



Deutsche
Bundesbank
Monthly Report
January 1995

Vol. 47
No. 1

Deutsche Bundesbank
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ISSN 0418-8292

The German original of this Report went to
press on January 13, 1995

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Banking statistics
Capital market statistics
Balance of payments statistics
Seasonally adjusted business statistics
Exchange rate statistics

Moreover, in response to written requests
and against reimbursement of the costs, the
Bundesbank makes available, at monthly in-
tervals, a magnetic tape of these statistical
time series.

For information on the articles published be-
tween 1980 and 1994 see the index of art-
icles attached to the January 1995 Monthly
Report.

The Monthly Report and the Statistical Sup-
plements are published autonomously by the
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In the form of catch words, this index provides information on the articles published in the Monthly Report of the Deutsche Bundesbank between January 1980 and December 1994 and on the commentaries on monetary policy measures appearing between January 1983 and December 1994. The articles published prior to this period were last listed in the indexes of December 1966 and December 1981. For the commentaries on monetary policy measures appearing up to December 1982 see the index of December 1984.

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	The market for DM commercial paper	1993	May	59	
	Revenue from and economic implications of the tax on interest income	1994	Jan.	43	
	see also: Capital transactions with non-residents; Securities ownership				
<i>Securities ownership</i>	Security ownership ...				
	... in 1979	1980	May	22	
	... in 1980	1981	May	19	
	... in 1981	1982	May	23	
	... in 1982	1983	May	44	
	... in 1983	1984	May	21	
	Securities ownership in the Federal Republic of Germany in the light of the domestic securities deposit statistics	1989	May	20	
<i>Service trans- actions</i>	The foreign travel account of the Federal Republic of Germany	1981	Aug.	34	
	The foreign travel account of the Federal Republic of Germany	1986	Jan.	24	
	Foreign travel and foreign travel expenditure 1985-86	1988	Jan.	22	

Topic	Heading	Year	Month	Page
<i>Service transactions (cont'd)</i>	The Federal Republic of Germany's service transactions with the rest of the world	1990	Apr.	12
	Payment media in foreign travel see also: Capital transactions with non-residents	1991	July	43
<i>Social security funds</i>	The finances of the social security funds since the mid-seventies	1980	Mar.	20
	The finances of the Federal Labour Office since 1979	1981	Aug.	28
	The finances of the statutory pension insurance funds between 1978 and 1981	1982	Apr.	14
	Recent trends in the finances of the statutory health insurance institutions	1985	Jan.	27
	The finances of the statutory pension insurance funds since the beginning of the eighties	1985	Apr.	12
	The burden imposed by social security contributions since the beginning of the seventies	1986	Jan.	16
	The central, regional and local authorities' expenditure on social benefits in the last five years	1987	July	21
	Recent trends in the finances of the statutory health insurance institutions	1991	Jan.	25
	Current trends in the finances of the social security funds see also: Enterprises	1991	Nov.	30
<i>Travel</i>	see: Service transactions			

Commentaries

Topic	Heading	Year	Month	Page
<i>Discount and lombard rates of the central bank</i>	Lowering of special lombard rate with effect from March 18, 1983	1983	Apr.	5
	Raising of lombard rate with effect from September 9, 1983	1983	Sep.	8/10
	Raising of discount rate with effect from June 29, 1984	1984	July	6/7
	ditto	1984	Sep.	9/10
	Raising of lombard rate with effect from February 1, 1985 (owing to more securities repurchase agreements being offered)	1985	Feb.	8/9
	Lowering with effect from August 16, 1985	1985	Sep.	9
	Lowering of discount rate with effect from March 7, 1986	1986	Mar.	5/7
	Lowering with effect from January 23, 1987	1987	Feb.	7/8
	Lowering of lombard rate with effect from November 6, 1987	1987	Dec.	11
	Lowering of discount rate with effect from December 4, 1987	1987	Dec.	11
	Raising of discount rate with effect from July 1, 1988	1988	Sep.	10
	Raising of lombard rate with effect from July 29, 1988	1988	Sep.	10
	Raising of discount rate with effect from August 26, 1988	1988	Sep.	10
	Raising of lombard rate with effect from December 16, 1988	1988	Dec.	9
	Raising with effect from January 20, 1989	1989	Feb.	8/10
	Raising with effect from April 21, 1989	1989	June	8/9
	Raising with effect from June 30, 1989	1989	Sep.	8/10
	Raising with effect from October 6, 1989	1989	Dec.	7/10
	Raising of the lombard rate with effect from November 2, 1990	1990	Dec.	9/11
	Raising with effect from February 1, 1991	1991	Feb.	9/11
	Raising with effect from August 16, 1991	1991	Sep.	8/11
	Raising with effect from December 20, 1991	1992	Jan.	15/19
	Raising of the discount rate with effect from July 17, 1992	1992	Aug.	15/20
	Lowering with effect from September 15, 1992	1992	Oct.	14/16
	Lowering with effect from February 5, 1993	1993	Feb.	12/18
	Lowering of the discount rate with effect from March 19, 1993	1993	June	13/16
	Lowering with effect from April 23, 1993	1993	June	13/16
	Lowering with effect from July 2, 1993	1993	July	23/24
	Lowering of the lombard rate with effect from July 30, 1993	1993	Aug.	19
	Lowering with effect from September 10, 1993	1993	Sep.	14/16
Lowering with effect from October 22, 1993	1993	Dec.	16	
Lowering of the discount rate with effect from February 18, 1994	1994	June	14	
Lowering with effect from April 15, 1994	1994	June	14	
Lowering with effect from May 13, 1993	1994	June	14	
<i>Exchange rate</i>	Realignment of exchange rates in the European Monetary Fund	1983	Apr.	7
	Realignment of exchange rates in the European Monetary Fund	1983	June	43
	Adjustment of exchange rates within the European Monetary System	1986	Apr.	5
	Adjustment of central rates within the European Monetary System	1987	Jan.	15
	Accession of the Spanish peseta to the exchange rate mechanism of the European Monetary System as from June 19, 1989	1989	July	12/15
	Exchange rate realignment in the European Monetary System	1990	Feb.	41
	Accession of the pound sterling to the exchange rate mechanism of the European Monetary System as from October 8, 1990	1990	Dec.	46
	Exchange rate realignment in the European Monetary System	1992	Oct.	14/16
	Exchange rate realignment in the European Monetary System	1992	Dec.	45/47
	Widening of the margins for obligatory interventions in the exchange rate mechanism of the European Monetary System	1993	Aug.	19
<i>Minimum reserve policy</i>	Amendment of the minimum reserve regulations	1984	Feb.	11
	Revision of the minimum reserve regulations	1986	Jan.	14/15
	Across-the-board increase of 10 % in the minimum reserve ratios as from February 1, 1987	1987	Feb.	10
	Lowering of the minimum reserve ratios as from March 1, 1993	1993	Feb.	14
	Restructuring and lowering of the minimum reserves	1994	Feb.	13/17
<i>Monetary growth target</i>	Reviewing the monetary growth target for 1983	1983	July	5
	Setting a monetary growth target for 1984	1983	Dec.	5

