5	123,1	425	
C. Dépenses en souffrance . . .	—	—	—	1.171,3	794,3	—	
Total général	6.495,9	5.138,1	7.149,1	2.431,8	2.327,2	2.575	
Déficit budgétaire	232,9	249,8	—	2,2	235,5	—	

b) RÉSULTATS MENSUELS DES TROIS DERNIERS MOIS.
(En millions de leva.)

	1935		Mars		Avril		Mai	
	1/12 du budget autorisé		1934	1935	1934	1935	1934	1935
RECETTES.								
A. Budget de l'Etat.								
Impôts directs	36	26,2	16,2	23,4	21,4	44,2	37	
Douanes	78,8	77,6	41	65,5	65,5	73	70,4	
Accises	114,6	102,4	65,7	91,4	95,4	93,3	99,8	
Taxes et droits de timbre	47,3	37,2	22,1	33,3	34,6	36,9	36,5	
Amendes et confiscations	7,7	6,2	6,2	3,7	6,6	4,6	6,3	
Annuité des chemins de fer	13,7	—	—	—	—	—	—	
P. T. T.	23,3	17,6	17,5	49,7	20,3	16,3	15,8	
Domaines et capitaux	27,6	13,5	8,9	23,7	16,7	12,2	11	
Participation des communes aux appointements des instituteurs et médecins	26,7	34,3	0,2	30,4	18,5	9,2	22,4	
Recettes diverses	21	8,9	2,9	8,5	3,5	7,7	4,3	
Revenus des fonds incorporés	15,4	16,7	12,6	9,3	12,9	12,6	12,2	
Recettes sur exercices clos	26,6	16,1	16,5	8,3	20	8,7	14,7	
Reprises en recettes des soldes non transférés de la dette publique extérieure	35,9	47,3	—	—	—	—	—	
Total	474,6	404	209,8	347,3	315,4	318,7	330,4	
Total des recettes ordinaires non compris les sommes ré- cupérées	(437,8)	(356,7)						
B. Chemins de fer et ports	121,2	105,6	55,5	94,1	85	95,4	85	
Total mensuel général	595,8	509,6	265,3	441,4	400,4	414,1	415,4	
Total mensuel non compris les sommes récupérées	(559,9)	(462,3)						
DÉPENSES.								
A. Budget de l'Etat	474,6	774,2	183,5	297,1	426,3	206,1	330,5	
B. Chemins de fer et ports	121,2	105,1	—	—	—	—	103,5	
Total des dépenses réglées	—	879,3	183,5	297,1	426,3	206,1	434	
Dépenses en souffrance (+ ou — au cours du mois)	—	— 407,1	+ 144	+ 417,5	+ 7,5	+ 123,2	+ 46,3	
Total mensuel général	595,8	472,2	327,5	714,6	433,8	329,3	480,3	

**c) SITUATION DÉTAILLÉE A FIN MAI 1935 ET COMPARÉE DU RECOUVREMENT
DES IMPOTS DIRECTS.**

(En millions de leva.)

Impôts	Résultats 1 ^{er} janvier-31 mai				Prévisions 1935	
	1934	1935	+ ou -	% de 1935 par rapport à 1934	Quote-part exigible	% des recou- vremets
Impôt foncier	15	6,6	- 8,4	44	10	65
Impôts cédulaires	111,5	81,6	- 29,9	74	100	81
Impôt sur le revenu global	5,8	1,5	- 4,3	28	10	15
Impôt sur les sociétés	3,7	1,5	- 2,2	41	15	10
Impôt sur les bâtiments	7,6	2,7	- 4,9	37	6	45
Impôt sur les brebis et les chèvres	20,1	12,7	- 7,4	65	16	80
Impôt sur l'exemption de la pres- tation	6,8	9,4	+ 2,6	137	12	75
Impôt militaire	7,4	8,6	+ 1,2	115	11	77
Impôt sur les successions	8,9	11,8	+ 2,9	132	12,5	94
Total	186,8	136,4	- 50,4	73	183	74
Impôts arriérés	86,9	113	+ 26,1	130	1.260,8	9
Amendes et intérêts sur impôts arriérés	20,7	23,7	+ 3	114	—	—
Total général	294,4	273,1	- 21,3	93	—	—

d) SITUATION DE LA TRÉSORERIE.

(En millions de leva.)

	1935		
	Mars	Avril	Mai
Solde au début du mois des comptes du Trésor à la Banque nationale.	147,9	229,6	212
RECETTES			
Budget de l'Etat	209,8	315,4	330,4
Chemins de fer et ports.	55,5	85	85
Recettes extrabudgétaires	—	8,3	2,9
Emissions supplémentaires de bons du Trésor	—	—	250,4
Emissions d'obligations	—	—	—
Total	413,2	638,3	880,7
DÉPENSES			
Budget de l'Etat	183,5	426,3	330,5
Chemins de fer et ports.	—	—	103,5
Dépenses sur recettes extrabudgétaires.	0,1	—	—
Solde en fin de mois des comptes du Trésor à la Banque nationale.	229,6	212	446,7
Total	413,2	638,3	880,7
Solde en fin du mois des mandats de paiement en souffrance, environ	740,5	748,9	794,3
Solde déficitaire net, environ	510,9	536	347,6

Appendice II.

SITUATION DE LA BANQUE NATIONALE DE BULGARIE.

(En millions de leva.)

	15 juin 1933	15 juin 1934	15 mars 1935	15 juin 1935
ACTIF.				
Or monnayé et non monnayé	1.521	1.547	1.552	1.583
Devises-or	51	12	7	20
Autres devises	39	96	397	354
Monnaies divisionnaires	414	314	539	536
Portefeuille et avances de commerce. .	363	349	243	242
Bons du Trésor.	493	688	655	666
Dette de l'Etat.	2.873	2.783	2.698	2.698
PASSIF.				
Capital versé et réserve	1.692	1.737	1.760	1.760
Billets de banque en circulation	2.664	2.589	2.145	2.096
Comptes courants et de dépôts	1.525	1.661	2.243	2.249
dont de banques	(1.008)	(816)	(871)	(802)
Exigibilités en devises.	64	44	96	127
Couverture	36,—%	35,65%	33,34%	33,98%
Taux de l'escompte	8%	7%	7%	7%
Circulation totale	3.491	3.515	3.247	3.201

Appendice III.

COMMERCE EXTÉRIEUR PAR PAYS PENDANT LES CINQ PREMIERS MOIS DE 1934 ET 1935.

(En millions de leva.)

	Exportations		Importations		Balance	
	1934	1935	1934	1935	1934	1935
1. Allemagne	388	659	381	486	+ 7	+ 173
2. Italie	122	101	71	59	+ 51	+ 42
3. Autriche	58	31	45	60	+ 13	— 29
4. Angleterre	21	24	53	80	— 32	— 56
5. Tchécoslovaquie	25	52	28	79	— 3	— 27
6. Espagne	70	13	12	37	+ 58	— 24
7. Belgique	67	10	51	25	+ 16	— 15
8. Suisse	47	16	48	85	— 1	— 69
9. France	15	28	34	22	— 19	+ 6
10. Etats-Unis d'Amérique .	5	13	22	21	— 17	— 8
11. Egypte	32	55	6	8	+ 26	+ 47
12. Palestine	18	36	2	3	+ 16	+ 33
13. Hongrie.	1	38	5	14	— 4	+ 24
14. Pays-Bas	51	13	8	22	+ 43	— 9
15. Roumanie.	8	5	33	24	— 25	— 19
16. Danemark	17	15	0	1	+ 17	+ 14
Total	1.046	1.174	858	1.088	+ 188	+ 86

Appendice IV.

	Commerce extérieur					Indices économiques							Banque nationale							Caisse d'épargne postale		
	Valeur (millions de leva)			Poids (1.000 t.)		Transport sur chemin de fer. Marchandises arrivées (1.000 tonnes)	Production		Personnes engagées dans l'industrie (1.000)	Prix de gros, 1926 = 100	Coût de la vie 1926 = 100	Salaires d'ouvriers non qualifiés 1926 = 100	Or	Montant net des devises ¹	Portefeuille commercial ²	Dette courante du gouvernement ³	Circulation		Couverture %		Taux d'es-compte officiel	Dépôts (en millions de leva)
	Importations	Exportations	Balance + ou -	Importations	Exportations		Houille (1.000 tonnes)	Etoffe de coton (1.000 mètres)									de bank-notes	totale				
	Moyenne mensuelle					Moyenne mensuelle							(En millions de leva.)									
1931	388	495	+ 107	24,6	64,1	366	122	—	66	79,1	89,3	78,7	1.511	257	579	279	2.919	3.629	37,69	9 1/2	907	
1932	289	282	— 7	21,8	49,0	376	141	—	68	70,3	82,2	71,3	1.519	123	427	423	2.635	3.521	36,07	8	1.054	
1933	184	237	+ 53	19,2	35,9	335	124	—	59	61,8	79,6	68,6	1.545	141	473	818	2.984	3.971	35,39	8	1.171	
1934	186	211	+ 25	20,5	33	327	123	1.647	60	63,6	75,4	63,0	1.547	121	373	655	2.449	3.736	35,71	7	1.382	
1933 :																						
1 ^{er} trimestre	233	172	— 61	16,9	16,5	213	99	—	58	62,3	81,4	68,2	1.520	58	335	443	2.595	3.410	36,78	8	1.141	
2 ^e trimestre	180	291	+ 111	18,1	37,3	294	98	—	53	61,6	79,8	69,3	1.521	32	363	498	2.648	3.464	35,54	8	1.156	
3 ^e trimestre	146	192	+ 46	19,5	37,7	398	130	—	64	62,0	79,6	69,7	1.522	75	377	648	2.738	3.645	35,89	8	1.149	
4 ^e trimestre	175	294	+ 119	22,5	52,2	434	167	—	60	61,3	78,7	67,3	1.545	141	473	818	2.984	3.971	35,39	8	1.171	
1934 :																						
I.	139	248	+ 109	14,9	25,9	300	132	1.611	49	59,1	79,3	65,6	1.546	132	359	768	2.571	3.508	36,80	7	1.260	
II.	155	171	+ 16	15,7	27,3	244	121	1.502	49	62,6	79,8	63,7	1.547	62	355	768	2.400	3.301	35,55	7	1.302	
III.	203	241	+ 38	20,6	69,1	300	93	1.890	47	61,7	79,2	63,7	1.547	112	314	718	2.603	3.580	37,03	7	1.339	
IV.	189	192	+ 3	18,8	43,6	255	77	1.532	49	61,6	76,8	64,9	1.547	88	323	618	2.534	3.470	37,26	7	1.332	
V.	172	172	0	19,3	41,5	299	108	1.602	54	63,0	76,5	64,9	1.547	66	356	658	2.574	3.495	35,82	7	1.320	
VI.	183	131	— 52	21,9	15,9	339	121	1.197	59	64,2	76,4	63,7	1.547	33	367	693	2.604	3.546	35,34	7	1.323	
VII.	181	76	— 105	17,1	9,6	395	116	1.280	61	64,2	76,9	63,7	1.547	40	356	618	2.509	3.482	35,28	7	1.335	
VIII.	200	125	— 75	21,4	28,5	352	116	2.007	66	65,7	76,5	61,8	1.547	140	364	673	2.668	3.726	33,94	7	1.340	
IX.	211	260	+ 49	31,3	38,2	353	139	1.941	71	65,5	76,6	59,3	1.547	99	478	665	2.859	4.000	33,38	7	1.345	
X.	194	300	+ 106	22,2	30,7	421	160	2.037	72	66,2	73,9	61,8	1.547	104	436	671	2.633	3.951	33,73	7	1.354	
XI.	172	300	+ 128	20,3	30,6	362	151	1.789	72	64,8	74,2	61,8	1.547	144	406	641	2.449	3.659	34,09	7	1.365	
XII.	231	319	+ 88	22,5	35,4	299	148	1.371	66	63,8	74,2	61,2	1.547	121	373	655	2.449	3.736	35,71	7	1.377	
1935 :																						
I.	196	129	— 69	18,6	17,6	222	121	935	55	64,5	73,8	58,0	1.547	118	285	655	2.226	4.409	35,12	7	1.423	
II.	168	145	— 23	17,2	12,6	235	130	1.189	45	64,3	74,2	58,0	1.547	271	264	655	2.176	3.342	33,40	7	1.443	
III.	185	192	+ 7	16,1	9,7	238	94	1.168	52	64,2	73,5	58,6	1.552	358	181	616	2.140	3.258	34,06	7	1.444	
IV.	254	443	+ 189	22,0	15,6	267	90	935	50	66,0	71,5	56,7	1.568	317	208	416	2.173	3.344	36,20	7	1.435	
V.	283	265	— 18	27,4	23,2	302	97		54	64,7	71,2	57,4	1.583	299	218	666	2.123	3.234	33,13	7	1.429	

¹ Tous les actifs en devises (libres et bloqués) moins les exigibilités en devises.

² Escompte et avances.

³ Escompte et réescompte des bons du Trésor.

Geneva, September 12th, 1935.

LEAGUE OF NATIONS

FINANCIAL COMMITTEE

**REPORT TO THE COUNCIL ON THE WORK
OF THE FIFTY-NINTH SESSION OF THE COMMITTEE**

(Geneva, August 29th—September 6th, 1935.)

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INTRODUCTION.

The Financial Committee has the honour to submit to the Council the following report on the various questions with which it has dealt during this session.

The following members were present :

- M. DAYRAS (*Chairman*) ;
- M. JANSSEN ;
- M. TER MEULEN ;
- M. MLYNÁRSKI ;
- Sir Otto NIEMEYER ;
- M. POSPIŠIL ;
- Sir Henry STRAKOSCH ;
- M. SWANIDZE ;
- M. TUMEDEI.
- M. BLAU, delegate of the Fiscal Committee.

There were also present :

1. *For Austrian questions:*

- Dr. BURESCH, Federal Minister of Finance ;
- Dr. BRAUNEIS, General Manager of the Austrian National Bank ;
- M. ROST VAN TONNINGEN, Representative of the League of Nations in Austria ;
- M. FRÈRE, Adviser to the Austrian National Bank.

2. *For Bulgarian questions:*

- M. STOYANOFF, Director-General of the Public Debt, Secretary-General of the Ministry of Finance ;
- M. MOMTCHILOFF, Permanent delegate to the League of Nations ;
- M. BOGILOFF, Governor of the National Bank of Bulgaria ;
- M. CHEYSSON, Commissioner of the League of Nations in Bulgaria ;
- Professor KÖSTNER, Adviser to the National Bank of Bulgaria.

3. *For Hungarian questions:*

- Dr. FABINYI, Minister of Finance ;
- Mr. TYLER, Representative of the Financial Committee in Hungary.

I. AUSTRIA.

The Financial Committee examined the financial situation of Austria, together with Dr. Buresch, Federal Minister of Finance, and Dr. Brauneis, General Manager of the Austrian National Bank, assisted by Dr. Gruber and Dr. Rizzi, of the Ministry of Finance. It also heard M. Rost van Tonningen, Representative of the League of Nations in Austria, and M. Maurice Frère, Adviser to the Austrian National Bank.

The Committee had before it the fifteenth quarterly report of M. Rost van Tonningen.

1. Further progress was made during the period under review in practically every domain of economic and financial activity.

2. The Austrian ordinary budget for 1935 was estimated to show a small net deficit of 13 million schillings at an expenditure total of 1,900 million schillings. In the eight months which have now elapsed, the receipts as a whole, at 1,233 millions, are well up to and, indeed, slightly in excess of expectations, and particularly in the last three months have done well. Expenditure at 1,287 million schillings is, however, somewhat in excess of anticipations, and for this reason the ultimate out-turn of the year may be less favourable than was originally expected.

The extraordinary budget, which is financed from special receipts and from part of the proceeds of the recent internal long-term loans, calls for no special comment.

Treasury bills outstanding, which in April last had reached the high total of 130 million schillings, have now been reduced, as contemplated by the Financial Committee, to 30 millions (both figures excluding the special Treasury bills for 92 millions issued in 1933 in connection with the banking reforms).

3. But caution will have to be observed as regards next year's budget in connection with expenditure—now showing an increasing tendency. This year, both the ordinary and the extraordinary budgets received the help of certain non-recurrent receipts, and, having regard to the steady increase of Austrian internal State debt (which now accounts for over half the annual debt charge) and the desirability of conserving a due share of Austrian capital for industry and trade, too much must not be demanded from the Austrian capital market for State expenditure.

It is very necessary that the ordinary budget for 1936 should remain balanced at a reasonable level; and, while there must no doubt be a public works programme financed, as it can only be, by loan operations, that programme cannot wisely be on the same scale as in the current year, nor should it be necessary, in view of the general economic conditions, that it should be.

4. The table below gives the figures for foreign trade during the period January to July, by classes:

Merchandise only.

	Imports			Exports		
	January to July			January to July		
	1933	1934	1935	1933	1934	1935
	(Millions of schillings)					
Live animals	55.7	43.3	47.9	3.5	2.8	3.5
Foodstuffs	166.1	141.9	145.1	11.3	9.7	13.9
Fuel	61.3	53.1	47.7	0.1	—	—
Other raw materials	163.6	203.7	208.1	104.3	136.2	142.7
Finished goods	188.4	206.6	208.3	284.7	327.7	330.4
Total	635.1	648.6	657.1	403.9	476.4	490.5

5. The increase in the volume of trade, as shown by the returns for the first seven months of 1935, is satisfactory, and a higher import of food products and raw materials would seem to point to an augmented internal purchasing power and prospective industrial activity. Available indices of industrial activity bear this out: for example, the production of electric power in July was higher than for any month since the end of 1930, except December 1931. It would also appear that the turnover of consumption goods, which had up to now lagged behind that of investment goods, is advancing. Tourist traffic continues to be a favourable element in economic and exchange positions.

6. The improvement in general conditions has led to a general decrease in unemployment, which at the end of August had fallen to about 209,500, or 38,500 below the corresponding figure for 1934 and 81,700 below that for 1933.

7. The Committee recalls the efforts which the Austrian Government has made to extend foreign trade and hopes that the goodwill of foreign countries will support the continuance of this development.

8. The position of gold and exchange reserves of the National Bank has improved considerably. From the end of March to the end of August 1935, the amount of those reserves rose from 275 to 361 million schillings—an increase in five months of 86 millions, or 31%. This improvement is partly due to the saving effected by the conversion of the 1923 Loan and the progressive release of the reserve fund of that loan, and also appears to be attributable in part to the repatriation of capital which occurred during the last few months.

The situation thus created has enabled the National Bank to extend to the provinces and communes and to private undertakings the authorisation, which had already been granted in respect of Government loans, to transfer in foreign exchange the sums due for their foreign loan services. The Bank has also authorised the transfer of the arrears that have accumulated in the foreign debt fund since 1932, so that the normal service of all Austrian foreign loans has now been resumed.

Further progress has also been made in the direction of a lowering of the money rates—a tendency which is of great importance to Austrian trade and industry. The increased liquidity of the money market resulting from the influx of foreign exchange, which has led to a considerable increase in the balances of banking establishments with the National Bank, enabled the former to reduce, as from July 1st last, the deposit rates, which had already been lowered at the beginning of the year. In Vienna, the current rate for sight deposits is 2%. In its turn, the National Bank reduced its discount rate from 4% to 3½% on July 10th. The quotation of securities shows an upward tendency.

II. BULGARIA.

The Financial Committee considered the situation of Bulgaria together with M. N. Stoyanoff, Director-General of the Public Debt, Secretary-General of the Finance Ministry, M. N. Momtchiloff, permanent Bulgarian delegate to the League of Nations, and M. D. Bogiloff, Governor of the National Bank of Bulgaria. It further heard M. P. Cheysson, the League of Nations Commissioner in Bulgaria, and M. N. Köstner, Adviser to the National Bank of Bulgaria, and took note of the thirty-fifth report by the League of Nations Commissioner, of an account of the Bulgarian financial position, of a statement in the name of the Finance Minister, and of a statement on the Bulgarian Public Debt submitted by the Director-General of the Public Debt.

1. The provisional results of the first seven months of the current budget, including the railways budget, are as follows :

	In millions of leva
Total revenue	3,309.30
Total expenditure	<u>3,620.—</u>
Budget deficit	310.70

Revenue collected during the corresponding period in the previous year was 3,508.5 million leva—*i.e.*, 199.2 million leva more than the figure for the present year. The difference is partly due to the allocation to the budgets of the communes of certain taxes formerly reserved for the State budget. The corresponding expenditure for the year 1934 was 3,817.2 million leva, or 197.2 million leva more than in the present year. The reduction of expenditure is largely due to the steps taken by the Bulgarian Government, and particularly to the restoration of the preventive control of the Finance Minister, to the rigorous application of the system of monthly budgets, and to measures of a general character taken to improve the collection of revenue.

The consequence is that the total results for the first seven months of the current year are very close to those of the previous year. This stability is all the more gratifying since the economic experiments which the Bulgarian Governments had attempted until April last might have led to apprehensions of an increase of expenditure and a decline in revenue. These experiments, to the danger of which the Committee has several times directed attention, have been abandoned by the present Government. In particular, it has abrogated some of the recently instituted monopolies, partly because they gave rise to financial difficulties which appeared insuperable, and partly because the results were disappointing from the outset.

2. The Committee believes that the Bulgarian Government is on the right road and that the results attained in recent months may not only be consolidated, but even improved. The most pressing arrears—namely, arrears of salaries and pensions—have been paid out of the proceeds of Treasury bills, and the Committee understands that, in accordance with its suggestions, steps have been taken which will ensure in future punctual payment of such liabilities.

As regards the arrears due to contractors, the Bulgarian Government has represented the desirability of taking steps, before the coming into force of the 1936 budget on January 1st next, to liquidate these arrears, which injure public credit and weigh heavily on the economic life of the country.

It has emerged that the establishment of a genuinely balanced budget for 1936 would be extremely difficult, and perhaps impossible, if it were necessary to burden it with any

considerable part of the arrears in question. Exceptional funds to a total of 300 millions appear to be needed in order to liquidate the arrears. The Bulgarian Government accordingly asks that the total authorised issue of Treasury bills should be increased by this amount and that the National Bank should be authorised to increase its discount of these bills accordingly. While recognising the undesirable features of thus creating assets through the National Bank, the Committee is prepared, having regard to all the circumstances of the present exceptional position, to agree to the proposal, subject to the conditions set out below.

The Council of the League of Nations, at its last session, approved a similar issue for a total of 300 million leva of Treasury bills on the Committee's proposal. The Committee considers that this authorisation should permit of the liquidation of the total arrears. The settlement of outstanding debts to contractors, following on the payment of arrears of salaries and pensions, will bring back into economic circulation in the country assets which at present are frozen. It should enable the public administrations to purchase the supplies they require on normal terms. Above all, it is in order to further the continuation by the Government of the efforts—whose first results have already been noted—to realise the proposed reforms and to help it to comply with the recommendations that have already been made and with those which are included in this report that the Committee proposed that the Council should give the Bulgarian Government the new facilities for which it applies. It goes without saying that these facilities must be subject to compliance with conditions defining the manner in which the Committee considers that the sums to be placed at the Bulgarian Government's disposal should be employed, and the spirit in which the Committee has met the application in question. The cereal monopoly, whose disadvantages have been, at several instances, pointed out by the Committee, remains, however, in existence.

3. One of the new efforts which the Committee in its last report invited the Bulgarian Government to undertake was the general reorganisation of the budget system. The Committee then laid down a number of principles which it regarded as fundamental. Some of these principles have since been put in application, in particular the principle of concentration of assets. In connection with two other essential reforms suggested by the Committee—namely, budgetary unity and the adoption of the "budget de gestion"—the Bulgarian Government instituted a special commission, to which a member of the Secretariat of the League was attached, to study the question for the purpose of defining the method of application of those principles. The Financial Committee has taken note in their main lines of the conclusions at which this commission arrived. Some of them, which are in entire conformity with the Financial Committee's recommendations, are being applied or, according to the delegates of the Bulgarian Government, will be applied in connection with next year's budget. The reforms in question are: (a) the incorporation in the general budget of funds hitherto administered outside the budget, (b) the abolition of extraordinary budgets and credits, (c) the simplification of the system of issue of orders for payment and actual payments in connection with public expenditure, and (d) the abolition of payments on provisional receipts.

There is one point, however, which the Financial Committee regards as of primary importance—namely, the introduction of the system of the "budget de gestion" in the public accounts, as to which the Bulgarian Government appears still to have some misgivings. The Committee has discussed these points with the Bulgarian delegates and does not believe the misgivings are well founded. They appear to be based on a mistaken conception of the conditions precedent to a transfer from the present system to the system proposed. The Financial Committee believes that further study of the matter will convince the Bulgarian Government that the difficulties it sees in the way are not insuperable and that, if the system of the "budget de gestion" is enforced with the requisite strictness, so far from hampering, it will considerably facilitate, the work of financial reconstruction undertaken by the Government.

The Committee desires to urge once again the need for administrative reforms, to which its reports have frequently drawn attention, and which aim at relieving certain public services, so cumbrous and complicated in their organisation that they throw a charge on the public purse out of all proportion to the financial resources of the country.

4. The Committee accordingly proposes that the Council should approve the following arrangements, constituting a new amendment to Article IX of the Protocol of March 10th, 1928:

(1) The total amount of Treasury bills which the Treasury is authorised to issue shall be temporarily increased by 300 million leva, and raised accordingly to 1,700 million leva. This total to be reduced automatically in accordance with the provisions of paragraph (3) below.

(2) An addition to this effect shall be inserted in Article 35 of the Statutes of the National Bank of Bulgaria in accordance with the procedure provided for amendments to the said Statutes.

(3) The repayment of these bonds shall be effected in four years by half-yearly payments beginning on June 30th, 1936, at the rate of 50 millions for the first year, 50 millions for the second year, and 100 millions in each of the third and fourth years. The necessary sums required for such redemption shall be provided in the budget for each of these years. These instalments are adapted to the amortisation of existing obligations of the Bulgarian Government.

In order to secure the object which alone justifies the acceptance of this proposal in its eyes, the Committee considers that it must be subject to the following conditions :

(a) The proceeds of these Treasury bonds shall be appropriated exclusively for payment of the arrears entered in the accounts as at September 1st, 1935 ; and such appropriation shall be made with the assent of the Committee of Four previously instituted at the recommendation of the Financial Committee (see report to the Council of May 23rd, 1933), and on the specific understanding that any other arrear will be paid out of the current budgetary resources.

(b) All funds hitherto administered outside the general budget, other than such funds as may be excepted by the Committee of Four referred to in the preceding paragraph, shall be finally included in the general budget as from next year.

(c) In order to reinforce the practical application of the system of monthly budgets, the appropriations granted in those budgets to each department will be notified by the Minister of Finance to the National Bank, in its capacity of paying agent of the State, with the instruction not to effect any payment in excess of the total amount thus fixed for each department.

(d) Payments on provisional receipts shall be completely abolished as from the beginning of next year.

(e) The budget for next year shall be drawn up on the principle of the " budget de gestion ", in accordance with the recommendations of the Financial Committee's report of May 1935, and in agreement with the Committee of Four with regard to the method of technical application.

(f) A special system of control by the Finance Minister on expenditure involving commitments extending beyond the current year shall be instituted.

The League of Nations Commissioner shall report specially to the Financial Committee on these questions at the next session of the Committee.

5. The Committee is glad to observe that, in spite of the poor harvest last year, Bulgarian trade for the first seven months of this year was higher in value than for the same period in 1934. The situation is, in certain respects, however, unsatisfactory. The clearing arrangements which Bulgaria has concluded with most European countries have resulted in Bulgaria's increasing her commercial indebtedness to countries with relatively strong currencies and increasing her claims on countries whose currencies are weak. Her trade with countries which have not imposed currency restrictions has been mainly on a private compensation system under which the National Bank has not obtained any substantial amount of free *devisen*. The net result of these tendencies has been to restrict within very narrow limits the amount of freely available *devisen* accruing to the National Bank for foreign payments.

This unsatisfactory state of affairs is in part due to the inevitable effects of any clearing system (to which the Clearing Committee appointed by the Council of the League has already drawn attention) and in part to the specially complicated system of exchange control adopted in Bulgaria to-day. The Committee had occasion to draw attention to the defects of this system in its January report, when it emphasised the fact that " an improvement in trade can scarcely be expected until that system has been substantially simplified ". Some simplification has since been effected, but it is clear, both from the complication of the regulations which still remain in force and from the direction of the trade statistics, that further steps must be taken.

An average crop of wheat has been harvested this year and the current reports show a satisfactory development of other crops. This will relieve the difficult situation existing at present and gives reason to hope that the exports of cereals, especially of wheat, which the Government intends to sell only against free *devisen*, will help to improve the foreign-exchange position of the National Bank.

6. The Governor of the National Bank has suggested that certain minor technical changes be made in the Statutes of the Bank. The Committee is of opinion that the following could be added to Article 24 as second paragraph :

" The Central Administration of the Bank and its branches and agencies may be represented before courts of law and other public institutions, apart from their qualified agents, by one or more of their non-qualified officials with a written power of attorney addressed to the courts or institutions concerned. The powers of attorney will remain valid whatever may be the branch or agency interested in the dispute."

The Committee notes that the addition to Article 35, paragraph 9, of the Statutes of the National Bank has now been made. Although the wording of the relative amendment differs slightly from the form originally approved, the Committee regards the amendment as enacted as satisfactory.

The Governor of the National Bank has also informed the Committee of his intention to proceed with the enactment of the further amendment to the Statutes of the National Bank in respect of reducing the legal cover ratio which was approved by the Committee in September last. The Committee refers once more to the conditions laid down in its report of September 1934, under which it considers these amendments to be permissible—*viz.*, the Financial

Committee, basing itself on the work of the Gold Delegation and on the resolution taken in London in July 1933 on the proposal of the President of the Bank for International Settlements, is ready to approve this proposal, but it desires to recall that the above resolution added the following words :

“ Such reduction must not be taken as an excuse for unduly building up a large superstructure of notes and credits ; in other words, the effect of the resolution should be to increase the free reserves of the Central Banks and thereby strengthen their position.”

III. HUNGARY.

The Committee, having before it the Thirteenth Quarterly Report of their representative in Hungary, supplemented by Mr. Tyler's comments, had the advantage of hearing an account of the position from the Minister of Finance, M. Fabinyi, who was accompanied by a representative of the National Bank of Hungary.

STATE FINANCE.

I. Provisional results for 1934-35, the deficit of the State Undertakings being included in “ Extra-budgetary expenditure ”, compare as follows with results for 1933-34 :

<i>Expenditure :</i>	1934/35 (Millions of pengö)		1933/34	
Actual, budgetary	728.1		717.0	
Actual, extra-budgetary . .	<u>84.2</u>	812.3	<u>86.3</u>	803.3
<i>Receipts :</i>				
Actual, budgetary	762.9		758.6	
Actual, extra-budgetary . .	<u>6.8</u>	<u>769.7</u>	<u>6.6</u>	<u>765.2</u>
Balance		— 42.6		— 38.1

But expenditure as given here includes the pengö equivalent of the untransferred portion of the League Loan service. This amounted to 20.3 million pengö in 1934-35. The actual cash deficit was therefore 22.3 million pengö.

The budget for the fiscal year that began on July 1st last compares as follows with that for 1934-35 :

<i>Administration :</i>	1935/36 (Millions of pengö)		1934/35	
Estimated expenditure . . .	766.5		746.6	
Estimated receipts	<u>748.0</u>		<u>740.6</u>	
Balance		— 18.5		— 6.0
<i>Undertakings :</i>				
Estimated expenditure . . .	409.6		404.1	
Estimated receipts	<u>352.2</u>		<u>343.9</u>	
Balance		— 57.4		— 60.1

The total estimated deficit for 1935-36 is thus 75.9 million pengö as against 66.1 million pengö for 1934-35, subject as above to corrections for the re-borrowing of the untransferred portion of the public debt.

The fiscal year that closed on June 30th last left a deficit, the State Undertakings' deficit included, slightly larger than that for 1933-34. Expenditure increased very slightly, receipts more slightly still. Although there are still important problems to be solved in the direction of administrative reform and concerning the State Undertakings, the Committee has recognised the energetic retrenchment that was pursued between 1931 and 1934. At present, expenditure is tending upwards, while receipts remain more or less stationary. The 1934-35 cash deficit, allowance being made for the fact that the Government reborrows the pengö equivalent of the untransferred part of its foreign debt service, is not of unmanageable proportions. The Treasury cash position is appreciably stronger than it was at this time in 1934 or 1933. The budget for the fiscal year that began on July 1st last shows a further slight increase in expenditure, with receipts only a shade higher than the estimates for the previous year and a slight corresponding increase in the estimated deficit. Care will be required, now that further economies are difficult, to maintain the improvement that has been achieved by the effort of recent years.

ECONOMIC POSITION.

2. In 1934, Hungary had a weak grain harvest. This year the grain harvest is a better one, but prolonged drought this summer has done much damage to the autumn crops. Early fruit and vegetables, which are normally an important resource for the Hungarian farmer, also suffered heavily from frost and hail in the spring.

In the first seven months of 1935, Hungary's foreign trade, in quantities, has been almost exactly the same as it was in the corresponding period of 1934. Values have been higher, the balance of trade remaining much the same. The National Bank has actually received less freely available foreign exchange in respect of exports, as the clearings have absorbed an even greater part of the total turnover. Although the purchasing power of the population is low, there has been a moderate but steady increase in industrial production over the last three years. Agricultural prices have risen recently, and this rise in its turn has reacted on industrial prices. The disparity between the two groups remains serious. The average wholesale index for the first seven months of the year has risen to 87, as against 76 in the corresponding period of 1934. Latterly this increase has also been felt in retail prices.

NATIONAL BANK.

3. After having remained stationary at $4\frac{1}{2}\%$ since October 1932, the National Bank's discount rate was reduced on August 28th to 4% . This step was taken in view of a position that shows some improvement; bank deposits, after having declined for a long time following the 1931 crisis, have been slightly increasing for some time past; the pengö abroad has been decidedly firmer, and the improved Treasury position has made it unnecessary for the Government to have recourse to short-term borrowing this summer for the first time in several years.

FOREIGN DEBTS.

4. In July, a standstill agreement, to remain in force until July 13th, 1936, was concluded with Hungary's British and American short-term creditors. This agreement differs from its predecessor in that obligatory capital repayment, for its duration, is reduced from 5% to 3% , that voluntary repayment is further limited and that interest and commission have been reduced.

The Hungarian Government has announced, through the League Loans Committee, London, that it hopes, in the year beginning August 1st last, to transfer in the relative currencies 50% of the coupon of the Reconstruction Loan 1924.

IV. CONSULTATION ASKED FOR BY THE ECONOMIC COMMITTEE.

The Economic Committee, desiring to submit a report to the Council on the present phase of international economic relations, has found it necessary to insert one or two passages which deal with certain financial and monetary aspects of the general problem with which its report is concerned. These passages have been laid before the Financial Committee. The Committee has no observations to make on them.

Geneva, October 30th, 1935.

LEAGUE OF NATIONS

**FINANCIAL POSITION
OF HUNGARY IN THE THIRD QUARTER OF 1935**

SIXTEENTH QUARTERLY REPORT

by **Mr. Royall Tyler, Representative in Hungary**
of the **Financial Committee**

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I. GENERAL.

I. INTRODUCTORY.

(1) The outstanding fact in Hungary's present economic and financial position is that the 1935 harvest has, on the whole, turned out a poor one. Wheat, though good in quality, is in quantity lower than the average for the last nine years. Early vegetables and fruit suffered heavily from spring hail and frost; maize, potatoes and other autumn crops from drought in the summer. Maize is insufficient to meet the internal demand.

(2) Expenditure and receipts of the Administration, for the first quarter of the fiscal year begun on July 1st last, are on approximately the same level as they were in the July-September quarter, 1934. A slight tendency to increase is, however, discernible in advances to the State Undertakings.

(3) The National Bank's rediscount rate, which has been 4½% for nearly three years, was reduced to 4% on August 29th last. The Management of the Bank took this step in view of an improvement of the pengő on foreign markets, of a Treasury position stronger than it had been for years past and of some increase in deposits and current accounts in the private banks.

(4) The value of Hungarian imports and exports increased in the first eight months of 1935, as compared with the same period in 1934. This increase is mainly caused by higher prices, the wholesale index having stood at a monthly average of 87 this year against 77 last. In quantities, imports are very slightly higher than last year, and exports have decreased.

(5) Hungary's difficulties in obtaining freely exchangeable foreign currency for her export have remained practically unattenuated.

(6) The temporary measures adopted for the relief of excessively burdened agrarian debtors adopted for a period of two years in October 1933 (see eighth report pages 14 to 16) have now been replaced by a decree (I, 5(d) below) issued on October 12th providing for consolidation where holders of ten *joch* or under are concerned, reducing interest rates by an amount approximately corresponding to the recent reduction of the bank rate, and taking further steps towards a solution where other categories of debtors are concerned. The rights of foreign creditors are not affected by this decree.

Holders of not more than ten *joch* constitute about three-quarters of the total number of farmers having claimed and obtained protection. It may be hoped that here the recent measure will re-establish normal credit conditions. The burdens involved are distributed fairly evenly among those concerned.

(7) I am indebted to Mr. Henry J. Bruce, Adviser to the National Bank, for the data on which are based the sections of this report dealing with the Bank, exchange control and compensation agreements, and clearing agreements.

2. STATE BUDGET.

(a) Results for Recent Years.

The actual expenditure and receipts (exclusive of loans) of the Administration have been as follows for the last four fiscal years:

State Administration : Budget and Extra-Budget Expenditure and Receipts.

Year	Expenditure			Receipts			Balance
	Budget	Extra-budget	Total	Budget	Extra-budget	Total	
(In millions of pengő)							
1931-32	863.1	59.2	922.3	781.3	16.8	798.1	— 124.2
1932-33	733.0	70.7	803.7	708.9	6.9	715.8	— 87.9
1933-34	717.0	86.4	803.4	758.6	6.6	765.2	— 38.2
1934-35	728.1	84.2	812.3	762.9	6.8	769.7	— 42.6

Expenditure was reduced sharply from 1931-32 to 1932-33, remained on virtually the same level in 1933-34, and rose slightly in 1934-35. Receipts fell heavily from 1931-32 to 1932-33, but rose appreciably in the following year, and very slightly in 1934-35. The deficit decreased notably until last year, since when there has been an increase of 12%. The manner

in which deficits have been covered has been explained in previous reports. It will be recalled that the bulk of the extra-budgetary expenditure is made up by advances to the State Undertakings (Railways and Ironworks).

(b) *Administration Budget, 1935-36.*

The estimates for the year that began on July 1st last compare as follows with those for 1934-35 :

<i>Administration :</i>	1935-36 (In millions of pengö)	1934-35
Expenditure	766.5	746.6
Receipts	748.0	740.6
Balance	— 18.5	— 6.0
 <i>Undertakings :</i>		
Expenditure	409.6	404.1
Receipts	352.2	344.0
Balance	— 57.4	— 60.1

The estimates provide for the pengö equivalent of the State's foreign debt, although, in fact, it is intended to proceed where these debts are concerned as in previous years (see fifteenth report, page 2). This circumstance should be remembered when comparing the estimated expenditure with last year's actual.

