The increase in Germany's TARGET2 claims

The Bundesbank’s TARGET2 claims went up by €170 billion in 2016 to €754½ billion, having already risen by €123½ billion in the previous year.1 These changes were directly reflected in the German balance of payments as capital exports. This increase also continued into the new year. As at 28 February 2017, Germany’s TARGET2 claims amounted to €814½ billion and were thus significantly higher than the level reached during the peak of the European sovereign debt crisis in the summer of 2012 (see the chart below).2

The main reason for the strong growth in Germany’s TARGET2 balances over the past two years was the implementation of the expanded asset purchase programme (APP). This was due to the fact that a significant part of the asset purchases by the Eurosystem are conducted with credit institutions located outside the euro area. This is especially true of asset purchases from credit institutions operating in the City of London, as international institutions often hold a TARGET2 account with the Bundesbank either directly or indirectly via their subsidiaries domiciled in Germany. If, for example, other Eurosystem central banks purchase securities from investors domiciled outside the euro area and the seller receives a credit entry on a TARGET2 account held with the Bundesbank, this, in itself, would lead to an increase in Germany’s TARGET2 claims.3 If this credit entry is made to an account that the seller holds with a bank domiciled in Germany, the deposits of non-resident investors held with German credit institutions also increase in the other investment

---

1 The sum total of TARGET2 claims/TARGET2 liabilities in the Eurosystem also rose during the reporting year by €245½ billion to €1,058½ billion.
2 At the same time, the Bundesbank’s liabilities arising from the allocation of euro banknotes within the Eurosystem also rose. As at 28 February 2017, these liabilities totalled €330 billion.
3 In these cross-border transactions, any changes to the TARGET2 claims in the Eurosystem as a whole hinge on the existing TARGET2 positions of the NCBs involved in the transaction. This is explained in greater detail in: Deutsche Bundesbank, The impact of Eurosystem securities purchases on the TARGET2 balances, Monthly Report, March 2016, pp 53-56.
This was chiefly due to the higher price of gold, which drove up the value of German gold reserves. All in all, the year 2016 saw the carrying amount of Germany’s reserve assets climb by €16½ billion to stand at a value of €176 billion as at 31 December 2016.