Topic	Heading	Year	Month	Page
<i>Monetary growth target (cont'd)</i>	Review of the monetary target for 1984	1984	Sep.	9
	Setting a monetary target for 1985	1984	Dec.	8
	Review of the monetary target for 1985	1985	July	5
	Monetary target for 1986	1986	Jan.	13
	Reviewing the monetary target for 1986	1986	July	5
	The monetary target for 1987	1987	Jan.	13
	The monetary target for 1988	1988	Feb.	8/9
	Methodological notes on the monetary target variable "M3"	1988	Mar.	18/21
	The monetary target for 1989	1988	Dec.	7/9
	Review of the monetary target for 1989	1989	Sep.	8
	The monetary target for 1990	1989	Dec.	8/9
	The monetary target for 1991	1990	Dec.	9/10
	Review of the monetary target for 1991	1991	July	14/17
	The monetary target for 1992	1991	Dec.	8/10
	Review of the monetary target for 1992	1992	Aug.	15/20
	The monetary target for 1993	1992	Dec.	10/11
	Review of the monetary target for 1993	1993	July	19
	The monetary target for 1994	1994	Jan.	17/21
	Review of the 1994 monetary target	1994	Aug.	19/27
	<i>Open market policy</i>	Increase of limits for the purchase of prime bankers' acceptances under money market regulating arrangements	1983	Feb.	10
Cut in some special refinancing lines		1987	Feb.	10
Cut in some special refinancing lines		1989	Dec.	10
Issue of Bundesbank liquidity paper pursuant to section 42 of the Bundesbank Act		1993	Feb.	15
Discontinuance of auctions of Bundesbank liquidity paper		1994	Sep.	15/16
Further comments on open market policy, in particular on transactions in securities under repurchase agreements and short-term sales of Treasury bills, appear, where necessary, in reports on the economic scene (Feb./June/Sep./Dec.) in the chapter "Money and credit" (see also Table VI, 2 and VI, 3 in the Statistical Section)				
<i>Rediscount and refinancing quotas</i>	Raising of rediscount quotas with effect from February 1, 1983	1983	Feb.	10
	Reduction of rediscount quotas with effect from April 5, 1983	1983	Apr.	5
	ditto	1983	June	9
	Raising of rediscount quotas with effect from July 6, 1984	1984	July	6/7
	ditto	1984	Sep.	9/11
	Raising of rediscount quotas with effect from August 1, 1985	1985	Sep.	9
	Reduction of rediscount quotas with effect from May 1, 1986	1986	Mar.	5/7
	Reduction of rediscount quotas with effect from February 2, 1987	1987	Feb.	10
	Raising of rediscount quotas with effect from November 2, 1988	1988	Dec.	13
	Raising of rediscount quotas with effect from November 2, 1989	1989	Dec.	10/11
	Granting of refinancing quotas for the east German banking system as from July 1, 1990	1990	July	18/19
	Decisions on a "qualified utilisation" of the refinancing quotas with effect from February 1, 1991	1990	Dec.	13
	Reduction of refinancing quotas with effect from July 1, 1991	1991	June	13
	Reduction of refinancing quotas with effect from January 2, 1992	1991	Dec.	11
	The abolition of the refinancing quotas for the credit institutions winding up or refocusing operations in eastern Germany with effect from July 1, 1992	1992	Sep.	12
Conversion of east German credit institutions' refinancing quotas into normal rediscount quotas and reduction of the total quotas with effect from November 2, 1992	1992	Dec.	14	
<i>Shifts of Federal balances (under section 17 of the Bundesbank Act)</i>	Abolition of the deposit requirement pursuant to section 17 of the Bundesbank Act	1994	Jan.	25/40
	Comments, where necessary, in reports on the economic scene (Feb./June/Sep./Dec.) in the chapter "Money and credit"			



Commentaries

Monetary developments

After the decline in October, the money stock M3 (currency in circulation and the sight deposits, time deposits for less than four years and savings deposits at three months' notice held by domestic non-banks – other than the Federal Government – at domestic credit institutions) went on falling in November, according to seasonally adjusted data. The fall in the course of that month was steeper than that on a monthly average. During November, monetary growth was once again primarily curbed by strong monetary capital formation. Domestic non-banks' purchases of the certificates of domestic and foreign money market funds operated in the same direction. In November, the money stock M3 exceeded its average level in the fourth quarter of 1993 by a seasonally adjusted annual rate of 5.8%, compared with 6.8% in October and 7.8% in September. The money stock was thus running within the target corridor of between 4% and 6%, which it had exceeded throughout the previous course of the year.

*Money stock
M3*

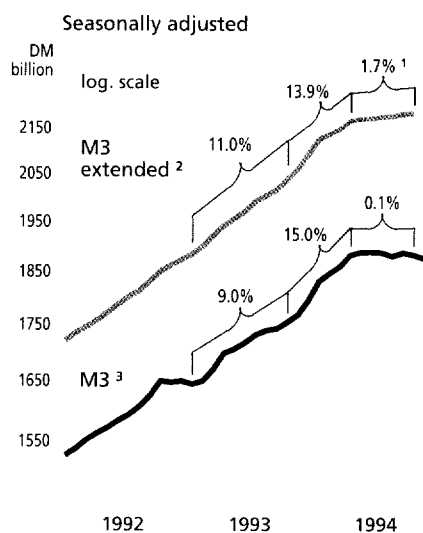
Of the various seasonally adjusted components of the money stock, currency in circulation, sight deposits and shorter-term time deposits all decreased during November; time deposits, in particular, dropped very sharply. Savings deposits at three months' notice, by contrast, continued to grow vigorously.

*Components of
the money
stock*

According to provisional data, domestic non-banks bought certificates of domestic money market funds worth DM 4.1 billion and those of foreign money market funds amounting to

*Extended
money stock
M3*

Money stock M3 and M3 extended



1 All changes annualised. — 2 Money stock M3 plus Euro-deposits, short-term bank debt securities and money market fund certificates in the hands of domestic non-banks, calculated as the average of two end-of-month levels. — 3 M3 as a monthly average.

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DM 1 billion in November, compared with DM 2.3 billion and almost DM 2 billion, respectively, in October. These resources are not counted towards traditional M3. The Bundesbank will include them, however, in a newly defined money stock "M3 extended" (see the article beginning on page 23 ff.). As from August 1994, this aggregate will comprise, in addition to traditional M3, short-term bank debt securities and the deposits lodged by domestic non-banks with German banks' foreign branches and subsidiaries, as well as their investments in domestic and foreign money market funds. To prevent double-counting, domestic money market funds' domestic and foreign bank deposits and their portfolios of short-term bank debt securities will be deducted. Moreover, averages will be computed on the basis of two

seasonally adjusted end-of-month levels of "M3 extended" so as to facilitate comparison with the target variable M3, which is based on "genuine" monthly averages. No reliable figures on Euro-deposits, and thus no figures on "M3 extended", are available for November as yet. In October, the money stock "M3 extended", calculated as described above, went up marginally, whereas M3, as mentioned, declined. Viewed over a period of several months, the two aggregates moved largely in parallel. Thus, "M3 extended" increased by a seasonally adjusted annual rate of 1½% in the six months from May to October, while M3 remained virtually unchanged during that period.