Actual (provisional) results for the quarter ending September 30th last compare as follows with those for the corresponding period of 1934 and 1933. Monthly returns will be found in Appendix I.

<i>Expenditure :</i>	1935	July 1st to September 30th 1934 (In millions of pengö)	1933
Actual budgetary	180.8	174.7	166.3
Deferred budgetary :			
Administration	6.6	5.5	12.4
Undertakings	3.6	1.8	0.9
Actual extra-budgetary ..	14.5	12.1	9.1
Total	205.5	194.1	188.7
 <i>Receipts :</i>			
Actual budgetary	180.0	179.8	175.3
Refunds	3.5	1.3	2.1
Borrowings (net)	5.0	7.1	5.7
Total	188.4	188.2	183.1
Balance	— 17.1	— 5.9	— 5.6

Borrowings in the above table include Treasury bills deposited in respect of the untransferred portion of the Reconstruction Loan 1924 service. They do not include those deposited with the Cash Office for Foreign Credits, which at September 30th last amounted to 5.2 million pengö, as against 5.3 million pengö for the July-September quarter, 1934.

Expenditure includes an item of 4.2 million pengö disbursed in consequence of an agreement covering two years' interest (to August 1935) on Treasury bills 1931, of which the greater part is held by a group of French banks. No payment in this connection was made in 1934-35, the relevant negotiations not having been terminated up to the end of that fiscal year. Apart from this item, actual budgetary expenditure is seen to have been on practically the same level as last year. Advances to the Undertakings are higher, however, and more expenditure has been deferred.

It may be seen from the analysis of receipts in Appendix I that there has been an increase in tobacco this year, as compared with last, and a decline in Customs and direct taxes. Turnover tax has risen by about 2%, which seems little in view of the rise of 12% in prices for July-August this year, as compared with last, as shown by the Hungarian Statistical Office's wholesale index. The total of budgetary receipts in the July-September quarter was almost exactly the same this year as last.

(c) *State Undertakings.*

Results for 1934-35 are now available. They compare as follows with those for the two foregoing years :

	1934-35	1933-34	1932-33
	(In millions of pengö)		
<i>Expenditure :</i>			
Actual, current budgetary	407.2	399.1	378.8
Actual, capital expenditure	9.9	12.6	16.6
Actual, capital expenditure from borrowings..	6.2	—	—
Actual refunds to Treasury	6.8	6.6	6.9
Total	430.1	418.3	402.3
<i>Receipts :</i>			
Actual, current budgetary	342.0	341.3	324.8
Balance	—88.1	—77.0	—77.5
<i>Borrowings :</i>			
Advances from the Treasury	76.5	77.5	67.4
Treasury bills, placed with banks	20.0	—	—

There has been an increase of 14% in the normal deficit of the Undertakings from 1933-34 to 1934-35. Also they have borrowed 20 million pengö, although they have obtained in Treasury advances only 1 million pengö less than in 1933-34.

Results for the chief individual undertakings are as follows :

	Railways			Post, Telegraph and Telephone			Ironworks		
	1934-35	1933-34	1932-33	1934-35	1933-34	1932-33	1934-35	1933-34	1932-33
	(In millions of pengö)								
Current expenditure	259.9	261.3	247.3	82.4	83.7	82.8	42.2	32.0	26.5
Current receipts	196.2	204.8	195.0	91.8	92.4	94.2	29.8	17.3	13.9
Balance, current items	—63.7	—56.5	—52.3	+9.4	+8.7	+11.4	—12.4	—14.7	—12.6
Capital expenditure	5.8	9.1	12.3	3.3	3.5	4.3	—	—	—
Balance.. .. .	—69.5	—65.6	—64.6	+6.1	+5.2	+7.1	—12.4	—14.7	—12.6

Results for July and August, this year, compare as follows with those for 1934 and 1933.

	1935	1934	1933
	(In millions of pengö)		
<i>Expenditure :</i>			
Actual, current budgetary	60.6	58.0	58.6
Deferred, current budgetary	3.7	1.8	—
Actual capital expenditure, budgetary	1.9	3.4	3.1
Deferred, capital expenditure	0.8	0.8	0.9
Refunds to the Treasury	2.0	0.2	1.1
Capital expenditure from loans	0.2	1.0	—
Total	69.2	65.2	63.7
<i>Receipts :</i>			
Actual, current budgetary	64.2	58.1	58.9
Balance	—5.0	—7.1	—4.8
<i>Borrowings :</i>			
Advances from the Treasury	8.8	3.5	6.5
Treasury bills, placed with banks	—	5.0	—

(d) *Situation of the Treasury.*

(1) Borrowings during the quarter ended September 30th last amount to 10.2 million pengö, the comparable figure for the corresponding period last year being 12.4 million pengö. Expenditure has been slightly higher this year. The cash balance at the end of the month,

at September 30th last, stood at 76.1 million pengö, as against 63.3 million pengö one year previously :

<i>Receipts :</i>	July	August	September
	(In thousands of pengö)		
Balance at the beginning of the month ..	76,773	69,504	72,445
Budget account	53,379	67,500	59,066
Repayment of advances	2,000	—	1,502
Loan account	6,278	1,681	2,270
Surplus of the Agricultural Fund	687	3,190	2,273
Total	139,117	141,875	137,556
 <i>Expenditure :</i>			
Budget account	57,344	67,897	55,586
Capital expenditure from loans	215	183	75
Advances	7,453	1,350	5,219
Deficit of the Agricultural Fund	—	—	—
Loans	4,601	—	584
Balance at the end of the month	69,504	72,445	76,092
Total	139,117	141,875	137,556

(2) *Administrative Claims and Liabilities.*—Tax arrears declined over the year to August 30th last by 3.4 million pengö to 306.1 million pengö.

There has been a decrease in commitments over the last six months from 191.9 million pengö at March 31st to 171.1 million pengö at September 30th.

Commitments outstanding on September 30th, 1935.

	Foreign	Domestic	Total
	(In millions of pengö)		
Expenses connected with land reform	—	55.2	55.2
Road-building	—	23.2	23.2
Post, Telegraph and Telephone : capital expenditure ..	—	2.7	2.7
State Railways : capital expenditure	—	0.3	0.3
Forests : capital expenditure	—	0.1	0.1
Other capital outlay	—	13.7	13.7
State Railways : increase of working fund	0.5	12.7	13.2
State Ironworks : increase of working fund	1.5	9.5	11.0
Payments to the Central Corporation of Banking Companies	—	30.8	30.8
Other commitments	—	20.9	20.9
Total	2.0	169.1	171.1

(e) *Debt Position.*

Foreign funded debt decreased, between March 31st and September 30th last, from 930.1 million pengö to 918.1 million pengö. Domestic funded debt declined by 1.6 million pengö to 112.1 million pengö. Over the same period, foreign floating debt decreased by 4.1 million pengö to 346.6 million pengö, as a result of a payment of two years' interest on the 1931 Treasury bills held chiefly by the group of French banks. State guarantees declined over the six months to September 30th last by 9 million pengö to 113 million pengö.

Internal floating debt has increased over the six months to September 30th last by 67 million pengö to 335.7 million pengö, chiefly by loans contracted for the State Railways, borrowings for investment purposes from the Cash Office for Foreign Credits, and advances from the National Bank in connection with the Agrarian Relief Scheme of 1933. The addition to the internal floating debt over the last year is the largest recorded since the 1931 crisis. It should, however, be observed that this increase corresponds in part to the decrease in commitments, alluded to above. The total of the internal floating debt has changed as follows over the past four years :

	(In millions of pengö)
September 30th, 1931	89.0
September 30th, 1932	156.1
September 30th, 1933	216.8
September 30th, 1934	251.0
September 30th, 1935	335.7

Floating Debt of the State on September 30th, 1935.

	Foreign	Domestic	Total
	(In millions of pengö)		
£3 million Treasury bills, 1930	64.6	—	64.6
£5 million Treasury bills, 1931	100.8	43.0	143.8
Foreign currency loan	—	5.3	5.3
Loans for the purchase of State bonds	23.9	—	23.9
Loans for road-building	7.7	—	7.7
Loans for investments of State Railways	28.1	21.1	49.2
Loans for investments of Ironworks	1.8	3.0	4.8
Loans for investments of wine-shops abroad, etc.	5.8	—	5.8
Loans for working balance of State administration	25.8	1.0	26.8
Loans for working balance of State Railways	0.7	38.1	38.8
Loans for working balance of State Ironworks	14.7	3.7	18.4
Treasury bills, 1932 ¹	—	90.8	90.8
Treasury bills, 1933	—	52.9	52.9
Treasury bills deposited in connection with 1932-33 foreign debt service (interest) ²	21.2	—	21.2
Treasury bills deposited in connection with 1933-34 foreign debt service (interest) ²	16.8	—	16.8
Treasury bills deposited in connection with 1933-34 League Loan service (interest) ²	7.3	0.1	7.4
Treasury bills deposited in connection with 1934-35 foreign debt service (interest) ²	14.1	—	14.1
Treasury bills deposited in connection with 1934-35 League Loan service (interest) ²	7.6	0.1	7.7
Treasury bills deposited with the Cash Office for Foreign Credits to cover the budgetary deficit ²	—	12.0	12.0
Treasury bills deposited in connection with 1935-36 foreign debt service (interest) ²	3.8	—	3.8
Treasury bills deposited in connection with 1935-36 League Loan service (interest) ²	1.9	—	1.9
Loan in connection with Agrarian Debt Relief (Act XXVII, 1933)	—	30.0	30.0
Book debt taken over by the Treasury in settlement of small farmers' debts (Act XXVII, 1933)	—	5.5	5.5
Treasury bills deposited with the Cash Office for Foreign Credits under Act XXVII, 1933	—	12.5	12.5
Treasury bills deposited with the Cash Office for Foreign Credits under Act XXI, 1934	—	8.0	8.0
Loan for Co-operative Societies (§ 3, Act XXI, 1934)	—	8.6	8.6
Total	346.6	335.7	682.3

(f) *Reconstruction Loan 1924 and Assigned Revenues.*

The National Bank has made transfers in the appropriate currencies, month by month, in execution of the programme for the service year of this loan beginning on August 2nd last announced in a *communiqué* of the League Loans Committee (London) issued on July 5th last (see fifteenth report, page 8).

Proceeds of the revenues assigned to the service of the Reconstruction Loan amounted to almost exactly the same total in the July-September quarter this year as last, a decrease in Customs and sugar having approximately been made good by an increase in tobacco :

	Customs	Tobacco	1935 Sugar	Salt	Total	Customs	Tobacco	1934 Sugar	Salt	Total
	(In millions of pengö)									
July	3.0	10.1	3.5	1.5	18.1	3.0	9.5	3.7	1.5	17.7
August	2.9	9.9	3.6	1.5	17.9	3.0	9.5	4.2	1.5	18.3
September	3.1	9.0	5.6	1.7	19.3	4.1	8.4	5.5	1.3	19.6
Total	9.0	29.0	12.7	4.7	55.3	10.3	27.4	13.5	4.3	55.5

3. BUDGETS OF THE LOCAL AUTHORITIES.

No information is yet available as to the execution of the local authorities' budgets for 1935.

The draft budgets for 1936 are being prepared.

¹ The total of arrears of dues amounted to 93.9 millions at the end of September 1935, against which Treasury bills of the face value of 90.8 million pengö have been issued as indicated above.

² The Treasury bills deposited in respect of amortisation are included in the capital amounts outstanding.

4. STATE BORROWING.

Increases in the internal floating debt are noted in I, 2(e), pages 5 and 6. There has been no other State borrowing, nor have loans or credits been guaranteed by the State during the period under review.

5. MONETARY AND FINANCIAL.

(a) Position of the National Bank.

After having remained unchanged at 4½% since October 1932, the rediscount rate of the National Bank was reduced on August 29th last to 4%, in view of an improvement in the quotation of the pengő on foreign markets; a relatively strong Treasury position enabling the State, for the first time in several years, to get through the summer months without having recourse to internal borrowing and some increase in bank deposits. This step has had some effect on money rates, including the interest to be paid on agricultural debts under a decree issued on October 12th (see I, 5(d), page 9).

Over the quarter ended on September 30th last, note circulation has moved on a level between 3% and 5% higher than it was in the corresponding period last year. Here, the increase over the quarter has been at a slightly higher rate than it was last year. Treasury balances at September 30th last were 75 million pengő, as against 47.8 million pengő on September 30th, 1934. Private deposits show a very slight increase. The metal reserve stands where it did a year ago, but has decreased since June 30th last by 10.3 million pengő to 101.3 million pengő, on account partly of a decrease in foreign exchange holdings (chiefly Reichmarks and lire), and partly of a decline in the token money held by the Bank. The State debt to the Bank has increased over the year by 25.3 million pengő to 72.6, as a result of credits under the Agrarian Debts Relief Scheme. Other liabilities (net) amount to 88.8 million pengő, as against 145.5 million pengő a year ago, this reduction being chiefly due to the employment of the moneys of the Cash Office for Foreign Credits, but have increased slightly over the last quarter.

(b) Foreign Exchange Control.

Export and import values will be found in Appendix II. See also comments in the section on trade (pages 11 and 12). The following table, giving foreign exchange incomings and outgoings for nine months to September 30th, this year and last, shows that export through the clearings and compensations is stationary, but that there has been a decrease of 55% in export against pengő from last year to this. On the other hand, there has been a considerable increase in exchange actually acquired. It will be remembered that Hungary's export surplus with Italy has increased sharply of late (see page 11).

On the outgoings-side, there has been some increase in imports through clearings, and also in the other items, except sales by authorised banks. It will be remembered that prices have risen appreciably over the past year.

Results for the first nine months of 1935 as compared with those of 1934 are given below:

	First nine months		Difference for 1935
	1935	1934	
(In millions of pengő)			
I. Incomings:			
1. Foreign exchange recorded (including exchange non-available or for specific destination):			
(a) Export through clearings	134	135	— 1
(b) Compensations	40	40	—
(c) Export against pengő	13	29	— 16
Total of 1	187	204	— 17
2. Foreign exchange actually acquired:			
(a) Export exchange ¹	53	38	+ 15
(b) Exchange receipts from other sources (State, obligatory declaration, etc.) ..	17	10	+ 7
Total of 2	70	48	+ 22
3. Purchases by authorised banks	2	3	— 1
Total of 1, 2 and 3—i.e., total of foreign exchange receipts recorded by the National Bank	259	255	+ 4

¹ Including amounts earmarked for internal payments.

		First nine months		Difference
		1935	1934	for 1935
		(In millions of pengö)		
II. Outgoings:				
1. Foreign exchange allotments recorded :				
(a)	Through clearings	132	122	+ 10
(b)	Through compensations	40	40	—
	Total of 1	172	162	+ 10
2. Foreign exchange allotments out of exchange actually acquired :				
(a)	For imports ¹	33	28	+ 5
(b)	For debt service	14	11	+ 3
(c)	To the State	13	8	+ 5
(d)	To others	20	17	+ 3
	Total of 2	80	64	+ 16
3. Sales by authorised banks				
		2	4	— 2
	Grand total of 1, 2 and 3	254	230	+ 24

The working of the Compensation Office, which came into existence on December 1st, 1932, is illustrated by the following figures. It will be recalled that export premiums in pengö are given to exporters and paid for by a surcharge on the exchange allotted to importers. For technical reasons, certain non-premium exports to clearing countries are also controlled by this office.

	1	2	3	4	5					
	Value of exchange delivered to the Bank	Average of premium on exports ²	Value of exchange allotted	Average of surcharge on import exchange	Allotments by the Office for raw materials ³ included in 3					
	(Values in millions of pengö. Premium and surcharge in percentages)									
	1935	1934	1935	1934	1935	1934	1935	1934	1935	1934
January	10.6	9.4	23.2	17.9	9.1	7.6	27.7	22.9	2.6	—
February	7.2	6.9	24.0	18.3	9.4	7.1	26.4	22.8	1.9	—
March	9.7	7.9	24.7	18.9	6.9	6.4	28.5	20.2	2.1	—
April	10.3	6.9	22.2	18.7	7.6	6.2	28.5	23.1	2.6	—
May	8.0	5.5	23.5	18.9	10.4	6.7	26.9	22.1	2.5	—
June	8.7	7.6	24.8	18.0	8.5	6.5	26.3	21.9	1.9	—
July	8.7	11.6	21.7	18.9	10.6	7.8	24.8	21.7	2.3	—
August	9.3	9.6	22.6	17.9	9.3	5.9	25.4	21.3	2.2	—

(c) *Foreign Debts.*

The position on September 30th, 1935, of the Cash Office for Foreign Credits into which the pengö equivalent of the untransferred service of long-term loans is paid was as follows :

I. Receipts and Payments of the Office.

A. Under Order-in-Council 6900 (M.E. ex 1931):	State loans	Municipal and other public loans	Other loans	Total
	(In millions of pengö)			
1. Receipts of the Office :				
(a) In cash	20.5	83.2	103.0	206.7
(b) In Treasury bills	67.6	—	—	67.6
Total	88.1	83.2	103.0	274.3
2. Payments by the Office :				
(a) Coupons and Bonds redeemed	11.5	56.4	84.3	152.2
(b) Advances to redemption offices	—	2.4	—	2.4
Total	11.5	58.8	84.3	154.6
3. Balance held :				
(a) In cash	9.0	24.4	18.7	52.1
(b) In Treasury bills	67.6	—	—	67.6
Total	76.6	24.4	18.7	119.7
B. Other receipts of the Office				37.6
Revenues of the Office				7.9
Balance (net)				165.2

¹ Including allotments out of balances earmarked for internal payments.
² Calculated on the certificates issued by the Office.
³ Including only *Edeldivisen* allotted by the Office in connection with its raw-material scheme, but no exchange applied to raw-material purchases through the clearings and other compensation agreements.

II. Present Position of the Office.

Balance held by the Office :		(In millions of pengö)
(a) In cash		97.6
(b) In Treasury bills		67.6
		<hr/>
Total		165.2
Investments out of cash :		(In millions of pengö)
(a) Loan to State for productive investments (secured by Treasury bills of same amounts)		46.0
(b) Call money and deposits		31.5
		<hr/>
		77.5
		<hr/>
Net amount at present held in cash.. .. .		20.1

There are no State arrears outstanding. Other arrears increased over the year to September 30th, 1935, from 23.95 million pengö to 31.6 million pengö.

There has been no change over the last quarter in credits granted by the Office to the State, or in other investments of the Office.

The amounts deposited up to September 30th, 1935, under the Standstill Agreement in pengö with the National Bank of Hungary to cover interest and commission on short-term banking debts, not satisfied in foreign exchange, totalled 57.35 million pengö, out of which 51.50 million pengö had been paid to creditors accepting such payments in satisfaction. The balance held by the National Bank thus amounted to 5.85 millions. The amount paid up to September 30th, 1935, under the same agreements for capital repayments in pengö to the National Bank totalled 23.42 millions, out of which 22.18 millions had been disposed of by the creditors. The balance held by the National Bank amounted to 1.24 million pengö.

(d) *New Decree on Agrarian Debts Relief.*

The fall in food prices that began in 1929 and continued unevenly through 1933 rendered many Hungarian farmers, who had borrowed money on a scale that appeared reasonable in the light of prices ruling when the debts were created, incapable of meeting their obligations. The number of these over-encumbered agrarian debtors was so great that the Government, considering that the unabated application of the law would result in a dangerous collapse of land values and in hardship on a national scale, began in 1932 to take exceptional measures without prejudice to the rights of foreign creditors. In October 1933, it issued a decree (see eighth report, pages 14 to 16) permanently relieving, subject to certain conditions, holders of not more than ten *joch* of short-term registered debt owing to banks exceeding forty-fold the net cadastral yield of their land; protecting from execution, subject to the payment of taxes, interest and other charges calculated according to the size of the holding and of the debt, landowners the registered debts on whose property exceeded fifteen-fold the net cadastral income of the land; and, in general, regulating the position of agrarian debtors for a period of two years.

This period having now elapsed, the Government issued (on October 12th) a further decree, which aims at a final solution where the smallest category (up to ten *joch*) of owners is concerned and, again for a period of two years, defines the regime applicable to agrarian debtors in general.

This decree distinguishes between two main categories of excessively encumbered debtors: (a) those owning over 1,000 *joch*, and (b) those owning not more than 1,000. The first category, 187 in number, will be dealt with individually. The second will be the object of general measures, which may be summarised as follows:

1. Where a farmer owning not more than 1,000 *joch* is indebted over forty-fold the net cadastral income¹ of his land, the State takes over the part of the debt exceeding forty-fold, the creditor to receive from the State, in full satisfaction, payment over a period of forty years consisting in 3% *per annum* (interest and amortisation) of the capital debt. It is to be observed, however, that the State will pay 100% up to a certain limit only. Above this limit, the State will take over a gradually decreasing percentage, the full amount of the capital debt thus being definitively settled.

The capital debt to be taken over in this connection is estimated at between 120 and 150 million pengö. The annual charge assumed by the State (3%) in this connection may therefore be between 3.6 and 4.5 million pengö.

2. In the case of protected holdings of not more than ten *joch*, short-term debts not exceeding forty times the net cadastral income of the land are to be converted into long-term debts.

Thus holders up to ten *joch*, who have already been relieved, under the decree issued two years ago, of their short-term debts owing to banks and exceeding forty times the net cadastral income, are now to have their debts under forty-fold consolidated into a long-term obligation dischargeable by the debtor by an annual payment of 4½% for fifty years. It is estimated that roughly 80 million pengö bank debts will have to be handled in this connection.

¹ That is, the net income of the land, as assessed for fiscal purposes. This appears, on a rough average, to amount to slightly under 10 gold crowns per *joch*.

The existing short-term bank debts are to be taken over, the guarantee of the original creditor bank still subsisting, however, by an institution, the capital of which is to be increased by roughly 5 million pengő by a contribution from the National Bank, and which will issue its own 5½% bonds to a corresponding amount. Of these bonds, which are to be a Trustee security, the greater part will be taken by the banks, the rest being distributed among several public institutions.

Of the total number of protected holdings, now over 78,000, it appears that 55,000 are of not more than ten *joch*. When the measures in favour of their owners, now adopted, have been carried out, normal credit conditions and the common law regime, where debts are concerned, will once more apply to 70% of the holdings at present under protection.

3. The relief hitherto granted by the State (by paying part of the debt in cash and booking part) to protected holders of not more than ten *joch* is now extended to protected holders of between ten and twenty *joch*. This means that, where owners of between ten and twenty *joch* are indebted over thirty times the net cadastral income, the State will (a) pay in cash one half of the short-term banking debts in excess of thirty-fold, and (b) in cases where, after this has been done, there remain short-term banking debts in excess of forty-fold the net cadastral income, the State will book any part of the same exceeding forty-fold.

It is estimated that under (a) the State will eventually have to pay 8 million pengő in cash, and under (b) to book a debt of 4 million pengő.

The necessary cover is available under the October 1933 Decree.

4. Protection, in cases where it has not been withdrawn on completion of the measures alluded to above, is to be prolonged for a further period of two years.

It is estimated that the cost of this prolongation, over and above the costs under 1, 2 and 3 above, will be 13.7 million pengő yearly. Of this amount, a tax on deposits is expected to produce 6 million pengő, and a tax on interest on savings deposits 2 million pengő, leaving 5.7 million pengő to be provided under the 1933 Decree.

5. In cases where the protected debtor fails to meet the payments laid down by the decree, protection may again be withdrawn.

6. Interest rates payable by non-protected agrarian debtors are to be reduced from 5½% to 5%, and by the protected from 4% to 3½%. The protected have hitherto been required to pay, towards amortisation, 1% on debts up to thirty-fold the net cadastral income; they will now have to pay 0.5% on debts up to forty-fold. This means a reduction, in amortisation payments of the protected, of one-third.

7. In cases where it may be recognised as necessary, the calculation of the net cadastral income may be revised, upwards or downwards.

8. The liability of persons standing surety for agrarian debtors, and of co-debtors, is to be equitably defined.

Such are the main lines of the Decree of October 12th. It imposes heavy burdens upon the State and upon the banking community. On the other hand, it promises to get rid of protection where the great majority of excessively encumbered agrarian debtors are concerned. When the previous decree on this subject (that of October 1933) was issued, the Government arranged with the National Bank for advances in this connection not to exceed 100 million pengő, bearing interest and repayable at rates to be agreed between the Government and the National Bank.¹ The charges arising under the present decree will, to some extent, be met out of these National Bank advances. The further contributions to be made out of public funds are, as the foregoing notes will have shown, of various descriptions, and consequently cannot be added up into one total sum. It may safely be said, however, that the burdens assumed in connection with this settlement reach the limit at present possible without incurring serious danger.

In conclusion, some indication of the relative size of the protected debts may be of interest. The debts in respect of which protection has been granted under the 1933 Decree have been estimated at 828 million pengő. The latest estimate of the debts of Hungarian agriculture, made as at the end of 1932 in a publication under the auspices of the Royal Hungarian Statistical Office, gave the total entered in the Land Register as 1,778.7 million pengő, this figure including long- and short-term debts, debts under the Land Reform procedure, and tax arrears. There is no authoritative estimate of debts that are not entered in the Land Register. However, some light on their amount is provided by the banks which, when supplying returns, as at June 30th, 1933, of their claims on agriculture, stated that these consisted in 777.1 million pengő registered short-term loans and 147.1 million pengő non-registered.

II. ECONOMIC SITUATION.

I. GENERAL.

Prolonged drought in the early summer did much harm to maize, potatoes and to many kinds of vegetables, fodder-plants and fruit. Since then, there has been rain, and the pastures have recovered somewhat. On the whole, however, the year is a bad one in most parts of the country. It will be remembered that early fruit and vegetables suffered unusually heavily

¹ At October 12th, the total of advances made by the National Bank to the Treasury under this heading stood at 30 million pengő.

from hail and frost in the spring. The grain harvest, though better than the 1934 crop, is below the average for the last nine years. Maize and potatoes fell this year to a record low figure, and sugar-beet is weak. Maize imports have already begun.

The most recent estimate of the Ministry of Agriculture compares as follows with the yield in former years :

	Estimate October 5th, 1935	1934 (In millions of quintals)	Actual yield Average 1931-1933	Average 1926-1930
Wheat	20.1	17.6	21.1	22.3
Rye	6.7	6.2	7.6	7.4
Barley	5.7	5.4	7.1	6.0
Oats	2.2	2.6	2.8	3.5
Maize	14.3	20.9	19.2	16.3
Potatoes	14.2	21.1	16.2	18.7
Sugar-beet	7.2	9.2	10.9	14.8

The wheat position this year is not more favourable than it was last, in spite of a harvest of exceptionally good quality and greater in quantity than that of 1934. Last year, there was a carry-over from 1933 roughly equal to the amount by which the 1935 crop exceeds that of 1934. Moreover, this year's shortage in maize will tend to limit the amount of wheat reaching the market.

Wheat prices on the international free markets have increased sharply of late. However, Hungary has contracted, under the Rome Agreements (see eleventh report, pages 14 and 15, and fifteenth report, pages 14 and 15), to deliver to Austria 2.2 million quintals, and to Italy 1 million quintal at the same prices as last year. In present conditions, Hungary cannot expect to obtain any freely negotiable currency in respect of these sales. As the total export surplus this year is probably somewhere in the neighbourhood of 4 million quintals, the amount of Hungarian wheat exports that may benefit from increased prices in the form of freely negotiable foreign currencies will not be very large.

The rise in wheat prices on the free markets has latterly affected Hungarian internal prices.

	Rotterdam (Dutch florins) (per 100 kilogrammes of wheat)	Budapest (Pengö)
July 1st, 1935.. .. .	3.70	16.23
October 5th, 1935	5.05	16.88
October 12th, 1935	4.75	18.00

2. TRADE.

Tendencies in the value and direction of Hungary's foreign trade may be judged from the following table, showing imports and exports in values and in percentages of total values, country by country, for the average of the years 1925 to 1930 and for the year 1934, as well as for the first six months of 1934 and 1935 :

Hungary's Foreign Trade.

(In millions of pengö and in percentages of total imports and exports.)

	Whole year of				First six months of			
	Average 1925-1930		1934		1934		1935	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
<i>Austria :</i>								
Value	164.0	291.6	81.8	99.3	35.1	45.5	38.9	41.3
Per cent	16.9	32.9	23.7	24.5	20.7	24.2	23.1	21.5
<i>Italy :</i>								
Value	47.5	61.2	41.2	33.5	21.6	18.4	14.8	27.8
Per cent	4.8	6.2	12.0	8.2	12.8	9.9	8.5	14.5
<i>Germany :</i>								
Value	193.3	106.6	62.7	89.5	28.2	28.7	39.7	38.2
Per cent	18.3	11.6	18.2	22.1	16.7	15.2	24.4	19.8
<i>Switzerland :</i>								
Value	36.0	33.4	8.0	19.7	2.4	3.9	5.3	6.3
Per cent	3.4	3.4	2.3	4.9	1.5	2.2	3.0	3.2
<i>Czechoslovakia :</i>								
Value	234.0	159.2	24.1	20.1	12.2	8.7	8.0	8.4
Per cent	23.1	18.6	7.0	5.0	7.1	4.7	4.7	4.3
<i>France :</i>								
Value	27.7	9.4	10.3	13.9	6.3	5.7	3.0	4.9
Per cent	2.5	0.9	3.0	3.4	3.8	3.3	2.3	2.5

	Whole year of				First six months of			
	Average 1925-1930		1934		1934		1925	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
England :								
Value	32.3	28.6	18.0	31.5	9.5	12.5	10.4	16.5
Per cent	20.0	2.9	5.2	7.8	5.6	6.8	5.8	8.1
Yugoslavia :								
Value	48.0	50.2	14.4	11.8	9.1	8.0	7.4	5.1
Per cent	4.4	6.1	4.2	2.9	5.4	4.5	4.3	2.7
Roumania :								
Value	84.6	38.6	30.5	19.8	16.9	8.6	13.4	11.1
Per cent	8.2	4.3	8.9	4.9	10.0	4.7	8.0	8.4
Poland :								
Value	46.8	19.6	3.7	3.2	2.0	1.3	1.4	1.6
Per cent	4.8	2.7	1.1	0.8	2.1	0.8	1.1	0.8
Other countries :								
Value	79.8	93.0	50.1	63.0	23.5	34.0	31.0	31.2
Per cent	11.2	10.1	74.4	15.5	13.4	18.0	14.8	16.1
Total :								
Value	1,014.5	884.7	344.8	405.3	163.4	183.3	173.3	192.4
Per cent	100	100	100	100	100	100	100	100
Quantities (in millions of quintals)								
Value	57.3	23.3	23.7	16.6	10.7	8.9	10.3	7.0

Where Austria is concerned, Hungary's exports have fallen heavily, not only in value, but in percentages of total export values, and the first six months of the current year mark a further decline. Imports from Austria account for approximately the same percentage of total imports as last year.

Germany now transacts almost as much business with Hungary as Austria does, having thus moved into the place which was long held by Czechoslovakia. The balance of trade between Hungary and Germany has changed, however : in the years 1925-1930, Hungary imported about 60% more from Germany, in values, than she exported to that country, while recently the balance has been more or less even. The expansion in Hungarian exports to Germany which took place at a rapid rate in 1934 has since then slowed down.

Hungary's trade with Italy has increased sharply of late. The balance of trade between the two countries has shifted remarkably this year. In 1934, Hungary had a 16% excess of imports in trade with Italy ; in the first half of 1934, she had a 92% excess of exports.

As for the remaining countries, it may be noticed that Hungary now does less business with Czechoslovakia than with the United Kingdom, exports to which country have greatly increased, both in absolute figures and relatively to the total, in recent years, amounting, in the first half of 1935, to 8.1% of Hungary's total exports, as against 2.9% from 1925 to 1930.

The *quantum* of Hungary's foreign trade has fallen, though not to the same extent as values.

Export and import values, month by month up to and including September, will be found in Appendix II. Rising prices are reflected in increasing values. The export surplus for the first nine months of 1935 is roughly what it was for the corresponding period last year. In quantities, there has been a very slight increase in imports, due probably to a tendency to import more raw materials and less finished goods. Exports have decreased :

	Imports	Exports
	(In millions of quintals)	
January-September 1934	17.03	12.35
January-September 1935	17.84	10.85

The traffic and receipts of the State Railways were weaker in the first half of 1935 than in the corresponding period of 1934. In July and August, there was some improvement :

	Ton-kilometres		Receipts	
	1935	1934	1935	1934
	(In millions)		(In millions of pengő)	
June	145.3	158.4	16.6	20.6
July	167.6	147.5	17.9	15.9
August	191.6	174.6	19.2	19.1

Receipts of the Post, Telegraph and Telephone also declined in the earlier part of this year as compared with last, but the tendency has been better from July on :

	1935	1934
	(In millions of pengő)	
June	7.3	7.4
July	8.0	7.6
August	7.7	7.4

3. PRODUCTION AND CONSUMPTION.

Heavy industry continues to increase its production. The following figures are published by the Hungarian Institute for Economic Research :

Second quarter of	Output of coal	Output of iron (In thousands of tons)	Output of steel
1933	12.6	23.0	56.5
1934	13.8	33.6	85.6
1935	14.7	36.9	96.7

The building trade is reported to have been well employed, except during a strike which occurred in August. The production of textiles has somewhat fallen off recently, but the expansion here over the last four years is illustrated by the increase in the number of spindles :

	1935	1933 (In thousands)	1931
Cotton manufactories	1	258.1	234.6
Woollen	25.2	13.6	10.2

With regard to industrial activity in Hungary, it may be of interest to glance at the coal consumption of various branches in the month of August over the last three years, as reported by a publication of the Ministry of Commerce.

	August			
	1932	1933	1934	1935
	(In thousands of tons)			
Iron and metal works	14.6	19.2	18.2	21.9
Iron and machine industry	34.4	45.7	45.8	64.9
Chemical industry	5.1	6.1	7.0	14.2
Flour-mills	27.5	24.5	18.4	21.7
Sugar refineries	5.8	4.3	8.0	2.2
Other food industries	3.5	4.4	5.6	5.4
Oil and petrol industry	3.7	3.7	3.7	2.8
Textile, leather and rubber industry	20.9	25.0	27.9	27.4
Paper and celluloid industry	2.7	2.7	2.5	2.6
Cement, lime and bricks industry	45.6	31.6	39.6	49.4
Glass, earthenware and porcelain industry	8.5	7.6	9.3	9.6
Spirit distilleries	5.8	5.9	7.6	5.3
Other industries	7.7	7.9	8.7	8.0

There does not appear to be any tendency to increase in consumption, or in purchasing power. Indeed, budgetary receipts show (Appendix I) that the increase in prices (see 4 below) has not yet been reflected in proceeds of turnover tax. The value of objects pawned in Budapest increased by 10% from the first half of 1934 to the first half of 1935. Over the same period, there was a very slight decline in the receipts of the Budapest tram and omnibus lines.

4. PRICES.

The increase shown by the Hungarian Statistical Office's wholesale index in the earlier months of this year as compared with last has latterly not been as sharp as it was, but it is still continuing ; the seasonal decline that is normal in the summer hardly shows at all this year :

	1935	1934
	(1913 = 100)	
June	87	81
July	90	79
August	89	81
September	92	83

Wheat prices weakened when the harvest, in July, turned out to be better than had been anticipated, but the tendency has stiffened notably since. Cattle prices have remained stationary, but pig prices have risen :

1935	Wheat (per 100 kg.)	Live cattle, middling quality (per kg.) (Pengö)	Calves (per kg.)	Pigs (per kg.)
January	17.65	0.45	0.75	0.80
July	14.98	0.52	0.61	0.85
August	15.53	0.52	0.63	0.94
September	16.18	0.51	0.70	1.02

¹ There is no information available on the number of cotton-spindles for any period subsequent to 1933.

The retail prices of many articles of current consumption have been moving upwards. The Hungarian Statistical Office's cost of living index (for a family of four, including lodging), after having been stationary for a year, stood at 93.6 in August as against 90 a year previously.

5. STOCK EXCHANGE.

The sharp rise that took place on the Bourse during the early months of 1935 reached its peak in April, since when there has been a decline. A slight rally in August, the last month for which the official securities index is available, was followed by further weakness, most stocks being lower at the time of writing than they were at the end of August :

	1935 (1926 = 100)
January	85.9
April	112.3
July	96.8
August	99.8

6. BANKING, COMMERCIAL AND PRIVATE.

Deposit and overdraft rates have moved down following on the lowering of the National Bank's rediscount rate from $4\frac{1}{2}\%$ to 4% on August 29th last. This reduction has led to a lowering of the interest rates payable under the recently issued Agricultural Debts Relief Decree (see I, 5(d), page 9).

Savings deposits increased perceptibly from May to June, and by a further shade in July, but fell off slightly in August. Current accounts have continued to rise at a very slow rate. The increase in the total of savings deposits and current accounts over the year to August last amounts to about one half of one per cent.

The price at which gold is bought by the Central Corporation of Banking Companies which was 5,800 pengő per kilogramme at the middle of July, stood at 5,760 pengő per kilogramme on September 30th last.

7. COMMERCIAL POLICY.

The ratio of merchandise exchanges between Hungary and Austria continues to be far from that—i.e., 1.5 : 1 in Hungary's favour—aimed at by the agreements between the two countries. The clearing has not been working satisfactorily. Further negotiations are at present taking place.

A compensation agreement with Czechoslovakia, signed on June 14th last, has had to be revised because, owing to losses from frost and hail, Hungary was unable to utilise the fruit and vegetable quotas available to her. A complementary agreement has now been signed, substituting other quotas, partly agricultural and partly industrial, for those which could not be filled.

In September, an agreement was concluded with Germany providing for the export by Hungary to that country of 40,000 pigs. This is the first time for several years that Hungarian pigs have had access to the German markets.

Appendix I.

