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9. Germany's capacity to deal with her present situation is seriously reduced by her lack of oil. She has for practical purposes no free reserves and must, henceforth, limit her consumption to the much reduced figure of current production. Germany's losses in manpower and equipment have been enormous and she cannot now hope to replace them. She is, moreover, faced with the imminent loss in the Balkans and in the West of natural resources, which are essential to the maintenance of her main effort, on any scale commensurate with its task.

10. The German Navy can no longer decisively influence the battle in the West, despite Germany's plans for carrying on the Atlantic U-boat campaign from Norwegian bases, and the existing patrols in focal areas of shipping in the North Channel and St. George's Channel. The greater part of the German Navy is now operating in the Baltic in direct support of Germany's Armies on the Eastern front. A summary of German naval dispositions is given in Annex B.

11. In face of Allied supremacy in the air, the German Air Force has failed to have any material influence on the course of recent Allied advances in the East, in the West, in the Balkans and in Italy. Though the German Air Force is largely concentrated for the defence of the Reich itself, it cannot prevent the invasion of the Reich, or the final issue of the battle. Moreover, its operational activity is increasingly being reduced by Germany's acute lack of aviation spirit and her shortage of air crews. A summary of German Air Force developments is given in Annex C,

12. Until recently, German strategy was dominated by the determination not to give ground. We believe, however, that Hitler may now have realised that his only hope of using some of his troops, now in outlying parts of Europe, for the prolongation of the war and the defence of the Reich, lies in withdrawing them immediately before they are finally cut off. Even if he has so changed his strategy, however, he has left it too late. During September he might be able to make available three divisions from Scandinavia and Finland, possibly a maximum of seven from Italy and the equivalent of ten new divisions from inside Germany; but the latter would be generally under strength, inadequately trained, short of artillery and only fitted for static defence. Any divisions which Germany can make available will be sent to the West, so long as this front presents the most immediate threat.

13. There remains the question of whether Hitler will withdraw any divisions from the Eastern front. The Germans cannot be confident of holding their present line in Poland even with the forces which they now dispose there. It may be, therefore, that even though Anglo-American forces are on the point of invading Germany itself Hitler will not order any forces to be moved from East to West.

14. On the other hand, whereas the Germans have at the moment an organised front between the Russians and the German frontier, in the West they have nothing but disorganised remnants incapable of holding an Allied advance in strength into Germany itself. We therefore cannot exclude the possibility that Hitler may increase the risks in the East and transfer some divisions from there to the West.

15. However, whatever action Hitler may now take it will be too late to affect the issue in the West where organised German resistance will gradually disintegrate under our attacks, although it is impossible to predict the rate at which this will take place. The situation which may follow will be considered in a subsequent report.

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S.W.1.
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