As in October, the sluggishness of monetary growth in November primarily reflects the high level of monetary capital formation. Altogether, DM 20.3 billion in longer-term funds accrued to credit institutions during that month; that was over three times as much as a year before (DM 6.4 billion). Sales of bank debt securities to domestic non-banks (DM 10.9 billion) were in the forefront. Long-term time deposits increased by DM 5.0 billion, the volume of bank savings bonds in the hands of non-banks by DM 3.3 billion. Savings deposits at over three months' notice rose by DM 0.9 billion, banks' capital and reserves by DM 0.3 billion.

*Monetary
capital
formation*

Bank lending to enterprises and individuals, which had accelerated in October, slackened slightly again in November. The main reason for this was that credit extended against securities, which is granted mainly to Federal enterprises, and which had risen rapidly in

Lending

the preceding month, declined somewhat again. Short-term lending to trade and industry, by contrast, grew strongly, after adjustment for seasonal variations. The expansion of longer-term lending tended to be moderate. Overall, bank lending to enterprises and individuals increased by DM 22.0 billion in November; over the past six months it has grown at a seasonally adjusted annual rate of just over 8½ %.

Public authorities

Public sector cash transactions continued to have an expansionary impact on monetary growth in November. Public sector debt to the banking system rose by DM 15.5 billion. All of this increase was accounted for by direct lending. The Federal Government reduced its balances in the banking system, which are not included in the money stock, by DM 2.5 billion.

Net external assets of the banking system

Domestic non-banks' external payments, which had generated sizeable outflows of funds in October, resulted in inflows again – for the most part, presumably, for seasonal reasons – in November. The net external assets of the banking system – an increase in which statistically reflects such inflows to the non-bank sector – went up by DM 10.0 billion during that month, compared with a fall of DM 20.5 billion in October, and a rise of DM 16.8 billion in November last year.

Other factors

Other factors had a contractionary impact on monetary growth in November. This is mainly attributable to a reversal in the trend of cash items in the process of settlement, associated with the introduction of the large-value

The money stock and its counterparts

DM billion

Item	Nov. 1993	Nov. 1994 p	Dec. 1992 to Nov. 1993	Dec. 1993 to Nov. 1994 p
	Change during period			
I. Bank lending to domestic non-banks, total ¹	+ 28.1	+ 37.4	+ 310.3	+ 344.4
1. Lending by the Bundesbank	- 0.1	- 0.0	- 3.8	- 2.5
2. Lending by credit institutions	+ 28.1	+ 37.4	+ 314.1	+ 346.8
to enterprises and individuals of which	+ 14.5	+ 22.0	+ 226.5	+ 270.5
Lending to Federal enterprises ²	- 2.2	+ 0.3	+ 26.8	+ 33.8
Short-term lending to public authorities	- 5.8	+ 7.3	- 8.8	+ 8.6
+ 13.6	+ 15.5	+ 87.6	+ 76.3	
II. Net external assets of credit institutions and the Bundesbank	+ 16.8	+ 10.0	- 68.3	- 91.5
III. Monetary capital formation at credit institutions from domestic sources, total of which	+ 6.4	+ 20.3	+ 82.1	+ 155.7
Time deposits for four years and more	+ 2.4	+ 5.0	+ 31.7	+ 60.1
Savings deposits at over three months' notice	+ 2.4	+ 0.9	+ 22.2	+ 16.3
Bank savings bonds	- 1.6	+ 3.3	- 14.8	- 14.4
Bank debt securities outstanding ³	+ 1.6	+ 10.9	+ 18.5	+ 63.0
IV. Deposits of the Federal Government in the banking system ⁴	- 12.2	- 2.5	+ 2.0	- 2.3
V. Other factors	- 4.2	+ 8.9	+ 25.5	+ 13.0
VI. Money stock M3 (Balance: I plus II less III less IV less V)	+ 54.8	+ 20.7	+ 132.3	+ 86.5
Currency in circulation	+ 4.7	+ 3.1	+ 16.5	+ 14.0
Sight deposits	+ 48.5	+ 34.4	+ 35.2	+ 30.1
Time deposits for less than four years	- 4.3	- 21.1	+ 28.4	- 35.2
Savings deposits at three months' notice	+ 6.0	+ 4.4	+ 52.1	+ 77.6
Memorandum items				
Seasonally adjusted money stock M3 as a monthly average ⁵				
Annual change from 4th qtr of 1993 in % ⁶		+ 5.8		
Annual change over the past six months in %		- 1.3		

¹ Including lending against Treasury bills and against securities. — ² Federal Railways, east German Railways, Federal Post Office and Treuhand agency; partly estimated. — ³ Excluding banks' holdings. — ⁴ Sight deposits and time deposits for up to four years. Until December 1993 central bank deposits of domestic public authorities. — ⁵ Of five bank-week return days (end-of-month levels included with a weight of 50%). — ⁶ Change from the average of the fourth quarter of the previous year expressed as an annual rate.

cheque collection procedure at the Bundesbank at the end of the month.

Securities markets

Debt securities market

Sales of debt securities

In November sales in the German debt securities market were again buoyant. Domestic borrowers issued debt securities to the market value of DM 53.2 billion, compared with DM 52.5 billion in October and DM 65.8 billion a year before. Net of redemptions and after taking due account of changes in issuers' holdings of own-debt securities, net sales came to DM 32.4 billion, against DM 28.8 billion in the previous month and DM 36.7 billion in November 1993. Altogether, it was again mainly longer-term paper (with maturities of over four years) that was sold. In November foreign debt securities were placed in the German market to the extent of DM 2.9 billion (net); they consisted almost exclusively of foreign currency bonds (DM 2.8 billion). During the month under review the amount raised by sales of domestic and foreign debt securities totalled DM 35.3 billion; in October it had amounted to DM 31.9 billion, and a year before to DM 35.7 billion.

Public debt securities

In November the public sector had recourse to the debt securities market to the extent of DM 21.2 billion. The Federal Government increased its securities market indebtedness by DM 9.2 billion; it launched a ten-year debt security issue with a coupon of 7.5% and a volume of DM 10 billion. It received DM 1.2 billion and DM 1.0 billion (net), respectively,

from sales of five-year special Federal bonds and Federal savings bonds. The Treuhand agency sold paper of its own worth DM 8.5 billion (net), and offered by tender five-year Treuhand notes with a coupon of 7.0% and an issue volume of DM 5 billion. Altogether, the Länder Governments and the Federal Post Office raised DM 2.9 billion and DM 0.9 billion, respectively, in the debt securities market. The debt securities market liabilities of the Federal Railways Fund declined by DM 0.6 billion. In November credit institutions sold securities of their own totalling DM 11.1 billion. With net sales amounting to DM 7.2 billion, the focus of the amount raised was again on other bank debt securities. Communal bonds and debt securities of specialised credit institutions were sold to the tune of DM 1.9 billion and DM 1.1 billion (net), respectively. The issuing institutions received DM 1.0 billion (net) from sales of mortgage bonds.