**MONTHLY (QUARTERLY) RESULTS FOR THE YEAR 1935-36 COMPARED WITH
THE RESULTS FOR THE YEAR 1934-35.**

	Financial year July-June		July		August		September	
	1933/34	1934/35	1934	1935	1934	1935	1934	1935
(In millions of pengó)								
A. ADMINISTRATION.								
<i>Receipts.</i>								
Direct taxes	228.4	225.1	11.9	10.8	25.4	25.0	16.0	16.0
Customs duties	36.5	42.5	3.0	3.0	3.0	2.9	4.3	3.1
Excise duties	84.1	85.1	6.7	7.3	7.2	7.3	9.4	9.4
Turnover tax	99.1	108.8	8.0	8.9	9.3	9.1	8.5	8.3
Dues	99.3	94.4	7.9	7.5	8.3	7.7	7.4	8.3
Tobacco Monopoly	105.8	106.6	9.5	10.1	9.5	9.9	8.4	9.0
Salt Monopoly (gross)	24.7	26.2	1.9	2.0	2.2	2.4	2.0	2.0
Saccharine and lotteries	2.0	2.0	0.1	0.1	0.1	0.1	0.1	0.1
Administrative receipts	78.7	72.2	3.2	3.7	3.9	3.1	2.3	2.7
Total receipts	758.6	762.9	52.3	53.4	68.9	67.5	58.6	59.1
<i>Expenditure.</i>								
Army	84.7	90.3	6.6	6.3	7.3	8.0	6.2	
Foreign Affairs	9.1	9.3	1.3	1.3	0.5	0.6	0.4	
Justice	33.4	32.6	2.9	2.9	2.5	2.5	2.6	
Supreme organs of the State ¹ ..	—	—	—	—	—	—	—	
Interior	117.6	119.1	8.0	8.8	8.5	8.5	8.5	
Agriculture	32.9	32.4	1.7	1.4	2.2	2.6	4.2	
Commerce	36.5	42.3	2.2	2.2	6.2	7.2	1.7	
Education	62.2	63.5	5.0	5.4	4.6	4.6	5.1	
Finance	86.5	80.9	7.3	5.8	6.6	6.5	6.6	
Smaller departments	11.2	11.9	1.4	1.5	0.6	0.7	0.6	
Subsidies to local authorities ..	47.8	49.6	4.7	4.8	3.6	5.9	4.1	
Pensions	141.1	143.1	12.7	11.9	11.7	12.2	11.4	
Debt service	54.1	53.0	6.9	4.9	4.1	8.6	4.0	
Total expenditure	717.0	728.1	60.8	57.3	58.5	67.9	55.5	55.6
Balance	+ 41.6	+ 34.8	- 8.5	- 3.9	+ 10.5	- 0.4	+ 3.1	+ 3.5
B. UNDERTAKINGS.								
<i>Receipts.</i>								
Post and Telegraph	92.4	91.8	7.7	8.1	7.5	7.7	7.5	
Railways ²	209.1	196.2	15.9	18.0	19.1	19.2	18.3	
Ironworks	17.3	29.8	1.9	2.3	1.5	3.9	1.9	
Other undertakings	22.5	24.2	3.0	2.8	1.5	3.1	1.5	
Total receipts	341.3	342.0	28.6	31.4	29.6	32.9	29.2	
<i>Expenditure.</i>								
Post and Telegraph	87.2	85.7	6.6	6.6	5.8	6.7	6.4	
Railways ²	270.4	265.7	21.7	19.2	19.0	19.0	20.9	
Ironworks	32.0	42.2	2.9	3.4	2.6	4.2	3.0	
Other undertakings	22.1	23.5	1.5	1.8	1.9	1.6	1.3	
Total expenditure	411.7	417.1	32.7	31.0	29.4	31.5	31.6	
Balance	- 70.4	- 75.1	- 4.1	+ 0.3	- 0.2	+ 1.4	- 2.4	

¹ Included in "Smaller departments".

² Returns of the Railways for current fiscal year are provisional.

Appendix II.

I. ECONOMIC INDICES.

(End of date given.)

		Second quarter	July	August	September	
Index of industrial production ¹ ...	1935	107.5	—	—	—	
	1934	103.0	—	—	102.4	
	1933	83.1	—	—	93.7	
Output of coal ²	1935	147.1	48.0	52.5	—	
	1934	138.7	48.3	52.9	57.5	
	1933	126.5	42.6	50.1	60.9	
Unemployment ³	1935	18.448	18.317	17.953	—	
	1934	22.467	21.212	20.737	20.058	
	1933	26.209	24.881	24.091	23.955	
Prices : Wholesale	1935	87	90	89	92	
	1934	81	79	81	83	
	1933	79	73	71	70	
Retail	1935	96.98	99.09	100.50	100.60	
	1934	97.23	97.17	96.34	97.76	
	1933	99.57	99.46	98.82	98.93	
Stock-Exchange index ⁴	1935	99.6	99.8	96.8	—	
	1934	68.0	67.0	66.3	68.0	
	1933	80.4	89.4	85.5	78.1	
		(Millions of pengö)				
Savings deposits at the Post Office	1935	612.5	614.8	612.7	607.0	
	Savings Bank and the twelve leading commercial banks ..	1934	562.3	567.3	569.1	565.9
		1933	516.8	526.0	525.1	522.8
Current accounts at the Post Office	1935	671.3	673.9	675.8	687.2	
	Savings Bank and the twelve leading commercial banks ..	1934	647.2	654.7	651.6	657.6
		1933	694.8	681.3	681.6	677.1
Total	1935	1,283.8	1,288.7	1,288.5	—	
	1934	1,209.5	1,221.9	1,220.7	1,223.5	
	1933	1,211.6	1,207.3	1,206.7	1,199.9	
		Per cent	Per cent	Per cent	Per cent	
Official discount rates	1935	4.5	4.5	4.0	4.0	
	1934	4.5	4.5	4.5	4.5	
	1933	4.5	4.5	4.5	4.5	
Market discount rates : ⁵						
3-month bills (maximum) ..	1935	7.5	7.5	7.0	7.0	
	1934	7.5	7.5	7.5	7.5	
3-month bills (minimum) ..	1935	4.5	4.5	4.0	4.0	
	1934	4.5	4.5	4.5	4.5	
<i>Foreign trade : ⁶</i>		(Millions of pengö)				
Imports	1935	89.3	31.1	30.0	32.9	
	1934	91.8	28.2	27.6	27.9	
	1933	74.2	25.2	26.5	26.3	
Exports	1935	92.6	32.3	32.0	42.4	
	1934	88.4	28.1	32.5	35.3	
	1933	81.5	29.9	34.5	44.0	
Difference	1935	+ 3.3	+ 1.2	+ 2.0	+ 9.5	
	1934	— 3.4	— 0.1	+ 4.9	+ 7.4	
	1933	+ 7.3	+ 4.7	+ 8.0	+ 17.7	

¹ The Economic Research Institute now publishes quarterly indices, calculated on a new basis, which cannot be compared with those reproduced in previous reports.
² Coal output in hundreds of thousands of quintals.
³ Unemployed Social-Democratic workmen.
⁴ Stock Exchange closed from July 13th, 1931, to September 1932. The present index calculated by the Office of Statistics includes eighteen shares (1926 = 100).
⁵ Returns of the National Bank of Hungary. Previous reports give those of the Economic Research Institute.
⁶ Figures for 1934 and 1933 are now definitive.

Appendix III.

2. NATIONAL BANK.

		December 31st		June 30th	July 31st	August 31st	September 30th
		(Millions of pengö)		(Millions of pengö)			
Note circulation	{ 1934	381.4	1935	375.3	375.8	390.6	388.7
	{ 1933	368.6	1934	363.9	363.6	368.9	372.8
Sight liabilities :							
Public	{ 1934	71.6	1935	70.7	57.8	65.8	75.0
	{ 1933	64.5	1934	29.5	24.5	40.4	47.8
Private	{ 1934	34.0	1935	29.5	20.4	24.6	22.0
	{ 1933	38.6	1934	39.7	20.2	19.6	20.3
Cash certificates ¹	{ 1934	115.1	1935	109.1	109.1	109.1	109.1
	{ 1933	119.7	1934	117.7	117.7	117.7	117.7
Other liabilities (net)	{ 1934	150.1	1935	85.6	85.2	89.6	88.8
	{ 1933	155.8	1934	142.1	143.7	144.6	145.5
Metal reserve as shown	{ 1934	109.0	1935	111.6	106.2	104.1	101.3
	{ 1933	99.2	1934	101.8	102.1	103.0	101.1
Thereof gold	{ 1934	78.9	1935	78.9	78.9	78.9	78.9
	{ 1933	78.8	1934	78.9	78.9	78.9	78.9
Commercial bills discounted	{ 1934	619.5 ²	1935	524.7 ²	502.9 ²	536.3 ²	536.2 ²
	{ 1933	624.8 ⁴	1934	569.5 ⁵	546.5 ⁶	567.0 ⁶	582.0 ⁶
Advances in securities ⁷	{ 1934	11.8	1935	11.8	11.8	11.8	11.8
	{ 1933	11.0	1934	11.8	11.8	11.8	11.8
Government debt	{ 1934	50.0	1935	60.4	65.8	65.7	72.6
	{ 1933	50.1	1934	48.0	47.5	47.4	47.3
		Per cent		Per cent	Per cent	Per cent	Per cent
Ratio of cover	{ 1934	24.9	1933	26.9	27.3	25.1	24.5
	{ 1933	23.5	1934	26.4	28.3	27.0	25.7

¹ Issued in connection with the consolidation of the Bank for International Settlements and Central Bank credits.

² Thereof Treasury bonds 34.1 million pengö.

³ " " " 24.7 " "

⁴ " " " 31.2 " "

⁵ " " " 36.3 " "

⁶ " " " 34.1 " "

⁷ All Treasury bonds.

Appendix IV.

I. FOREIGN EXCHANGE : PURCHASES AND SALES OF THE NATIONAL BANK OF HUNGARY IN THE THIRD QUARTER OF 1935, AND IN THE FIRST NINE MONTHS OF 1934 AND 1935 RESPECTIVELY.

	1935		
	July	August	September
(Millions of pengő)			
Purchases :			
(a) Export <i>Devisen</i> received	19.00	17.96	19.13
(b) Under obligatory declaration	0.47	0.45	0.16
(c) From the State	0.53	0.42	0.16
(d) From others	1.66	2.13	1.19
Total	21.66	20.96	20.64
Excess of sales	2.37	0.53	1.55
Sales :			
(a) For loan service	0.63	0.63	0.63
(b) For imports ¹	16.73	15.61	18.06
(c) To the State	1.52	1.37	1.88
(d) To others	5.15	3.88	1.62
Total	24.03	21.49	22.19
Excess of purchases	—	—	—

	1934 ²	1935			
	First nine months	First quarter	Second quarter	Third quarter	First nine months
(Millions of pengő)					
Purchases :					
(a) Export <i>Devisen</i> received ¹	172.86	69.88	61.13	56.09	187.10
(b) Under obligatory declaration	2.58	0.83	0.78	1.08	2.69
(c) From the State	1.66	0.62	0.97	1.11	2.70
(d) From others	5.50	3.04	3.65	4.98	11.67
Total	182.60	74.37	66.53	63.26	204.16
Excess of sales	2.97	—	6.28	4.45	8.23
Sales :					
(a) For loan service	11.01	1.72	10.45	1.89	14.06
(b) For imports ¹	152.73	61.10	53.15	50.40	164.65
(c) To the State	5.26	4.25	4.35	4.77	13.37
(d) To others	16.57	4.80	4.86	10.65	20.31
Total	185.57	71.87	72.81	67.71	212.39
Excess of purchases	—	2.50	—	—	—

¹ Including clearings.
² Revised figures.

Appendix V.

FOREIGN EXCHANGE CONTROL. ¹

	Actual exports	Exports notified	Percentage of exports notified to actual exports	Export Devises received	Percentage of Devises received to exports notified	Percentage of Devises received to actual exports	Actual imports	Import Devises allotted	Percentage of Devises allotted to actual imports	
(In millions of pengő)										
1931:										
October	64.2	40.5	64.9	15.7	38.8	25.2	40.4	5.3	13.1	
November	63.3	30.8	48.7	15.0	48.7	23.7	34.6	8.0	23.1	
December	43.4	20.8	47.9	14.3	68.7	32.9	41.0	7.9	19.3	
1932:										
January	24.1	13.7	56.8	15.0	109.5	62.2	27.3	10.2	37.4	
February	23.6	14.4	61.0	15.2	105.6	64.4	25.5	10.9	42.7	
March	25.4	16.3	64.2	12.6	77.3	49.6	30.5	9.4	30.8	
April	26.9	20.1	74.7	14.0	69.6	52.0	25.7	9.4	36.6	
May	26.0	17.6	67.7	12.5	71.0	48.1	27.6	10.9	39.5	
June	27.5	19.3	70.2	14.6	75.6	53.1	29.2	10.0	34.2	
July	23.2	14.1	60.8	12.0	85.1	51.7	23.2	9.6	41.4	
August	25.9	14.6	56.4	10.7	73.3	41.3	24.6	8.5	34.6	
September	33.3	17.0	51.1	11.6	68.2	34.8	25.9	7.9	30.5	
October	31.7	24.8	78.2	14.4	58.1	45.4	26.5	13.4	50.6	
November	30.9	20.0	64.7	14.4	72.0	46.6	29.7	9.5	32.0	
December	36.0	24.3	67.5	17.4	71.6	48.3	32.8	13.1	39.9	
1933:										
January	23.2	17.1	73.7	14.9	87.1	64.2	22.3	13.0	58.3	
February	25.7	21.2	82.5	19.3	91.0	75.1	21.6	14.9	69.0	
March	29.2	21.9	75.0	18.2	83.1	62.3	26.0	16.3	62.7	
April	23.1	14.8	64.1	17.7	119.6	76.6	22.7	11.2	49.3	
May	28.1	22.6	80.4	16.6	73.5	59.1	25.4	12.4	48.8	
June	29.3	20.6	70.3	15.1	73.3	51.5	25.7	10.4	40.5	
July	29.9	18.9	63.2	14.6	77.2	48.8	25.2	14.5	57.5	
August	34.5	17.7	51.3	15.5	87.6	44.9	26.5	13.6	51.3	
September	44.0	29.4	66.8	17.1	58.2	38.9	26.3	16.3	62.0	
October	41.3	27.5	66.6	21.7	78.9	52.9	32.4	14.6	45.1	
November	43.3	34.3	79.2	21.9	63.8	50.6	31.8	17.0	53.5	
December	39.7	30.9	77.8	22.2	71.8	55.9	26.7	16.8	62.9	
1934:										
January	28.7	25.2	87.8	23.6	93.6	82.2	23.1	18.4	79.7	
February	28.9	24.9	86.2	20.2	81.1	69.9	22.0	17.4	79.1	
March	38.7	28.7	74.2	21.0	73.2	54.3	29.5	19.7	66.8	
April	31.0	23.3	75.2	15.4	66.1	49.7	29.6	15.0	50.7	
May	26.6	19.3	72.6	17.8	92.2	66.9	28.5	15.5	54.4	
June	29.4	20.8	70.7	17.4	83.7	59.2	30.7	13.8	45.0	
July	28.1	22.1	78.6	19.0	86.0	67.6	28.2	12.7	45.0	
August	32.5	23.9	73.5	18.0	75.3	55.4	27.6	12.1	43.8	
September	35.3	18.9	53.5	18.4	97.3	52.1	27.9	18.1	64.9	
October	37.1	20.7	55.8	22.2	107.2	59.8	33.1	17.8	53.8	
November	42.3	35.4	83.7	23.1	65.3	54.6	33.8	17.2	50.9	
December	46.7	33.3	71.3	24.8	74.5	53.1	30.8	18.7	60.7	
1935:										
January	29.8	26.1	87.9	26.4	101.1	88.6	27.2	22.6	83.1	
February	29.2	22.3	76.4	18.6	83.4	63.7	27.4	20.6	75.2	
March	40.8	23.7	58.1	24.8	104.6	60.8	29.4	17.9	60.9	
April	31.1	23.6	75.9	24.8	105.1	79.7	31.8	18.4	57.9	
May	31.7	21.2	66.9	18.0	84.9	56.8	31.1	18.4	59.2	
June	29.8	15.7	52.7	18.2	115.9	66.4	26.4	16.4	62.1	
July	32.3	25.5	78.9	19.0	74.5	58.8	31.1	16.7	53.7	
August	32.0	22.5	70.3	18.0	80.0	56.3	30.0	15.6	52.0	
September	42.4	32.6	76.9	19.1	58.6	45.0	32.9	18.1	55.0	

¹ Figures relating to exports and imports revised by the Hungarian Statistical Office.

Geneva, October 31st, 1935.

LEAGUE OF NATIONS

**FINANCIAL POSITION
OF AUSTRIA IN THE THIRD QUARTER OF 1935**

SIXTEENTH QUARTERLY REPORT

by **M. Rost van Tonningen**, the Representative
of the League of Nations in Austria

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I. INTRODUCTION.

1. The closed accounts for 1934 show an ordinary deficit of 116 million Schillings, while extraordinary expenditure amounted to nearly 110 million Schillings. The necessary cover was provided in almost equal proportions by borrowing and by drawing on Treasury cash reserves which have now reached a level below which they cannot be allowed to sink. Expenditure exceeded the estimates by nearly 150 million Schillings principally as a consequence of the political troubles of February and July last. That revenue exceeded expectations by some 35 million Schillings was due to seignorage receipts and to repayments of arrears by the Municipality of Vienna.
2. Estimates for the first ten months of 1935 point to an ordinary deficit of 63 million Schillings, as against 80 million Schillings incurred in the same period of last year. This improvement is attributed to a favourable trend of receipts in May, June and July. In subsequent months, however, revenue appears to have lost some of its buoyancy. Extraordinary expenditure amounted to 99 million Schillings, or 15 million Schillings more than in 1934. The revenue deficiency was made good by loan money (101 million Schillings), Treasury bills (13 million Schillings), out of the reserves of the 1923-1943 Loan (41 million Schillings) and out of cash holdings. Part of the reserves of the 1923-1943 Loan is still in the hands of the Trustees. Pending the full release of these reserves, the Committee of Guarantor States has authorised the issue of 28.7 million Schillings Treasury bills, so as not to hamper the execution of the public works programme.
3. Evidence of the many and serious difficulties which still face the Government is the fact that it has not been possible to attain a complete equilibrium of expenditure and receipts in preparing the budget estimates for 1936. The estimated deficit is not large—23 million Schillings—but to reduce it to that level, an increase in revenue has been discounted and certain items of expenditure transferred to the extraordinary budget, cover for which can only be found by borrowing.
4. The total funded indebtedness of the State at the end of 1935 will probably show an increase of some 184 million Schillings since the end of 1934, principally owing to the issue of the 1935 Internal Loan (*Arbeitsanleihe*). Since 1930, the increase is 1,225.9 million Schillings.
5. Railway receipts have shown a rising tendency since June, and for the period January-August they are only 1.3% below last year's level. Car-loadings, which had improved in July and August, weakened slightly during the last decade of September. Transit traffic, however, was particularly firm during this period.
6. The gold and foreign exchange reserves of the National Bank have continued to increase and were, at the end of September 1935, 105 million Schillings higher than at the end of 1934. If allowance is made for several extraordinary items, the increase arising out of current dealings during the first nine months of 1935 was 40 to 45 million Schillings. Sight liabilities also increased 100 million Schillings during the same period.
7. Although the foreign trade returns for 1935 continue to show a reduction of the adverse balance, the margin of improvement is becoming narrower and the further expansion of Austrian exports appears to be meeting with difficulties.
8. Trade activity continues to increase and production in most branches of industry is at an appreciably higher level than last year. The labour market showed a corresponding improvement, and unemployment at the end of September 1935 was 39,312 or 16% below last year. It must not be forgotten that these figures only show the numbers of those actually in receipt of relief. They take no account of those who no longer appear in the official statistics as unemployed, owing to the expiration of the period during which they are legally entitled to benefit. This reduction in the official total does not necessarily reflect a diminution in the number of workers actually out of employment. Wholesale prices have shown a tendency to rise since April last, but on balance there has been scarcely any change since the beginning of the year. Fixed interest securities have fallen slightly during the quarter but are still above the 1934 level. Shares have been firm and the turnover of securities was much higher than last year.
9. Tourist traffic during the summer months has been very much better than in 1934. Statistics for the months of July and August show that, except in Burgenland, the number of Austrian and foreign visitors was respectively 30% and 42% higher than last year. It must not be forgotten, however, that in 1934 tourist traffic was very poor owing to the political disturbances of that year.

2. FEDERAL BUDGET.

(a) FEDERAL BUDGET, 1934.

The Audit Court published on September 3rd the closed accounts for the foregoing year, showing the following results :

	Cash account (net)	Budget account (gross)	Difference between budget account and estimates
(In millions of Schillings)			
Ordinary budget :			
Expenditure	1,468.08	2,064.37	+ 149.49
Receipts	1,348.15	1,947.99	+ 35.01
Deficit	119.93	116.38	+ 114.48
Extraordinary budget :			
Expenditure	110.97	109.59	— 10.32
Total deficit	230.90	225.97	+ 104.16

According to the official figures, the total deficit of 230.9 million Schillings was covered as follows : loan money (Lottery and 1933 Guaranteed Loan), 120.14 million Schillings ; current account surplus, 61.25 million Schillings, and cash holdings, 49.51 million Schillings ; totalling 230.9 million Schillings. As, however, some 41.17 million Schillings of the proceeds of the Conversion Loan were provisionally booked, pending the repayment of the 1923 Loan, as a current account receipt, simultaneously increasing the cash holdings of the Treasury, a more accurate picture of the budgetary results is obtained if the above figures are corrected as follows :

	(In millions of Schillings)
Loan money	120.14
Current account surplus	20.08
Cash holdings	90.68
Total	230.90

This is borne out by the Treasury cash statements, which show that the free balances were reduced by 66.77 million Schillings, while the earmarked holdings increased by 17.26 million Schillings. As these latter include the above-mentioned 41.17 million Schillings, the earmarked holdings were really 23.91 million Schillings lower, making a total reduction in cash holdings of (66.77 + 23.91) 90.68 million Schillings. The current account surplus of 20.08 million Schillings is almost entirely due to funds entrusted by the Postal Savings Bank to the Post Office for the liquidation of payments under the postal clearing system.

The excess of expenditure over the estimates was principally due to the internal political situation and particularly the February and July revolts. Thus public security caused supplementary expenditure amounting to 58 million Schillings. A higher level of unemployment than that allowed for caused a budget deterioration of 32 million Schillings. Agricultural subsidies were 28 million Schillings more than estimated. The National Propaganda service required 6.15 million Schillings or 5.15 million Schillings more than estimated, while the children's holiday action of the Government cost a further 3.7 million Schillings. Circumstances made it necessary to convert a claim on the Erste Donau Dampfschiffahrtsgesellschaft on account of Customs duties amounting to 5.6 million Schillings into shares of the undertaking, causing an equivalent reduction in receipts. In very few departments was expenditure below the estimates, and the only notable reduction in expenses arose through the non-payment of amortisation of debt B to the National Bank, amounting to 10.6 million Schillings.

The improvement in receipts is mainly due to 28 million Schillings seignorage profits, of which 22 million Schillings accrued in 1934, the other 6 million Schillings received in earlier years on this account having previously been booked in the current account. The Municipality of Vienna furthermore paid off 15.9 million Schillings arrears on its contribution for 1933.

Taxation yielded 5.2 million Schillings less than estimated, principally because of a shortfall of 47.3 million Schillings in Customs, as most other taxes exceeded the estimates. Tobacco yielded about 6.7 million Schillings less, as receipts were 3.5 million Schillings smaller and expenditure 3.2 million Schillings greater than the estimates.

The trend of tax and tobacco receipts is illustrated in the table given in 2(c) (Federal Budget, 1936).

Extraordinary expenditure is really 30.32 million Schillings below the estimates, for it includes an unforeseen payment of 20 million Schillings out of the seignorage profit in connection with the banking reorganisation of last year.

In conclusion, it must be pointed out that by the end of 1934 the freely available cash balances of the Treasury had fallen to 24 million Schillings, as against 119.5 million Schillings at the end of 1930. Under these circumstances, and having regard to the large increase in the public debt which has taken place in recent years, too much insistence cannot be placed on the necessity of the very strictest economy in the future.

(b) FEDERAL BUDGET, 1935.

	January-October		Increase + or decrease —
	1935	1934	
Ordinary budget :	(In millions of Schillings)		
Expenditure	1,610.16	1,681.91	— 71.75
Receipts	1,547.06	1,602.09	— 55.03
Ordinary deficit	— 63.10	— 79.82	— 16.72
Extraordinary budget :			
Expenditure	99.54	84.03	+ 15.51

A. Ordinary Budget.

As against the estimated deficit given in the previous quarterly report of 61.67 million Schillings for the first seven months of the year, the latest information points to one of only 63.10 million Schillings for the ten months from January to October. That the deficit is only slightly higher, in spite of the longer period, is principally due to the favourable trend of tax receipts, particularly in the month of July, when income exceeded expenditure by 11.8 million Schillings. This trend is well illustrated by the following table, which, however, also shows that receipts in August and September 1935, though above last year's level, were decidedly less buoyant than in July. Tobacco receipts in recent months are not quite up to expectations.

	1931	1932	1933	1934	1935
	(In millions of Schillings)				
<i>Net Tax Receipts:</i>					
January	79.24	72.93	67.39	72.51	77.39
February	62.62	66.64	57.97	53.12	62.92
March	60.99	61.89	59.71	69.40	66.85
April	74.23	70.45	69.05	76.80	73.60
May	73.81	65.47	70.15	67.99	69.84
June	68.92	60.85	72.12	70.43	74.69
July	90.61	74.99	70.73	75.41	83.06
August	68.82	62.89	56.81	63.33	65.65
September	64.68	68.86	67.96	67.06	67.26
October	84.33	75.65	70.74	78.46	75.78 ¹
January-October ..	728.25	680.62	662.63	694.51	717.04
<i>Tobacco Receipts:</i>					
January	26.58	24.71	21.27	24.38	21.87
February	23.03	24.13	21.09	22.87	20.86
March	25.91	28.50	25.37	24.98	22.14
April	25.75	25.99	27.01	24.87	25.59
May	28.74	28.85	25.44	27.00	23.49
June	41.65	29.39	25.72	25.11	25.08
July	29.04	28.74	30.54	29.06	28.48
August	29.32	31.61	25.38	26.32	24.92
September	30.86	27.59	24.80	23.77	24.50
October	31.07	25.18	27.10	27.14	24.65 ¹
January-October ..	291.95	274.69	253.72	255.50	241.58

Taxation is expected to yield 717.04 million Schillings during the first ten months of 1935, as against 694.51 million Schillings in 1934, an increase of 22.53 million Schillings (3.2%), while tobacco may show a short-fall of 13.92 million Schillings (5.4%). All tax categories show increased yields over last year, particularly turnover tax (8.8%) and direct taxes (6.1%). Customs, following the trend of imports, are also slightly above the 1934 level. Post Office revenue shows very welcome signs of greater firmness, but although it is 2.5% above last year,

¹ Estimates

it still lags 10.39 million Schillings (5.9%) below the ten-twelfths of the estimates for the current year. Seignorage has yielded some 22.8 million Schillings, as against 11 million Schillings last year.

Expenditure is 71.75 million Schillings below the 1934 figure, of which reduced debt charges account for 50.48 million Schillings. As in the Austrian system of budget accounting, the contribution of State Undertakings and Railways to the debt service is booked as revenue and was also reduced by the conversion, receipts under this head have also fallen by 23.51 million Schillings; the net saving is only 26.97 million Schillings. Reduced agricultural subsidies and related expenditure account for a further 9.6 million Schillings. Payments on account of the railway deficit are 18.42 million Schillings lower and the cost of the auxiliary defence corps is 9.44 million Schillings less than last year, but 4.41 million Schillings over the estimates. Post Office expenditure is 2.39 million Schillings below 1934 but also 3.89 million Schillings above the estimates. Sundry economies of 19.01 million Schillings in various departments bring the total of reductions in expenditure as against last year to 109.34 million Schillings, which, however, are partly offset by heavier expenditure in other departments amounting to 37.59 million Schillings, thus making the net saving only 71.75 million Schillings mentioned above. The largest single item is army expenditure, which is 16.04 million Schillings higher than in 1934 and 4.42 million Schillings over the estimates. The Ministry of Commerce expenditure was 7.43 million Schillings higher than last year and 3.06 million Schillings over the estimates.

B. Extraordinary Budget.

The public expenditure during the first ten months of 1935 amounts to 99.54 million Schillings, distributed as follows :

	1935	Difference as against 1934
	(In millions of Schillings)	
Extra-urban small-holdings	4.00	+ 4.00
Stream regulation and land reclamation	23.83	+ 8.19
Road construction	31.19	+ 1.00
Public buildings	1.37	+ 1.37
Post Office : telephones and cables	6.83	+ 2.38
Railways : electrification, etc.	26.21	— 2.35
Tobacco Monopoly	4.23	+ 0.29
Other undertakings	1.88	+ 0.63
Total	99.54	+ 15.51

(c) FEDERAL BUDGET, 1936.

The Federal budget for 1936 was being discussed by the Government during the time of writing this report and was adopted on October 22nd. In view of the particular importance of this budget, it is dealt with in the present report, although it has not yet been submitted to the Austrian Federal Assembly.

The Federal budget for 1936 will not have the benefit of extraordinary resources which have so greatly helped to relieve the Treasury in previous years (cf. 2(a) and 2(b) Federal Budget, 1934 and 1935). Long-term borrowing operations would appear hardly feasible in view of the present strained international political situation and its reactions on the security markets. On the other hand, the Minister of Finance wished to avoid short-term borrowing operations for the needs of the ordinary budget and declined therefore to present ordinary estimates which were not in virtual equilibrium. Although the co-operation of the Ministries concerned has made a reduction in most of the departmental credits possible, the deficit would have been considerably higher had there not been a transfer of expenditure to the extraordinary budget or had the receipts been more conservatively estimated. The final results are shown in the following table :

Federal budgets ¹	1932	1933	1934	1935	1936
	(In millions of Schillings)				
Expenditure	1,924	1,929.60	2,064.37	1,940.47	1,906.69
Receipts	1,909	1,847.80	1,947.99	1,861.47	1,883.25
Deficit	15	81.80	116.38	79.00	23.44

¹ 1932-1934, closed accounts.
1935, probable results.
1936, draft estimates.

The principal differences between the probable results for 1935 and the 1936 estimates are as follows :

<i>Expenditure :</i>	Increase (In millions of Schillings)	Decrease
Army	7.49	—
Chancellor's Office	—	9.58
Police	—	2.03
Gendarmerie	0.88	—
Auxiliary Defence Corps	—	10.90
Social Administration	—	8.04
Agriculture	—	7.94
Commerce	—	6.37
Pensions	—	2.60
Debt Service	8.04	—
Tobacco	3.21	—
Post Office	—	6.29

The reduction in the expenditure of the Chancellor's Office is nominal, as, in the past, supplementary votes have been necessary to cover the special holidays for poor children and the National Propaganda Organisation, together about 9 million Schillings.

The Auxiliary Defence Corps credit has been put at 5 million Schillings, as against 11 millions in 1935, and is based on an average of effectives of 2,000 (5,000 in 1935). Actual expenditure this year will exceed 16 million Schillings.

The reduced Social Administration requirements are based on an estimate of lower unemployment in 1936, which ought to be realised if the present rate of progress is maintained. The economies in the Ministry of Agriculture are founded on smaller assignments for the Milk Fund and the relief for mountain farms, which may, in practice, be exceeded. Pensions in 1936 are entered at a lower figure than the actual expenditure in 1934.

It would appear as if, for some years to come, the State budget can only be relieved by falling unemployment and rising revenue. Expenditure otherwise is inelastic. Even the considerable contribution of the State budget to the deficit of the Railways—80 million Schillings—will hardly be liable to substantial reduction in the near future, as renewal arrears will absorb for some years to come any eventual rise in traffic revenue.

Though debt service is already higher than in 1931, it may increase still further (cf. Public Debt, 2(e)), and it should be remembered that no provision has as yet been made in the budget for the first payment to the Creditanstalt creditors with whom negotiations will be started in the near future. Temporary relief is also afforded by the suspension of sinking fund payments on the old 1923-1943 League Loan, achieved through its conversion into the 1934-1959 Loan, amortisation of which begins only in 1938 (approximately 15 million Schillings in the first year). A further increase of the debt service will occur, should the Government have to raise a loan to cover the extraordinary budget of public works for 1936, estimates for which have not yet been drawn up. For this purpose, only 1.5 million Schillings have been included in next year's budget. Finally, a settlement of the relief credits may require payments from the year 1939 onwards. Against these eventual additions, the only saving which could be obtained—i.e., by the conversion of the 1930 Loan—seems for the time being more distant than ever before.

It would be speculation to rely on revenue alone for a further improvement in the Austrian budget. The principal sources of revenue are shown in the following table :

	1932 ¹	1933	1934	1935	1936
	(In millions of Schillings)				
Direct taxes	326.77	281.40	280.10	292.20	288.55
Customs	229.97	177.50	182.69	176.11	198.20
Import duty on cattle fodder	—	2.05	21.05	30.32	35.00
Excise duties	171.96	154.90	171.46	183.08	189.10
Turnover tax	176.40	133.96	139.32	146.72	135.00
Turnover tax emergency surtax	29.72	118.02	122.77	122.54	131.00
Taxes on transactions, legal fees, etc.	112.19	99.97	99.77	97.50	98.70
Other receipts	2.34	2.38	2.93	3.09	2.72
Total taxes	1,049.35	970.18	1,020.09	1,051.56	1,078.27
<i>Deduct :</i>					
Shares of local authorities	222.12	164.25	173.33	192.32	183.18
Net tax receipts	827.23	805.93	846.76	859.24	895.09
Tobacco	328.06	308.09	308.05	294.22	305.93
Post Office	215.85	213.41	208.05	212.36	216.50

¹ 1932-1934, closed accounts.
1935, probable results.
1936, draft estimates.

It appears from this table that the better trend of revenue has been discounted in the estimates from 1936. Seignorage is expected to yield only 3 million Schillings in 1936, as against actual receipts of about 24 million Schillings in 1935. Unless a further improvement occurs, the deficit of the ordinary budget, 23.4 million Schillings, and all expenses for the extraordinary budget would have to be covered by short-term borrowing operations.

(d) TREASURY POSITION.

The requirements arising out of the ordinary and extraordinary budget deficits in the first ten months of the current year, together 162.6 million Schillings, will be met by the Treasury out of the following resources :

	(In millions of Schillings)
1933 Lottery Loan	11.6
1935 Internal Loan	89.0
Reserves of 1923-43 Loan	41.2
Treasury bills	13.0
Cash holdings	7.8
	<hr/>
	162.6

Of the 1934 Internal Loan balances, 66 million Schillings were applied to the extraordinary budget, the remaining 23 million Schillings were used to consolidate Treasury bills previously issued as provisional cover for the ordinary budget. Pending the full release of the reserves of the 1923-1943 Loan by the Trustees, the Committee of Control has authorised the issue of 28.7 million Schillings Treasury bills, so as not to interrupt the execution of the public works programme for which these moneys had been earmarked. Of these bills, 13 million Schillings have already been issued. All bills under this authorisation will be reimbursed as soon as the reserves become freely available. Their full release is contingent on the decision pending in the Austrian courts on the validity of the gold clause of the American *tranche* of the 1923 Loan.

The movement of the floating debt during the current year has been as follows :

	End of			
	1934 December	1935		
		April	July	September
	(In millions of Schillings)			
Treasury bills :				
1927 authorisation	75.0	75.0	20.0	20.0
1934 authorisation	12.0	25.0	—	—
1935, first authorisation	—	10.0	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
	87.0	110.0	20.0	20.0
1935, second authorisation (public works)	—	20.9	—	—
1935, third authorisation (public works)	—	—	—	13.0 ¹
	<hr/>	<hr/>	<hr/>	<hr/>
	87.0	130.9	20.0	33.0
Collateral loan from Postal Savings Bank	25.0	25.0	25.0	25.0
Bank reform bills, 1933	67.0	67.0	67.0	67.0
Total	<hr/>	<hr/>	<hr/>	<hr/>
	179.0	222.9	112.0	125.0

(e) DEBT POSITION.

On the occasion of the conversion of the 1923 Loan, a review was made in the thirteenth quarterly report of the Austrian Public Debt at the end of 1934.

The following table compares the position as at the end of 1935 with that at the end of 1930:

	End of	
	1930	1935 (estimates)
	(In millions of Schillings)	
Foreign Debt :		
1923-1943 Guaranteed Loan (originally 1,108.6 million Schillings)	872.6	648.3
1934-1959 Conversion Loan	—	350.0
1930 Investment Loan	439.0	399.1
Relief Credits	400.2	312.1
1933-1953 Austrian Guaranteed Loan	—	204.8
Other funded foreign debt	243.5	215.5
Debt to foreign creditors of Creditanstalt	—	—
	<hr/>	<hr/>
Total foreign debt	1,955.3	2,129.8

¹ These bills were originally issued under the 1927 authorisation.

	End of	
	1930	1935 (estimates)
(In millions of Schillings)		
Domestic Debt :		
Debt to National Bank	101.2	624.4
1933 Lottery Loan	—	220.0
1935 Loan (<i>Arbeitsanleihe</i>)	—	175.0
Other domestic debt	35.6	90.2
Austrian share of the debt of the old Monarchy	268.5	347.1
Total domestic debt	405.3	1,456.7
Total funded debt	2,360.6	3,586.5

The only important change since the end of 1934 in the debt position is due to the issue of the 1935 Internal Loan (*Arbeitsanleihe*), which increased the domestic debt by 175 million Schillings. A further issue for the same purpose will probably be made, when the capital market is again in a position to absorb a long-term loan for financing public works or for consolidating Treasury bills previously issued for this purpose.

The Financial Committee has drawn attention to the continuous increase of domestic indebtedness and it is highly desirable that it should be stopped as soon as possible.

The first object that a conservative financial policy should have in mind is the limitation of new borrowing in any year to the level of current sinking-fund payments during the same period. These repayments will amount in 1936 to 52 million Schillings, as shown by the following table :

Service of the State Debt.

Funded debt	1930			1936 (estimates)		
	Interest	Amortisation	Total	Interest	Amortisation	Total
(In millions of Schillings)						
Foreign debt :						
1923-1943 Guaranteed Loan	57.7	44.3	102.0	—	—	—
1934-1959 Conversion Loan	—	—	—	30.5	—	30.5
1930 Investment Loan	—	—	—	24.5	9.5	34.0
Relief Credits	—	10.0	10.0	—	—	—
1933-1953 Guaranteed Loan	—	—	—	13.7	12.1	25.8
Other funded debt	13.1	10.6	23.7	8.7	11.1	19.8
Creditanstalt bonds	—	—	—	—	—	—
Total foreign debt service	70.8	64.9	135.7	77.4	32.7	110.1
Domestic debt :						
National Bank	—	—	—	8.7	14.1	22.8
1933 Lottery Loan	—	—	—	15.4	—	15.4
1935 Loan (<i>Arbeitsanleihe</i>)	—	—	—	9.6	—	9.6
Other domestic funded debt	2.2	10.1	12.3	4.2	3.6	7.8
Austrian share of debt of the old Monarchy	15.2	0.5	15.7	14.0	1.6	15.6
Total domestic debt service	17.4	10.6	28.0	51.9	19.3	71.2
Total funded debt service	88.2	75.5	163.7	129.3	52.0	181.3

It appears from the above table that amortisation of the foreign debt will amount to 32.7 million Schillings, as against 19.3 million Schillings on the domestic debt.

The service of the public debt does not contain any provision for payments on the Relief Credits or on the debt to the foreign creditors of the Creditanstalt.

As regards Relief Credits, the position was explained in the thirteenth quarterly report (page 10). It will be remembered that the service on this debt has remained suspended since 1932, as it was included in the Hoover moratorium. In subsequent years, all payments have been vetoed by the Trustees of the 1923-1943 Loan under Article II of the Agreement with the Relief Bonds Committee. As this loan has now been converted, the basis for a veto has disappeared and negotiations were therefore taken up so as to secure a further suspension of payments. To this effect, the Austrian Government has claimed and obtained recently from the European creditors a three years' moratorium covering the years 1936-1938. A new arrangement must therefore be made before the year 1939.

The position with regard to payments to the foreign creditors of the Creditanstalt will become clear at the conclusion of the negotiations which are now pending. Should no agreement be reached before the end of November, the parties may have recourse to arbitration.