Bank debt securities

In the market for foreign Deutsche Mark bonds, debt securities to the nominal value of DM 4.3 billion were sold in November. After deduction of redemptions, net sales came to DM 2.3 billion, compared with DM 2.2 billion in October and DM 5.7 billion a year before. Almost all these securities were placed abroad.

Foreign Deutsche Mark bonds

In November, foreign investors (DM 21.8 billion) and domestic non-banks (DM 20.1 billion) predominated on the buyers' side of the German debt securities market. While non-residents were mainly interested in public debt securities (DM 16.8 billion), non-banks chiefly purchased bank debt securities (DM

Purchases of debt securities

Sales and purchases of debt securities

DM billion

Period	Sales							Memo item Balance of transactions with non- residents ³
	Total	Domestic debt securities ¹				Foreign debt securities ²		
		Total	of which		Total	of which Foreign Deutsche Mark bonds		
			Bank debt securities	Public debt securities				
1994 October	31.9	28.8	10.5	18.3	3.1	-0.1	+ 7.7	
November	35.3	32.4	11.1	21.2	2.9	0.0	+ 19.0	
Compare 1993 November	35.7	36.7	14.5	22.2	- 1.0	0.8	+ 12.9	
	Purchases							
	Total	Residents					Non- residents ²	
		Total	Banks (incl. the Bundes- bank) ⁴	Non-banks ⁵				
				Total	Domestic debt securities	Foreign debt securities		
1994 October	31.9	21.1	8.0	13.1	10.6	2.5	10.8	
November	35.3	13.5	- 6.6	20.1	17.5	2.6	21.8	
Compare 1993 November	35.7	23.8	15.2	8.6	9.6	- 1.0	12.0	

¹ Net sales at market values plus/less changes in issuers' holdings of own-debt securities. — ² Transaction values. — ³ Purchases of domestic debt securities by non-res-

idents less sales of foreign debt securities to residents; — = capital exports, + = capital imports. — ⁴ Book values; statistically adjusted. — ⁵ Residual.

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9.6 billion). Non-banks increased their portfolios of public debt securities and foreign debt securities by DM 8.2 billion and DM 2.6 billion, respectively; the latter consisted principally of foreign currency bonds. Credit institutions reduced their debt securities holdings by a total of DM 6.6 billion.

Share market

Amount raised

In the German share market, domestic enterprises placed new shares to the market value of DM 1.1 billion in November, against DM 4.2 billion in the previous month and DM 1.7 billion in November 1993. At the same time foreign equities to the value of DM 0.1 billion (net) were sold in the German market. The total amount raised by sales of domestic and foreign participatory instruments came to DM

1.2 billion. In November there were only domestic investors on the buyers' side of the share market. Credit institutions built up their share portfolios by DM 2.4 billion and domestic non-banks increased theirs by DM 0.4 billion. Foreign investors, by contrast, ran down their holdings of German participatory instruments by DM 1.5 billion.

*Share
purchases*

Investment funds

In November domestic investment funds (those open to the general public) received DM 6.5 billion (net). Money market funds took up the vast bulk of the amount raised, at DM 4.4 billion. Bond-based funds and mixed funds sold certificates totalling DM 1.2 billion and DM 0.6 billion net, respectively. Share-based funds and open-end real estate

Amount raised

funds, among the funds open to the general public, recorded only small inflows of funds (DM 0.3 billion and DM 0.1 billion, respectively). Specialised funds took up DM 0.5 billion (net) in all. An inflow of DM 1.7 billion to the bond-based funds was accompanied by outflows of DM 1.3 billion from the mixed funds. Of the specialised funds, share-based funds and open-end real estate funds sold hardly any certificates, on balance. In November foreign investment fund certificates were sold in Germany to the value of DM 2.3 billion (net) – still, for the most part, certificates of foreign money market funds. The total amount raised from sales of domestic and foreign investment fund certificates came to DM 9.3 billion.

*Purchases of
investment
fund certificates*

In November domestic non-banks continued to buy the greater part (DM 6.4 billion) of the fund certificates. They were again most interested in domestic and foreign money market certificates (DM 4.1 billion and DM 1 billion, respectively). Credit institutions increased their holdings of investment fund certificates by a total of DM 1.3 billion. Foreign investors bought certificates of German investment companies to the value of DM 1.6 billion net.

Public finance

Federal cash trends

In the first eleven months of last year, the cash position of the Federal Government was distinctly more favourable than was to be expected in the light of the planning. In that period the cash deficit came to no more than

*January to
November*

DM 37 ½ billion, which was considerably less than a year before (DM 65 ½ billion). This was mainly because cash expenditure was over 3 ½ % down on the year. By contrast, cash receipts increased by almost 3 %. However, in this context attention should be drawn to the fact that cash transactions and the revenue and expenditure recorded in the Federal budget developed along different lines (see the footnote in the table on page 11). Thus, between January and November Federal expenditure, as defined in the budget, rose by just under 2 %, and the increase in revenue in the budget account was higher than that in accordance with cash trends. The Federal Government had no difficulty in financing the cash deficit, especially since it had accumulated large cash reserves at the end of 1993 in the wake of its precautionary borrowing. Since it drew on these funds to the tune of DM 12 billion, it could limit its net borrowing to DM 25 billion (compared with DM 71 ½ billion a year before).

Public debt

November is the month of the year in which the financing requirements of the central, regional and local authorities reach their peak – particularly owing to the payment of Christmas bonuses. The credit markets were therefore called upon to a high degree. In all, new borrowing came to just under DM 24 billion, which corresponded to more than 50 % of the amount taken up in the previous ten months (DM 41 ½ billion). In November the Federal Government raised DM 8 billion (net), the issue of a loan and inflows from sales of tap issues being accompanied by

November

redemptions of financing paper and of loans against borrowers' notes. By far the largest borrowers, however, were the Länder Governments, which took up just over DM 14 billion (net), compared with DM 12 ½ billion between January and October. In this context, loans against borrowers' notes and cash advances from banks, at just over DM 11 billion (net), were in the forefront; the rest was obtained by issuing special Länder bonds and Treasury notes. Net borrowing by the local authorities amounted to an estimated DM ½ billion only, and, of the special funds of the Federal Government, only the Federal Railways Fund drew on the markets to a significant extent (just over DM 1 billion net).

In November the other public borrowers raised just over DM 4 billion (net), DM 3 billion of which was attributable to the Treuhand agency (after deduction of redemptions of old debt), which issued special bonds in that month and, for the rest, confined itself to market regulation. The post office obtained just under DM 1 ½ billion, mainly via market-regulating sales of debt securities and by launching commercial paper. In all, in the months between January and November new borrowing by all public borrowers amounted to DM 102 billion.