In view of the present weak position of the security markets, it would appear as if for some time to come the needs of the Treasury could only be covered by short-term borrowing. That under certain conditions such a situation might arise was foreseen in the spring, and it was then decided to increase the amount of the 1935 Internal Loan (*Arbeitsanleihe*) so as to clear the short-term loan market for later needs. In 2(d) (Treasury Position), the movement of the floating debt during the current year is shown (cf. table on page 7). At the end of September, the floating debt was nearly 100 million Schillings lower than at the end of April, when it reached its maximum of 222.9 million Schillings. The following table shows that the Finance Ministry—assuming that no further Treasury bills are needed for the ordinary budget—estimates that the floating debt will have increased to 140.7 million Schillings by the end of the year :

	1931 (August)	1935 (estimates)
	(In millions of Schillings)	
<i>Floating debt.</i>		
Collateral loan from Post Office Savings Bank ..	25.0	25.0
Treasury bills issued under the Law of March 1933 for Banking Reconstruction	—	67.0
Treasury bills issued under the Law of 1927 for strengthening Cash Reserves	74.8	20.0
Treasury bills authorised by the Control Committee in September 1935 and issued under the Law of October 1935	—	28.7
Bank of England advance	149.7	—
<i>Total floating debt</i>	<u>249.5</u>	<u>140.7</u>

The total at the end of 1935 will be higher should it be necessary to issue Treasury bills to cover ordinary budget requirements in November and December.

As shown in 2(c) (Federal Budget, 1936), the deficit for the Ordinary Budget may require 23.4 million Schillings, which would increase the floating debt to approximately 164 million Schillings. Against this may be offset the amounts of the balance of the reserves of the 1923 League Loan, as and when they are released by the Trustees of that Loan.

Even so, the margin which is available for the issue of Treasury bills is not a great one, as it would appear safe to consider the amount of the floating debt at the end of last year (cf. 2(d) (Treasury Position)) of 179 million Schillings, rather than the maximum of 222.9 million Schillings reached at the end of April, as a limit which should not be substantially exceeded.

(f) FEDERAL RAILWAYS, 1935.

	Car-loadings					
	Year	June	July	August	September	January- September
Total goods traffic	1934	168,016	166,408	165,723	170,739	1,414,229
	1935	150,633	168,675	171,568	177,526	1,421,783
Internal traffic	1934	118,297	116,589	119,678	121,474	999,387
	1935	105,495	122,320	126,806	125,256	1,015,077
Of which :						
Customers' traffic	1934	103,547	102,527	106,486	108,647	906,299
	1935	93,982	108,934	113,097	110,708	923,566
Railways' own traffic	1934	14,750	14,062	13,192	12,827	93,088
	1935	11,513	13,386	13,709	14,548	91,511
Foreign traffic :						
Import	1934	22,430	21,894	23,481	27,316	211,597
	1935	22,728	22,254	22,248	28,908	204,877
Export	1934	12,454	12,096	11,342	11,415	98,882
	1935	11,947	12,479	12,071	9,967	104,751
Transit	1934	14,835	15,829	11,222	10,534	104,363
	1935	10,463	11,622	10,443	13,395	97,078
	Traffic receipts (In thousands of Schillings)					
	Year	June	July	August	January- August	
Goods	1934	22,135	21,718	21,910	172,360	
	1935	20,228	22,531	22,880	170,626	
Passengers	1934	11,642	16,933	16,211	97,002	
	1935	13,669	17,111	16,998	95,356	
Total	1934	33,777	38,651	38,121	269,362	
	1935	33,897	39,642	39,878	265,982	

Traffic receipts for June, July and August showed a welcome improvement over the trend of the previous five months and, in consequence, for the period January-August they were only 1.3% below the 1934 figure. Goods receipts in particular were, during July and August, above even the 1932 level.

Car-loadings had shown signs of recovery in July and August, particularly customers' traffic, which exceeded the 1934 level by over 6% in each of these months. The first twenty days of September showed a similar trend, but a sharp fall during the last week has brought customers' traffic down to only 1.9% above last year. On the other hand, transit traffic has been unexpectedly heavy, particularly during the last decade of September, when it reached 4,923 car-loadings or 42.8% more than in the same period of 1934. Over the whole month, transit traffic was 27.2% and total loadings 4% higher.

The treasury situation of the Railways has considerably improved during the current year, partly because the payments by the State have exceeded the actual shortage of receipts. This and negotiations with creditors have permitted a considerable reduction of the short-term liabilities of the undertaking. It is perhaps opportune to mention here that the Railways do not seem to have benefited fully from the advantages of the cheaper money policy of the National Bank. They are still paying 6½% on the credit of a Viennese syndicate, while on other lines they are only charged 5½%, even 4½%.

3. POSITION OF THE CENTRAL BANK.

(Appendix III, Columns 15 to 21.)

(This chapter has been drawn up in consultation with the Adviser to the National Bank, M. Maurice Frère.)

	End of								
	1934				1935				
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	July	August	September
	(In millions of Schillings)								
Notes issued	981	955	964	964	914	937	942	963	953
Sight liabilities	154	156	174	154	199	237	250	244	274
Total circulation	1,135	1,111	1,138	1,118	1,113	1,174	1,192	1,207	1,227
Gold and foreign exchange	213	277	282	277	274	324	343	361	381
Bills discounted	308	254	254	236	234	232	233	231	230

The gold and foreign exchange holdings of the National Bank which had remained nearly stable since April 1934 have increased considerably during the second and the third quarters of 1935. The increase amounts in the second quarter to 50 million Schillings and in the third quarter to 57 million Schillings, making for the six months a total of 107 million Schillings. The total increase since the beginning of the year is 104 million Schillings (37%), and 99 million Schillings (36%) since September 1934. In judging these figures, allowance must be made for an important exceptional item: the release in the course of the year of some 40 million Schillings in foreign currencies from the Reserve Funds of the League of Nations Loan.

This item is, however, nearly set off by the almost complete liquidation in foreign currency since the beginning of 1935 of the transfer arrears accumulated in the foreign debts fund at the National Bank, which required some 10 million Schillings, while sundry other debt conversions and repayments may have amounted to a further 15 to 18 million Schillings.

It must also be taken into account that the conversion of the League Loan has reduced the current foreign exchange requirements for the service of the debt by some 48 million Schillings.

The improvement in the foreign exchange holdings of the Central Bank since the beginning of the year, arising out of current dealings, may thus be estimated at between 40 to 45 million Schillings.

It must be remarked that the considerable amounts of gold and foreign exchange acquired by the National Bank against Schillings during the last six months have had practically no effect on the other assets of the Central Bank, so that they have resulted only in an increase of the total circulation (notes + sight deposits), which, at the end of September last, was 113 millions higher than at the end of March and 88 millions higher than a year before.

This increase shows itself essentially in the sight deposits, which amounted at the end of September to 273.8 million Schillings as against 173.6 million Schillings a year ago. The effective note circulation remained practically unchanged with 953 millions at the end of September as against 964 millions last year. This shows that, although the liquidity of the market has improved, the demand for new sound short-term credits has not yet increased.

Savings deposits continue to increase. They amounted at the end of September to 2,256.3 million Schillings, as against 2,245.5 million Schillings at the end of June and 2,091.6 millions at the end of September of last year.

4. ECONOMIC SITUATION.

(a) FOREIGN TRADE.

(Appendix III, Columns 1 to 5.)

(Weight in thousands of metric tons. Value in millions of Schillings.)

Classes of the International (Brussels) Classification	January-August									
	Imports				Exports				Import surplus	
	1934		1935		1934		1935		1934	1935
	Weight	Value	Weight	Value	Weight	Value	Weight	Value	Value	Value
I. Live animals..	57.3	49.6	64.5	56.4	1.7	2.9	2.7	3.6	46.7	52.8
II. Articles of food and drink..	823.1	159.9	706.4	158.4	29.2	11.4	37.6	15.3	148.5	143.1
III. Mineral fuel and turf ..	1,783.6	61.4	1,693.4	55.4	0.8	—	0.6	—	61.4	55.4
Other raw material ..	730.2	226.2	774.9	235.1	1,443.4	156.0	1,565.7	163.5	70.2	71.6
IV. Finished goods..	80.2	236.0	89.7	239.2	208.2	376.8	216.1	380.4	140.8 ¹	141.2 ¹
V. Gold and silver ..	—	15.5	—	10.0	—	13.7	—	7.8	1.8	2.2
Total ..	3,474.4	748.6	3,328.9	754.5	1,683.3	560.8	1,822.7	570.6	187.8	183.9
Total, excluding gold and silver ..	3,474.4	733.1	3,328.9	744.5	1,683.3	547.1	1,822.7	562.8	186.0	181.7

The latest foreign-trade returns still show a reduction in the adverse balance as against last year, but as the total for the separate months given in Appendix III show, the rate of improvement has become somewhat slower in recent months. In so far as this is due to a revival of imports of foodstuffs and raw materials, there is not much ground for uneasiness, for, as the Financial Committee pointed out in its September report, this may be taken as an indication of increased internal purchasing and of a prospective improvement of industrial activity. A check to the hitherto satisfactory upward trend of exports would, however, be a more serious matter. In one respect, any difficulties now encountered in maintaining the rate of increase give the measure of the progress already achieved, which is very great. The exports during the first eight months of 1935 were 92.1 million Schillings, or 19.6%, higher than in the same period of 1933, and 15.8 million Schillings, or 2.9%, more than in 1934. The improvement of 1934 over 1935 during the same period was 76.3 million Schillings, or 16.2%. The slower rate of progress is obvious from these figures, but emphasis must be laid on the fact that there is still progress and that the improvement during the last two years amounts to nearly 20%. This has been achieved by orthodox methods, by the patient execution of a well-conceived policy and, being the fruit of free negotiations, it has run no danger of provoking reprisals.

(Merchandise only. In millions of Schillings.)

January-August	Imports				Exports				Balance	
	Value		Percentage		Value		Percentage		Value	
	1934	1935	1934	1935	1934	1935	1934	1935	1934	1935
Hungary ..	79.2	75.4	10.8	10.1	61.4	63.0	11.2	11.2	— 17.8	— 12.4
Roumania ..	39.2	51.7	5.3	6.9	31.7	27.7	5.8	4.9	— 7.5	— 24.0
Czechoslovakia ..	97.2	92.7	13.3	12.5	42.3	39.7	7.7	7.1	— 54.9	— 53.0
Yugoslavia ..	64.1	53.9	8.7	7.2	33.4	33.3	6.1	5.9	— 30.7	— 20.6
Total ..	279.7	273.7	38.1	36.7	168.8	163.7	30.8	29.1	— 110.9	— 110.0
Germany ..	130.1	120.5	17.8	16.2	84.3	92.8	15.5	16.6	— 45.8	— 27.7
Poland ..	40.8	43.8	5.6	5.9	20.5	22.0	3.7	3.9	— 20.3	— 21.8
Italy ..	33.3	41.1	4.5	5.5	60.7	82.0	11.1	14.6	+ 27.4	+ 40.9
Switzerland ..	29.7	24.7	4.0	3.3	41.0	32.9	7.5	5.8	+ 11.3	+ 8.2
United Kingdom ..	27.8	29.5	3.8	4.0	28.0	23.9	5.1	4.2	+ 0.2	— 5.6
France ..	21.1	22.7	2.9	3.0	21.6	19.3	3.9	3.4	+ 0.5	— 3.4
Netherlands ..	11.6	12.6	1.6	1.7	10.5	9.2	1.9	1.6	— 1.1	— 3.4
U.S.A. ..	41.8	42.7	5.7	5.7	9.0	10.3	1.6	1.8	— 32.8	— 32.4
Other countries ..	117.2	133.2	16.0	18.0	102.7	106.7	18.9	19.0	— 14.5	— 26.5
Total ..	733.1	744.5	100.0	100.0	547.1	562.8	100.0	100.0	— 186.0	— 181.7

¹ Export surplus.

There have been considerable changes in the geographical distribution of Austrian trade during the first eight months of 1935 as against last year. Thus the unfavourable balance with Germany has been reduced by nearly 40%, from 45.8 million Schillings to 27.7 million Schillings, with an almost unaltered volume of trade. Trade with Italy shows an improvement of nearly 50% in the favourable trade balance, while the volume of exchanges was 31% higher. While last year imports and exports to the United Kingdom and France were almost balanced, in 1935 the exchanges show an import surplus of 19% and 15% respectively.

Owing to higher Austrian imports of cereals and oil products, the unfavourable balance with Roumania has risen from 7.5 million Schillings to 24 million Schillings. The new agreement with Roumania has been in force only since the beginning of May and has already been denounced by that Government.

Individual categories of goods show the following changes :

	1932	January-August		1935
		1933	1934	
(In millions of Schillings)				
Exports :				
Ore	0.9	0.8	1.5	2.8
Paper pulp	16.1	16.7	20.5	22.8
Timber	42.8	45.1	57.8	64.0
Cotton yarn	9.3	15.1	16.9	21.5
Iron goods	39.7	41.8	59.7	58.5
Metal goods	19.1	20.1	20.0	24.2
Imports :				
Pigs	58.6	49.2	36.3	44.4
Cereals	93.6	91.2	74.7	70.9
Fuel	94.7	70.9	61.3	55.3
Oil	16.0	17.6	15.6	16.2
Cotton	20.3	23.9	32.4	36.0
Wool	23.8	23.8	35.9	32.8
Metals	13.9	13.3	21.4	23.3

(b) PRODUCTION.

(Appendix III, Columns 10 to 13.)

		March	June	July	August
Pig-iron ..	1923-1932 = 100	1934	48	48	49
		1935	44	44	69	81
Steel ..	1923-1932 = 100	1934	80	81	71
		1935	70	82	87	82
Industrial fuel requirements (1,000 tons) :					
Foodstuffs industry	1923-1932 = 100	1934	20	17	19
		1935	18	21	18
Iron and metal industry	1923-1932 = 100	1934	45	46	47
		1935	55	48	54
Chemical industry	1923-1932 = 100	1934	12	12	14
		1935	14	12	13

The production index rose in July to 97, the highest figure since 1930, excepting November of last year, when it stood at the same level. The iron and steel production indices show a strong upward trend and are very appreciably above last year's level. The textile industry reports an improvement in conditions, particularly in exports. Industrial fuel requirements have been consistently higher during the past quarter, except in the pottery and glass trades.

(c) CROPS.

Quantitative estimates of the yield of the main cereal crops are given below. As regards other varieties of agricultural produce, the available information indicates a good to middling yield :

	1935 Estimates	1934 Yield	1933 Yield	Average 1924-1933
(In thousands of tons)				
Winter wheat	407.7	347.9	387.2	301.1
Winter rye	566.8	555.1	668.4	507.8
Spring barley	257.6	282.0	319.8	230.7
Oats	417.1	466.5	502.8	413.2
Maize	102.2	155.0	136.6	117.6
Potatoes	2,203.6	2,749.4	2,354.9	2,336.2

(d) THE LABOUR MARKET.

Unemployed receiving Benefit in Austria.

	1931	1932	1933	1934	Decrease between 1933 and 1934		1935	Decrease between 1934 and 1935	
End of :						%			%
January ..	331,239	358,114	397,920	357,291	40,629	10.2	334,337	22,954	6.4
February	334,041	361,948	401,321	352,451	48,870	12.2	334,658	17,793	5.0
March ..	304,084	352,444	379,693	325,657	54,036	14.2	314,923	10,734	3.3
April ..	246,845	303,888	350,552	295,814	54,738	15.6	286,748	9,066	3.1
May ..	208,852	271,481	320,955	273,576	47,379	14.7	255,746	17,830	6.5
June ..	191,150	265,040	307,873	263,883	43,990	14.3	238,030	25,853	9.8
July.. ..	194,364	266,365	300,762	257,213	43,549	14.4	220,598	36,615	14.2
August ..	196,321	269,179	291,224	248,028	43,196	14.8	209,493	38,535	15.5
September.	202,130	275,825	279,053	243,874	35,179	12.6	204,562	39,312	16.1
October ..	228,101	297,791	280,381	249,275	31,106	11.1			
November.	273,658	329,707	300,477	275,148	25,329	8.4			
December .	329,595	367,829	335,919	308,116	27,803	8.3			

The unemployment curve continued to fall more steeply than in 1934 and at the end of the third quarter of this year the number of those receiving relief was 39,312 below last year, as against 25,853 at the end of the second quarter. The improvement has made itself more felt in the provinces than in Vienna, for while, at the end of March, the capital held 39% of all the Austrian unemployed, the proportion had risen to 46% at the end of June. After touching 47.7% in July and August, it had fallen to 46.4% by the end of September. A comparison with the figures for 1931 shows an analogous picture. While total unemployment at the end of September 1935 is 2,432 higher, Vienna is 14,147 higher and the provinces 11,715 lower than four years ago. Seasonal differences appear to be responsible for this development, summer being the high season for roadbuilding and other open-air occupations which affect Vienna in a lesser degree, although the municipality is very actively executing its programme of public works.

Unemployed Applicants for Work classified according to Industries.

		Building	Mining	Iron and metal	Machine	Elec- trical	Cloth- ing	Print- ing	Chemi- cal	All indus- tries
End of :		(In thousands)								
December	{ 1933	104	6.2	36	19	6.9	29	7.0	6.9	422
	{ 1934	97	3.8	31	17	5.2	27	7.7	7.3	399
March	{ 1933	107	7.9	42	21	9.0	28	7.3	7.8	455
	{ 1934	93	4.8	35	18	7.3	23	7.8	7.0	403
	{ 1935	96	3.7	30	16	6.4	24	7.5	7.3	400
April	{ 1933	92	7.2	40	20	8.8	26	7.2	7.5	423
	{ 1934	78	4.6	34	17	7.2	23	8.0	6.8	376
	{ 1935	82	3.4	29	15	6.3	22	7.6	7.2	372
May	{ 1933	80	6.6	38	20	8.7	24	7.1	6.9	392
	{ 1934	68	4.6	32	16	7.0	23	7.8	6.6	354
	{ 1935	67	3.1	28	15	6.1	21	7.2	7.0	339
June	{ 1933	78	6.2	38	19	8.5	26	6.7	6.9	381
	{ 1934	66	4.4	31	17	6.8	28	7.8	6.8	348
	{ 1935	58	3.4	26	14	5.6	23	6.9	7.0	319
July	{ 1933	77	6.4	37	19	8.3	29	6.8	6.6	375
	{ 1934	63	4.7	30	16	6.2	29	7.7	6.8	338
	{ 1935	53	2.9	25	13	5.2	25	6.7	6.7	303

The figures of unemployed applicants for work show an appreciable all-round improvement in all branches, except in the chemical trade. In the mining industry, applications are 38.2% lower than last year, a not unexpected development in view of the trend of production in the heavy industries.

(e) PRICES.

(Appendix III, Columns 8 and 9.)

The following table shows the wholesale prices, in Vienna, of certain "key" agricultural and industrial articles, as published by the Federal Statistical Office :

	Price in Schillings per 100 kg.								
	Middle of								
	1932	1933	1934		1935				
	Dec.	Dec.	June	Dec.	June	July	August	Sept.	
Wheat (domestic)	34.40	35.40	35.15	35.85	37.45	37.20	34.50	34.20	
Potatoes	9.25	9.90	23.50 ¹	10.50	37.00 ¹	25.50 ¹	14.00	12.00	
Sugar	119.00	119.25	No change.						
Beef	240.00	230.00	210.00	220.00	200.00	210.00	180.00	180.00	
Cotton	111.80	129.00	145.00	151.40	140.20	145.50	143.70	129.00	
Wool	755.00	1,158.00	1,112.00	790.00	929.00	1,042.00	1,042.00	1,010.00	
Rubber	76.80	143.60	197.60	178.60	162.70	160.35	158.30	150.70	
Hard coal	8.56	No change							
Copper	98.00	99.00	100.00	88.00	98.00	95.00	104.00	105.00	
Lead	51.00	52.00	50.00	51.00	56.00	57.00	56.00	56.00	
Foodstuffs	1914 = 100	102.00	99.00	102.40	101.70	103.70	104.70	104.00	102.20
Industrial articles		120.00	126.50	126.70	124.00	125.30	126.00	126.00	125.40

The wholesale price index in September was slightly lower than in June, in spite of an upward movement in July and August. This is due to a fairly general fall in the price of foodstuffs, for the industrial-group index has risen to a level above that reached in any month of September since 1930, mainly owing to increases in wool, petrol, copper, tin and nickel. Other fibres, such as cotton, flax, hemp and jute fell considerably in price during the quarter.

The cost-of-living index has fallen during the quarter from 106 to 105, in spite of increases in pork and eggs, mainly because of a reduction in the price of potatoes from 44 gr. to 18 gr. per kg. The price of lard has risen since July from 2.20 Schillings to 2.60 Schillings per kg.

(f) STOCK EXCHANGE.

	1934-1959 Conversion Loan, Austrian tranche, 5% (issued at 87)	1930 Loan, Austrian tranche, 7%	1933 Lottery Loan, 4% (issued at 98)	1931 Building Loan, 5%	Niederöster- reichische Mortgage Bonds, 5%	Internal Loan 1935 (Arbeitsan- leihe) 5½% (issued at 86)
End of :	(Percentage of face value)					
1934 :						
June		82.42	82.50	59.71	66.80	
December		94.53	88.75	64.65	73.83	
1935 :						
June	95.00	102.73	92.00	73.63	77.73	86.50
July	98.50	102.54	93.00	73.71	78.12	86.25
August	95.90	100.79	91.75	72.66	78.12	86.25
September	97.10	99.22	90.75	71.68	78.12	84.00
			June	July	August	September
Bond index (I.f.K.) average 1927 = 100	1934	97.1	96.6	94.7	96.2	
	1935	104.8	103.6	104.0	102.2	
Index of 35 industrial shares 1923-1932 = 100 (I.f.K.)	1934	48.1	47.8	47.4	49.4	
	1935	63.7	63.2	64.9	67.5	
Turnover from security transactions (million Schillings)	1934	16.0	14.6	11.7	14.3	
	1935	24.9	24.1	20.4	—	

¹ New Italian potatoes.

The security market showed greater activity in the third quarter of 1935 than during the corresponding period of last year, the turnover in August being 74% higher. Nearly all stocks, except the League of Nations Conversion Loan, fell during the quarter and the bond index for September was 2.5% lower than the June figure. All classes of shares were firmer and the index based on the quotations of 35 industrial securities rose during the quarter from 63.7 to 67.5. The corresponding values for 1934 were 48.1 and 49.4 respectively.

(g) TOURIST TRAFFIC.

Registered Visitors.¹

	July					August						
	1935	1934	Differ- ence	Of which foreigners		Differ- ence	1935	1934	Differ- ence	Of which foreigners		Differ- ence %
				1935	1934					1935	1934	
	(In thousands)											
Lower Austria ..	31.4	27.0	+ 16%	5.1	3.8	+ 33%	28.0	26.1	+ 7%	5.2	3.4	+ 54%
Upper Austria ..	67.1	47.2	+ 42%	14.1	8.1	+ 74%	63.6	47.9	+ 33%	16.8	8.0	+ 111%
Salzburg	59.1	41.4	+ 43%	23.8	14.1	+ 69%	89.8	53.8	+ 67%	42.4	18.5	+ 128%
Styria	50.6	39.0	+ 30%	7.8	6.8	+ 14%	63.7	47.6	+ 34%	9.6	6.1	+ 58%
Carinthia .. .	37.2	30.9	+ 20%	11.2	8.1	+ 38%	48.7	34.7	+ 40%	14.4	7.5	+ 92%
Tyrol	50.9	39.6	+ 29%	25.9	19.0	+ 36%	69.9	46.3	+ 51%	38.3	22.6	+ 69%
Vorarlberg .. .	11.1	9.0	+ 23%	4.9	3.8	+ 30%	15.0	10.6	+ 42%	7.2	4.7	+ 53%
Burgenland .. .	3.8	4.1	- 8%	0.3	0.4	- 30%	3.0	3.7	- 19%	0.3	0.4	- 15%
Vienna	37.0	29.5	+ 25%	28.5	21.6	+ 32%	48.2	32.1	+ 50%	39.6	23.8	+ 66%
Total	348.2	267.7	+ 30%	121.6	85.7	+ 42%	429.9	302.8	+ 42%	173.8	95.0	+ 83%

The above figures give the measure of the greatly improved summer tourist season which nearly all parts of Austria have enjoyed. It is particularly satisfactory to note that the number of Austrian visitors also increased by over 23% in each of the two summer months for which statistics are available. Admittedly the summer of 1934 is a bad period for comparison, as during it tourism in Austria was at its lowest, but unfortunately comparable figures for earlier years are not yet available, as the present efficient central tourist organisation is of recent date. Some indication of the relative improvement in 1935 is given by the following figures of foreigners registering in hotels in Vienna during the months of July and August for the last five years :²

	1931	1932	1933	1934	1935
	(In thousands)				
July	42.0	28.9	23.5	17.4	28.5
August	37.9	32.4	31.0	20.4	39.5

These figures show that, as far as Vienna is concerned, July 1935 was up to 1932 level and August above even 1931. Registrations, however, are not reliable evidence, and before forming a final judgment one must wait for the returns of the number of nights spent by registering visitors, which allow one to judge also the average length of stay.

(h) COMMERCIAL POLICY.

In July last, further modifications of the Austro-Italian engagement of May 14th, 1934, were agreed upon, which came into force on October 5th. In consequence of the setting-up of a system of import quotas by Italy, this latest agreement establishes quotas for a number of Austrian goods (hides, cotton, wool, animal hair, paper-making and ore-extracting machinery, umbrellas, patent medicines, confectionery, mineral-waters, etc.) which have previously enjoyed preferential treatment in the Italian tariff. Preference duties were granted to glass lampshades and pottery, while both parties renounced the conventional rates established by the Treaty of April 1923 for haberdashery and slates.

Owing to the denunciation by the Roumanian Government, the agreement regulating commercial payments, which came into force on May 15th last, will cease to operate on October 23rd. Negotiations for a fresh settlement are foreseen.

The preparatory work for a commercial treaty with Bulgaria is being continued.

¹ Source: *Verkehrswerbung*.

² Source: *Statistische Nachrichten*.

Appendix I. ANALYSIS OF ANNUAL AND QUARTERLY BUDGET ACCOUNTS.

RECEIPTS (In millions of Schillings)	1934	1935	First quarter			Second quarter			Third quarter	
	Closed accounts	Estimates	1934	1935		1934	1935		1934	1935
			Provisional results	Estimates	Provisional results		Provisional results	Estimates			Provisional results
ORDINARY BUDGET.										
A. Administration :										
Direct taxes	280.10	269.00	70.06	69.00	75.50	67.21	69.00	71.85	69.85	68.00
Customs	203.74	195.76	38.44	47.00	49.29	59.28	52.30	54.18	43.73	51.50
Excise duties	171.46	186.80	35.37	40.20	37.96	37.30	42.51	43.24	50.14	46.06
Turnover tax	139.32	133.50	35.29	33.70	33.23	32.96	31.90	41.39	32.68	33.05
Turnover tax, emergency surtax	122.77	124.00	31.22	31.60	31.45	28.79	30.90	23.73	29.90	31.45
Taxes on transactions, legal fees, etc.	99.77	98.71	25.51	24.30	25.51	24.89	24.50	23.44	22.39	22.20
Other receipts	2.93	2.72	0.58	0.81	0.69	0.57	0.69	0.88	0.75	0.66
Total taxes	1,020.09	1,010.49	237.27	246.61	253.63	251.00	251.80	258.71	249.47	253.82
Deduct :										
Shares of local authorities	173.33	180.13	42.24	47.65	46.48	35.78	40.63	40.58	43.67	51.64
Total : State taxation	846.76	830.36	195.03	198.96	207.15	215.22	211.17	218.13	205.80	202.18
Receipts of Social Administration	195.04	188.84	48.83	44.11	50.86	47.14	46.70	45.20	49.57	48.24
Other administrative receipts	159.07	91.14	30.45	36.13	33.37	39.21	22.54	31.88	40.83	14.61
Contribution towards Debt Service	110.38	79.88	21.59	19.64	20.38	31.57	19.69	21.70	23.63	18.65
Total receipts of the Administration	1,312.25	1,190.22	295.90	298.84	311.76	333.14	300.10	316.91	324.83	283.72
B. Monopolies :										
Tobacco	308.05	316.33	72.23	71.35	64.87	76.98	71.47	74.16	79.15	74.36
Salt	28.95	29.29	7.57	7.46	7.77	6.88	6.66	6.82	6.85	6.83
Lotteries and gunpowder	58.76	54.44	15.82	15.10	15.99	13.20	13.15	13.59	15.66	15.57
Total : Monopolies	395.76	400.06	95.62	93.91	88.63	97.06	91.28	94.57	101.66	96.76
C. Public Undertakings :										
Posts and Telegraphs	208.17	223.56	51.31	51.67	51.68	49.60	50.89	51.17	52.13	53.41
Forests	10.12	10.25	1.84	2.20	2.49	2.01	2.40	2.13	2.62	2.40
Federal theatres	5.98	6.19	1.90	1.84	1.78	1.51	1.53	1.45	0.81	0.77
Other	16.68	16.37	3.50	3.98	4.00	3.93	4.38	4.34	5.99	4.00
Total : Public Undertakings	240.95	256.37	58.55	59.69	59.95	57.05	59.20	59.09	59.55	60.58
D. Railways :										
Federal railways	—	—	—	—	—	—	—	—	—	—
Other railways	0.02	—	—	—	—	0.02	—	—	—	—
Total : Railways	0.02	—	—	—	—	0.02	—	—	—	—
Total ordinary receipts	1,947.98	1,846.65	450.07	452.44	460.34	487.27	450.58	470.57	486.04	441.06
EXPENDITURE (In millions of Schillings)										
ORDINARY BUDGET.										
A. Administration :										
Army	204.50	115.91	25.61	29.74	29.66	24.37	29.00	28.79	25.23	31.32
Foreign Affairs	6.14	6.46	1.55	1.60	1.60	1.49	1.64	1.65	1.67	1.63
Justice	51.00	51.17	12.57	12.85	12.64	12.69	12.56	12.34	12.77	12.65
Supreme organs	3.35	3.21	1.00	0.78	0.73	0.82	0.75	0.69	0.86	0.99
Chancellor's office	22.99	13.54	6.99	4.73	4.57	3.31	3.51	5.59	5.04	6.41
Interior	143.40	117.04	38.51	32.17	32.63	30.55	31.00	32.13	35.41	29.61
Social Administration	409.87	392.80	116.03	112.96	113.01	97.52	98.87	96.47	91.92	94.76
Agriculture	62.69	50.00	10.13	11.76	11.69	15.70	10.41	10.66	16.70	11.30
Commerce and Traffic	62.14	63.22	11.59	15.34	15.38	14.79	14.82	15.30	16.65	19.74
Education, Science, Church	73.35	72.01	18.22	17.99	18.01	17.73	18.12	18.10	17.65	17.78
Finance	75.41	61.91	14.45	15.98	16.84	14.35	14.96	15.84	15.06	14.17
Subsidy to Postal Savings Bank	3.84	4.20	0.63	1.05	1.05	0.63	1.05	1.95	1.23	1.05
Payments to local authorities	26.42	24.06	6.19	5.54	5.54	6.83	6.24	6.22	6.25	5.59
Pensions	215.07	213.34	54.32	55.03	55.08	53.46	54.44	54.33	53.45	54.36
Charges under the Peace Treaty	2.14	4.57	0.10	0.12	0.07	1.33	1.78	1.76	0.09	0.32
Debt Service	230.00	175.85	60.68	45.01	48.95	57.78	44.19	44.99	37.17	36.83
Total : Administration	1,492.29	1,369.29	379.17	362.65	367.45	353.35	343.34	346.81	360.13	338.41
B. Monopolies :										
Tobacco	114.25	112.75	25.44	24.67	24.00	28.19	24.93	25.34	30.46	29.87
Salt	15.90	14.94	4.02	3.88	3.85	3.91	3.71	3.79	4.05	3.80
Lotteries	34.87	32.45	9.00	8.26	8.57	8.55	9.05	8.16	8.62	8.11
Gunpowder	6.66	5.81	1.66	1.54	1.28	1.59	1.52	1.73	1.53	1.59
Total : Monopolies	171.68	165.95	40.12	38.35	37.79	41.24	39.21	39.02	44.66	43.37
C. Undertakings :										
Posts and Telegraphs	230.84	222.01	56.41	58.45	58.35	56.90	55.11	55.61	58.83	56.42
Forests	20.51	20.73	4.90	4.99	4.70	5.05	5.20	5.26	5.16	5.18
Federal theatres	10.68	9.95	2.71	2.65	2.62	2.85	2.57	2.49	2.40	2.12
Other undertakings	17.34	15.53	4.18	4.46	4.17	4.22	4.31	4.08	4.27	4.00
Total : Undertakings	279.38	268.22	68.20	70.55	69.93	68.92	67.29	67.44	70.66	67.72
D. Railways :										
Federal Railways	103.93	79.00	25.00	19.75	19.75	25.00	19.75	19.15	25.08	19.05
Charges under the Sábaha Convention	13.54	13.99	3.09	3.10	3.08	3.07	3.10	3.08	3.08	3.09
Other railways	3.54	3.48	0.86	1.11	1.13	0.96	0.99	0.99	0.86	0.51
Total : Railways	121.01	96.47	28.95	23.96	23.96	29.03	23.84	23.81	29.02	23.55
Total ordinary expenditure	2,064.36	1,899.93	516.44	495.51	499.13	493.54	473.68	477.09	504.49	473.05
Total ordinary receipts	1,947.98	1,846.65	450.07	452.44	460.34	487.27	450.58	470.57	486.04	441.06
Ordinary budget balance	-116.38	-53.28	-66.37	-43.07	-38.79	-6.27	-23.10	-6.52	-18.45	-31.99
EXTRAORDINARY BUDGET.										
Bank re-organization	20.00	—	—	—	—	—	—	—	—	—
Extra-urban small holdings	—	6.00	—	—	—	—	—	—	—	—
Commerce and Traffic	36.07	28.70	3.67	13.76	11.66	7.96	6.77	6.77	14.71	13.72
Agriculture	17.82	18.00	4.22	3.62	3.53	4.75	8.20	8.18	5.13	9.12
Posts and Telegraphs	6.97	9.46	0.65	1.95	1.66	1.89	1.84	1.72	1.65	8.82
Railways	28.73	22.27	0.91	2.70	2.70	13.33	14.09	14.10	9.53	9.41
Monopolies and Undertakings	—	15.57	—	1.51	1.52	—	1.75	1.70	—	1.82
Other extraordinary	—	—	—	—	—	—	—	—	—	0.10
Total extraordinary expenditure	109.59	100.00	9.45	23.54	21.07	29.33	33.05	30.63	31.02	39.99
Total extraordinary receipts	—	—	—	—	—	—	—	—	—	—
Extraordinary budget balance	109.59	-100.00	-9.45	-23.54	-21.07	-29.33	-33.05	-30.63	-31.02	-39.99
Total budget balance	-225.97	-153.28	-75.82	-66.61	-59.86	-35.60	-56.15	-37.15	-49.47	-71.98

Appendix II.

MONTHLY ESTIMATES AND PROVISIONAL RESULTS.

RECEIPTS	May		June			July			August			September			October		
	1934	1935	1934	1935		1934	1935		1934	1935		1934	1935		1934	1935	
	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Estimates	
(In millions of Schillings)																	
ORDINARY BUDGET.																	
A. Administration:																	
Direct taxes	20.11	19.00	21.46	23.74	26.00	26.22	24.56	22.50	28.11	20.43	19.50	19.45	24.86	26.00	25.39	25.06	23.00
Customs	20.49	17.50	16.06	18.25	18.30	20.35	13.41	16.80	21.24	13.47	16.50	14.06	14.85	18.20	14.83	18.23	18.20
Excise duties	12.23	14.00	15.30	12.96	15.00	14.42	16.00	14.55	17.05	17.64	16.49	18.61	16.50	15.92	16.78	15.46	16.80
Turnover tax	11.18	10.50	19.35	11.18	10.70	11.39	10.94	11.00	13.45	10.94	10.95	11.30	10.80	11.10	11.47	11.82	11.70
Turnover tax, emergency surtax ..	9.62	10.20	3.34	9.60	10.40	10.02	10.13	10.50	9.70	10.00	10.45	11.04	9.77	10.30	11.39	11.09	11.30
Taxes on transactions, legal fees, etc.	7.79	7.80	7.90	7.83	7.60	6.88	9.02	8.90	10.08	6.64	6.60	6.39	6.73	6.70	6.33	10.51	9.70
Other receipts	0.23	0.23	0.31	0.10	0.23	0.30	0.25	0.22	0.26	0.26	0.22	0.28	0.27	0.22	0.24	0.33	0.22
Total taxes	81.65	79.23	83.72	83.66	88.23	89.58	86.31	84.47	99.89	79.38	80.71	81.33	83.78	88.64	86.43	92.50	90.92
Deduct:																	
Shares of local authorities	13.66	13.89	13.88	13.23	14.93	14.89	10.90	16.85	16.85	16.05	15.65	15.68	16.72	19.14	19.17	14.04	15.14
Total: State taxation	67.99	65.34	69.84	70.43	73.30	74.69	75.41	67.62	83.06	63.33	65.06	65.65	67.06	69.50	67.26	78.46	75.78
Receipts of Social Administration ..	13.85	14.60	14.82	16.42	15.42	15.01	16.01	16.19	14.60	16.52	16.03		17.04	16.02		15.83	13.90
Other administrative receipts	9.61	6.74	11.74	18.78	7.91	11.75	11.71	6.30	8.42	13.16	3.68		13.96	4.67		18.58	3.33
Contribution towards Debt Service ..	10.72	6.50	7.26	11.67	6.65	7.55	10.65	6.34	6.71	9.02	6.18		8.96	6.13		8.98	6.15
Total receipts of the Administration	102.17	93.18	103.66	117.30	103.28	109.00	113.78	96.45	112.79	104.03	90.95		107.02	96.32		121.85	101.36
B. Monopolies:																	
Tobacco	27.00	22.49	23.49	25.11	24.19	25.08	29.06	25.81	28.48	26.32	24.67	24.92	23.77	23.86	24.50	27.14	24.65
Salt	1.99	2.08	2.22	2.12	2.15	2.12	2.15	2.14	2.17	2.37	2.29	2.22	2.33	2.40	2.45	2.45	2.57
Lotteries and gunpowder	2.83	2.58	2.64	5.34	5.47	5.45	5.06	5.36	5.42	5.18	5.16	5.61	5.42	5.05	5.42	5.42	5.33
Total: Monopolies	31.82	27.15	28.35	32.57	31.81	32.65	36.27	33.33	36.07	33.87	32.12	32.75	31.52	31.31		35.01	32.55
C. Public Undertakings:																	
Posts and Telegraphs	15.42	16.03	16.07	17.91	18.19	17.26	17.54	18.29	19.04	16.06	16.60		18.53	18.52		18.57	18.91
Forests	0.59	0.80	0.86	0.65	0.80	0.74	1.11	0.80	0.81	0.81	0.80		0.70	0.80		1.19	0.90
Federal theatres	0.49	0.51	0.47	0.45	0.42	0.43	0.14	0.09	0.10	0.08	0.08		0.59	0.60		0.56	0.56
Other	1.24	1.39	1.46	1.33	1.51	1.43	1.09	1.54	1.60	1.34	1.23		1.56	1.23		1.52	1.25
Total: Public Undertakings ..	17.74	18.73	18.86	20.34	20.92	19.86	19.83	20.72	21.55	18.29	18.71		21.38	21.15		21.84	21.62
D. Railways:																	
Federal Railways	—	—	—	—	—	—	—	—	—	—	—		—	—		—	—
Other railways	—	—	—	0.02	—	—	—	—	—	—	—		—	—		—	—
Total: Railways	—	—	—	0.02	—	—	—	—	—	—	—		—	—		—	—
Total ordinary receipts	151.73	139.06	150.87	170.23	156.01	161.51	169.93	150.50	170.41	156.19	141.78		159.92	148.78		178.70	155.53

MONTHLY ESTIMATES AND PROVISIONAL RESULTS (concluded).

EXPENDITURE	May		June			July			August			September			October		
	1934	1935		1934	1935		1934	1935		1934	1935		1934	1935		1934	1935
	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates
ORDINARY BUDGET.																	
(In millions of Schillings)																	
A. Administration:																	
Army	8.53	9.85	9.55	8.14	10.24	10.21	8.45	10.43	10.19	8.12	10.53		8.66	10.26		8.78	10.97
Foreign Affairs .. .	0.40	0.55	0.55	0.50	0.55	0.55	0.59	0.56	0.55	0.58	0.55		0.50	0.52		0.51	0.51
Justice .. .	3.98	3.96	3.87	4.43	4.38	4.36	4.20	4.17	4.13	3.97	3.99		4.60	4.49		4.35	4.19
Supreme organs .. .	0.31	0.25	0.22	0.21	0.23	0.22	0.35	0.40	0.36	0.24	0.29		0.27	0.30		0.22	0.28
Chancellor's office .. .	1.09	1.49	1.09	1.31	1.00	3.37	1.90	2.46	3.45	4.31	2.49		0.83	1.46		1.47	1.07
Interior .. .	9.42	10.53	10.60	9.61	10.42	10.65	11.53	9.93	10.49	11.41	9.71		12.48	9.97		11.47	9.24
Social Administration .. .	31.41	32.45	32.56	33.83	33.34	31.51	29.99	30.24	29.02	31.01	31.81		33.92	32.71		31.96	29.32
Agriculture .. .	6.01	3.15	3.50	6.62	3.35	3.64	5.07	3.47	4.29	6.69	3.47		4.94	4.36		6.10	4.53
Commerce and Traffic .. .	3.26	4.94	5.75	5.42	5.44	5.15	5.41	6.79	6.10	5.59	6.31		5.65	6.64		5.31	5.11
Education, Science, Church .. .	5.72	5.49	5.49	6.44	6.90	6.97	5.49	5.51	5.51	5.42	5.45		6.74	6.82		5.53	5.60
Finance .. .	4.72	4.70	3.50	4.93	5.18	7.80	4.93	4.63	4.55	4.41	4.68		5.72	4.86		5.02	4.75
Subsidy to Postal Savings Bank .. .	0.21	0.35	0.75	0.21	0.35	0.35	0.46	0.35	0.35	0.21	0.35		0.56	0.35		0.51	0.35
Payments to local authorities .. .	2.09	1.87	1.86	2.64	2.49	2.48	2.13	1.87	1.86	2.06	1.86		2.06	1.86		2.09	1.86
Pensions .. .	17.78	18.15	18.08	17.86	18.19	18.14	17.78	18.14	18.07	17.82	18.10		17.85	18.12		17.95	18.14
Charges under the Peace Treaty .. .	0.07	0.03	0.02	1.07	1.52	1.51	0.04	0.05	0.39	0.01	0.02		0.04	0.25		0.23	0.26
Debt Service .. .	14.52	9.78	10.08	21.82	17.27	17.91	22.62	15.18	14.82	15.97	10.68		18.58	10.97		22.17	16.90
Total: Administration .. .	111.61	107.63	107.27	125.24	120.94	124.82	120.04	114.18	114.13	115.81	110.29		123.40	113.94		123.07	112.43
B. Monopolies:																	
Tobacco .. .	9.91	8.27	8.54	9.13	8.99	9.18	11.24	11.04	11.19	9.77	9.10		9.45	9.73	9.50	9.67	9.86
Salt .. .	1.27	1.33	1.33	1.27	1.24	1.25	1.37	1.28	1.28	1.30	1.27		1.38	1.25		1.29	1.28
Lotteries .. .	1.30	1.16	0.84	1.36	1.68	1.13	1.34	1.67	1.24	1.50	1.67		5.48	4.77		6.17	6.14
Gunpowder .. .	0.45	0.52	0.60	0.64	0.50	0.55	0.46	0.49	0.56	0.49	0.53		0.58	0.57		0.48	0.66
Total: Monopolies .. .	12.93	11.28	11.31	12.40	12.41	12.11	14.41	14.48	14.27	13.36	12.57		16.89	16.32		17.63	17.94
C. Public Undertakings:																	
Posts and Telegraphs .. .	18.95	18.38	18.32	19.05	18.65	18.96	20.30	19.63	19.74	19.34	18.46		19.19	18.33		19.14	18.41
Forests .. .	1.70	1.79	1.86	1.74	1.79	1.77	1.69	1.74	1.74	1.79	1.74		1.68	1.70		1.76	1.74
Federal theatres .. .	0.97	0.84	0.81	0.96	0.83	0.81	0.81	0.70	0.66	0.70	0.60		0.89	0.82		0.95	0.88
Other undertakings .. .	1.34	1.33	1.32	1.33	1.42	1.40	1.36	1.47	1.56	1.42	1.26		1.49	1.27		1.48	1.29
Total: Public Undertakings .. .	22.96	22.34	22.31	23.08	22.69	22.94	24.16	23.54	23.70	23.25	22.06		23.25	22.12		23.33	22.32
D. Railways:																	
Federal Railways .. .	7.81	6.58	6.58	8.09	6.59	6.59	8.33	6.35	6.35	8.33	6.35		8.42	6.35		8.24	6.35
Charges under the Südbahn Convention .. .	—	—	—	3.07	3.10	3.08	—	—	—	—	0.89		3.08	3.10		—	—
Other railways .. .	0.28	0.34	0.34	0.33	0.28	0.28	0.29	0.16	0.16	0.31	0.18		0.26	0.17		0.31	0.21
Total: Railways .. .	8.09	6.92	6.92	11.49	9.97	9.95	8.62	6.51	6.51	8.64	7.42		11.76	9.62		8.55	6.56
Total ordinary expenditure .. .	155.59	148.17	147.81	172.21	166.01	169.82	168.13	158.71	158.61	161.06	152.34		175.30	162.00		172.58	159.25
Total ordinary receipts .. .	151.73	139.06	150.87	170.23	156.01	161.51	169.93	150.50	170.41	156.19	141.78		159.92	148.78		178.70	155.53
Ordinary budget balance .. .	- 3.86	- 9.11	+ 3.06	- 1.98	- 10.00	- 8.31	+ 1.80	- 8.21	+ 11.80	- 4.87	- 10.56		- 15.38	- 13.22		+ 6.12	- 3.72
EXTRAORDINARY BUDGET.																	
Bank reorganisation .. .	—	—	—	—	—	—	—	—	—	—	—		—	—		—	—
Extra-urban small-holdings .. .	—	0.40	0.40	—	—	—	—	—	—	—	1.00		—	2.00		—	0.60
Commerce and Traffic .. .	2.33	2.18	0.83	3.54	3.59	2.18	4.62	4.16	3.59	4.41	5.99		5.68	3.57		3.85	3.22
Agriculture .. .	1.64	2.79	2.79	1.71	2.99	2.98	1.89	2.82	2.82	1.69	2.99		1.55	3.31		1.55	3.00
Posts and Telegraphs .. .	0.42	0.83	0.79	0.45	0.57	0.54	0.53	0.55	0.45	0.58	0.96		0.54	1.31		0.88	0.73
Railways .. .	11.10	4.94	4.94	4.23	5.00	5.00	2.98	3.21	3.21	4.06	3.99		2.49	2.30		2.79	—
Monopolies and Undertakings .. .	—	0.59	0.58	—	0.67	0.64	—	0.62	0.60	—	0.59		—	0.61		—	0.69
Other investments .. .	—	—	—	—	—	—	—	—	—	—	0.06		—	0.04		—	0.30
Total extraordinary expenditure .. .	15.49	11.73	10.38	9.93	12.82	11.34	10.02	11.36	10.67	10.74	15.49		10.26	13.14		9.07	8.54
Total extraordinary receipts .. .	—	—	—	—	—	—	—	—	—	—	—		—	—		—	—
Extraordinary budget balance .. .	- 15.49	- 11.73	- 10.38	- 9.93	- 12.82	- 11.34	- 10.02	- 11.36	- 10.67	- 10.74	- 15.49		- 10.26	- 13.14		- 9.07	- 8.54
Total budget balance .. .	- 19.35	- 20.84	- 7.32	- 11.91	- 22.82	- 19.65	- 8.22	- 19.57	+ 1.13	- 15.61	- 26.05		- 25.64	- 26.36		- 2.95	- 12.26

Appendix III.

	FOREIGN TRADE ¹ (Merchandise only)						ECONOMIC INDICES										NATIONAL BANK						Discount rate Per cent	Savings Bank deposits (millions of Schillings) ²
	Value (millions of Schillings)			Weight (thousands of tons)			Railways		Wholesale price index January-June 1914 = 100 ³	Cost-of-living index July 1914 = 100 ³	Industrial production index ⁴ 1923-1931 = 100 ⁵	Production of			Unemployed receiving benefit (thousands)	Gold and cover exchange	Other exchange	Bills discounted	Government Debt	Note circulation and sight liabilities	Total cover Per cent			
	Imports	Exports	Excess imports	Imports	Exports	Total traffic receipts (million Schillings)	Goods traffic (million net ton kms.)	Cotton-yarn per spindle ⁶ 1923-1931 = 100 ⁵				Cellulose (wagons)	Electric power (million kwhs.)											
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22		
								(Monthly Average)									(End of)			(Average)	(End of)			
1924	3,447	1,970	1,477	8,951	2,563	37.4	297.9	136	—	83	84	1,245	—	95	488	—	188	218	894	54.6	11.57	—		
1925	2,833	1,923	910	8,240	3,246	40.9	307.2	136	—	96	111	1,464	—	150	499	59	180	188	945	59.1	10.86	—		
1926	2,766	1,733	1,033	8,263	3,228	44.4	332.1	123	103	96	95	1,522	—	177	537	143	124	177	985	69.0	7.50	—		
1927	3,088	2,037	1,051	8,754	3,929	46.0	350.0	133	106	109	118	1,605	80	172	464	274	132	173	1,045	70.6	6.34	—		
1928	3,239	2,208	1,031	9,063	4,718	48.0	351.4	130	108	119	111	1,725	91	156	411	386	208	116	1,124	70.9	6.27	1,755		
1929	3,262	2,188	1,074	10,272	4,109	52.6	369.4	130	111	122	110	1,770	96	164	406	394	306	109	1,158	69.9	7.33	2,119		
1930	2,699	1,851	848	8,272	3,515	49.3	314.0	117	111	104	102	1,779	97	208	412	518	148	101	1,183	78.6	5.73	2,419		
1931	2,161	1,291	870	7,996	2,538	42.9	270.6	109	106	91	96	1,796	93	253	292	26	908	96	1,311	24.2	7.04	2,025		
1932	1,383	764	619	6,091	1,879	36.3	208.9	112	108	79	95	1,664	90	304	188	—	379	663	1,132	16.6	6.83	2,064		
1933	1,148	775	373	5,688	2,098	35.0	209.9	108	105	81	98	1,850	89	329	189	13	275	624	1,095	18.4	5.23	2,056		
1934	1,154	863	291	5,649	2,583	34.2	222.3	110	103	88	122	1,988	92	287	242	33	236	624	1,118	24.8	4.71	2,113		
1933:																								
1st quarter	267	155	112	1,263	363	22.6	187.0	107	105	72	91	1,793	89	393	189	—	287	660	1,089	17.3	6	2,102		
2nd quarter	271	184	87	1,226	360	24.9	194.5	108	105	76	86	1,818	84	327	189	7	275	659	1,110	17.6	5	2,105		
3rd quarter	274	207	67	1,429	594	29.5	212.6	109	105	80	109	1,855	84	290	189	8	225	624	1,026	19.2	5	2,051		
4th quarter	334	225	109	1,679	490	27.3	248.7	108	106	91	129	2,042	98	303	189	13	275	624	1,095	18.4	5	2,050		
1934:																								
I ..	91	57	24	452	149	31.8	225.9	109	106	91	121	2,007	93	357	189	17	262	624	1,095	18.8	5	2,095		
II ..	85	61	24	410	156	28.5	201.0	110	105	80	113	1,681	78	352	189	22	297	624	1,130	18.7	5	2,030		
III ..	102	79	22	431	199	33.5	222.9	113	105	83	122	1,967	93	326	189	24	308	624	1,135	18.8	5	2,058		
IV ..	96	72	24	310	234	31.8	197.8	112	105	83	112	1,863	86	296	241	36	301	624	1,133	24.5	5	2,076		
V ..	98	68	30	439	230	33.0	209.8	110	104	84	115	2,214	91	274	241	38	278	624	1,121	24.9	5	2,100		
VI ..	94	73	21	470	245	33.7	225.4	110	105	90	121	2,059	88	264	241	36	254	624	1,111	24.9	4 1/2	2,085		
VII ..	85	65	20	426	243	38.6	209.7	110	105	83	110	2,009	91	257	242	40	248	624	1,127	25.0	4 1/2	2,069		
VIII ..	85	71	14	450	227	38.1	214.5	110	104	89	118	2,044	95	248	242	44	253	624	1,140	25.1	4 1/2	2,090		
IX ..	95	79	16	542	233	36.9	237.5	108	105	89	124	1,905	92	244	242	41	254	624	1,158	24.8	4 1/2	2,092		
X ..	106	80	26	533	241	37.4	257.4	108	105	92	135	1,906	99	249	242	43	250	624	1,134	25.2	4 1/2	2,103		
XI ..	108	78	30	560	219	32.9	246.6	109	105	97	141	2,101	100	275	242	46	241	624	1,127	25.6	4 1/2	2,132		
XII ..	110	78	32	540	210	34.0	227.4	109	105	93	130	2,116	101	308	242	35	256	624	1,118	24.8	4 1/2	2,113		
1935:																								
I ..	93	59	34	443	151	29.8	192.4	110	105	92	139	1,998	100	334	242	36	237	624	1,117	24.9	4 1/2	2,221		
II ..	89	67	22	414	178	28.5	191.2	109	104	89	143	1,887	89	335	242	38	234	624	1,114	25.1	4	2,248		
III ..	95	82	13	390	253	31.8	212.3	109	104	89	124	2,163	95	315	242	32	234	624	1,115	24.6	4	2,256		
IV ..	95	78	17	402	248	31.9	203.5	108	103	90	131	2,102	93	287	242	43	234	624	1,134	25.1	4	2,268		
V ..	94	72	22	409	261	31.2	223.0	110	104	94	132	2,320	93	256	242	61	232	624	1,159	26.2	4	2,259		
VI ..	92	65	27	435	238	33.9	211.1	111	106	89	115	2,134	87	238	242	62	232	624	1,174	27.6	4	2,245		
VII ..	98	67	31	428	244	37.6	216.1	112	105	97	130	2,215	104	221	242	101	233	624	1,192	28.8	3 1/2	2,244		
VIII ..	88	72	16	409	250	39.9	—	111	105	—	—	—	—	209	242	119	231	624	1,207	29.9	3 1/2	2,256		
IX ..	—	—	—	—	—	—	—	110	105	—	—	—	—	205	242	139	230	624	1,227	31.2	3 1/2	2,256		

¹ Only provisional figures after January 1934.
² Source: Bundesamt für Statistik.
³ Seasonally corrected index.
⁴ Source: Institut für Konjunkturforschung.
⁵ Source: National Bank.

Genève, le 30 octobre 1935.

SOCIÉTÉ DES NATIONS

TRENTE-SIXIÈME RAPPORT
DU COMMISSAIRE DE LA SOCIÉTÉ DES NATIONS EN BULGARIE

(PÉRIODE JUIN-AOÛT 1935.)

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INTRODUCTION.

I. Contrairement aux espoirs formulés par la délégation bulgare devant le Comité financier au cours de sa session de septembre, l'excédent des dépenses publiques sur les rentrées a augmenté, et l'amélioration de la situation budgétaire constatée alors ne s'est pas poursuivie.

II. Il apparaît que le contrôle préventif sur les engagements de dépenses n'a pas suffi à empêcher des dépassements importants des dépenses au delà des crédits autorisés par les budgets mensuels.

III. La situation de trésorerie ne s'est pas aggravée ; mais le montant des paiements en souffrance a augmenté en juillet et août.

IV. Les taux d'intérêt et d'escompte ont été réduits tant à la Banque nationale que dans les établissements bancaires d'Etat et privés.

V. La récolte des céréales est supérieure à celle de l'année 1934 et permettra l'exportation de tonnages assez importants ; néanmoins, elle reste inférieure à la moyenne des cinq dernières années.

VI. Les statistiques font apparaître une augmentation sensible du commerce extérieur. La balance des huit premiers mois est déficitaire de 139 millions de leva.

VII. Après le monopole de l'alcool, les monopoles du sel et du pétrole ont été abolis.

VIII. Le présent rapport a été établi par M. Pierre Cheysson, Commissaire de la Société des Nations en Bulgarie, avec la collaboration de M. Köstner, Conseiller auprès de la Banque nationale.

I. BUDGET.

1. Au cours des huit premiers mois de l'exercice (janvier-août) (cf. appendice I, a)).

	Millions de leva
les <i>recettes</i> (Etat et Chemins de fer) se sont élevées à	3.801,7
les <i>dépenses</i> (Etat et Chemins de fer) à	4.151,3
	<hr/>
L'excédent des dépenses est de	349,6

La différence entre les dépenses et les recettes s'élevait :

	Millions		
Fin mars.	à 137,1		
» avril	à 170,5,	soit un accroissement mensuel de . .	+ 33,4
» mai	à 235,5	»	+ 65
» juin	à 295,3	»	+ 59,8
» juillet	à 310,6	»	+ 15,3
» août	à 349,6	»	+ 39

Contrairement aux espoirs formulés par les représentants bulgares devant le Comité financier au début de septembre, la différence entre le montant des dépenses et celui des recettes a continué à s'accroître au cours du mois d'août.

2. Les *recettes* de l'Etat au cours des huit premiers mois, compte non tenu des leva non transférés, sont de 2.891,5 millions de leva, représentant 98,7% des recettes perçues au cours de la même période de 1934 (2.928,3 millions) et 82,4% des huit douzièmes des recettes prévues pour l'exercice entier (3.509,5 millions).

Les recettes des Chemins de fer, au cours de la même période, s'élèvent à 710,8 millions, soit 92,3% des recettes correspondantes de l'exercice précédent (773,2 millions) et 83,3% des prévisions (850,4 millions).

Les rentrées d'impôt direct (cf. appendice I, c)) s'élèvent à 276,6 millions, soit 76% des rentrées correspondantes de 1934 (367 millions), 88% de la quote-part exigible (314,4 millions) et 96% des huit douzièmes des rentrées prévues (288 millions).

Il a été expliqué dans le trente-cinquième rapport que la comparaison des impôts directs de 1935 et de ceux de 1934 est rendue difficile du fait que le produit de certaines taxes a été abandonné aux municipalités (impôt foncier et sur les bâtiments) et que l'assiette de certaines autres a été modifiée forfaitairement (patente, brebis et chèvres).

La rentrée des arriérés marque un progrès sensible sur l'année précédente, d'autant plus que le montant indiqué pour 1935 comporte un prélèvement préalable de 10% au profit du fonds « d'assistance sociale ». Les rentrées représentent en réalité 114% des rentrées correspondantes de 1935.

3. Au cours des huit premiers mois de l'exercice,

	Millions de leva
les <i>dépenses</i> (Etat et Chemins de fer) se sont élevées à	4.151,3
Au cours de la même période de 1934, elles étaient de	4.470,6
	<hr/>
soit en moins	319,3
Les huit douzièmes du budget de l'exercice 1935 s'élèvent à.	4.715,9
alors que les dépenses sont de.	4.151,3
	<hr/>
l'économie est de	564,6

Le total des crédits figurant aux budgets mensuels est de 4.085 millions, dans lesquels figurent 287,2 millions de mandats de la Dette publique pour des sommes non transférées.

Le total des crédits accordés par les budgets mensuels, compte non tenu des leva non transférés,

	Millions de leva
s'élève pour l'Etat à	3.097,8
alors que les dépenses réelles (dont on a retiré 199,4 millions de mandats de la Dette publique pour leva non transférés) sont de	<u>3.402,4</u>
soit un excédent de dépenses sur les crédits autorisés de	304,6
Pour les Chemins de fer, les crédits autorisés par les budgets mensuels sont de	700
les dépenses effectuées de	<u>549,5</u>
soit une économie au 31 août de	150,5

L'excédent des dépenses totales de l'Etat et des Chemins de fer sur les crédits autorisés par budgets mensuels est de 154,1 millions.

La comparaison des dépenses mensuelles (totales) avec les budgets mensuels est la suivante (les chiffres donnés tant pour les dépenses que pour les budgets mensuels ne tiennent pas compte des crédits accordés à la Dette publique et des mandats émis par elle pour les leva non transférés) en millions de leva :

	Recettes	Déficit budgétaire	Dépenses	Budgets mensuels	Dépassement
Avril	400,4	33,4	433,8	474,1	— 40,3
Mai	415,3	65	480,3	494,1	— 13,8
Juin	538,6	59,8	598,5	514,1	+ 84,4
Juillet	479,7	15,3	495	459,1	+ 35,9
Août	492,3	39	531,2	429,1	+ 102,1

Le contrôle préventif du ministre des Finances et la pratique effective des budgets mensuels n'ont été rétablis qu'à la fin du mois de mai. Il semblait que l'on pouvait en attendre une amélioration sensible de la situation budgétaire, et dans son exposé au Comité financier du 31 août dernier (document F.1466), le ministre des Finances déclarait « les déficits des budgets mensuels accusent une diminution par suite des mesures prises pour réduire, par nécessité, certaines dépenses ». Il invoquait la réduction du déficit mensuel à 15,3 millions pour le mois de juillet, alors que ce déficit était de 65 millions en mai et de 59,8 millions en juin. Malheureusement, le mois d'août a vu ce déficit passer de 15,3 millions à 39 millions, et le dépassement des crédits mensuels de 35,9 à 102,1 millions.

Bien que le mois d'octobre soit un mois où les rentrées budgétaires doivent être beaucoup plus importantes, il est à craindre, si un effort très sérieux de compression des dépenses n'est repris immédiatement, que le déficit budgétaire n'aille en augmentant.

La lecture du *Journal Officiel* du mois de septembre marque malheureusement une tendance contraire. Les crédits supplémentaires accordés au cours de ce mois aux Ministères de la Guerre, de l'Intérieur, des Finances, à la Direction des Prestations, aux Chemins de fer, aux Postes et Télégraphes s'élèvent à près de 90 millions. Certains de ces crédits sont accordés en remplacement de crédits annulés ; d'autres seront dépensés sur des fonds d'emprunt ; il n'en reste pas moins des crédits nouveaux, pour lesquels aucune ressource correspondante n'est prévue et s'élevant à plus de 52 millions.

Or, le Comité financier, dans les propositions qu'il a faites au Conseil de la Société des Nations en septembre dernier, estimait que « les résultats obtenus au cours des derniers mois pouvaient non seulement être consolidés mais encore améliorés ». Et c'est dans cet espoir et sous cette réserve qu'il suggérait au Conseil d'aider au paiement des mandats arriérés de l'exercice 1935 en autorisant l'escompte de 300 millions de bons du Trésor par la Banque nationale. Le Comité voulait « faciliter au Gouvernement bulgare la continuation de l'effort dont les premiers résultats ont été constatés, assurer la réalisation des réformes que le Gouvernement projette, l'aider à se conformer aux recommandations déjà formulées et à celles qui étaient faites pour la première fois ».

Le ministre des Finances élabore le prochain budget : l'équilibre ne pourra en être assuré que par un effort commun de restrictions et de compressions. Cet effort avait été tenté et il avait immédiatement donné les résultats constatés par le Comité financier ; il s'est incontestablement relâché. L'attention du Gouvernement bulgare ne saurait être assez sérieusement attirée sur l'intérêt primordial qui s'attache à l'application stricte et immédiate des principes admis par lui et affirmés solennellement par ses délégués devant le Comité financier en mai et septembre derniers.

Il est rappelé, enfin, que le prochain budget devra consacrer l'incorporation de la plupart des fonds jusqu'ici gérés en dehors du budget, la suppression des budgets et des crédits extraordinaires et le principe du budget de gestion.

4. La situation de la *Trésorerie* est la suivante :

Pour les huit premiers mois de 1935,

	Millions de leva
les recettes totales de l'Etat et des Chemins de fer sont de	3.801,8
les dépenses totales de	4.151,3
	<hr/>
le déficit de l'exercice est de	349,5
les prélèvements effectués sur la Trésorerie au compte de l'exercice précédent de	379,7
le déficit total de la Trésorerie au 31 août 1935 est de	729,2
Il y est fait face par les recettes extrabudgétaires suivantes :	
Bons du Trésor	278,9
Sommes retournées sur récépissés provisoires d'années précédentes et divers.	60,2
Bénéfice de la frappe des monnaies d'argent.	0,6
Dépenses non réglées.	717,8
	<hr/>
	1.057,5
	<hr/>
Solde du compte de Trésorerie, représentant l'avoir du Trésor à la Banque nationale	+ 328,3

Il est à remarquer (cf. appendice I, d)) que l'avoir à la Banque nationale est passé de 283,8 millions à fin juin à 344 millions à fin juillet et 328,3 millions à fin août. Mais le montant des dépenses non réglées, qui avait diminué de 173 millions en juin (du fait du paiement des salaires arriérés) a augmenté en juillet de 54,2 millions et de 42,5 millions en août. Les salaires sont payés régulièrement à la fin de chaque mois, mais les mandats de dépenses de matériel ne le sont qu'avec un retard d'environ deux mois et demi.

Les 278,9 millions de bons du Trésor, dont il est question ci-dessus, ont été émis et escomptés auprès de la Banque nationale de Bulgarie, en vertu de l'autorisation donnée par le Conseil de la Société des Nations en mai dernier. Cette autorisation portait sur 300 millions.

5. Une réunion entre les délégués du Gouvernement bulgare et les représentants des associations des porteurs d'emprunts bulgares est fixée au 28 octobre. On y examinera les demandes du Gouvernement bulgare relatives au transfert des prochaines échéances et aux arriérés non transférés.

En attendant cette réunion, la Direction générale de la Dette publique a continué à transférer 15% du montant des coupons aux échéances prévues. Les 17 ½ % non transférés ont été crédités aux comptes ouverts à cet usage. Les troisième et quatrième (la dernière) semestrialités dues par la Direction de la Dette publique pour le rachat des arriérés au 15 avril 1934 ont été ou seront payées et transférées avant la fin du mois d'octobre.

II. MONNAIE ET CRÉDIT.

a) Réduction du taux d'intérêt.

Le taux d'escompte de la Banque nationale a été réduit en août 1935 de 7 à 6% ; les autres taux ont subi une diminution corrélative.

La Banque agricole et les établissements privés de crédit s'étaient mis au préalable d'accord avec la Banque nationale sur un abaissement du taux d'intérêt servi aux dépôts. L'intérêt aux déposants de la Caisse d'épargne postale a été lui-même réduit de 5 à 4%. A cet effet, la loi sur la Caisse d'épargne postale a été amendée afin de permettre à tout moment une modification du taux d'intérêt (*Journal Officiel* du 6 août 1935), qui jusqu'alors n'était possible qu'au début de chaque année.

b) Banque nationale (cf. appendice II, a)).

Il semble que l'on soit à la fin de la déflation qui fit tomber la circulation monétaire totale de 4 milliards de leva, fin septembre 1934, à 3.140 millions le 23 juin 1935, soit, en neuf mois, une réduction de 21%. Du 15 juin au 15 septembre, la circulation des billets a augmenté de 2.090 à 2.318 millions et la circulation totale de 3.201 à 3.519 millions. Il est à noter que le bilan de la Banque montre un accroissement considérable du portefeuille commercial de 242 millions au 15 juin à 563 millions au 15 septembre. A cette date, le montant des bons du trésor escomptés s'élevait seulement à 600 millions de leva ; la Banque agricole et coopérative préfère conserver les bons qu'elle a dans son propre portefeuille comme une réserve portant intérêt.

Les dépôts au cours de la période considérée ont diminué de 274 millions ; les dépôts des banques ont été particulièrement atteints. La situation des devises libres demeure sans changement depuis le dernier rapport. L'effort de la Banque pour réduire les soldes des comptes de succès. Le poste « autres devises » s'élève à 171 millions au 15 septembre, contre 354 millions au 15 juin.

c) *Banques privées* (cf. appendice II, b)).

Les quelques chiffres connus sur les banques privées montrent une certaine résorption des crédits qui, cependant, n'est pas accompagnée d'une augmentation de dépôts. Il en résulte une liquidité réduite.

d) *Change*.

Au cours des trois ou quatre derniers mois, la prime payée pour le change obtenu par la compensation a diminué de façon remarquable. En août, la prime de « compensation » pour devises libres atteint parfois 30 %, alors qu'elle s'élevait jusqu'à 45-48 % en juin. Les explications que l'on peut donner de ce phénomène sont nombreuses ; il paraît incontestable, en tout cas, qu'une des causes principales est la vente presque libre aux importateurs par la Banque nationale de certaines devises de clearing.

e) *Allègement des débiteurs*.

Quelques modifications importantes ont été apportées à la loi sur l'allègement des débiteurs (*Journal Officiel*, N° 197, du 3 septembre 1935) ; elles ont pour objet d'éviter à la Banque agricole et aux établissements de crédit certaines conséquences de la loi particulièrement graves pour eux. Les principales dispositions nouvelles sont :

1. Les intérêts débités par les banques d'Etat et banques privées ne peuvent être déclarés « excessifs » par les tribunaux, et la « Caisse d'amortissement » devra annuler au profit de ces banques les décisions contraires qui auraient été prises.

2. Une des clauses de la loi stipulait antérieurement que les réductions de dettes (si elles étaient accordées) porteraient sur leur montant au 1^{er} janvier 1931 et qu'à partir de cette date les intérêts seraient calculés sur le montant réduit. Cette disposition représentait une perte nette pour tous les créanciers et mettait les banques en fâcheuse position. D'après un amendement nouveau, les réductions des sommes dues à la Banque agricole, aux banques coopératives et privées, sont calculées sur le montant des dettes au 7 août 1934, l'intérêt contractuel est maintenu jusqu'au 1^{er} janvier 1931, et du 1^{er} janvier 1931 au 7 août 1934, l'intérêt décompté à leurs débiteurs par la Banque agricole et autres banques intéressées est l'intérêt à la date du nouveau décret-loi (3 septembre 1935). Les anciennes dispositions restent en vigueur pour les créanciers privés.

3. La possibilité qu'avait le Gouvernement d'accorder aux établissements de crédit un intérêt supplémentaire de 2 % sur les titres prévus par la loi sur l'allègement des débiteurs et détenus par ces établissements, devient une obligation en ce qui concerne les titres à remettre à la Banque agricole.

4. Tous les « concordats préventifs » accordés et venant à expiration avant le 15 août 1936 seront prorogés jusqu'à cette date si le débiteur, au cours du concordat ou avant le 15 février 1936, a payé ou paie à chacun de ses créanciers au moins 10 % des sommes dues. La même mesure est applicable aux recouvrements de créances par exécution, c'est-à-dire que si 10 % des sommes dues sont payées, toute mesure d'exécution nouvelle est suspendue jusqu'au 15 août 1936.

En fait, ces nouvelles dispositions et la procédure en cours d'exécution de la loi sur l'allègement des dettes instituent un moratoire plus ou moins général.

Bien que portant sur un montant assez faible de 6.600.000 leva, la loi qui libère de leurs dettes les coopératives de production de vin est caractéristique. La Banque agricole paiera pour compte du Gouvernement les dettes de ces coopératives qui, en échange, devront transférer à la Banque leurs titres de propriété sur les chais, dont la valeur est établie par une commission spéciale. Les coopératives, dont le montant des dettes est inférieur à l'estimation des propriétés transférées, ne pourront réclamer la différence. Aussitôt après le transfert de ces propriétés à la Banque agricole, les coopératives doivent les racheter à une valeur fixée par la Banque, le paiement devant avoir lieu en cinquante ans et 5 % d'intérêt. Le contrat d'achat prévoit que l'avance faite par le Gouvernement lui sera remboursée sans intérêt dans les vingt années du prêt.

III. COMMERCE EXTÉRIEUR (cf. appendice III).

La tendance indiquée dans le précédent rapport est restée la même. Les importations des huit premiers mois de 1935 sont de 402 millions supérieures à celles des mois correspondants de la précédente année, alors que les exportations n'ont augmenté pendant la même période que de 341 millions.

Le solde défavorable de la balance commerciale est de 139 millions contre 79 millions l'année dernière et un solde favorable de 191 millions pour les huit premiers mois de 1933. Ci-après les chiffres relatifs aux trois années :

Commerce extérieur janvier-août.

(Millions de leva.)

	1933	1934	1935
Exportations	1.713	1.356	1.697
Importations	1.522	1.435	1.836
Balance	+ 191	— 79	— 139

L'accroissement des échanges pour l'année courante est dû au grand accord de compensation (cf. trente-deuxième rapport).

Les principales augmentations d'importation sont dans le groupe des « métaux et objets métalliques » (155 millions ou 61 % de surplus), des wagons, automobiles et bateaux (82 millions ou 77 % en plus), machines, divers et armes (150 millions ou 93 % en plus).

Les principales augmentations d'exportation sont celles de tabac pour 942 millions, contre 501 millions l'année dernière. L'accroissement est étroitement lié à la valeur élevée qui a été attribuée aux tabacs par l'accord de compensation.

L'Institut d'exportation créé par la loi du 10 mars 1931 a été réorganisé par un nouveau décret-loi du 2 octobre (*Journal Officiel*, N° 222). L'institut est à la tête des organismes chargés d'exécuter la politique d'exportation de l'Etat. Son but est : a) l'application de la loi sur l'organisation et le contrôle de l'exportation ; b) l'étude des marchés étrangers en vue d'une exportation bulgare ; c) l'étude de l'économie bulgare et de ses possibilités d'exportation ; d) de faire connaître les renseignements recueillis à tous ceux qui s'intéressent à la vente à l'étranger des produits bulgares ; e) d'instruire ceux dont la production doit être développée pour l'exportation ; f) de donner les directives sur l'organisation du commerce bulgare ; g) de développer à l'étranger la propagande sur les produits bulgares ; h) de donner un avis sur toutes mesures législatives ou autres, relatives à l'exportation ; i) de donner un avis sur les primes d'exportation.

L'institut est dirigé par un directeur assisté d'un conseil général, comprenant des fonctionnaires des différents ministères et des banques d'Etat, intéressés à l'exportation, et des représentants des exportateurs et des commerces annexes.

L'institut a un budget autonome, approuvé par le Conseil des ministres, et ses revenus consistent en subventions du Gouvernement, des chambres de commerce, des organisations différentes d'exportateurs. En outre, il reçoit le produit d'une taxe spéciale de 2 % *ad valorem* sur toutes les exportations bulgares.

Pour développer l'exportation des vins et autres boissons alcooliques, une loi du 7 août 1935 stipule que les vins, marcs et boissons alcooliques sont exemptés, à l'exportation, de l'accise, des taxes communales, des droits de timbre, droits d'exportation, droits statistiques et sont transportés sur les chemins de fer bulgares à 50 % des tarifs en vigueur. Des entrepôts de douane peuvent être créés pour préparer les vins destinés à l'exportation ; le sucre et l'alcool additionnés à ces vins dans les entrepôts sont exemptés de toute accise et de toutes taxes municipales.

IV. AGRICULTURE.

a) Récoltes.

D'après les chiffres donnés par la Direction des céréales, la récolte de blé de cette année est de 1.308.000 tonnes métriques, contre 1.132.000 tonnes l'année dernière, et une moyenne pour 1930-1934 de 1.450.000 tonnes métriques. En y comprenant le seigle et les mélanges, la récolte totale des céréales destinées à l'alimentation est de 1.590.000 tonnes contre 1.383.000 tonnes l'année dernière, et 1.812.000 tonnes, moyenne des cinq années 1930-1934, soit environ 12 % au-dessous de cette moyenne. Dans quelques régions, la mauvaise récolte a obligé la Direction des céréales, sur ordre du Gouvernement, à distribuer des semences et à faire des avances en blé comme l'année précédente. Le remboursement en nature des prêts faits l'année dernière a été prorogé jusqu'à fin octobre.

La Direction générale de la Statistique donne pour la récolte totale probable de céréales le chiffre de 3 millions de tonnes, contre 2,4 millions l'année dernière (soit une augmentation de 25 %) et contre 3,1 millions comme moyenne des cinq années précédentes.

b) Direction des céréales.

Le 23 juillet, la Direction des céréales a fait connaître les prix d'achat de la nouvelle récolte ; le prix de base du froment est fixé à 3 leva (contre 3,20 l'année dernière), celui du seigle à 2,25 leva (2,40) et du mélange à 3 leva (3,20).

Les opérations de la Direction des céréales durant la saison résultent des chiffres suivants, au 15 septembre :

	Tonnes
Froment et seigle achetés sur la récolte 1935	198.500
Froment et seigle vendus sur la récolte 1935	35.400
	<hr/>
Balance	163.100
Solde de la récolte 1934.	14.900
	<hr/>
En magasin	178.000

Sur le total vendu, 3.500 tonnes avaient été exportées au 15 septembre.

Le Gouvernement s'est rendu compte des risques que faisaient courir à la Banque agricole les opérations non bancaires résultant du commerce de produits agricoles qui avaient été monopolisés par l'Etat en vue d'en élever le prix ; et la Banque a été dégagée pour cette saison de l'achat du riz et du chanvre (décrets-lois du 18 septembre 1935, *Journal Officiel*, N° 210). Les soldes des fonds respectifs sont passés à la Direction des céréales et la loi a obligé la Banque agricole à ouvrir, sur la garantie de l'Etat, des crédits qui serviront à la

Direction de fonds de roulement (20 millions pour le riz, 40 millions pour le chanvre, 20 millions pour la semence de tournesol, crédit élevé ultérieurement à 50 millions). La Banque agricole ne s'occupera plus dorénavant que du coton, de la soie et de l'essence de roses.

Le fait pour le Gouvernement d'imposer par la loi à la Banque agricole des avances destinées à satisfaire ses propres besoins accentue encore le caractère d'établissement d'Etat de cette Banque.

V. INDUSTRIE.

a) Généralités.