December

In December the Federal Government raised just over DM 12 billion (gross) in the markets. In this context, it also took up loans against borrowers' notes on a major scale, viz. in the amount of DM 5 ½ billion. In addition, just over DM 2 billion accrued to it as a result of a Treasury note tender; the rest was accounted for by tap issues and market regulation. After

Federal finance on a cash basis *

DM billion

Item	January to November		November	
	1993	1994 p	1993	1994 p
Cash receipts	395.10	406.34	31.96	30.99
Cash expenditure	460.67	443.74	49.01	45.69
Cash surplus (+) or deficit (-)	- 65.57	- 37.39	- 17.05	- 14.70
Financing				
1. Change in cash resources ¹	+ 2.44	- 11.98	- 12.06	- 6.64
2. Change in Bundesbank advances	- 4.35	-	-	-
3. Change in money market debt	-	-	-	-
4. Change in capital market debt, total	+ 71.58	+ 24.96	+ 4.94	+ 7.99
(a) Treasury discount paper	- 0.09	+ 0.92	-	-
(b) Treasury financing paper	- 0.79	- 7.63	+ 0.19	- 0.89
(c) Federal Treasury notes	+ 9.03	+ 3.88	+ 2.67	+ 0.44
(d) Special Federal bonds	+ 32.92	- 2.97	+ 1.73	+ 1.76
(e) Federal savings bonds	+ 9.13	+ 12.22	+ 1.25	+ 1.01
(f) Debt securities	+ 32.55	+ 35.47	- 0.36	+ 6.56
(g) Bank advances	- 10.07	- 13.98	- 0.52	- 0.91
(h) Loans from social security funds	- 0.67	- 0.64	- 0.01	-
(i) Loans from other non-banks	- 0.32	- 2.17	- 0.00	-
(j) Other debt	- 0.12	- 0.14	+ 0.00	-
5. Seigniorage	0.78	0.45	0.05	0.08
6. Total (1 less 2 less 3 less 4 less 5)	- 65.57	- 37.39	- 17.05	- 14.70
Memo items				
Increase or decrease from the previous year in %				
Cash receipts	+ 3.2	+ 2.8	+ 10.2	- 3.0
Cash expenditure	+ 10.0	- 3.7	+ 13.5	- 6.8

* The transactions recorded here as cash receipts and cash expenditure comprise payments into and out of the accounts carried by the Bundesbank for the Federal Government. The cash receipts and cash expenditure differ from those shown in the official financial statistics primarily because they are recorded not at the time they are entered in the budgetary accounts but at the time of the actual receipt or outpayment, and because transactions on behalf of the European Communities (which are not entered in the Federal budget) are conducted through the accounts of the Federal Government. — 1 Deposits at the Bundesbank and in the money market.

Deutsche Bundesbank

Net borrowing in the market

DM billion

Borrower	1993		1994
	Total	of which Jan. to Nov.	Jan. to Nov.
Federal Government	+ 78.5	+ 71.6	+ 25.0
Länder Governments	+ 44.9	+ 36.1	+ 26.5
Local authorities ^{1, pe}	+ 18.3	+ 15.4	+ 7.7
ERP Special Fund	+ 4.0	+ 4.0	- 0.2
"German Unity" Fund	+ 13.3	+ 12.2	+ 1.6
Debt-Processing Fund	+ 0.1	- 0.0	- 0.2
Federal Railways Fund ²	.	.	+ 5.1
Central, regional and local authorities, total	+ 159.1	+ 139.3	+ 65.5
Memo items			
Treuhand agency ³	+ 39.0	+ 30.8	+ 19.8
Railways	+ 12.5	+ 11.9	.
Post office	+ 7.9	+ 7.1	+ 16.6

¹ Including special-purpose associations. — ² At the beginning of 1994 the old debt of the railways was assumed by the Federal Railways Fund, a new subsidiary budget. — ³ After deduction of the redemptions of old debt.

Deutsche Bundesbank

deduction of the sizeable redemptions, net borrowing came to just under DM 3 billion.

Economic conditions

Manufacturing

The favourable trend in west German industry continued in November. After elimination of the usual seasonal fluctuations, the orders received by the manufacturing sector were virtually as high as in the month before. In October and November, taken together, they exceeded the average level of the third quarter by just over 2%. On an average of the two autumn months foreign orders increased particularly sharply (+ 4%), but domestic orders, too, continued to rise (+ 1%). Total

orders exceeded their level in the comparable period a year previously by 10½% in value and by 9½% in volume. In line with the buoyant demand, the manufacturing sector in the old Länder expanded its output further in the two autumn months, namely by a seasonally adjusted ½% against the average of the summer quarter and by 5% against October-November 1993; after the probable revision of the provisional November figure the increase is likely to be even somewhat larger.

The orders received by the east German manufacturing sector in October were distinctly above the average of the third quarter and more so than is probably usual at that time of the year. Compared with the preceding year, the increase amounted to 12%. Output exceeded the corresponding 1993 figure much more sharply still, namely by 22%, after adjustment for working-day variations.

*Eastern
Germany*

Construction

In October the enterprises of the west German construction industry booked more orders, seasonally adjusted, than in the summer months, but markedly fewer than a year earlier (- 2½% in nominal terms, and - 3½% in real terms). Demand for housing construction work, which had been the driving force behind construction activity for several years, has recently declined perceptibly. Industrial and public construction orders in October were higher again than before. On an average of the first two autumn months the output of the construction sector, whose

Old Länder

*Western
Germany*

Economic conditions in western Germany

Seasonally adjusted ¹

Item	1994						
	1st qtr	2nd qtr	3rd qtr	August	September	October	November ^p
New orders; value	1985 = 100						
Manufacturing ²	121.9	126.9	129.9	126.7	133.8	132.6	132.9
Domestic orders	124.4	130.0	133.6	132.4	134.8	134.7	135.8
Foreign orders	117.8	121.6	123.8	117.3	132.3	129.2	128.1
Construction	196.2	186.1	182.7	184.2	183.7	186.2	...
Housing construction	271.0	261.3	249.5	235.2	264.6	239.1	...
Industrial clients	202.1	200.8	190.3	193.2	188.0	198.4	...
Public clients ³	151.0	137.1	143.4	151.2	140.0	144.4	...
Output ⁴	1985 = 100						
Manufacturing	110.8	114.3	115.8	114.2	115.7	116.5	116.6
Basic and producer goods sector	112.3	116.1	117.2	116.6	118.3	119.0	119.6
Capital goods sector	107.3	111.4	113.6	110.5	113.5	113.8	114.2
Consumer goods sector	110.2	111.9	112.4	112.7	111.4	112.7	110.6
Food, drink and tobacco industry	126.2	127.9	127.8	128.3	125.8	128.6	129.2
Construction	138.6	132.8	132.7	133.0	132.0	138.4	143.9
	1994						
	2nd qtr	3rd qtr	4th qtr	September	October	November	December
Labour market ³	Number in thousands						
Employed ^{5, p}	28 639	28 606	...	28 594	28 604	28 600	...
Vacancies	229	230	247	238	244	250	256
Short-time workers ⁶	320	141	140	148	153	150	117
Unemployed	2 579	2 572	2 543	2 568	2 544	2 533	2 534
Unemployment rate ⁷	8.3	8.3	8.2	8.3	8.2	8.2	8.2
Prices	1985 = 100						
World raw material prices ⁸	41.7	42.4	41.9	41.4	41.0	42.4	42.2
Import prices	78.8	79.0	...	79.2	79.3	80.0	...
Producer prices of industrial products ⁹	101.7	101.9	102.6	102.0	102.2	102.7	103.0
Cost-of-living index ¹⁰	123.1	124.0	124.5	124.2	124.3	124.5	124.8
Construction prices ¹¹	111.0	111.6	...	...	...	...	...