La regression de l'activité industrielle, constatée dans le dernier rapport, s'est accentuée au cours du second trimestre. C'est le cas, en particulier, des industries du bâtiment et du textile. Au contraire, certaines industries de l'alimentation et des articles de consommation montrent des résultats satisfaisants.

Production de certaines industries.

	Premier trimestre 1934	Deuxième trimestre 1935	Premier trimestre 1935
Ciment (1.000 tonnes)	61,2	6,9	53,2
Fil de coton (tonnes)	1.703	1.519	1.410
Cotonnades (1.000 mètres)	4.774	3.888	3.501
Sacs mi-jute, mi-chanvre (tonnes)	146	11	39
Semelles de cuir (tonnes)	299	334	373
Galoches (1.000 paires)	201	91	258
Farine de froment (1.000 tonnes)	36,6	40,1	45,6
Huile de tournesol raffinée (tonnes)	1.173	1.629	1.691
Savon (tonnes)	1.687	1.349	1.449
Energie électrique (millions de kilowatts)	33,5	30,1	33,7

L'on doit remarquer la diminution très importante de la fabrication des sacs mi-jute, mi-chanvre. Le nouveau régime de cette fabrication (où l'introduction du chanvre produit dans le pays a été rendue obligatoire à un prix artificiellement élevé) a arrêté radicalement le développement d'une branche de l'industrie du textile, jusque-là florissante (cf. trentième rapport).

b) Industrie électrique.

Le rapport du Ministère des Communications sur la production et la consommation de l'électricité en Bulgarie, bien que ne donnant pas de résultats financiers comme les précédents rapports, permet néanmoins d'avoir une vue claire sur le développement de cette industrie. La puissance installée a été portée à 126.892 CV. par un accroissement de 17.297 CV. (19%). Le capital investi s'est élevé de 1.883,3 millions de leva à 2.316,9 millions. La production totale d'énergie pour l'année a été de 138 millions de kW, contre 132 en 1933 (+ 4,5%), représentant une utilisation de 16,9% de la capacité, contre 18,8% l'année précédente. Les intérêts du capital investi, calculés à 8%, s'élèvent, pour la production d'énergie actuelle, à 185 millions de leva, soit 1,34 leva (0 fr. 05 suisse) par kW, ce qui représente une charge très lourde. L'Etat, les communes, les syndicats, les particuliers, se répartissent les entreprises électriques comme suit, en pourcentages :

	CV.	Capital investi	Energie produite
Etat	10,3	5,4	6,7
Communes	20	27	21
Syndicats hydrauliques (coopératives demi-obli- gatoires)	16,8	21,3	9,8
Coopératives	4,6	6,3	4,8
Particuliers	48,3	40	57,7
Total	100	100	100

De ce tableau il semble résulter que les syndicats hydrauliques (dont le plus important est le syndicat « Vatcha ») (cf. vingt-septième rapport) ont les installations les plus coûteuses et les moins utilisées. L'utilisation des stations d'Etat est, elle aussi, particulièrement faible (11,1% pour la grande station de Pernik).

VI. LÉGISLATION.

a) Abolition des monopoles.

Après le monopole de l'alcool, ont été abolis les monopoles du sel et du pétrole (*Journal Officiel*, N° 202, du 9 septembre 1935). L'application du décret-loi sur le monopole des produits du tabac a de nouveau été différée jusqu'au début de l'année prochaine.

b) *Loi sur les loyers.*

Une nouvelle loi régleme les loyers des locaux industriels, commerciaux et d'artisans, aussi bien que ceux des professions libérales et des offices de l'Etat et des municipalités. Elle annule la loi temporaire du 1^{er} juillet 1933 (cf. vingt-huitième rapport).

En vertu de cette loi, les loyers ci-dessus indiqués sont réduits : de 40% dans les maisons bâties avant 1930, de 30% dans celles qui ont été bâties en 1931 et de 20% dans celles qui ont été bâties en 1932. Aucune diminution de loyer n'est prévue pour les locaux construits après le 1^{er} janvier 1933, mais le locataire peut demander aux tribunaux d'annuler son bail. Tous les baux visés par la loi seront prorogés pour la durée indéfinie pendant laquelle la loi restera en vigueur ; cette stipulation s'applique uniquement au propriétaire, le locataire ayant le droit de résilier le contrat par un préavis de deux mois.

La nouvelle loi abolit la taxe de 10% que les locataires devaient payer à l'Etat sur la réduction accordée par la précédente loi.

c) *Indemnité pour expropriations.*

Comme l'on se le rappelle, le Comité financier avait recommandé en avril 1933, lors de sa quarante-neuvième session, la consolidation des sommes dues par l'Etat aux propriétaires expropriés au moyen de bons à dix ou quinze ans portant 4% d'intérêt. Répondant à cette suggestion, le Gouvernement bulgare a promulgué la loi du 20 mars 1934, stipulant le paiement des arriérés dus pour expropriations, en bons de sept espèces différentes, allant de quinze ans et 2% à quatre ans et 4%.

Un nouveau décret-loi du 6 août 1935 simplifie les dispositions antérieures et réduit à trois les différents types de bons : huit ans, six ans et quatre ans, portant tous 4% d'intérêt.

d) *Résultats de la loi sur les chômeurs intellectuels.*

Dans un discours aux stagiaires, le ministre de l'Economie nationale annonça que 757 stagiaires avaient été placés dans les services de l'Etat et dans les établissements privés. Des 740 « chômeurs intellectuels » inscrits à Sofia, 408 ont été pourvus de situations.

VII. ÉTABLISSEMENT DES RÉFUGIÉS BULGARES.

1. *Position au 31 août 1935 du compte bloqué de l'emprunt 1926.*

	Leva
Produit net	1.614.296.149
Dont mis à la disposition du service d'établissement	1.608.824.302
Solde en dépôt à la Banque nationale	5.471.847

2. *Rendement des revenus gagés.*

(En millions de leva.)

Chapitres du budget	Encaissements			1/12 des évaluations budgétaires
	Juin	Juillet	Août	
13. Accise sur le sel, le café, les boissons, etc., importés	7,9	9,7	13	17,5
14. Accise sur le vinaigre, la bière, etc., indigènes et versement remplaçant l'accise sur l'alcool	9,2	8	8,8	4,2
17. Accise sur le sel, le sucre, etc., indigènes	27	26,6	23,7	29,2
19. Vente des allumettes	5,9	7	7	6,8
Total	50	51,3	52,5	57,7

Les versements des réfugiés affectés au remboursement des dépenses d'établissement ont atteint les montants ci-après (en leva) :

	Juin	Juillet	Août	Antérieurs	31 août 1935
Intérêts	30.171	50.499	51.264	5.154.459	5.286.393
Amortissement et impôt foncier	3.023	29.878	5.361	18.720.171	18.758.433
Total	33.194	80.377	56.625	23.874.630	24.044.826

3. *Utilisation de l'emprunt.*

Les engagements restant à régler au 31 août 1935 s'élèvent à 7.018.175 leva.
Pour y faire face, la Direction générale de la Dette publique dispose de :

	Leva
Banque nationale, compte Commissariat	5.471.847
Banque nationale	1.546.328
	<hr/>
	7.018.175

Le montant des engagements s'élevait au 31 mai (cf. trente-cinquième rapport) à 6.873.030 leva. Ils ont été augmentés depuis, du fait du remboursement par la Banque agricole, de soldes d'avances non utilisées.

VIII. EMPRUNT DE STABILISATION 7 1/2 % 1928.

1. *Position au 31 août 1925 du compte bloqué de l'emprunt.*

	Leva
Produit net	3.370.065.553
Dont mis à la disposition des administrations	3.366.427.028
	<hr/>
Solde en dépôt à la Banque nationale	3.638.525

2. *Rendement des revenus gagés (douanes).*

	(En millions de leva)			
	Juin	Juillet	Août	1/12 des évaluations budgétaires
	48,8	48,5	51,1	61,29

soit une moyenne mensuelle de 49,5 millions.

3. *Utilisation du produit de l'emprunt.*

I. Chemins de fer et ports :

	Leva
La totalité de cette tranche s'est montée à	672.300.000
dont engagés au 31 août 1935	671.334.343
	<hr/>
Solde non engagé	965.657
Reste à payer sur engagements opérés	550.684
	<hr/>
Solde à engager ou à payer	1.516.341
Sommes aux mains de l'Administration	797.872
Solde à recevoir du produit de l'emprunt	2.606.793
	<hr/>
	3.404.665
Somme à restituer par le Trésor pour différence de cours	1.888.324
	<hr/>
	1.516.341

II. Routes et ponts :

	Leva
La totalité de cette tranche s'est montée à	182.031.732
dont engagés au 31 août 1935	181.844.182
	<hr/>
Solde non engagé	187.550
Reste à payer sur engagements opérés	187.550
	<hr/>
Solde à engager ou à payer	187.550
Sommes aux mains de l'Administration	844.182
Solde à recevoir du produit de l'emprunt	1.031.732
	<hr/>
Solde libre	187.550

Appendice I.

**a) RÉSULTATS PROVISOIRES DES HUIT PREMIERS MOIS DE L'EXERCICE 1935
COMPARÉS AUX RÉSULTATS DES EXERCICES PRÉCÉDENTS.**

(En millions de leva.)

	Données annuelles			Résultats provisoires 1 ^{er} janvier-31 août			
	Résultats définitifs		Prévisions budgétaires 1935	1934	1935	8/12 des prévisions 1935	%
	1933-34	1934					
I. RECETTES.	(12 mois)	(9 mois)	(12 mois)				
A. Budget de l'Etat :							
Impôts directs	455,7	418	432	367	276,6	288	96
Douanes	626,3	684	945,5	536,7	505,3	630,3	80,1
Accises	1.315,1	920,7	1.375	783,3	810,3	916,7	88,4
Taxes et droits de timbre .	552,5	339,9	568	289,3	288,6	378,7	76,2
Amendes et confiscations .	71,9	74,8	92	50,7	53,2	61,3	86,7
Annuité des chemins de fer et recettes ports	118,6	52,6	163,9	—	96,1	109,3	87,9
P. T. T.	259,2	198,1	280	178,8	161,4	186,7	86,4
Domaines et capitaux	189,9	221,3	331,3	193,3	174,8	220,9	79,1
Participation des commu- nes aux appointements des instituteurs et méde- cins	329,6	212,7	320	206,6	183,8	213,3	86,1
Recettes diverses	488,3	60	251,5	58,3	52	167,6	30,9
Fonds incorporés	286	130,6	185,1	102,6	110,9	123,4	89,8
Recettes sur exercices clos	286	225	320	161,7	178,5	213,3	83,6
Reprises en recettes des soldes non transférés du service de la dette exté- rieure	293,8	175,6	430,8	251,1	199,4	287,2	69,4
Total	4.986,9	3.713,3	5.695,1	3.179,4	3.090,9	3.796,7	81,4
Total des recettes ordi- naires (sans les soldes non transférés)	(4.693,1)	(3.537,7)	(5.264,3)	(2.928,3)	(2.891,5)	(3.509,5)	82,4
B. Budget des chemins de fer et ports	1.276,1	915,5	1.454,8	773,2	710,8	850,4	83,5
C. Budget extraordinaire . . .	—	259,5	—	—	—	—	—
Total général	6.263	4.888,3	7.149,9	3.952,6	3.801,7	4.647,1	81,8
Total général des recettes ordinaires (sans les soldes non transférés)	(5.969,2)	(4.712,7)	(6.719,1)	(3.701,5)	(3.602,3)	(4.359,9)	82,6

	Données annuelles			Résultats provisoires 1 ^{er} janvier-31 août			
	Résultats définitifs		Prévisions budgétaires 1935	1934	1935	Dépenses autorisées par budgets mensuels	%
	1933-34	1934					
II. DÉPENSES.	(12 mois)	(9 mois)	(12 mois)				
A. Budget de l'Etat.							
Pouvoir suprême	66,9	32,7	46,5		27,4	27,4	100
Cour des comptes	15,2	11,2	21,5		11,2	13,8	81
Affaires étrangères et Cul- tes	140,4	108,4	158,2		73,7	100,1	74
Intérieur et Santé publique	367,9	267,4	393,4		163,3	240,2	68
Instruction publique	838,3	548,6	785,4		448	509,5	89
Finances et Dette publique	2.037,8	1.445,9	2.210,6		1.220,7	1.165,9	104
Justice	178,8	122,2	167,7		75,4	107,7	70
Guerre	793	724	1.010		429,7	666	65
Economie nationale	328	217,9	365		137,8	224,0	61
Communications	499,7	387,2	536,8		193,8	329,5	59
Crédits supplémentaires divers	125,6	485,7	—		103	—	—
Total	5.391,6	4.351,2	5.695,1		2.884	3.385	85
B. Budget des chemins de fer et ports	1.104,3	786,9	1.454		549,5	700	78
C. Dépenses en souffrance . . .	—	—	—	883,1	717,8	—	—
Total général	6.495,9	5.138,1	7.149,1	4.470,6	4.151,3	4.085	102
Déficit budgétaire	232,9	249,8	—				

b) RÉSULTATS MENSUELS DES TROIS DERNIERS MOIS.

(En millions de leva.)

	1935	Juin		Juillet		Août	
	1/12 du budget autorisé	1934	1935	1934	1935	1934	1935
		RECETTES.					
A. Budget de l'Etat.							
Impôts directs	36	106,9	77,1	43,2	37,9	30,1	25,2
Douanes	78,8	75,2	56,7	63	58,1	62	64,1
Accises	114,6	113,8	112,8	101,7	119,9	105,4	119,4
Taxes et droits de timbre	47,3	40,8	35,8	36,2	37,6	35,2	37,5
Amendes et confiscations	7,7	7,5	6,5	6	4,7	8,1	5,6
Annuité des chemins de fer	13,7	—	68,7	—	13,7	—	13,7
P. T. T.	23,3	17,7	16,7	17	25,3	18,2	16,8
Domaines et capitaux	27,6	94,1	18	13,4	22,2	17,3	18,4
Participation des communes aux appointements des instituteurs et médecins	26,7	21,2	16,8	36,3	27,4	25,1	22,5
Recettes diverses	21	8,3	9,8	6,6	6,8	5,2	6,3
Revenus des fonds incorporés	15,4	19	15,3	10,9	15,9	9,9	9,7
Recettes sur exercices clos	26,6	32,2	26,2	16,1	12,4	24,6	17,9
Reprises en recettes des soldes non transférés de la dette publique extérieure	35,9	—	199,4	—	—	—	—
Total	474,6	536,8	660	350,3	382,2	341,3	357,2
Total des recettes ordinaires non compris les sommes ré- cupérées	(437,8)	(536,8)	(460,6)	(350,3)	(382,2)	(341,3)	(357,2)
B. Chemins de fer et ports	121,2	95,8	78	96	97,4	102,8	135,1
Total mensuel général	595,8	632,6	738	446,3	479,7	444,1	492,3
Total mensuel non compris les sommes récupérées	(559,9)	(632,6)	(538,6)	(446,3)	(479,7)	(444,1)	(492,3)
DÉPENSES.							
A. Budget de l'Etat	474,6	361,4	746,4	368,3	347,8	652,7	361,6
B. Chemins de fer et ports	121,2	—	224,5	—	93	77,8	127,3
Total des dépenses réglées	—	361,4	970,9	368,3	440,8	730,5	488,9
Dépenses en souffrance (+ ou — au cours du mois)	—	+ 186,9	— 173	+ 167,7	+ 54,2	— 77,1	+ 42,3
Total mensuel général	595,8	548,3	797,9	536	495	653,4	531,2

**c) SITUATION DÉTAILLÉE A FIN AOUT 1935 ET COMPARÉE DU RECOUVREMENT
DES IMPOTS DIRECTS.**

(En millions de leva.)

Impôts	Résultats 1 ^{er} janvier-31 mai				Prévisions 1935	
	1934	1935	+ ou -	% de 1935 par rapport à 1934	Quote-part exigible	% des recou- vrements
Impôt foncier	27,7	6,6	- 21,1	24	10	65
Impôts cédulaires	180,8	147,8	- 33	82	160	92
Impôt sur le revenu global	16,4	9,6	- 6,8	59	16	60
Impôt sur les sociétés	16,3	11,1	- 5,2	68	24	46
Impôt sur les bâtiments	23,4	2,7	- 20,7	15	6	45
Impôt sur les brebis et les chèvres	55,6	41,3	- 14,3	74	40	103
Impôt sur l'exemption de la pres- tation	18,4	23,6	+ 5,2	129	20	113
Impôt militaire	13	14,3	+ 1,3	109	18,4	78
Impôt sur les successions	15,3	19,6	+ 4,3	127	20	98
Total	367	276,6	- 90,3	76	314,4	88
Impôts arriérés	153,3	166,1	+ 12,8	108	1.260,8	13
Amendes et intérêts sur impôts arriérés	33,9	33	- 0,9	97	—	—
Total général	554,2	475,7	- 78,5	86	—	—

d) SITUATION DE LA TRÉSORERIE.

(En millions de leva.)

	1935		
	Juin	Juillet	Août
Solde au début du mois des comptes du Trésor à la Banque nationale.	446,7	283,8	344
RECETTES			
Budget de l'Etat	660	382,2	357,2
Chemins de fer et ports.	78	97,4	135,1
Recettes extrabudgétaires	90,3	48,9	—
Emissions supplémentaires de bons du Trésor	—	—	—
Emissions d'obligations	—	—	—
Total	1.275	812,3	836,3
DÉPENSES			
Budget de l'Etat	746,4	347,8	361,6
Chemins de fer et ports.	224,5	93	127,3
Dépenses sur recettes extrabudgétaires.	20,3	27,6	19,1
Solde en fin de mois des comptes du Trésor à la Banque nationale.	283,8	344	328,3
Total	1.275	812,4	836,3
Solde en fin du mois des mandats de paiement en souffrance, environ	621,3	675,5	717,8
Solde déficitaire net, environ	337,5	331,5	389,5

Appendice II.

a) SITUATION DE LA BANQUE NATIONALE DE BULGARIE.

(En millions de leva.)

	15 septembre 1933	15 septembre 1934	15 juin 1935	15 septembre 1935
ACTIF.				
Or monnayé et non monnayé	1.522	1.547	1.583	1.583
Devises-or	83	10	20	14
Autres devises	20	160	354	171
Monnaies divisionnaires	368	395	536	440
Portefeuille et avances de commerce.	328	462	242	563
Bons du Trésor.	648	648	666	600
Dette de l'Etat.	2.873	2.783	2.698	2.671
 PASSIF.				
Capital versé et réserve	1.693	1.738	1.760	1.756
Billets de banque en circulation	2.665	2.676	2.096	2.318
Comptes courants et de dépôts	1.613	1.783	2.249	1.975
dont de banques	(858)	(547)	(802)	(626)
Exigibilités en devises.	71	56	127	105
Couverture	35,86%	33,66%	33,98%	34,75%
Taux de l'escompte	8%	7%	7%	6%
Circulation totale	3.538	3.746	3.201	3.519

b) SITUATION DES BANQUES PRIVÉES EN BULGARIE

AUX 30 JUIN 1934, 31 MARS 1935 ET 30 JUIN 1935.

(En millions de leva.)

ACTIF			
Caisse et Banque nationale	514,8	496,0	351,0
Autres banques.	140,4	119,7	107,4
Effets escomptés	1.135,1	1.055,8	1.126,9
Avances	1.903,7	1.842,0	1.974,5
Gages	232,8	310,7	264,6
Placements.	194,3	240,0	230,4
Immeubles et mobilier	280,6	253,0	262,5
Contentieux et effets protestés	651,3	647,5	651,7
Divers	456,7	460,9	496,4
Balance	5.509,7	5.425,6	5.465,4
 PASSIF			
Capitaux.	1.209,5	1.116,9	1.108,5
Dépôts d'épargne	1.268,3	1.230,4	1.229,9
Dépôts commerciaux	1.345,4	1.358,9	1.380,5
Autres créditeurs	595,0	551,3	524,9
Banques	51,0	46,8	59,0
Réescompte	304,2	212,7	266,2
Gages	232,8	310,7	264,6
Succursales.	191,3	204,6	209,8
Divers	312,2	393,3	422,0
Balance	5.509,7	5.425,6	5.465,4
Encaisse envers dépôts	19,7%	19,2%	13,4%
Contentieux envers avances et effets escomptés	21,4%	22,3%	21,0%

Appendice III.

	Commerce extérieur					Indices économiques							Banque nationale						Caisse d'épargne postale			
	Valeur (millions de leva)			Poids (1.000 t.)		Transport sur chemin de fer. Marchandises arrivées (1.000 tonnes)	Production		Personnes engagées dans l'industrie (1.000)	Prix de gros, 1926 = 100	Coût de la vie 1926 = 100	Salaires d'ouvriers non qualifiés 1926 = 100	Or	Montant net des devises	Portefeuille commercial	Dette courante du gouvernement	Circulation			Couverture %	Taux d'es-compte officiel	Dépôts (en millions de leva)
	Imports	Exports	Balance + ou -	Imports	Exports		Houille (1.000 tonnes)	Etoffe de coton (1.000 mètres)									de bank-notes	totale				
	Moyenne mensuelle					Moyenne mensuelle							Fin						Fin			
1931	388	495	+ 107	24,6	64,1	366	122	—	66	79,1	90,1	78,7	1.511	257	579	279	2.919	3.629	37,69	9 1/2	907	
1932	289	282	— 7	21,8	49,0	376	141	—	68	70,3	83,1	71,3	1.519	123	427	423	2.035	3.521	36,07	8	1.054	
1933	184	237	+ 53	19,2	35,9	335	124	—	59	61,8	77,2	68,6	1.545	141	473	818	2.984	3.971	35,39	8	1.171	
1934	186	211	+ 25	20,5	33,0	327	123	1.647	60	63,6	72,1	63,0	1.547	121	373	655	2.449	3.736	35,71	7	1.382	
1933 :																						
1 ^{er} trimestre	233	172	— 61	16,9	16,5	213	99	—	58	62,3	82,1	68,2	1.520	58	335	443	2.595	3.410	36,78	8	1.141	
2 ^e trimestre	180	291	+ 111	18,1	37,3	294	98	—	53	61,6	76,3	69,3	1.521	32	363	498	2.648	3.464	35,54	8	1.156	
3 ^e trimestre	146	192	+ 46	19,5	37,7	398	130	—	64	62,0	76,2	69,7	1.522	75	377	648	2.738	3.645	35,89	8	1.149	
4 ^e trimestre	175	294	+ 119	22,5	52,2	434	167	—	60	61,3	75,3	67,3	1.545	141	473	818	2.984	3.971	35,39	8	1.171	
1934 :																						
I.	139	248	+ 109	14,9	25,9	300	132	1.611	49	59,1	75,8	65,6	1.546	132	359	768	2.571	3.508	36,80	7	1.260	
II.	155	171	+ 16	15,7	27,3	244	121	1.502	49	62,6	76,3	63,7	1.547	62	355	768	2.400	3.301	35,55	7	1.302	
III.	203	241	+ 38	20,6	69,1	300	93	1.890	47	61,7	75,7	63,7	1.547	112	314	718	2.603	3.580	37,03	7	1.339	
IV.	189	192	+ 3	18,8	43,6	255	77	1.532	49	61,6	73,5	64,9	1.547	88	323	618	2.534	3.470	37,26	7	1.332	
V.	172	172	0	19,3	41,5	299	108	1.602	54	63,0	73,2	64,9	1.547	66	356	658	2.574	3.495	35,82	7	1.320	
VI.	183	131	— 52	21,9	15,9	339	121	1.197	59	64,2	73,1	63,7	1.547	33	367	693	2.604	3.546	35,34	7	1.323	
VII.	181	76	— 105	17,1	9,6	395	116	1.280	61	64,2	73,5	63,7	1.547	40	356	618	2.509	3.482	35,28	7	1.335	
VIII.	200	125	— 75	21,4	28,5	352	116	2.007	66	65,7	73,1	61,8	1.547	140	364	673	2.668	3.726	33,94	7	1.340	
IX.	211	260	+ 49	31,3	38,2	353	139	1.941	71	65,5	73,2	59,3	1.547	99	478	665	2.859	4.000	33,38	7	1.345	
X.	194	300	+ 106	22,2	30,7	421	160	2.037	72	66,2	70,7	61,8	1.547	104	436	671	2.633	3.951	33,73	7	1.354	
XI.	172	300	+ 128	20,3	30,6	362	151	1.789	72	64,8	71,0	61,8	1.547	144	406	641	2.449	3.659	34,09	7	1.365	
XII.	231	319	+ 88	22,5	35,4	299	148	1.371	66	63,8	70,9	61,2	1.547	121	373	655	2.449	3.736	35,71	7	1.377	
1935 :																						
I.	196	129	— 69	18,6	17,6	222	121	935	55	64,5	70,9	58,0	1.547	118	285	655	2.226	4.409	35,12	7	1.423	
II.	168	145	— 23	17,2	12,6	235	130	1.189	45	64,3	71,0	58,0	1.547	271	264	655	2.176	3.342	33,40	7	1.443	
III.	185	192	+ 7	16,1	9,7	238	94	1.168	52	64,2	70,3	58,6	1.552	358	181	616	2.140	3.258	34,06	7	1.444	
IV.	254	443	+ 189	22,0	15,6	267	90	935	50	66,0	68,4	56,7	1.568	317	208	416	2.173	3.344	36,20	7	1.435	
V.	283	265	— 18	27,4	23,2	302	97	1.004	54	64,7	68,1	57,4	1.583	299	218	666	2.123	3.234	33,13	7	1.429	
VI.	281	195	— 86	21,4	13,7	329	118	1.251	63	64,3	68,3	61,2	1.583	174	281	670	2.152	3.286	33,69	7	1.452	
VII.	199	177	— 22	22,5	18,5	374	130	1.628	67	64,2	68,7	58,6	1.583	85	281	600	2.133	3.287	35,79	7	1.470	
VIII.	268	151	— 117	26,6	16,6	401	114		71	64,0	67,9	58,6	1.583	73	391	600	2.266	3.448	35,53	6	1.468	
IX.	215	304	+ 89	20,8	44,0								1.583	93	589	605	2.408	3.669	34,79	6	1.477	

¹ Escompte et avances.

² Tous les actifs en devises (libres et bloqués) moins les exigibilités en devises.

³ Escompte et réescompte des bons du Trésor.

⁴ Chiffres

Geneva, December 20th, 1935.

LEAGUE OF NATIONS

FINANCIAL COMMITTEE

**REPORT TO THE COUNCIL ON THE WORK
OF THE SIXTIETH SESSION OF THE COMMITTEE**

(Geneva, December 9th-14th, 1935.)

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INTRODUCTION.

The Financial Committee has the honour to submit to the Council the following report on the various questions with which it has dealt during this session.

The following members were present:

- M. DAYRAS (*Chairman*);
- M. JANSSEN;
- M. TER MEULEN;
- M. MLYNARSKI;
- Sir Otto NIEMEYER;
- M. POSPIŠIL;
- Sir Henry STRAKOSCH;
- M. SWANIDZE;
- M. TUMEDEI.
- M. BLAU, delegate of the Fiscal Committee.

There were also present :

1. *For Austrian questions :*

- Dr. DRAXLER, Federal Minister of Finance;
- Dr. KIENBÖCK, President of the Austrian National Bank;
- M. ROST VAN TONNINGEN, Representative of the League of Nations in Austria;
- M. FRÈRE, Adviser to the Austrian National Bank.

2. *For Bulgarian questions :*

- M. MOMTCHILOFF, Permanent delegate to the League of Nations;
- M. CHEYSSON, Commissioner of the League of Nations in Bulgaria;
- Professor KÖSTNER, Adviser to the National Bank of Bulgaria.

3. *For Hungarian questions :*

- Dr. FABINYI, Minister of Finance;
- Dr. BARANYAI, of the Hungarian National Bank;
- Mr. TYLER, Representative of the Financial Committee in Hungary.

I. AUSTRIA.

The Financial Committee, having before it the sixteenth quarterly report of M. Rost van Tonningen, examined the financial situation of Austria, together with Dr. Draxler, Federal Minister of Finance, assisted by Dr. Gruber and Dr. Rizzi, of the Ministry of Finance, and Dr. Kienböck, President of the Austrian National Bank. It also heard M. Rost van Tonningen, Representative of the League of Nations in Austria, and M. Maurice Frère, Adviser to the Austrian National Bank.

1. The Committee are glad to note that many departments of economic activity continue to show progress, though they are aware that difficulties remain and that there is every reason for a prudent financial policy.

2. In 1934, the budget (including the extraordinary budget) closed with a deficit of 226 million schillings. The probable result for 1935, including in revenue the non-recurrent item of 48 millions released from 1923 Loan sinking funds no longer required, show a deficit of 120 millions — practically all of which is attributable to the extraordinary works budget covered by loans.

The estimates for 1936 show a gross deficit of 58 millions, of which 36 millions are investments to be covered by loan operations. In these estimates, the revenue is included at a figure showing little increase on the probable receipts for 1935.

The Committee are glad to note both the reintegration in the budget of much maintenance expenditure, which, in recent years, had to be met from other sources, and the improvement in the unity of the budget resulting from the inclusion of certain funds and the release for general purposes of previously earmarked revenues. They attach much importance to these reforms, which they would be glad to see carried further.

The continued efforts since 1931 to improve the budgetary position have been further substantially advanced in the budget estimates of 1936.

It has not been necessary to issue any Treasury bills since the end of September for the requirements of either the ordinary or the extraordinary budget. The Committee understands that it may be necessary to issue some 7 million schillings of Treasury bills during December to cover extraordinary expenditure in that month; this would bring the floating debt at the end of the year to 132 million schillings, against 179 million schillings at the end of 1934. This is the more satisfactory because, though since 1933 the annual service of the foreign debt has been substantially decreased, the internal long-term debt service has risen from 22.4 to 55.6 millions.

3. The foreign trade returns for the first ten months of 1935 show a continued increase in the volume of trade and a higher level of exports over 1934. The adverse balance of trade has improved by 13 million schillings (5.6%). Imports of raw materials are higher than last year, while the value of finished goods exports rose from 268 million schillings to 281 million schillings.

4. The position of the National Bank as regards foreign exchange remains favourable. The outgoings of foreign exchange in the last two months seem to have been due, apart from seasonal influences, to the replenishment of stocks; but the reserves of the National Bank (367 million schillings) at the beginning of December are still greater by about 78 millions than the total held at the same period last year.

5. The higher level of industrial activity attained during the past year is being maintained and even, as the available indices seem to suggest, improved upon in many instances. Tourist traffic during the past summer was very much better than in 1934, a satisfactory feature being the increase, not only in the number of foreign, but also of Austrian travellers.

6. Unemployment continued to fall until the middle of October, when, as in 1933 and 1934, the expected seasonal increase set in. By the end of November, the total had reached 242,759 — over 32,000 less than in 1934 and nearly 31,000 less than in 1931.

7. M. Rost van Tonningen has expressed to the Committee his regret at the departure of M. de las Barceñas and his appreciation of the excellent services M. de las Barceñas has rendered since his appointment in 1931. The Committee wish to associate themselves with these regrets.

II. BULGARIA.

The Financial Committee considered the situation in Bulgaria with M. Momtchiloff, permanent delegate of Bulgaria to the League of Nations. It heard statements by M. P. Cheysson, League of Nations Commissioner in Bulgaria, and M. Köstner, Adviser to the National Bank of Bulgaria, and took note of the thirty-sixth report of the League of Nations Commissioner, and statements on the financial position of Bulgaria and the Bulgarian Public Debt submitted on behalf of the Finance Minister.

1. Provisional results of the first ten months of the current budget, including those of the Railway budget, are as follows (the estimates for the same period are shown for purposes of comparison):

	January-October 1935	
	Estimates	Results
	(In millions of leva)	
Total revenue	5,808.9	5,029.2
Total expenditure	5,536.0	5,501.0
	<u>+272.9</u>	<u>— 471.8</u>

The above figures of results include, both as regards receipts and expenditure, a sum of 291.3 million leva representing the leva not transferred for the account of the Public Debt service. The budget for the current year was balanced at a total figure of 5,695 million leva; however, the Committee had pointed out in its May report that those estimates seemed to be too optimistic.

The respective shares of the State budget and the Railway budget in this deficit are:

	(In millions of leva)
State budget	279.4
Railways budget.	192.4
	<u>471.8</u>

The State and Railway receipts are practically the same as last year (98.7%) (—58.7 millions). The receipts of the State itself would have been higher than those for last year if an amount of 68.2 millions of direct taxes had not been transferred to the communal budgets.

The total expenditure is approximately the same as in the corresponding period of last year (98.7%) (—66,7 millions).

Attention must nevertheless be drawn to one new development — namely, the fact that, during the period under consideration, the Railways show a deficit of 192.4 millions, which would appear to be abnormally high (see paragraph 5 below).

2. The Treasury had not only to bear the consequences of the deficit of the current budget, it also had to take care of outstanding payments from the previous financial year, totalling 379.7 millions. On October 31st, 1935, the Treasury had to meet outstanding liabilities for 866.3 millions, although it had received 465.7 millions of extra-budgetary resources.

The respective shares of the State and Railways (the latter being for the first time shown separately) in the total amount of outstanding expenditure¹ are as follows:

	(In millions of leva)
State	469.2
Railways	397.1
	<u>866.3</u>

It may be expected that the effect of the results for the months of November and December will be to make the situation shown above even worse.

To meet these needs, the Treasury has 480.5 millions standing to its credit at the National Bank, together with the possibility of discounting 200 millions of Treasury bonds, being the balance of the 300 millions referred to in the Council's decision of September 17th, 1935. In addition, the Finance Minister expects that the reintegration in the State budget of the funds mentioned below will bring certain amounts to the Treasury.

Salaries have been punctually paid and regular provision has been made for the payment of pensions at the end of the quarter. The Bulgarian Government is carrying out the obligations which it has entered into in this respect. However, the situation as described above does not so far make it possible to state that the public finances have been put in order.

3. The Financial Committee at its September session agreed to propose to the Council of the League of Nations that the amount of Treasury bills which may be discounted at the National Bank should be raised by 300 millions, but it asked the Government to carry out a certain number of reforms which it indicated.

The Bulgarian Government has stated that it has already taken a certain number of decisions in conformity with the Financial Committee's recommendations:

(a) Out of the 300 millions of Treasury bills authorised, one hundred million have been issued, the proceeds of which have been used to pay part of the arrears entered on or before September 1st, 1935, with the assent of the Committee of Four instituted on the recommendation of the Financial Committee in 1933.

¹ Outstanding expenditure includes: payment orders issued but not cashed — orders to be issued in respect of expenditure incurred — expenditure incurred but not yet due, to be charged to the current year.

(b) Thirty funds administered outside the general budget will be finally included in the next budget. Three exceptions have been agreed to or proposed by the Committee of Four.

In the future, no new fund may be created except by a legislative act and only provided that it will be formed out of resources not having the character of State revenue.

(c) The National Bank has been instructed only to pay as from November 1st, 1935, payment orders bearing reference to a monthly budget and within the limits of the monthly budgets.

(d) Payments on provisional receipts are henceforward abolished. Public expenditure is met on the production of payment orders properly drawn up and endorsed by the Audit Office. Only payments in respect of public debt are excepted from this rule, and are paid, according to the instructions sent direct by the Public Debt Directorate, to the debit of its current account at the National Bank of Bulgaria.

(e) Special credits and budgets the validity of which extend beyond the financial year have been abolished.

(f) The control of commitments of expenditure has been reintroduced and control by means of monthly budgets has been made stricter.

The Financial Committee has noted with satisfaction these statements, which partly give effect to its recommendations. It relies on the introduction of further reforms in the next budget, completing the programme previously drawn up. It also hopes that the strict application of the methods adopted will be ensured by stringent control.

4. The Financial Committee has received a declaration from the Bulgarian Government to the effect that "the latter will make every effort to unify the 1936 budget so as to render it clearer and more in conformity with the realities of the financial situation". This budget, however, can only be balanced if the administrative reforms the necessity for which the Financial Committee has often urged are immediately undertaken. These reforms appear to be imperative from the point of view both of economy and the execution of the budget, as well as of the proper conduct of the public services. The Financial Committee notes with satisfaction the Bulgarian Government's intention to introduce the administrative reform and provide for the stability of tenure of the officials.

Nevertheless, the Financial Committee found no indications in the Finance Minister's statement regarding the application of the *gestion* method to the budget of 1936.

In its report to the Council in May 1935, the Financial Committee clearly defined the principles by which this reform should be guided. The terms of this recommendation are repeated below :

"The present system of budget involves, not only a waste of labour on the allocation of expenditure and receipts to different years on a purely statistical basis, but also a constant concealment of the real financial position, owing to the use of cash receipts of one year to meet expenditure charged to the *exercice* of another year. In the opinion of the Committee, this confusion between the statistical figures of the *exercice* and the actual cash available might be avoided by a far simpler system, more suited to the needs of Bulgaria. The Committee would therefore recommend the adoption of a budget *de gestion* in preference to a budget *d'exercice*, so that the budget results and the Treasury cash position would be identical. Under the system of budget *de gestion*, all revenue actually received in cash during a financial year and all expenditure actually paid in cash during the financial year would be charged against the budget of that year, and no account would be taken of the hypothetical period to which such expenditure or receipts might be related ; the sole test would be the actual and simple date of receipt or payment. It would follow that the budget estimates both of receipts and expenditure would be framed on the same principle and must be estimates of the actual cash to be received or expended during the year, and not of receipts or expenditure deemed to arise in respect of the same year, but not actually received or paid within that year. The results of this system, which is well known in many countries, would be that the budget estimates should approximate to and the actual budget results be identical with the cash provision of the Treasury as shown by its account at the National Bank. But it is evident that the value of any system depends upon the strictness of its application."

The Financial Committee is not satisfied that there are insurmountable difficulties in the way of introducing the system of *gestion* in the next budget. The resulting clearness would help the Government in carrying out the task which it has undertaken.

5. The Financial Committee further wishes to draw the Bulgarian Government's special attention to another point :

The Railways' deficit at the end of October on one side, and the extent of their payments in arrears on the other, have not been noted without surprise by the Financial Committee.

In previous financial years, the Railway budget seemed to show a surplus, or at any rate to balance. The Financial Committee has been unable to ascertain the reasons for that change. It would be glad to have at its next session a complete statement of the position of the Bulgarian Railways, the results of their operation, their programme of capital expenditure and their methods of accounting.

6. A cereal crop practically equal to the average of the previous five years and about 25% higher than that of last year was harvested this autumn. It relieves the country of the anxieties of a deficit in a staple food of the population, and may leave a surplus for export. The gradual development of the crops used for industrial purposes is giving from year to year better results and the cultivation and export of grapes, fruit and vegetables are becoming an important asset of Bulgarian economy. The exports of grapes up to November 20th amounted this year to about 245 million leva, as against 135 millions during the same period last year. The Committee hope that the further expansion of this very desirable tendency to diversification will not be checked by the undue maintenance of artificial prices for other agricultural products.

The total exports for the first ten months of this year amount to 2,557 million leva — *i.e.*, 620 millions above last year — and the imports, amounting to 2,365 millions, have increased by 538 millions, leaving a favourable balance of 192 millions against 110 millions last year. An increase of export prices has contributed to this favourable result to a considerable degree. The improvement of foreign and domestic trade, as well as the increased activity of local industry as compared with the same period of last year, seems to indicate a tendency of the purchasing power of the peasant and of the country at large to increase.

7. The substantial increase in the commercial portfolio of the National Bank, which, at 582 million leva, stood higher in the middle of November last than in any year at that date since 1930, is in the circumstances a not unnatural development. Together with the new Treasury bills facilities granted to the Government in accordance with the recommendations of the Financial Committee at its last two sessions, these increased discounts tend to extend the monetary circulation; but, owing to general market conditions, the circulation has not yet attained the corresponding figure of November last year and can be considered to have been kept under control by the National Bank.

8. On the other hand, the Committee had again to take note of the difficulties of the foreign-exchange position resulting from the clearing agreements, by which about 80% of Bulgarian foreign trade is at present governed. Besides dislocation of foreign trade from its normal channels, the clearings seem still to tend to build up debit balances for Bulgaria in countries with strong currencies, while the pressure of credit balances in certain countries with weak currencies serves as an incentive for over-importation. At the same time, the percentage — though not the absolute amount — of free *Devisen* flowing into the National Bank goes on diminishing. Clearly, it is time for Bulgaria to consider whether a simpler exchange system cannot now be established.

9. From the partial figures available at the moment, it would seem that the legislation on debtors' relief has resulted in very numerous applications for relief. It is most important that the basic principles of the reform should be strictly applied in order that the finances of the scheme should not be upset to the detriment of cases which properly fall under it.

10. The National Bank, in agreement with the Government, has decided to take over the cost of pensions to certain classes of former employees who have left its service before January 1st, 1927, and has proposed to the Committee a minor amendment of Article 58 of its Statutes accordingly. Provided the Adviser to the National Bank gives his consent, the Committee raised no objection to the following amendment :

“ Replace the first sentence of Article 58 by the following text :

“ The pensions of former officials of the National Bank of Bulgaria who retired up to December 31st, 1926, but whose term of service at the National Bank of Bulgaria was shorter than that spent in other Government administrations, shall continue to be paid out of the General Pensions Fund of the Government officials. The pensions of those whose term of service at the National Bank of Bulgaria is longer than that spent in other Government administrations shall be paid as from January 1st, 1936, by the National Bank of Bulgaria, the sums necessary for this purpose being charged to the annual budgets of the Bank.

“ The amount of the pensions of former officials who, in accordance with the previous paragraph, will receive their pensions from the National Bank of Bulgaria, shall be determined exclusively by the procedure provided for in Articles 11 and 12 of the Regulations for the pensions of officials of the National Bank of Bulgaria, in conjunction with Articles 15 and 27 of the same Regulations.”

III. HUNGARY.

The Committee had the advantage of hearing a statement by Dr. Fabinyi, Minister of Finance, and remarks on the National Bank's position by Dr. Baranyai. They had before them their representative's report on the third quarter of 1935, supplemented by Mr. Tyler's verbal comments.

1. *State Finance.* — At the end of November, actual expenditure for the first five months of the fiscal year begun on July 1st last, as foreseen in the original budget, was slightly higher than for the same period last year. Receipts also increased, but less than expenditure. The deficit at present is slightly higher than it was a year ago. The avoidance of new charges remains therefore essential.

2. *Short-term Banking Debts of Agriculture.* — A decree issued on October 12th last completed the process of consolidation begun by the Decree of October 1933, and reduces further, with some financial assistance from the State and through a central institution formed by the Banks concerned, the burden on the agrarian debtor. The resulting terms of consolidation are liberal to the farmers and not too onerous to the creditor banks. The maximum capital burden assumed by the State in this connection increases from 175 million pengö under the 1933 Decree to 275 million pengö; but the ultimate annual charge on the budget increases only from 7.8 to 10.9 million pengö.

3. *Simplification of Foreign-Exchange Policy.* — The National Bank has recently adopted measures, details of which have been published, discontinuing the former system of export premiums that varied with the description of goods, and introducing uniform rates of export premium and surcharge on foreign currency allotted for imports which apply to all goods, only varying according to groups of countries of destination, the rates applicable in the case of countries with which Hungary's trade is not regulated by an exchange clearing agreement being higher than in the case of clearing countries. With other countries, Hungary has concluded agreements based either on goods compensation or exchange compensation.

This new policy is to be welcomed in that it makes for simplification where procedure had become excessively complicated and puts trade and production on a freer and more real basis. It should reduce the disadvantages inherent in any system of exchange regulation.

4. *Foreign Debt.* — The National Bank has continued to make transfers in the appropriate currencies, month by month, towards the service of the Reconstruction Loan 1924 in conformity with the programme (50% of the coupon) announced on July 5th last through the League Loans Committee (London).

The short-term debts subject to a standstill agreement between the foreign creditors and their banking debtors have been reduced by about half over the last four years.

5. *Economic Position.* — The value of imports for the first eleven months of 1935 amount to 350.1 million pengö and of exports to 406.5 million pengö, leaving an export surplus of 56.4 million pengö. The respective figures for the same period of last year were 322.1 for imports, 363.8 for exports and 41.7 for the export surplus. Export and import values have been swelled by the increase in prices, wheat prices being a case in point. The volume of trade has not increased. An average wheat crop, in 1935, has been accompanied by a poor yield of other important crops, such as maize and potatoes. Industrial production has increased somewhat. After a long period, during which the agricultural population's purchasing power had sunk very low, some improvement has resulted from the increase in the prices of some food groups, and help has also been afforded by the agrarian debts relief measures. The price disparity between primary commodities and industrial goods has been somewhat reduced, but still subsists. Latterly, although agrarian prices have continued to rise, industrial prices have also been moving upwards.

However, general economic indices do point to some improvement. Employment is rather better. The traffic and receipts of the State Railways and the Post, Telegraph and Telephone Administration confirm the impression made by returns of coal distribution and consumption, showing an advance over last year.

Genève, le 21 décembre 1935.

SOCIÉTÉ DES NATIONS

TRENTE-SEPTIÈME RAPPORT
DU COMMISSAIRE DE LA SOCIÉTÉ DES NATIONS EN BULGARIE.
(PÉRIODE SEPTEMBRE-OCTOBRE 1935.)

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INTRODUCTION.

I. Un nouveau Gouvernement bulgare a été constitué le 23 novembre sous la présidence de M. G. Kiosséïvanov, ministre des Affaires étrangères du précédent cabinet. M. C. Gounev, ancien vice-gouverneur de la Banque nationale de Bulgarie en est le ministre des Finances.

II. Le Gouvernement a affirmé sa volonté formelle d'établir pour 1936 un budget réel, unifié et équilibré et qui mette fin aux déficits. Il a immédiatement entrepris une refonte complète du projet de budget dans ce sens.

III. Ce budget fera état des réformes déjà acquises et réalisera celles qui ne le sont pas encore. Toutes ces réformes répondent aux recommandations faites par le Comité financier dans sa session de septembre dernier.

IV. Les réformes déjà acquises tendent à *a)* apporter plus de clarté dans le budget (réintégration des fonds, suppression des budgets et crédits extra-budgétaires) ; *b)* renforcer le contrôle sur les engagements des dépenses, l'émission des mandats et leur paiement. La Banque nationale, agent payeur du Trésor, concourt désormais à ce contrôle.

V. Le Gouvernement est fermement décidé à mettre en vigueur le 1^{er} janvier 1936 le budget et l'ensemble des réformes financières et administratives qu'il comportera.

VI. Les craintes exprimées dans le précédent rapport sur le développement de la situation budgétaire étaient malheureusement fondées, et le déficit s'est encore accru au cours des deux mois qui font l'objet du présent rapport.

Les résultats globaux des dix premiers mois de l'exercice en cours sont sensiblement comparables, tant en recettes qu'en dépenses, aux résultats de l'exercice précédent.

VII. L'on devra s'efforcer de trouver les ressources de Trésorerie nécessaires pour couvrir d'ici la fin de l'exercice le déficit et les arriérés de dépenses. La Trésorerie dispose encore de la faculté d'émettre 200 millions de bons du Trésor sur les 300 millions dont l'émission a été autorisée en septembre dernier.

VIII. Le commerce extérieur s'est développé favorablement au cours des mois considérés. La valeur des exportations en octobre est la plus importante relevée depuis 1935. La balance des dix premiers mois est devenue bénéficiaire de 192 millions contre 100 millions en 1934 et 433 en 1933.

IX. Le présent rapport a été établi par M. Pierre Cheysson, Commissaire de la Société des Nations en Bulgarie, avec la collaboration de M. Kōstner, Conseiller auprès de la Banque nationale.

I. BUDGET.

	Millions de leva
1. A la fin des dix premiers mois de l'exercice (31 octobre)	
les <i>recettes</i> (Etat et chemins de fer) s'élevaient à	5.029,2
les <i>dépenses</i> (Etat et chemins de fer) à	5.501,0
	<hr/>
Excédent des dépenses	471,8

La différence entre les recettes et les dépenses, dont la progression jusqu'à fin août a été indiquée dans le précédent rapport, a continué à augmenter comme suit :

	Millions	Représentant un accroissement mensuel de
Fin août, elle était de	349,6	+ 39,0
septembre, de	421,4	+ 71,8
octobre, de	471,8	+ 50,4

L'augmentation du déficit est donc continue. Si elle est moins importante en octobre qu'en septembre, il faut en voir la raison beaucoup plus dans l'importance accrue et saisonnière des recettes d'octobre que dans la compression des dépenses (cf. appendice 1, b)).

La part respective du budget de l'Etat et du budget des chemins de fer dans le déficit (cf. appendice I, a)) est :

	Millions de leva
Pour le budget de l'Etat	279,4
Pour le budget des chemins de fer	192,4
	<hr/>
	471,8

Le déficit de l'exercice à fin octobre 1935 est un peu inférieur au déficit à fin octobre 1934 (8 millions).

2. Les *recettes* de l'Etat au cours de la période considérée (3.751 millions) compte non tenu des leva non transférés, représentent 99,2% des recettes de la période correspondante de l'année précédente et 85,3% des prévisions.

Les recettes du mois de septembre sont sensiblement égales à celles de septembre 1934 (98,9%), et celles du mois d'octobre sont supérieures à celles d'octobre 1934 (102,8%).

La rentrée des impôts directs (cf. appendice I, c)) est en moins-value importante sur celle de l'exercice précédent. La raison en est due surtout à l'abandon de différentes taxes aux communes et à la modification de l'assiette de certaines autres : elle a été exposée dans les trente-cinquième et trente-sixième rapports. La rentrée mensuelle des impôts directs est tombée en septembre au chiffre le plus bas enregistré au cours de l'année (20,6 millions). Le chiffre d'octobre (54,9 millions) montre un accroissement très important de la rentrée des impôts cédulaires et sur le revenu, aussi bien que de l'impôt sur les successions. Sauf pour ce dernier impôt, une semblable augmentation peut être constatée chaque année à deux reprises, en juin et en octobre.

La rentrée des arriérés sur exercices clos a marqué une amélioration de mois au mois, depuis le début de l'année : d'environ 17 millions en moyenne par mois (à l'exception du mois de février), elle s'est élevée à 52 millions en octobre.

La rentrée des taxes douanières n'a cessé de progresser depuis le mois de juin (56,7 millions), juillet (58,1 millions), août (64,1 millions), septembre (69,2 millions), octobre (82,7 millions). Elle est, pour ce mois, sensiblement égale à celle d'octobre 1934 et supérieure à la moyenne des prévisions mensuelles (78,8 millions).

Les recettes des chemins de fer (936,9 millions de leva) pour les dix mois de 1935 représentent 96,7% des recettes correspondantes de 1934 et 92,8% des prévisions.

3. Au 31 octobre 1935, les dépenses Etat et chemins de fer s'élevaient à 5,209 millions de leva contre 5.276,4 millions pour la même période de 1934 (98,7%) (les chiffres des dépenses figurant à l'appendice I, a), soit 5.501 et 5.595,8 millions, ont été modifiés pour tenir compte des leva non transférés).

La comparaison avec les crédits accordés par budgets mensuels donne les résultats suivants :

Le total des crédits accordés est de 5.175 millions, dans lesquels figurent 359 millions pour paiement de leva non transférés (qui sont par ailleurs pris en recettes) ;

Le total des dépenses est de 5.501 dont 291,3 millions de leva non transférés ;

Compte non tenu des leva non transférés, l'excédent des dépenses et engagements de dépenses réels (soit 5.501 — 291,3 = 5.209,7) sur les crédits accordés (5.175 — 359 = 4.816) est de 393,7 millions.

Les dépenses et engagements de dépenses réels pour l'Etat seul (compte non tenu des chemins de fer) s'élèvent à 4.321,7 millions¹ moins 291,3 millions pour les leva non transférés,

	Millions de leva
soit	4.030,4
les crédits des budgets mensuels à 4.250 — 358 =	<u>3.891,0</u>
Excédent	139,4
Les dépenses et engagements réels pour les chemins de fer s'élèvent à	1.179,3
crédits autorisés à	<u>925,0</u>
Excédent	254,3

Le trente-sixième rapport a fait la comparaison des dépenses mensuelles totales avec les budgets mensuels (les chiffres donnés tant pour les dépenses que pour les crédits autorisés font abstraction des crédits accordés à la Dette publique et des mandats émis par elle pour les leva non transférés) pour les mois d'avril à août 1935. Pour les mois de septembre et d'octobre, la comparaison est la suivante :

	Recettes	Déficit	Dépenses	Budgets mensuels	Dépassement
Septembre	479,3	71,9	569,2	484,1	+ 85,1
Octobre	638,3	50,3	688,6	534,1	+ 154,5

La situation que font apparaître ces chiffres est rien moins que préoccupante ; le déficit du budget n'a cessé d'augmenter. Or, les deux derniers mois de l'exercice sont toujours particulièrement lourds et la clôture du budget 1935 sera particulièrement difficile.

4. La situation de Trésorerie (cf. appendice I, d)) au 31 octobre est la suivante :

	Millions de leva
Recettes de l'Etat et des chemins de fer	5.029,2
Dépenses et engagements (dont 866,3 millions non réglés)	<u>5.501,0</u>
Déficit de l'exercice en cours	471,8

¹ Il est à remarquer que le présent rapport est le premier où les dépenses en souffrance ont été discriminées entre le budget de l'Etat et celui des chemins de fer.

	Millions de leva	
Prélèvements effectués sur la Trésorerie au compte de l'exercice précédent	379,7	
Le déficit total de la Trésorerie au 31 octobre est de		851,5
Il y est fait face par les ressources extrabudgétaires suivantes :		
Bons du Trésor	-410,0	
Sommes retournées sur récépissés provisoires d'années passées	55,1	
Bénéfice de la frappe des monnaies d'argent	0,6	
Dépenses non réglées	866,3	
	<hr/>	332,0
 Solde du compte de Trésorerie représentant l'avoir du Trésor à la Banque nationale		 + 480,5

Si l'avoir du Trésor à la Banque a augmenté depuis fin août de 328,3 à 480,5 millions (+ 152,2), le montant des paiements en souffrance a crû dans la même période de 717,8 à 866,3 millions (+ 148,5). Les salaires sont payés régulièrement, les pensions sont réglées à la fin du trimestre ; une provision de 100 millions, représentant environ le tiers du montant à payer fin décembre, figure dans les 866,3 millions de paiements et engagement en souffrance à fin octobre. Les 766,3 millions autres représentent des dépenses de matériel. Il convient de remarquer que les paiements en souffrance pour les chemins de fer (397,1 millions) sont anormalement élevés par rapport aux paiements en souffrance de l'Etat (369,2 millions).

Les 866,3 millions de paiements et engagement en souffrance comprennent des :

	Millions de leva		
	Etat	Chemins de fer	Total
Mandats de paiement émis mais non payés	18,4	136,9	155,3
Mandats à émettre, comprenant les mandats déjà émis mais non visés à la Haute Cour parce qu'excédant les budgets mensuels et les mandats restant à émettre	291,7	93,0	384,7
Engagements pris mais non échus à payer sur l'exercice	159,1	167,2	326,3
	<hr/>	<hr/>	<hr/>
	469,2	397,1	866,3

Les bons du Trésor (410 millions) font partie des 600 millions dont l'escompte à la Banque nationale a été autorisé par le Conseil de la Société des Nations en mai et septembre derniers. Il subsiste encore 200 millions sur la seconde tranche de 300 millions de bons dont l'escompte a fait l'objet des propositions du Comité financier en septembre.

5. Les délégués du Gouvernement bulgare ont rencontré à Londres les représentants des porteurs d'emprunts 7% 1926, 7½% 1928, 6% 1892, 5% 1896, 5% 1902, 5% 1904, 4½% 1907 et 4½% 1909.

Les propositions du Gouvernement bulgare, dont les organisations de porteurs ont pris note, sont les suivantes :

1° Les accords des 30 novembre 1933 et 17 mai 1934 (pour les emprunts émis avant 1914) et des 24 novembre 1933, 30 avril et 4 mai 1934 (pour les emprunts émis sous les auspices de la Société des Nations) sont maintenus en vigueur ;

2° Le Gouvernement bulgare continuera à verser en leva effectifs l'intégralité de la fraction de 32½% de l'intérêt telle qu'elle est déterminée par les accords ;

3° Sur cette fraction de 32½% de l'intérêt, le Gouvernement bulgare continuera à transférer en devises étrangères 15% de l'intérêt aux échéances respectivement prévues pour la période comprise entre le 1^{er} octobre 1935 et la date d'expiration des accords d'avril et mai 1935 ;

4° Etant donné que les montants transférés seront insuffisants pour payer les coupons sur la base de pourcentage de 32½% stipulé dans les accords, les paiements réduits qui seront maintenant effectués ne comporteront pas pour le Gouvernement bulgare une libération complète l'autorisant à annuler le solde des coupons, comme cela serait le cas si ces accords étaient exécutés.

5° Le Gouvernement bulgare s'engage à faire profiter les emprunts visés dans le communiqué du traitement le plus favorable qu'il pourrait être amené à accorder à l'une quelconque des dettes contractées ou garanties par l'Etat bulgare ;

6° Le Gouvernement bulgare discutera avant la fin de la deuxième semaine de mars 1936 au plus tard, avec les organisations de porteurs les modalités qui seront ultérieurement appliquées au service de ses emprunts extérieurs.

II. RECOMMANDATIONS DU COMITÉ FINANCIER.

Lors de sa cinquante-neuvième session en septembre dernier, le Comité financier avait proposé au Conseil de la Société des Nations d'approuver une élévation de la faculté d'émission de bons du Trésor de 300 millions et d'autoriser la Banque nationale à escompter ces bons.

Il avait subordonné cette acceptation à certaines conditions à réaliser dans le budget de 1936.

Cette réalisation doit être assurée par le nouveau Gouvernement bulgare, appelé au pouvoir le 23 novembre, sous la présidence de M. Kiosséivanov et dont M. Gounev, ancien vice-gouverneur de la Banque nationale de Bulgarie est le ministre des Finances. La tâche que ce gouvernement a à accomplir d'ici au 1^{er} janvier, commencement de l'exercice, est particulièrement lourde et ardue.

Dès sa constitution, le Gouvernement, après avoir proclamé son « sincère attachement à la Société des Nations », a affirmé son intention de « redresser les finances de l'Etat, nécessité absolue pour pouvoir entreprendre l'amélioration économique du pays, en établissant un budget réel unifié, équilibré par des économies rationnelles et qui mette fin aux déficits budgétaires ». Le Gouvernement se propose d'« unifier et de simplifier le système fiscal », et de poursuivre « la rationalisation et la modernisation de l'administration des finances ». Il recherchera, « après une étude attentive et complète », la stabilité des fonctionnaires. Par ailleurs, en matière économique, le Gouvernement « encouragera l'initiative privée dans le cadre de l'intérêt général », et il se refusera à toute « expérience hâtive, » en particulier dans le domaine monétaire.

Les projets et les intentions du nouveau Gouvernement bulgare devront, en partie, être réalisés par le prochain budget. Ces réformes ne seront donc définitives qu'au moment où le budget, actuellement en pleine élaboration, sera promulgué. Néanmoins, répondant par avance aux recommandations du Comité financier, le Gouvernement s'est déjà prononcé sur plusieurs projets :

1. Le Gouvernement a décidé la réintégration dans le budget de 1936 de tous les fonds visés dans le rapport de la Commission spéciale dont les travaux et les conclusions ont été portés à la connaissance du Comité financier en septembre dernier.

Trois exceptions ont été faites, qui ont été proposées ou acceptées préalablement par le Comité des Quatre, créé en 1933 (cf. rapport du Comité financier au Conseil du 12 septembre 1935, pages 5 et 6). La première concerne les fonds constitués à la Banque agricole pour amortir les avances consenties avec la garantie de l'Etat à certains débiteurs insolubles, victimes d'inondation ; ces fonds sont alimentés par un intérêt supplémentaire de 1% perçu sur le montant des avances. Ces fonds disposent d'environ 3 millions, les rentrées à attendre ne dépassent pas annuellement 100.000 leva. La deuxième est relative au fonds constitué pour des buts scientifiques. Il est géré par l'Université, organisme autonome. Il est alimenté par les versements des étudiants au titre de droits et taxes universitaires. Son revenu annuel est d'environ 5 millions et demi. La troisième concerne le fonds des routes, dont le maintien est considéré comme indispensable pour permettre au ministre de Travaux publics d'assurer les opérations financières nécessaires à l'exécution d'un programme de refecton des routes. Les ressources de ce fonds, évaluées à 245 millions dans le budget de 1935, ne dépassent pas effectivement 180 millions. Ce fonds ristournera au budget de 1936 une somme forfaitaire de 60 millions.

La réintégration des fonds permettra à la Trésorerie de disposer du solde disponible des fonds au 31 décembre, soit environ 50 millions. Les avances faites par les fonds au Trésor et représentées par des bons, soit environ 100 millions, seront annulées du fait de la réintégration, et le Trésor disposera d'une marge complémentaire nouvelle d'émission de bons d'environ 100 millions. La réintégration représentera donc pour le Trésor, au 1^{er} janvier 1936, des ressources nouvelles ou une faculté d'emprunt d'environ 150 millions.

Les recettes et les dépenses des fonds indiqués seront à l'avenir incorporées aux recettes et aux dépenses des budgets ordinaires. Les recettes du budget de 1936 seront augmentées de versements estimés dans le budget de 1935 à 300 millions environ, qui, accrus de la ristourne du fonds des routes (60 millions) représenteront pour le nouveau budget une contribution de 360 à 400 millions. Les dépenses du budget de 1936 seront augmentées des charges jusqu'ici supportées par les fonds. L'effort entrepris par le Gouvernement bulgare pour réduire au minimum le plus strict les dépenses ordinaires du budget portera spécialement sur les dépenses des fonds, et le ministre des Finances espère réaliser sur elles une substantielle économie.

A l'avenir, aucun nouveau fonds ne pourra être créé que par voie législative, après autorisation préalable du ministre des Finances. Ces nouveaux fonds ne pourront être alimentés par des ressources qui, par leur nature, sont ou pourront être des revenus de l'Etat.

2. Les crédits votés par des lois spéciales pour des périodes dépassant l'année budgétaire et pour des dépenses extra-budgétaires sont supprimés, et à l'avenir aucun crédit de ce genre ne sera plus accordé.

Les crédits non utilisés au 1^{er} octobre 1935 seront annulés à la date du 1^{er} janvier 1936 ; les engagements pris sur ces crédits et non encore réglés devront l'être sur les crédits accordés aux ministères et directions par les budgets ordinaires.

3. Tous les paiements des dépenses publiques sont désormais effectués sur mandats de paiement ; les paiements sur récépissés provisoires ont été supprimés.

Seuls les paiements de la Dette publique continuent à être faits sur des ordres directs de cette Direction et sont inscrits au débit du compte courant ouvert à la Dette publique à la Banque nationale.

4. Le contrôle du ministre des Finances par les budgets mensuels a été complété et renforcé par une lettre-circulaire N° 7461 adressée aux ministères et directions le 5 novembre.

5. La Banque nationale a reçu pour instructions de ne payer à partir du 1^{er} novembre que les mandats portant la référence d'un budget mensuel et dans la limite des budgets mensuels.

Les instructions nécessaires ont été données aux comptables des ministères et directions, à la Haute Cour des comptes et à la Banque nationale (circulaire du ministre des Finances N° 7461 du 5 novembre et décision de la Haute Cour des comptes N° 387/0 de la même date).

6. Le contrôle des engagements de dépenses déjà organisé en octobre 1926 a été remis en pleine vigueur et renforcé par une circulaire N° 5826 du ministre des Finances, du 2 septembre.

Il donne lieu à l'envoi au Ministère des Finances de situations mensuelles, dont la première est de fin octobre. Cette situation indique, d'une part, le montant des mandats émis et à émettre, des engagements pris et non réglés et, d'autre part, les crédits autorisés. L'on en déduit les crédits libres restant à utiliser jusqu'à la fin de l'année.

En dehors des mesures déjà adoptées, des études sont poursuivies pour 1° regrouper et reclasser par nature les recettes et les dépenses du prochain budget. Les recettes des nouveaux fonds incorporés, celles des anciens fonds incorporés dans le budget de 1928, devront être réparties d'après leur nature. Par ailleurs, on envisage le regroupement, en tenant compte des conclusions de la Commission spéciale dont il a déjà été question 2° Une nouvelle organisation de la comptabilité publique fait l'objet des travaux d'une commission spéciale ; elle doit permettre, comme l'a demandé la Commission déjà indiquée, de comptabiliser les mandats émis en même temps que des paiements faits.

Cette réorganisation doit précéder l'adoption du budget de gestion. Elle ne pourra être mise en œuvre avant la fin de l'année, et le budget de 1936 sera encore un « budget d'exercice ».

Le budget actuellement en préparation prévoit l'amortissement des bons du Trésor escomptés à la Banque nationale en vertu des deux autorisations données par le Conseil en mai et septembre derniers, soit 200 millions (150 millions pour la première série, et 50 millions pour la seconde).

Enfin, la recherche de l'équilibre du budget est la première préoccupation du nouveau Gouvernement bulgare. Il l'a affirmé chaque fois qu'il en a eu l'occasion et, pour y parvenir, il a entrepris immédiatement la revision rigoureuse et la refonte complète des projets de budget déposés précédemment par les ministères et directions. L'étude des budgets donne lieu à l'examen de toute l'organisation administrative du pays dans un esprit d'économie et de meilleur rendement, et de nombreuses améliorations sont envisagées. Le nouveau budget doit, dans l'idée du Gouvernement, marquer une première et importante étape dans la voie de la réforme administrative qui figure dans son programme et qu'il entend poursuivre sans défaillance.

III. CRÉDIT.

a) *Banque nationale.*

L'examen de la situation de la Banque nationale au 15 novembre dénote des changements importants, consécutifs au développement des exportations pendant l'automne. Le poste « autres devises » s'augmente du fait de l'accroissement des comptes de clearing. Le financement des récoltes et des exportations de produits agricoles a doublé l'importance du portefeuille et des avances qui, au 15 novembre, était de 587 millions, chiffre le plus élevé qui ait été enregistré à cette date depuis 1930.

L'Etat, utilisant les facilités nouvelles qui lui ont été accordées, a augmenté de 155 à 755 millions l'escompte des bons du Trésor. La demande accrue des crédits a porté la circulation totale à 3.595 millions (plus 304 millions), chiffre légèrement inférieur au chiffre correspondant de la dernière année.

Les modifications aux statuts de la banque, autorisées par le Conseil de la Société des Nations sur le rapport du Comité financier, en septembre 1935, ont été décidées le 19 octobre (*Journal officiel*, N° 236).

b) *Autres établissements de crédit.*

Le bilan d'ensemble au 30 septembre des six grandes banques de Sofia montre pour celles d'entre elles qui travaillent avec le capital étranger, une diminution sensible de la liquidité par rapport au 30 juin dernier. Pour les mêmes banques, le montant du portefeuille escompté et des avances est en régression de près de 100 millions, alors que pour deux banques proprement bulgares, ces mêmes postes sont en augmentation de 189 millions. Chez les premières, les dépôts, aussi bien « d'épargne » que « commerciaux, » diminuent progressivement ; chez les autres, on constate une stabilité plus grande. Les demandes saisonnières de crédits ont été satisfaites grâce au réescompte de la Banque nationale. Les variations signalées ci-dessus étant en sens contraire pour les banques travaillant avec le capital étranger et pour les autres, n'apparaissent pas au bilan qui a été publié en appendice II, b) et qui totalise les chiffres relatifs aux six grandes banques privées.

Le resserrement habituel en automne se manifeste également à la Banque agricole et coopérative. Le poste « caisse » est tombé de 528 millions au 30 juin à 227 millions au 30 septembre, en raison, soit de retrait de dépôts, soit de l'octroi de nouvelles avances aux coopératives. La banque dispose, par ailleurs, de réserves importantes, constituées par son portefeuille de bons du Trésor réescomptables à la Banque nationale.

La situation des banques populaires est caractérisée par les mêmes phénomènes : retrait de dépôts et augmentation de la demande de nouveaux crédits.

L'activité des transactions agricoles touche à sa fin et il est probable que les mouvements constatés plus haut pourront, à bref délai, se renverser.

c) Primes commerce extérieur.

La répartition en trois listes des produits donnant lieu à compensation et la variété, suivant les pays, des produits exportés d'une part, la différence de valeur réelle entre les monnaies, d'autre part, expliquent que les primes de « compensation » ne soient pas les mêmes pour tous les pays. En octobre dernier, par exemple, la moyenne des prix payés en compensation était de :

	%
Allemagne	2,1
Autriche	6,8
Italie	9,4
Yougoslavie	13,3
France	23,1
Belgique	35,7
Suisse	23,4
Royaume-Uni	29,9
Etats-Unis	24,0

On peut remarquer que les primes sont presque indépendantes de la valeur intrinsèque des différentes devises et qu'elles dépendent surtout de l'abondance plus ou moins grande de ces devises sur le marché bulgare.

La prime moyenne au cours des derniers mois a varié comme suit :

	Devises libes %	Autres devises %
Juin	38,1	27,5
Août	39,7	26,8
Septembre	34,9	20,7
Octobre	26,8	17,5

La tendance à la baisse signalée dans le précédent rapport persiste.

d) Allégement des débiteurs.

La Banque agricole et coopérative donne des renseignements provisoires sur le nombre des demandes d'allégement et le montant des dettes auquel elles s'appliquent :

	Nombre	Montant (millions de leva)
Total des demandes présentées par les débiteurs	281.177	6.431,9
Décomposition par créanciers :		
1. Banque agricole et coopérative	154.172	1.694,7
2. Coopératives de crédit	70.462	768,9
3. Banques populaires	36.081	780,5
4. Banques privées et particuliers	102.533	3.178,8
	<hr/>	<hr/>
	363.248	6.431,9

Le nombre des débiteurs ne concorde pas avec le nombre des créanciers. Un débiteur peut souvent, en effet, l'être de plusieurs créanciers.

Les demandes d'allégement concernant la Banque agricole portent sur plus de 70% des prêts consentis par cette banque auxquels la loi est applicable. La part des banques populaires dans les montants ci-dessus représente 30% de leur portefeuille (y compris les créances douteuses), alors que pour les coopératives de crédit agricole, le pourcentage atteint 80%. En ce qui concerne les banques privées et les particuliers, il est difficile de donner aucun renseignement précis, étant donné que l'on ignore le montant des prêts accordés.

A en juger par les chiffres relatifs à la Banque agricole et aux banques populaires, l'allégement moyen accordé aux demandes de débiteurs est de 29%. La caisse d'amortissement s'attend à émettre des obligations pour un montant d'environ 4,5 milliards de leva.

IV. COMMERCE EXTÉRIEUR.

L'augmentation saisonnière du commerce extérieur a été particulièrement importante pendant les deux mois envisagés, tout spécialement en ce qui concerne l'exportation. En octobre, la valeur des exportations, 556 millions, aussi bien que l'excédent de la balance commerciale ont été les plus élevés constatés depuis 1931. La balance du commerce extérieur, qui était négative, est devenue positive, et pour les dix premiers mois de l'année, l'excédent est de 192 millions contre 110 en 1934 et 433 en 1933. Ce résultat est dû en particulier à l'accroissement de l'exportation des raisins de table, qui s'éleva, pour septembre et octobre, à 207 millions, contre 133 l'année dernière. La valeur des tabacs exportés a, elle aussi, augmenté

(68 millions en octobre 1935 contre 58 en octobre 1934), due plus à une élévation de prix qu'au volume plus grand des exportations. Les exportations de tournesol, de haricots, de fourrage ont contribué également à l'amélioration constatée. Il en est de même pour les œufs, qui bénéficient d'une amélioration des prix.

Il est à noter que l'exportation des « produits non spécifiés » continue à croître. Pour les dix mois de 1935, elle est de 219 millions, contre 135 en 1931. Parmi ces produits, beaucoup appartiennent à la troisième liste de la Banque nationale et, en conséquence, le produit de leur vente peut être employé dans une proportion plus grande soit à l'achat de produits importés, soit au transfert et au paiement de créances commerciales et financières sur la Bulgarie. L'exportation des produits de cette catégorie comporte des prix plus élevés et tend donc à s'accroître.

L'importation est encore largement influencée par la grande affaire gouvernementale de compensation. Les importations de janvier à octobre de cette année excèdent de 525 millions celles de la période correspondante de l'année écoulée ; cet accroissement porte sur 215 millions pour les machines, 126 millions pour les wagons de chemin de fer et les automobiles, et 169 millions pour les métaux et objets métalliques. Par contre, l'importation de textiles et produits textiles est tombée à 584 millions, contre 636 l'année dernière.

La distribution du commerce extérieur par pays est indiquée dans l'appendice IV. La prépondérance de l'Allemagne, tant dans l'exportation que dans l'importation, y apparaît une fois de plus. Pour les dix premiers mois des trois dernières années, la valeur comparée du commerce bulgare avec l'Allemagne a été de :

	Exportations			Importations		
	1933	1934	1935	1933	1934	1935
Valeur (millions de leva) . . .	817	761	1.209	710	762	1.229
Pourcentage du total	36	39	47	38	42	52

Le pourcentage le plus élevé après celui de l'Allemagne est celui de la Tchécoslovaquie, avec 8% pour les exportations et 10½% pour les importations.

Sanctions.

La loi qui donne effet aux sanctions applicables à l'Italie en guerre avec l'Ethiopie a été promulguée le 16 novembre (*Journal officiel*, N° 258). C'est avec inquiétude que la Bulgarie voit se fermer un débouché important pour elle, puisque l'Italie occupait le troisième rang parmi les pays importateurs de produits bulgares.

V. SOCIÉTÉS COOPÉRATIVES.

Les statistiques à la fin de 1934 dénotent une sérieuse augmentation du nombre des coopératives en activité et de leurs membres (cf. appendice III). Le nombre des coopératives en activité était à cette date de 4.888, contre 4.202 au 31 décembre 1933, et le nombre de leurs membres était de 836.700 contre 807.500. Le total des bilans (en déduisant les comptes d'ordre et statistiques) s'élevait à 13.263,8 millions de leva contre 11.823,7 millions à la fin de 1933.

Des dispositions législatives récentes (voir plus loin « Législation économique et sociale ») entraîneront la liquidation des coopératives propriétaires d'immeubles, au nombre de 403, comprenant 9.201 membres, avec un bilan total de 2,2 milliards de leva. En outre, un grand nombre des coopératives d'assurances (1.485) existent seulement en apparence et sont, en fait, des organismes de la Banque agricole et coopérative ; 1.474 d'entre elles, assurant le bétail, n'ont aucun actif propre et ce sont les onze sociétés restantes qui possèdent les avoirs indiqués à l'appendice III.

Les banques populaires continuent à réaliser les profits les plus importants, mais ces profits vont en diminuant chaque année. Après elles, viennent les coopératives d'assurances. Pour la première fois en 1934, le total des profits des coopératives de consommation a dépassé le total de leurs pertes, ce qui marque le succès du travail de consolidation entrepris. Toutes les autres coopératives accumulent les déficits ; la situation la plus critique est celle des coopératives de crédit dont l'endettement grandit alors que les actifs réels diminuent et sont peu à peu représentés par des créances douteuses. Il a déjà été indiqué, à l'occasion de l'allègement des débiteurs, les dangers de cet état de choses. La même observation peut être faite en ce qui concerne les coopératives de production.

VI. AGRICULTURE.

Les renseignements provisoires fournis sur l'ensemencement de l'année 1934 montrent une diminution importante des surfaces ensemencées, qui ne serait pas inférieure à 160.000 hectares, ou 6% des surfaces ensemencées à la même époque de l'année dernière et à 200.000 hectares sur l'ensemencement total de 1934. Les premières évaluations étant généralement trop faibles, il y a lieu d'attendre des chiffres définitifs. La mauvaise récolte de l'année dernière et le manque de semences expliquent peut-être cette diminution, la tendance à restreindre les ensemencements de céréales n'en apparaît pas moins nettement des chiffres donnés dans l'appendice V.

Les surfaces cultivées en plantes industrielles et fourragères sont, par contre, en légère progression et la tendance des cinq dernières années est à l'augmentation de ces sortes de

cultures. La surfaceensemencée en céréales représente néanmoins, pour cette année, 85,6% des surfaces cultivées et 87,8% pour la moyenne des années 1929 à 1934 ; les céréales restent donc la principale culture de la Bulgarie. Le développement des plantes industrielles et fourragères est assez irrégulier et, pour certaines d'entre elles, il semble que l'on en est encore au stade expérimental ; c'est le cas notamment de la betterave à sucre, du colza et du coton. Pour la première fois cette année, on a cultivé du soya ; les résultats semblent satisfaisants.

Un décret gouvernemental de mai dernier a autorisé une augmentation de 20% des surfaces cultivées en tabac. Les premiers renseignements indiqueront une augmentation effective de 55% sur les chiffres définitifs de 1934 et de 75% sur les chiffres provisoires à la même époque de l'année dernière.

La récolte totale de céréales est légèrement inférieure à la moyenne des cinq années 1929-1934 et est supérieure de 25% à la dernière récolte. Sauf pour le riz, toutes les récoltes de céréales ont été meilleures cette année. Quoique le rendement du tabac par hectare soit moindre qu'en 1934, on estime que la récolte sera supérieure d'un tiers à celle de 1934. On a recueilli 8.400 tonnes de coton contre 3.900 l'année dernière. La Banque agricole qui, seule, peut légalement acheter et vendre du coton, a traité 1.500 tonnes l'année dernière et estime que ses opérations porteront cette année sur 3.000 tonnes.

La restauration du vignoble bulgare, après les dévastations causées par le phylloxéra, se poursuit de façon satisfaisante ; la production du raisin de table s'est développée rapidement et constitue aujourd'hui un élément particulièrement important du commerce d'exportation. Toute plantation nouvelle doit être contrôlée par le Ministère de l'Agriculture et être réalisée en plants nommément désignés.

L'augmentation de la culture et de la production des autres fruits et légumes est remarquable ; les tomates, par exemple, ont été exportées, cette année, en quantités appréciables et ont été bien reçues sur les marchés étrangers.