1 Seasonally adjusted by the Census X-11 Method. — 2 Excluding food, drink and tobacco industry. — 3 Seasonal factors recalculated. — 4 Net production index calculated for kinds of activity units. — 5 In western Germany. — 6 Not seasonally adjusted. — 7 Unemployed as % of the

total labour force (excluding the armed forces). — 8 HWWA index in Deutsche Mark. — 9 Domestic sales; 1991 = 100. — 10 All households. — 11 Calculated by the Bundesbank; mid-quarter level.

order backlogs are still relatively high, was 7 % above the comparable level of the previous year; a crucial factor in this sharp increase was that in November 1994 construction activity was hampered by the weather to a lesser degree than a year earlier.

New Länder

The new orders booked by the east German construction industry continued to run at a high level at the beginning of autumn. Compared with the corresponding month in the preceding year, the growth came to 9 % in nominal terms and to 6 % in real terms. Unlike the situation in western Germany, the expansion of the demand for residential construction has continued in the new Länder of late; housing construction orders exceeded their previous year's level by 44 ½ %. The construction industry once again expanded its output in October, surpassing the figure recorded a year earlier by 23 %.

Labour market

*Western
Germany*

The situation on the labour market in western and eastern Germany continued to stabilise towards the end of last year. In the old Länder the seasonally adjusted number of employed, at 28.60 million, was virtually as high in November as in the preceding months; it was 195,000, or 0.7 %, below the figure recorded in the corresponding period a year before. The number of vacancies registered with the labour exchanges, by contrast, rose further in the last few months of last year; after adjustment for seasonal fluctuations, registered vacancies amounted to about 255,000 in December; that was roughly 30,000 more than the figure reached both

around the middle of the year and a year earlier. Unemployment in December remained unchanged against November, at a seasonally adjusted 2.53 million (corresponding to an unemployment rate of 8.2 %); it was thus 50,000 below the peak reached in spring, but 30,000 above the level of the end of 1993. Short-time working continued to decrease markedly. In mid-December only 115,000 employees were affected, compared with 555,000 in December 1993.

In eastern Germany the number of unemployed rose in December by about 35,000 against the preceding month to 1.01 million – an increase which was within the margin usual at that time of the year. It was at the same time roughly 160,000 below the comparable 1993 figure. At the end of last year the unemployment rate was 13.5 %. About 60,000 employees were on short time, 65,000 fewer than at the same time a year earlier. 610,000 persons were participating in labour market policy measures, a total which exceeded the comparable 1993 level by almost 75,000.

*Eastern
Germany*

Prices

Although dollar quotations for crude oil and for food, drink and tobacco fell on the international raw material markets in the last few weeks, the prices of important industrial raw materials continued to go up sharply. In addition, the Deutsche Mark depreciated slightly against the US dollar at times. All this led to a considerable rise in import prices (calculated in Deutsche Mark) in November; the rate of increase against the same month a year

*International
markets*

Import prices

Economic conditions in eastern Germany

Unadjusted figures

Item	1994						
	1st qtr	2nd qtr	3rd qtr	July	August	September	October
New orders; value ¹	Change from previous year in %						
Manufacturing ²	+ 19.4	+ 14.8	+ 19.6	+ 18.2	+ 25.5	+ 16.0	+ 12.1
Domestic orders	+ 26.6	+ 24.9	+ 24.5	+ 22.0	+ 28.8	+ 23.2	+ 18.9
Foreign orders	- 12.0	- 25.3	- 4.4	- 0.8	+ 8.1	- 15.7	- 15.5
Construction	+ 35.5	+ 31.7	+ 21.6	+ 10.6	+ 21.9	+ 32.7	+ 9.0
Housing construction	+ 100.8	+ 70.3	+ 53.6	+ 21.8	+ 86.9	+ 63.0	+ 44.4
Industrial clients	+ 17.2	+ 22.2	+ 9.7	- 1.5	+ 10.2	+ 21.2	- 1.1
Public clients	+ 26.4	+ 22.1	+ 18.8	+ 19.8	+ 6.6	+ 31.0	+ 0.0
Output ^{1, 3}	Change from previous year in %						
Manufacturing	+ 21.7	+ 25.2	+ 17.4	+ 13.3	+ 19.0	+ 19.6	+ 22.2
Basic and producer goods sector	+ 26.3	+ 29.4	+ 24.9	+ 21.6	+ 28.0	+ 25.3	+ 34.0
Capital goods sector	+ 19.5	+ 27.6	+ 13.3	+ 7.0	+ 13.0	+ 18.7	+ 17.8
Consumer goods sector	+ 25.7	+ 24.5	+ 20.5	+ 17.4	+ 23.4	+ 20.6	+ 21.6
Food, drink and tobacco industry	+ 17.9	+ 14.9	+ 15.2	+ 14.2	+ 17.4	+ 13.9	+ 17.0
Construction	+ 22.3	+ 12.1	+ 11.1	+ 8.0	+ 14.0	+ 11.4	+ 23.0
	1994						
	2nd qtr	3rd qtr	4th qtr	September	October	November	December
Labour market	Number in thousands						
Vacancies	48	57	63	63	67	65	51
Short-time workers	117	78	64	73	67	65	59
Unemployed	1,188	1,107	1,003	1,041	1,001	980	1,015
Unemployment rate ⁴	15.8	14.7	13.4	13.8	13.3	13.0	13.5
Persons undergoing vocational further training	249	240	277	255	277	286	281
Persons participating in job-creation schemes	265	303	323	313	321	328	329
Recipients of transitional benefits for early retirement	523	509	494	504	499	494	489
Prices	Change from previous year in %						
Producer prices of industrial products ⁵	+ 0.8	+ 1.1	...	+ 1.2	+ 1.2	...	...
Cost-of-living index ⁶	+ 3.4	+ 3.3	+ 3.0	+ 3.4	+ 3.1	+ 3.0	+ 3.0
Construction prices ^{5, 7}	+ 2.8	+ 2.9	...	...	...	...	...