Au 15 novembre, la Direction des céréales avait acheté 273 mille tonnes de céréales de la récolte de 1935, dont 248,3 de blé, 20,5 de seigle et 4,1 de mélange. Il a été vendu 92,6 mille tonnes, donné en avance pour semences 12,1 mille tonnes. Le stock en magasin est de 168,3 mille tonnes. Les achats en 1934 jusqu'au 30 novembre avaient été de 217,2 mille tonnes, soit 55,8 mille tonnes de moins qu'au cours de la présente année. La Direction des céréales a vendu pour l'exportation 17,5 mille tonnes, alors que, l'année dernière, aucune exportation de la récolte 1934 n'avait été faite.

La Direction des céréales a acheté 60.000 tonnes de tournesol de la dernière récolte, dont 50.000 ont déjà été vendues pour être exportées ; les 10.000 tonnes restantes sont destinées à la consommation intérieure. Les prix de vente à l'exportation ont été, d'après les statistiques, voisins de 2,3 leva par kilo f.o.b. port bulgare, prix dans lequel n'est pas comprise la prime dont bénéficie l'exportateur, soit environ 0,5 leva par kilo. Etant donné que la Direction a acheté le kilo de tournesol 3 leva franco wagon, elle a supporté une perte qui doit être couverte par les taxes à la consommation et sur la fabrication d'huile de tournesol.

VII, LÉGISLATION ÉCONOMIQUE ET SOCIALE.

a) *Loi sur les sociétés coopératives de construction.*

Les premières coopératives de construction furent créées en 1932. Une habile propagande les développa rapidement, mais l'absence de toute réglementation entraîna de nombreux abus. Une loi a été promulguée, le 11 septembre 1935 (*Journal officiel*, N° 204, qui organise le contrôle indispensable tant des coopérateurs que de l'administration.

b) *Loi sur les propriétaires d'appartements.*

En vertu de cette loi, promulguée le 9 novembre 1935, *Journal officiel*, N° 251, les coopératives propriétaires d'immeubles sont obligatoirement liquidées et remplacées par des organisations de propriétaires d'appartements. On se rappelle que le boom de 1931-1934 avait amené le développement rapide des constructions d'immeubles destinés au logement. Les coopératives qui s'en chargèrent étaient financées principalement par les coopératives de crédit. La crise qui sévit rendit si difficile le remboursement des avances qu'au début de cette année, la Banque agricole fut autorisée à poursuivre le recouvrement, à défaut du paiement par les coopératives défailtantes, sur les propriétaires d'appartements eux-mêmes. La loi actuelle est la suite logique de celle qui avait été promulguée alors. Les coopératives propriétaires d'immeubles sont obligées de liquider et de répartir la propriété de l'immeuble entre leurs membres. Les organisations de propriétaires d'appartements existaient déjà depuis la loi du 15 février 1933. Elle est complétée et amendée pour s'adapter aux circonstances. La gestion des immeubles, objet de la nouvelle loi, est assurée par l'assemblée de tous les propriétaires et confiée à un gérant nommé par elle. Les décisions de l'assemblée sont obligatoires pour tous ses membres.

c) *Loi sur le tabac (Journal officiel, N° 265, du 27 novembre).*

La nouvelle loi régit la culture, le commerce et la fabrication du tabac. Ses principales dispositions sont :

La surface qui pourra être cultivée en tabac est fixée chaque année par le Conseil des ministres, sur la proposition du ministre des Finances. Les autorités communales comptabilisent et suivent toute l'activité des cultivateurs : surfaces cultivées, quantités produites, manipulées, vendues.

Les contrats de vente doivent être enregistrés par elles. Les cultivateurs ne peuvent warranter leurs récoltes de tabac sauf à la Banque agricole. La vente du tabac n'est permise qu'aux cultivateurs disposant d'installations suffisantes.

Le ministre des Finances peut être autorisé par le Conseil des ministres à acheter des tabacs bruts pour les besoins de la consommation intérieure. Les conditions de ces achats sont rendues obligatoires et sont publiées au *Journal officiel* par le ministre des Finances. Le tabac brut non manipulé est frappé, en cas d'exportation, d'un droit de douane de 10 leva or (francs) par kilog.

Aucune nouvelle fabrique ne peut être ouverte sans une autorisation du ministre des Finances. La capacité totale des fabriques autorisées ne peut excéder de plus de 40% les quantités de produits fabriqués et vendus au cours de l'année précédente. Seules les fabriques produisant uniquement pour l'exportation peuvent être autorisées au delà de la limite indiquée.

Le ministre des Finances détermine pour chaque fabrique le montant des banderolles qu'il doit acheter pour l'année. Un contrôleur d'État est institué dans chaque fabrique, chargé d'en surveiller toutes les activités. L'inventaire des magasins est fait au moins une fois par an.

d) *Organisation de la population rurale.*

Une loi du 22 novembre 1935 (*Journal officiel*, N° 263) organise les paysans sur des bases analogues à celles qui ont été précédemment adoptées pour les industriels, ouvriers et artisans (cf. trente-quatrième rapport). Une organisation est prévue dans chaque commune, appelée « zadrouga », dont toute personne âgée de plus de 21 ans peut faire partie. L'adhésion est libre, mais la cotisation de membre, fixée entre 30 et 120 leva par an, est obligatoire et perçue par les agents du fisc en faveur de l'organisation. Au-dessus des zadrouga communales sont établies des zadrouga de district et au-dessus de ces dernières, des zadrouga départementales. L'assemblée générale d'une zadrouga est composée de représentants des zadrouga de l'échelon inférieur. Le système est couronné par un congrès, qui comprend les présidents et les secrétaires des zadrouga de département et de district et trois représentants de chaque zadrouga de district désignés par les assemblées générales. Les conseils de direction des zadrouga sont élus par les assemblées générales. Un comité central de toutes les organisations bulgares comprend dix membres élus par les assemblées générales des zadrouga départementales et dix membres élus par le congrès et les représentants des branches les plus importantes de l'agriculture ayant une organisation propre ou, en l'absence de telles organisations, désignés par le ministre de l'Economie nationale. Les secrétaires des zadrouga sont membres de droit des conseils de direction ; ils sont nommés par l'administration. Ils sont, en fait, les gérants des zadrouga et leurs caissiers. Les budgets des zadrouga et du comité central sont préparés par des secrétaires, soumis aux différents conseils de direction, assemblées et congrès et approuvés par le ministre de l'Economie ou son délégué. Les recettes consistent en cotisations des membres, subventions de l'Etat et des municipalités et en d'autres ressources. Sur les recettes, 60% sont prélevés pour le Fonds de l'assistance mutuelle et 30% employés au frais de l'organisation. Les 10% restant ne sont pas affectés.

Les zadrouga ont pour objet : 1° d'organiser les paysans au nom de l'Etat et dans leur propre intérêt ; 2° de développer l'agriculture et les différentes cultures ; 3° de défendre les intérêts moraux et matériels de leurs membres ; 4° d'être leurs interprètes auprès du Gouvernement et de discuter avec lui les réformes intéressant l'agriculture ; 5° de conseiller et d'assister l'Etat dans le développement de sa politique agricole ; 6° de désigner les représentants officiels de la population rurale lorsqu'il en est prévu par les lois ; 7° d'offrir à leurs membres le service de caisses d'assistance mutuelle, d'assurances et de pensions ; 8° de travailler avec le concours de l'Etat au relèvement du niveau de l'existence dans le village et à l'amélioration du bien-être et de l'hygiène du paysan.

VIII. ÉTABLISSEMENT DES RÉFUGIÉS BULGARES.

1. *Position au 31 octobre 1935 du compte bloqué de l'emprunt 1926.*

	Leva
Produit net	1.614.296.149
Dont mis à la disposition du service d'établissement	1.610.824.302
	<hr/>
Solde en dépôt à la Banque nationale	3.471.847

2. *Rendement des revenus gagés.*

(En millions de leva.)

Chapitres du budget	Encaissements		1/12 des évaluations budgétaires
	Septembre	Octobre	
13. Accise sur le sel, le café, les boissons, etc., importés	14,5	20,6	17,5
14. Accise sur le vinaigre, la bière, etc., indigènes et versement remplaçant l'accise sur l'alcool . .	9,8	3,8	4,2
17. Accise sur le sel, le sucre, etc., indigènes	22,3	27,3	29,2
19. Vente des allumettes	7,2	8,0	6,8
Total	<hr/> 53,8	<hr/> 59,7	<hr/> 57,7

Les versements des réfugiés affectés au remboursement des dépenses d'établissement ont atteint les montants ci-après (en leva) :

	Septembre	Octobre	Antérieurs	31 octobre 1935
Intérêts	52.421	77.981	5.286.393	5.416.795
Amortissement et impôt foncier	1.015.075	31.537	18.758.433	19.805.045
Total.	1.067.496	109.518	24.044.826	25.221.840

3. *Utilisation de l'emprunt.*

Les engagements restant à régler au 31 octobre 1935 s'élèvent à 5.915.181 leva. Pour y faire face, la Direction générale de la Dette publique dispose de :

	Leva
Banque nationale, compte Commissariat	3.471.847
Banque nationale.	2.443.334
	<u>5.915.181</u>

IX. EMPRUNT DE STABILISATION 7 1/2% 1928.

1. *Position au 31 octobre 1935 du compte bloqué de l'emprunt.*

	Leva
Produit net	3.370.065.553
Dont mis à la disposition des administrations	3.367.458.760
	<u>2.606.793</u>
Solde en dépôt à la Banque nationale	

2. *Rendement des revenus gagés (douanes).*

	(En millions de leva.)		
	Septembre	Octobre	1/12 des évaluations budgétaires
	54,7	62,1	61,29

soit une moyenne mensuelle de 58,4 millions.

3. *Utilisation du produit de l'emprunt.*

I. Chemins de fer et ports :

	Leva
La totalité de cette tranche s'est montée à	672.300.000
dont engagés au 31 octobre 1935	
Solde non engagé	
Reste à payer sur engagements opérés	
Solde à engager ou à payer	
Sommes aux mains de l'Administration	
Solde à recevoir du produit de l'emprunt	
	Chiffres non encore reçus

II. Routes et ponts :

La totalité de cette tranche s'est montée à		182.031.732
dont engagés au 31 octobre 1935		181.844.182
		<u>187.550</u>
Solde non engagé		—
Reste à payer sur engagements opérés	Leva	
Sommes aux mains de l'Administration	187.550	
Solde à recevoir du produit de l'emprunt	—	
		<u>187.550</u>

Appendice I.

**a) RÉSULTATS PROVISOIRES DES DIX PREMIERS MOIS DE L'EXERCICE 1935
COMPARÉS AUX RÉSULTATS DES EXERCICES PRÉCÉDENTS.**

(En millions de leva.)

	Données annuelles			Résultats provisoires 1 ^{er} janvier-31 octobre			
	Résultats définitifs		Prévisions budgétaires 1935	1934	1935	10/12 des prévisions 1935	%
	1933-34	1934					
I. RECETTES.	(12 mois)	(9 mois)	(12 mois)				
A. Budget de l'Etat :							
Impôts directs	455,7	418	432	469,4	352,1	360	97,8
Douanes	626,3	684	945,5	705	657,2	787,9	83,4
Accises	1.315,1	920,7	1.375	999,8	1.049,8	1.145,8	91,6
Taxes et droits de timbre	552,5	339,9	568	368,6	375,2	473,3	79,4
Amendes et confiscations	71,9	74,8	92	76,3	73,1	76,7	95,3
Annuité des chemins de fer et recettes ports	118,6	52,6	163,9	24,9	123,6	136,7	90,4
P. T. T.	259,2	198,1	280	217,1	198,4	233,3	85
Domaines et capitaux	189,9	221,3	331,3	224,3	229,7	276	83,2
Participation des communes aux appointements des instituteurs et médecins	329,6	212,7	320	231,1	227,7	266,7	85,3
Recettes diverses	488,3	60	251,5	69,9	64,7	209,6	30,8
Fonds incorporés	286	130,6	185,1	140,8	145,3	154,2	94,2
Recettes sur exercices clos	286	225	320	251,3	254,2	266,7	95,3
Reprises en recettes des soldes non transférés du service de la dette extérieure	293,8	175,6	430,8	319,4	291,3	359	81,1
Total	4.986,9	3.713,3	5.695,1	4.097,9	4.042,3	4.745,9	85,1
Total des recettes ordinaires (sans les soldes non transférés)	(4.693,1)	(3.537,7)	(5.264,3)	(3.778,5)	(3.751,0)	(4.386,9)	(85,3)
B. Budget des chemins de fer et ports	1.276,1	915,5	1.454,8	1.018,1	986,9	1.063	92,8
C. Budget extraordinaire	—	259,5	—	—	—	—	—
Total général	6.263	4.888,3	7.149,9	5.116	5.029,2	5.808,9	86,5
Total général des recettes ordinaires (sans les soldes non transférés)	(5.969,2)	(4.712,7)	(6.719,1)	(4.796,6)	(4.737,9)	(5.449,9)	(87,7)

	Données annuelles			Résultats provisoires 1 ^{er} janvier-31 octobre			
	Résultats définitifs		Prévisions budgétaires 1935	1934	1935	Dépenses autorisées par budgets mensuels	%
	1933-34	1934					
II. DÉPENSES.	(12 mois)	(9 mois)	(12 mois)				
A. Budget de l'Etat :							
a) Pouvoir suprême	66,9	32,7	46,5		33,8	33,3	101
Cour des comptes	15,2	11,2	21,5		15	17,3	86
Affaires étrangères et Cultes	140,4	108,4	158,2		105,2	124,5	84
Intérieur et Santé publique	367,9	267,4	393,4		233,2	302,7	77
Instruction publique	838,3	548,6	785,4		539,9	637,7	84
Finances et Dette publique	2.037,8	1.445,9	2.210,6		1.595,2	1.490,8	107
Justice	178,8	122,2	167,7		113,1	134,7	84
Guerre	793	724	1.010		610,8	811	75
Economie nationale	328	217,9	365		203,3	282,6	71
Communications	499,7	387,2	536,8		291,1	415,3	70
Crédits supplémentaires divers	125,6	485,7	—		111,9	—	—
b) Dépenses en souffrance	—	—	—		469,2	—	—
Total A	5.391,6	4.351,2	5.695,1		4.321,7	4.250	102
B. Budget des chemins de fer et ports							
a) — — — — —	—	—	—		782,2	—	—
b) Dépenses en souffrance	—	—	—		397,1	—	—
Total B	1.104,3	786,9	1.454		1.179,3	925	126
Total général	6.495,9	5.138,1	7.149,1	5.595,8	5.501	5.175	106
Déficit budgétaire	232,9	249,8	—	479,8	471,8	—	—

b) RÉSULTATS MENSUELS DES DEUX DERNIERS MOIS.
(En millions de leva.)

	Septembre			Octobre		
	1934	1935	Budget mensuel 1935	1934	1935	Budget mensuel 1935
RECETTES.						
A. Budget de l'Etat :						
Impôts directs	30,7	20,6	38	71,8	54,9	53
Douanes	85,2	69,2	67	83	82,7	70
Accises	105,6	112,2	112	110,8	127,3	120
Taxes et droits de timbre	38	41,1	38	41,2	45,5	38
Amendes et confiscations	9,7	7,2	6	15,9	12,7	6
Annuité des chemins de fer	—	13,7	13,7	24,9	13,7	13,7
P. T. T.	17,6	17,2	19	20,7	19,8	20
Domaines et capitaux	16,2	27,3	17	14,8	27,6	20
Participation des communes aux appointements des instituteurs et médecins	24,2	21,1	24	4	22,8	22
Recettes diverses	5,1	5,4	7,4	6,0	7,3	7,4
Revenus des fonds incorporés	19,1	15,1	15	19,5	19,3	14
Recettes sur exercices clos	25,8	23,6	22	63,9	52,2	30
Reprises en recettes des soldes non transférés de la dette publique extérieure	—	—	35,9	68,3	91,9	35,9
Total	377,2	373,7	415,0	541,2	577,7	450
Total des recettes ordinaires non compris les sommes ré- cupérées	(377,2)	(373,7)	(379,1)	(472,9)	(485,8)	(414,1)
B. Chemins de fer et ports	118,9	123,6	105	126	152,5	120
Total mensuel général	496,1	497,3	520	667,2	730,2	570
Total mensuel non compris les sommes récupérées	(496,1)	(497,3)	(484,1)	(598,9)	(638,3)	(534,1)
DÉPENSES.						
A. Budget de l'Etat	545,6	469,9	415	523,7	498,0	450
B. Chemins de fer et ports	103	92,2	105	148,7	141,1	120
Total des dépenses réglées	646,8	562,1	520	672,4	639,1	570
Dépenses en souffrance (+ ou — au cours du mois)	— 197,4	+ 7,1	—	+ 3,6	+ 141,4	
Total mensuel général	451,2	569,2	520	676	780,5	570
Total mensuel non compris la reprise en recettes	(451,2)	(569,2)	(484,1)	(607,7)	(688,6)	(554,1)

**c) SITUATION DÉTAILLÉE A FIN OCTOBRE 1935 ET COMPARÉE
DU RECOUVREMENT DES IMPÔTS DIRECTS.**

(En millions de leva.)

Impôts	Résultats 1 ^{er} janvier-31 octobre				Prévisions 1935	
	1934	1935	+ ou -	% de 1935 par rapport à 1934	Quote-part exigible	% des recou- virements
Impôt foncier	46,8	6,6	- 40,2	14	10	65
Impôts cédulaires	224,7	182,6	- 42,1	82	200	91
Impôt sur le revenu global	19	12,1	- 6,9	64	20	60
Impôt sur les sociétés	25	19,2	- 5,8	77	30	64
Impôt sur les bâtiments	30,8	2,8	- 28	9	6	45
Impôt sur les brebis et les chèvres	56,6	41,9	- 14,6	75	40	105
Impôt sur l'exemption de la pres- tation	25,9	32	+ 6,1	123	25	128
Impôt militaire	20,1	21,5	+ 1,4	106	23	93
Impôt sur les successions	20,5	33,4	+ 12,9	163	25	133
Total	469,4	352,1	- 117,2	75	379	92
Impôts arriérés	238,2	240	+ 1,7	100	1.260,8	19
Amendes et intérêts sur impôts arriérés	52,5	47,4	- 5,1	90	—	—
Total général	760,1	639,5	- 120,6	84	—	—

d) SITUATION DE LA TRÉSORERIE.

(En millions de leva.)

	1935	
	Septembre	Octobre
Solde au début du mois des comptes du Trésor à la Banque nationale.	328,3	264,6
RECETTES		
Budget de l'Etat	373,7	577,6
Chemins de fer et ports	123,5	152,5
Recettes extrabudgétaires	1,1	—
Emissions supplémentaires de bons du Trésor	—	131,1
Emissions d'obligations	—	—
Total	826,6	1.125,8
DÉPENSES		
Budget de l'Etat	469,8	498
Chemins de fer et ports	92,2	141,1
Dépenses sur recettes extrabudgétaires	—	6,2
Solde en fin de mois des comptes du Trésor à la Banque nationale.	264,6	480,5
Total	826,6	1.125,8
Solde en fin du mois des mandats de paiement en souffrance, environ	724,9	866,5
Solde déficitaire net, environ	460,3	385,8

Appendice II a.

SITUATION DE LA BANQUE NATIONALE DE BULGARIE.

(En millions de leva.)

	15 novembre 1933	15 novembre 1934	15 août 1935	15 novembre 1935
ACTIF.				
Or monnayé et non monnayé	1.521	1.547	1.583	1.583
Devises-or	57	11	12	10
Autres devises	48	106	142	308
Monnaies divisionnaires	389	230	501	400
Portefeuille et avances de commerce. . .	313	362	287	582
Bons du Trésor.	578	673	600	755
Dette de l'Etat.	2.873	2.783	2.698	2.671
PASSIF.				
Capital versé et réserve	1.693	1.738	1.758	1.753
Billets de banque en circulation	2.602	2.660	2.157	2.353
Comptes courants et de dépôts	1.611	1.670	1.966	2.003
dont de banques	(891)	(534)	(641)	(617)
Exigibilités en devises.	72	60	107	136
Couverture	35,76%	34,57%	36,09%	33,45%
Taux de l'escompte	8%	7%	6%	6%
Circulation totale	3.454	3.671	3.297	3.595

Appendice II b.

SITUATION DES BANQUES PRIVÉES EN BULGARIE

AUX 30 SEPTEMBRE 1934, 30 JUIN 1935 ET 30 SEPTEMBRE 1935.

(En millions de leva.)

	30 septembre 1934	30 juin 1935	30 septembre 1935
ACTIF			
Caisse et Banque nationale	411,2	351,0	393,8
Autres banques.	148,3	107,4	110,6
Effets escomptés	1.188,9	1.126,9	1.359,4
Avances	1.913,0	1.974,5	1.800,6
Gages	181,6	264,6	215,2
Placements.	268,0	230,4	209,4
Immeubles et mobilier	278,2	262,5	260,8
Contentieux et effets protestés	660,0	651,7	655,9
Divers	466,9	496,4	469,4
Balance	5.516,1	5.465,4	5.475,1
PASSIF			
Capitaux.	1.212,8	1.108,5	1.058,2
Dépôts d'épargne	1.222,8	1.229,9	1.212,6
Dépôts commerciaux	1.378,8	1.380,5	1.362,3
Autres créditeurs	560,1	524,9	569,9
Banques	52,9	59,0	46,1
Réescompte	361,7	266,2	401,3
Gages	181,6	264,6	215,2
Succursales.	194,5	209,8	223,1
Divers	350,9	422,0	386,4
Balance	5.516,1	5.465,4	5.475,1
Encaisse envers dépôts	15,8%	13,4%	15,3%
Contentieux envers avances et effets escomptés	21,3%	21,0%	20,8%

Appendice III.

**NOMBRE, COMPOSITION, ACTIF ET PASSIF DES COOPÉRATIVES AYANT FONCTIONNÉ
EN 1932, 1933 ET 1934.**

(En millions de leva.)

		Consom- mation	Economie rurale	Banques popu- laires	Loge- ment ¹	Assurance	Produc- tion et Fourni- ture	Centrale	Total
Nombre fonctionnant le :									
31 décembre 1932	. . . . .	139	1.555	243	224	987	589	43	3.878
31 décembre 1933	. . . . .	142	1.590	252	281	1.133	658	42	4.202
31 décembre 1934	. . . . .	165	1.653	256	403	1.485	759	45	4.888
Membres (en milliers)	. . . . .							
	1932	79,9	163,9	160,9	7,5	178,1	139,4	17,2	783,4
	1933	81,0	165,3	163,6	8,1	182,8	149,9	16,2	807,5
	1934	84,2	166,0	166,5	9,4	192,1	157,8	16,2	836,7
ACTIF.									
Emprunts et avances	. . . . .							
	1932	0,3	964,7	1.997,7	—	291,9	—	329,9	3.938,2
	1933	0,3	967,7	1.901,0	18,6	306,8	—	401,5	3.987,9
	1934	0,1	855,0	1.873,6	—	310,4	—	437,6	3.956,5
Matériaux et marchandises	. . . . .							
	1932	83,5	174,4	42,6	—	—	325,5	135,1	801,1
	1933	89,5	180,7	46,8	—	—	412,0	164,5	894,7
	1934	91,9	207,7	62,6	—	—	428,7	242,4	1.037,6
Autres débiteurs	. . . . .							
	1932	38,6	220,7	507,0	277,3	30,3	815,6	220,8	2.192,5
	1933	41,0	269,0	596,4	323,7	29,1	917,0	345,2	2.610,1
	1934	41,9	354,7	684,6	382,1	25,4	977,1	283,3	2.836,8
Immeubles et mobiliers	. . . . .							
	1932	26,2	196,8	149,7	949,9	78,3	935,9	176,5	2.461,1
	1933	41,5	192,3	159,4	1.222,8	117,6	938,9	80,2	2.802,9
	1934	43,6	181,7	174,0	1.805,7	125,2	1.023,2	110,1	3.512,2
Comptes statistiques	. . . . .							
	1932	20,5	17,4	1.161,3	13,5	2.215,0	144,9	895,9	4.807,6
	1933	20,6	12,9	1.280,4	14,0	2.338,1	158,2	948,2	5.092,5
	1934	24,5	15,6	1.485,5	14,7	2.534,1	205,1	1.176,4	6.628,4
Perte nette	. . . . .							
	1932	3,0	54,2	0,8	0,4	0,3	71,8	35,2	195,0
	1933	4,8	65,5	4,1	0,5	0,1	74,5	37,7	187,7
	1934	2,8	78,8	6,0	0,3	1,1	78,7	51,0	219,5
Balance ²	. . . . .							
	1932	204,9	1.881,9	4.486,2	1.249,5	2.824,9	2.379,6	1.859,5	15.897,0
	1933	229,6	1.962,6	4.481,9	1.599,5	3.007,2	2.612,6	2.076,9	16.916,2
	1934	242,8	2.024,6	4.902,3	2.208,7	3.257,4	2.841,7	2.485,5	19.892,2
PASSIF.									
Capitaux et fonds	. . . . .							
	1932	44,7	449,9	798,7	942,6	568,6	712,1	167,2	3.881,3
	1933	58,2	476,4	819,9	1.222,5	629,9	780,1	175,6	4.347,2
	1934	58,5	488,4	846,1	1.779,2	667,2	839,1	173,9	5.028,1
Dépôts	. . . . .							
	1932	57,9	485,0	1.993,6	3,3	0,0	59,2	109,0	3.020,6
	1933	61,5	499,9	1.793,0	23,8	0,0	56,9	122,7	2.848,5
	1934	65,2	518,4	1.950,4	—	0,0	51,0	141,6	3.164,3
Dettes	. . . . .							
	1932	78,0	873,2	471,5	288,6	20,4	1.426,1	681,0	3.988,2
	1933	85,2	921,0	543,8	338,2	25,6	1.578,8	823,0	4.456,0
	1934	88,3	964,3	560,9	413,2	38,7	1.699,6	982,2	4.887,5
Comptes statistiques	. . . . .							
	1932	20,5	17,4	1.161,3	13,5	2.215,0	144,9	895,9	4.807,6
	1933	20,6	12,9	1.280,4	14,0	2.338,1	158,2	948,2	5.092,5
	1934	24,5	15,6	1.485,5	14,7	2.534,1	205,1	1.176,4	6.628,4
Profit net	. . . . .							
	1932	2,9	28,1	48,4	0,3	19,9	20,9	4,7	135,0
	1933	3,0	22,3	34,2	0,2	12,8	24,2	5,5	110,4
	1934	4,3	17,9	28,3	0,0	16,6	24,1	5,0	114,1

¹ En 1934, les sociétés d'épargne et de construction ne figurent pas dans les sociétés de logement.

² Cf Débiteurs.

³ Y compris les autres postes.

Appendice IV.

COMMERCE EXTÉRIEUR PAR PAYS PENDANT LES DIX PREMIERS MOIS DE
1933, 1934 ET 1935.

(En millions de leva.)

	Exportations			Importations			Balance		
	1933	1934	1935	1933	1934	1935	1933	1934	1935
Allemagne	817	761	1.209	710	762	1.229	+ 107	— 1	— 20
Italie	176	175	183	252	137	83	— 76	+ 38	+ 100
Autriche	219	120	139	103	84	136	+ 116	+ 36	+ 3
Tchécoslovaquie	84	80	203	85	64	248	— 1	+ 16	— 45
Angleterre	46	38	104	134	113	119	— 88	— 75	— 15
Suisse	126	105	79	127	111	134	— 1	— 6	— 55
Belgique	186	80	26	51	149	32	+ 135	— 69	— 6
Espagne	131	77	42	4	36	43	+ 127	+ 41	— 1
France	86	35	55	84	61	37	+ 2	— 26	+ 18
Egypte	50	71	87	4	11	10	+ 46	+ 60	+ 77
Hongrie	21	7	63	15	19	35	+ 6	— 12	+ 28
Hollande	78	68	41	24	17	35	+ 54	+ 51	+ 6
Etats-Unis	28	11	26	38	41	34	— 10	— 30	— 8
Palestine	25	37	56	3	2	4	+ 22	+ 35	+ 52
Roumanie	13	13	8	88	79	74	— 75	— 66	— 66
Pologne	45	37	53	11	31	22	+ 34	+ 6	+ 31
Danemark	27	32	37	1	1	2	+ 26	+ 31	+ 35
Grèce	4	13	28	15	15	9	— 11	— 2	+ 19
Turquie	13	32	13	22	21	13	— 9	+ 11	0
Suède	1	5	30	9	13	10	— 8	— 8	+ 20
Total	2.278	1.937	2.557	1.845	1.827	2.365	+ 433	+ 110	+ 192

Appendice V.

ENSEMENCEMENTS ET PRODUCTION AGRICOLE DE 1929/30 JUSQU'A 1934/35.

	Terres ensemencées (1.000 hectares)								Production (1.000 quintaux)							
	1934/35 Prélim.	1933/34 Prélim.	1933/34	1932/33	1931/32	1930/31	1929/30	1929/34 Moyenne	1934/35 Prélim.	1933/34 Prélim.	1933/34	1932/33	1931/32	1930/31	1929/30	1929/34 Moyenne
CÉRÉALES	2.419,4	2.579,3	2.617,8	2.682,9	2.697,6	2.655,2	2.719,5	2.674,6	29.904	24.843	24.110	33.307	29.675	35.201	33.585	31.176
dont :																
Froment	1.104,3	1.250,1	1.260,1	1.253,5	1.263,0	1.235,6	1.216,4	1.245,7	13.043	11.316	10.776	15.092	13.098	17.372	15.599	14.387
Seigle	175,2	192,5	199,1	208,6	219,6	242,9	266,1	227,4	1.973	1.670	1.635	2.460	2.294	2.706	3.206	2.460
Méteil	74,0	85,6	88,2	92,2	92,6	104,6	106,9	96,9	773	850	925	1.151	1.115	1.413	1.267	1.174
Orge	202,7	230,3	229,1	243,6	230,7	244,9	280,1	245,7	2.817	1.855	1.874	3.516	2.955	3.453	4.326	3.225
Avoine	108,6	126,4	128,5	132,2	116,5	118,6	139,6	127,1	926	730	745	1.299	1.006	1.025	1.105	1.036
Maïs	718,2	671,0	684,8	726,7	744,1	680,5	683,5	703,9	10.090	8.195	7.898	9.510	8.865	8.888	7.751	8.582
Riz	7,6	5,9	8,0	6,9	7,5	6,9	6,8	7,2	112	88	119	86	101	91	108	101
PLANTES INDUSTRIELLES ET FOURRAGÈRES (sans prai- ries)	415,3	408,9	412,7	387,0	326,1	370,7	342,7	367,9								
dont :																
Tabac	34,8	19,9	22,4	27,2	20,3	34,6	32,1	27,3	275	149	212	245	174	315	269	243
Betteraves à sucre	7,0	—	1,7	12,2	12,6	12,1	23,5	12,4	1.543	—	192	2.961	1.871	2.005	4.023	2.210
Tournesol	105,6	105,1	107,6	83,7	71,9	102,6	64,8	86,1	1.185	981	806	755	612	1.018	552	749
Colza	22,2	16,1	15,6	0,7	1,0	13,2	12,9	8,7	218	107	83	9	8	127	127	71
Sésame	6,9	9,8	10,2	10,4	8,9	7,7	7,5	8,9	15	27	28	34	36	31	23	30
Soya	15,6	—	—	—	—	—	—	—	172	—	—	—	—	—	—	—
Coton	36,2	20,5	19,5	20,5	8,0	5,5	5,5	11,8	84	51	39	24	17	9	8	19
Chanvre	6,6	5,7	5,5	5,3	4,6	3,8	3,7	4,6	34	32	27	21	17	15	15	19
Lin	2,3	1,7	1,1	0,5	0,4	0,7	0,3	0,6	4	6	3	1	0,7	1,5	1	1,5
Vesce	121,9	176,0	182,4	176,6	149,3	146,2	149,4	160,8	3.214	1.869	—	—	—	—	—	—
Haricots	63,7	66,7	67,8	73,2	86,1	79,9	73,9	78,2	547	466	408	598	641	687	511	569
Pommes de terre	14,5	14,9	14,3	14,2	14,4	12,7	12,4	13,6	1.208	1.130	842	809	716	607	631	721
Total	2.834,7	3.006,2	3.030,5	3.069,9	3.023,7	3.025,9	3.062,2	3.042,5								
Vignes	96,1	91,1	92,5	88,3	85,5	82,2	78,0	85,3	5.556	4.953	4.542	4.310	3.970	3.762	2.836	3.884

	Commerce extérieur					Indices économiques							Banque nationale							Caisse d'épargne postale		
	Valeur (millions de leva)			Poids (1.000 t.)		Trans- port sur chemin de fer. Mar- chan- dises arrivées (1.000 tonnes)	Production		Person- nes en- gagées dans l'indus- trie (1.000)	Prix de gros, 1926 = 100	Coût de la vie 1926 = 100	Salaires d'ou- vriers non qualifiés 1926 = 100	Or	Mon- tant net des devises	Porte- feuille commer- cial ^a	Dette cou- rante du gou- verne- ment	Circulation		Couver- ture %		Taux d'es- compte	Dépôts (en mil- lions de leva)
	Impor- tations	Expor- tations	Balance + ou -	Impor- tations	Expor- tations		Houille (1.000 tonnes)	Etoffe de coton (vente) (1.000 mètres)									de bank- notes	totale				
(En millions de leva.)																						
	Moyenne mensuelle					Moyenne mensuelle							Fin							Fin		
1931	388	495	+ 107	24,6	64,1	366	127	—	66	79,1	90,1	78,7	1.511	257	579	279	2.919	3.629	37,69	9 1/2	907	
1932	289	282	— 7	21,8	49,0	376	147	—	68	70,3	83,1	71,3	1.519	123	427	423	2.035	3.521	36,07	8	1.054	
1933	184	237	+ 53	19,2	35,9	335	131	—	59	61,8	77,2	68,6	1.545	141	473	818	2.984	3.971	35,39	8	1.171	
1934	186	211	+ 25	20,5	33,0	327	130	1.647	60	63,6	72,1	63,0	1.547	121	373	655	2.449	3.736	35,71	7	1.382	
1933 :																						
1 ^{er} trimestre	233	172	— 61	16,9	16,5	213	98	—	58	62,3	82,1	68,2	1.520	58	335	443	2.595	3.410	36,78	8	1.141	
2 ^e trimestre	180	291	+ 111	18,1	37,3	294	105	—	53	61,6	76,3	69,3	1.521	32	363	498	2.648	3.464	35,34	8	1.156	
3 ^e trimestre	146	192	+ 46	19,5	37,7	398	138	—	64	62,0	76,2	69,7	1.522	75	377	648	2.738	3.645	35,89	8	1.149	
4 ^e trimestre	175	294	+ 119	22,5	52,2	434	177	—	60	61,3	75,3	67,3	1.545	141	473	818	2.984	3.971	35,39	8	1.171	
1934 :																						
I.	139	248	+ 109	14,9	25,9	300	138	1.611	49	59,1	75,8	65,6	1.546	132	359	768	2.571	3.508	36,80	7	1.260	
II.	155	171	+ 16	15,7	27,3	244	125	1.502	49	62,6	76,3	63,7	1.547	62	355	768	2.400	3.301	35,55	7	1.302	
III.	203	241	+ 38	20,6	69,1	300	98	1.890	47	61,7	75,7	63,7	1.547	112	314	718	2.603	3.580	37,03	7	1.339	
IV.	189	192	+ 3	18,8	43,6	255	81	1.532	49	61,6	73,5	64,9	1.547	88	323	618	2.534	3.470	37,26	7	1.332	
V.	172	172	0	19,3	41,5	299	113	1.602	54	63,0	73,2	64,9	1.547	66	356	658	2.574	3.495	35,82	7	1.320	
VI.	183	131	— 52	21,9	15,9	339	128	1.197	59	64,2	73,1	63,7	1.547	33	367	693	2.604	3.546	35,34	7	1.323	
VII.	181	76	— 105	17,1	9,6	395	121	1.280	61	64,2	73,5	63,7	1.547	40	356	618	2.509	3.482	35,28	7	1.335	
VIII.	200	125	— 75	21,4	28,5	352	121	2.007	66	65,7	73,1	61,8	1.547	140	364	673	2.668	3.726	33,94	7	1.340	
IX.	211	260	+ 49	31,1	38,2	353	147	1.941	71	65,5	73,2	59,3	1.547	99	478	665	2.859	4.000	33,38	7	1.345	
X.	194	300	+ 106	22,2	30,7	421	170	2.037	72	66,2	70,7	61,8	1.547	104	436	671	2.633	3.951	33,73	7	1.354	
XI.	172	300	+ 128	20,3	30,6	362	163	1.789	72	64,8	71,0	61,8	1.547	144	406	641	2.449	3.659	34,09	7	1.365	
XII.	231	319	+ 88	22,5	35,4	299	158	1.371	66	63,8	70,9	61,2	1.547	121	373	655	2.449	3.736	35,71	7	1.377	
1935 :																						
I.	196	129	— 69	18,6	17,6	222	129	935	55	64,5	70,9	58,0	1.547	118	285	655	2.226	3.409	35,12	7	1.423	
II.	168	145	— 23	17,2	12,6	235	141	1.189	45	64,3	71,0	58,0	1.547	271	264	655	2.176	3.342	33,40	7	1.443	
III.	185	192	+ 7	16,1	9,7	238	102	1.168	52	64,2	70,3	58,6	1.552	358	181	616	2.140	3.258	34,06	7	1.444	
IV.	254	443	+ 189	22,0	15,6	267	100	985	50	66,0	68,4	56,7	1.568	317	208	416	2.173	3.344	36,20	7	1.435	
V.	283	265	— 18	27,4	23,2	302	106	1.004	54	64,7	68,1	57,4	1.583	299	218	666	2.123	3.234	33,13	7	1.429	
VI.	281	195	— 86	21,4	13,7	329	127	1.250	63	64,3	68,3	61,2	1.583	174	281	670	2.152	3.286	33,69	7	1.452	
VII.	199	177	— 22	22,5	18,5	374	141	1.626	67	64,2	68,7	58,6	1.583	85	281	600	2.133	3.287	35,79	7	1.470	
VIII.	268	151	— 117	26,6	16,6	401	125	2.157	71	64,0	67,9	58,6	1.583	73	391	600	2.266	3.448	35,53	6	1.468	
IX.	215	304	+ 89	20,8	44,0	465	144	2.968	75	64,4	67,7	57,4	1.583	93	589	605	2.408	3.669	34,79	6	1.477	
X.	314	556	+ 242	23,7	76,0	507	157		75	66,6	67,9	56,1	1.583	112	605	755	2.413	3.682	33,65	6	1.474	

¹ Chiffres révisés.

² Tous les actifs en devises (libres et bloquées) moins les exigibilités en devises.

³ Escompte et avances.

⁴ Escompte et réescompte des bons du Trésor.

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(F. 1499)

Erratum

Genève, le 23 avril 1936.

SOCIETE DES NATIONS

TRENTE-SEPTIEME RAPPORT DU COMMISSAIRE DE LA SOCIETE
DES NATIONS EN BULGARIE

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(Période septembre - octobre 1935)
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E R R A T U M

Page 4, troisième colonne, deuxième chiffre: lire 1.332,0

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