¹ 2nd half of 1990 = 100. — ² Excluding food, drink and tobacco industry. — ³ Net production index calculated for kinds of activity units; adjusted for working-day variations. — ⁴ Unemployed as % of the total labour force (excluding the armed forces). — ⁵ 1991 = 100. — ⁶ All

employee households, 2nd half of 1990/1st half of 1991 = 100. — ⁷ Calculated by the Bundesbank; mid-quarter level. — ^o From October 1994 affected by adjustment to the figures of the 1994 overall survey.

Western Germany
Industrial producer prices

previously went up to 2.2%. In December seasonally adjusted producer prices of the west German manufacturing sector were likewise raised distinctly; the year-on-year rate of increase rose to 1.6%.

Consumer prices

At the consumer stage the year-on-year rate of increase in December remained at the level of 2.7% reached in November. In seasonally adjusted terms, however, this meant a sharper rise in the cost-of-living index than in the preceding month owing in part to the increase in insurance premiums and the rise in car prices.

Eastern Germany

In the new Länder inflation amounted to 3.0% in December as in November. Excluding rents, it was only 1.6% and thus below the comparable rate for western Germany.

Balance of payments

Current account

Germany's current account – the combined outcome of foreign trade, services and transfer payments – ran a deficit of DM 7.3 billion in October, compared with one of DM 5.4 billion in September. The deficit was higher even after eliminating seasonal influences, mainly as a result of the increased deficits on invisibles, especially services.

Foreign trade

By contrast, there was a distinct improvement in Germany's foreign trade in October; according to calculations by the Federal Statistical Office, the trade surplus rose to DM 7.0 billion from DM 5.2 billion in September. Exports, seasonally adjusted, went up by almost 7% and imports by 2%. A two-month

comparison, which is more informative in view of the persistently sharp monthly fluctuations, showed a rise of just over 1½% for exports and one of 3% for imports in the period September-October as against that of July-August.

The German services account ran a deficit of DM 9.7 billion in October, compared with DM 7.2 billion a month earlier, essentially as a result of the large deficit on investment income payments between residents and non-residents. There was a deficit here of DM 3.9 billion in October, compared with DM 0.8 billion in September. At DM 4.2 billion, the deficit on foreign travel in October was somewhat lower – not least on account of seasonal factors – than it had been in the previous month (– DM 5.1 billion).

The deficit of DM 4.5 billion on transfer payments account was likewise higher than in September (– DM 3.9 billion). In particular, Germany's net contributions to the EC budget, which fluctuate fairly sharply from month to month, rose by DM 0.5 billion to DM 2.0 billion in the month under review.

The net inflows in long-term capital transactions with non-residents increased from DM 4.7 billion net in September to DM 5.3 billion in October. This growth in capital imports is largely due to non-residents' increased investment in the German bond market. Non-residents, who had invested DM 9.8 billion net in domestic bonds in September, purchased DM 10.8 billion worth of these in October. On the other hand, there was a net return abroad of shares and investment fund

Services

Transfer payments

Long-term capital transactions

certificates (excluding shares in money market funds). In the month under review, however, residents, too, increased their purchases of foreign securities (DM 3.2 billion net, compared with DM 1.8 billion in September), especially of foreign currency bonds (DM 3.1 billion net). Overall, net capital imports arising from securities transactions with non-residents (including transactions in official borrowers' notes) amounted to DM 6.6 billion in October, compared with DM 5.8 billion in September. There were also net inflows of funds through the long-term external lending of banks in October (DM 2.7 billion); by contrast, DM 1.3 billion (net) was exported as a result of direct investment.

Short-term capital transactions

Net inflows of DM 4.4 billion arose from statistically recorded short-term capital transactions with non-residents in October, compared with outflows of DM 4.1 billion in September. There was a sharp rise (+ DM 11.4 billion) in the imports of funds by credit institutions, in particular. In the course of this, the short-term external liabilities of the banks went up by DM 5.1 billion, and their corresponding assets went down by DM 6.4 billion. On the other hand, there were net short-term outflows (– DM 10.5 billion) in the case of enterprises and individuals, notably because of the significant increase in their balances with foreign banks. The investment in foreign money market funds which these also contain amounted to DM 1.9 billion in October.

External position of the Bundesbank

The net external assets of the Bundesbank – valued at balance sheet rates – declined by DM 1.1 billion in October. In November they fell by a further DM 1.8 billion, mainly as a

Major items of the balance of payments

Item	1993 ◦		1994 ◦	
	Oct.	Oct.	Sep.	Oct. r
DM billion				
I. Current account				
Foreign trade				
Exports (f.o.b.)	55.3		56.1	60.5
Imports (c.i.f.)	48.3		50.9	53.5
Balance	+ 7.0		+ 5.2	+ 7.0
Memorandum item				
Seasonally adjusted figures				
Exports (f.o.b.)	52.4		55.8	59.6
Imports (c.i.f.)	46.0		51.9	53.0
Supplementary trade items 1 and merchanting trade	– 0.7		+ 0.6	– 0.2
Services				
Receipts	20.8		22.5	18.4
Expenditure	27.4		29.8	28.0
Balance	– 6.6		– 7.2	– 9.7
Transfer payments from non-residents to non-residents	1.3		2.6	1.9
	6.2		6.5	6.4
Balance	– 4.9		– 3.9	– 4.5
Balance on current account	– 5.2		– 5.4	– 7.3
II. Capital account (net capital exports: –)				
Long-term capital transactions				
Direct investment	– 1.0		– 1.4	– 1.3
German investment abroad	– 1.4		– 1.4	– 1.8
Foreign investment in Germany	+ 0.4		– 0.0	+ 0.5
Securities 2	+ 18.2		+ 5.8	+ 6.6
Bank loans	+ 5.1		+ 0.4	+ 2.7
Official loans	+ 0.0		+ 0.2	– 0.1
Other	– 0.4		– 0.4	– 2.7
Balance	+ 21.9		+ 4.7	+ 5.3
Short-term capital transactions				
Credit institutions	+ 2.0		– 1.3	+ 11.4
Enterprises and individuals 3	– 17.4		– 3.2	– 10.5
Official	– 0.8		+ 0.4	+ 3.4
Balance	– 16.3		– 4.1	+ 4.4
Overall balance on capital account	+ 5.6		+ 0.6	+ 9.7
III. Balance of unclassifiable transactions (balancing item)	– 12.4		+ 11.1	– 3.6
IV. Balancing item in respect of the Bundesbank's external position 4	– 0.1		– 0.1	+ 0.1
V. Change in the Bundesbank's net external assets (increase: +) 5 (I plus II plus III plus IV)	– 12.1		+ 6.2	– 1.1

◦ Figures subject to major uncertainties owing to changes in the recording of foreign trade. — 1 Mainly warehouse transactions for account of residents and deduction of goods returned and of processing. — 2 Excluding direct investment; including official domestic borrowers' notes. — 3 Excluding the changes in financial operations with foreign non-banks and in the trade credits for October 1994 which are not yet known. — 4 Differences between the transaction values and the changes in the external position shown in the Weekly Return at balance sheet rates. — 5 Valued at balance sheet rates; including the Treasury discount paper (liquidity paper) issued since March 1993 and sold to non-residents.

Deutsche Bundesbank

result of the repurchase of ECUs which had earlier been transferred to the Bundesbank in connection with EMS redemption payments.

Restructuring the Bundesbank's liquidity account

The streamlining of the Statistical Section of the Monthly Report (see the note on page 5*) which has been effected in the present Report affords an opportunity of updating the Bundesbank's liquidity account, which is published regularly there as part of the overall monetary survey (table II.3 "Central bank money requirements of banks and liquidity policy measures of the Deutsche Bundesbank" (pages 12*/13*)). In its present form, this account has remained virtually unchanged since 1982;¹ correspondingly, it reflects an instrumental/operative approach to ongoing liquidity management which has become less informative in the light of the increasing importance of open market operations since the middle of the eighties. Since then, there have been several changes in the design and deployment of the Bundesbank's liquidity policy instruments, as well as in some underlying conditions for money market policy. As these changes have tended to take place gradually, we have, in the interests of a modicum of continuity, up to now retained the existing structure of the liquidity analysis. But in view of the abolition of the public authorities' deposit requirement with the Bundesbank, which has applied in practice since January last year and de jure too since July 1994, it appears desirable to restructure the liquidity analysis. Since then, a separate

*New account
required*

presentation of public sector cash transactions with the Bundesbank, which used to be very important for bank liquidity, but now are comparatively insignificant, has no longer been appropriate.

The liquidity analysis has been divided into three categories (see the chart on page 20). Up to now, the liquidity effects arising from changes in central bank money (i.e. in currency in circulation and the growth-induced changes in the minimum reserve requirements on domestic liabilities) and from what were known as current transactions (i.e. the changes in the external position of the Bundesbank, domestic non-banks' net balances with the Bundesbank, the float in the Bundesbank system and other factors) have been lumped together in the first category. They have been accompanied, in a second category, by the liquidity policy measures of the Bundesbank, including both longer-run liquidity policy adjustment measures (such as changes in the minimum reserve ratios and in refinancing facilities) and securities repurchase agreements and very short-term fine-tuning policy instruments. The balance of both categories yielded a deficit or a surplus of central bank balances, which was offset, in arithmetical terms, by the banks' drawing on unused refinancing facilities, by their recourse to lombard loans and by changes in excess balances. This structure of the liquidity analysis implied that liquidity adjustment in the money market was effected primarily by

*The liquidity
analysis to date*

¹ See Deutsche Bundesbank, Central bank money requirements of banks and liquidity policy measures of the Bundesbank – notes on the restructuring of the liquidity analysis, Monthly Report, April 1982, page 21 ff.

credit institutions, by way of the active management of their refinancing facilities and their excess balances at the Bundesbank. However, this has no longer been the case since the middle of the eighties. Since then, the Bundesbank has largely squared the money market itself by means of active liquidity management. In this context, the weekly securities repurchase agreements are the most important policy instrument. The banks' independent role, by contrast, is now virtually confined to the flexible use of the open lombard window. Hence lombard loans act as a safety valve in the money market; generally speaking, however, their quantitative significance as part of the management system in use since the middle of the eighties is small.

*Restructuring
the liquidity
account*

The new structure better reflects the Bundesbank's actual approach with regard to the analysis of liquidity requirements and the provision of liquidity; in particular, it brings out more effectively the active role played by the Bundesbank in managing liquidity. In the new account, the first category (which has hardly been changed) containing the determinants of the demand for funds – growth-induced central bank money requirements (I.1) and current transactions (I.2) – is accompanied by a second category, chiefly incorporating the Bundesbank's measures and operations, whose impact on liquidity tends to be at longer term (II.). The balance of the two categories (III.) yields the change in the banks' short-term liquidity deficit. It is systematically kept separate from its counterparts provision of funds (IV.) – securities repurchase agreements, very short-term assistance operations

and lombard loans. In this way, changes in the short-term liquidity deficit in terms of volume and structure and adjustments of the short-term provision of funds by the Bundesbank may be derived directly from the liquidity account.

An important change in the structure of the liquidity account relates to the rediscounting of bills of exchange by credit institutions. Hitherto, banks' recourse to unused refinancing facilities has been shown as an adjustment measure by banks. However, active deployment of bill rediscounting by the Bundesbank in order to offset liquidity deficits and liquidity surpluses at short notice has not been employed for quite a long time. As a rule, utilisation of the rediscount quotas (the credit institutions' most cost-effective source of funds) is close to the technical ceiling, and is very stable, except during periods of pronounced expectations of falling interest rates and at times of adjustment to changes in rediscount quotas. The Bundesbank's liquidity adjustment (by way of its open market operations) is supplemented by the credit institutions only by their recourse to lombard loans, which – in general – is due to friction. The change in liquidity adjustment in the money market has been reflected for quite a while in the analysis of the development of liquidity in the section "Money market management and central bank money requirements" of the quarterly reviews of the economic scene. Here, liquidity management through short-term assistance operations by the Bundesbank has already been highlighted – independently of the liquidity analysis to date – and banks' rediscounting of

Unused refinancing facilities

Central bank money requirements of banks and liquidity policy measures
of the Bundesbank (abridged version)

Previous structure	New structure
<p>I. Provision or absorption of central bank balances by change in</p> <ul style="list-style-type: none"> - central bank money - the external position of the Bundesbank - net balances of domestic <ul style="list-style-type: none"> - public authorities - other non-banks - the float - other factors (including distribution of profit) <p>II. Liquidity policy measures of the Bundesbank</p> <ul style="list-style-type: none"> - change in minimum reserve ratios <ul style="list-style-type: none"> - on domestic liabilities - on external liabilities - change in refinancing facilities - open market operations <ul style="list-style-type: none"> - in long-term paper - in the context of securities repurchase agreements and bill-based repurchase transactions - in liquidity paper - in short-term Treasury bills - foreign exchange swaps and foreign exchange transactions under repurchase agreements, quick tenders - shifts of Federal balances under section 17 of the Bundesbank Act 	<p>I. Provision or absorption of central bank balances by change in</p> <ul style="list-style-type: none"> - central bank money - the external position of the Bundesbank - net balances of domestic non-banks - the float - excess balances - other factors <p>II. Lasting provision or absorption of funds by</p> <ul style="list-style-type: none"> - change in minimum reserve ratios - change in refinancing facilities - recourse to unused refinancing facilities - open market operations <ul style="list-style-type: none"> - in long-term paper - in liquidity paper - distribution of profits
<p>III. Total I. plus II.</p>	<p>III. Change in short-term liquidity deficit (I. plus II.)</p>
<p>IV. Remaining deficit met or surplus absorbed by change in</p> <ul style="list-style-type: none"> - recourse to unused refinancing facilities - lombard loans - excess balances 	<p>IV. Remaining deficit met or surplus absorbed by</p> <ul style="list-style-type: none"> - securities repurchase agreements - very short-term assistance operations <ul style="list-style-type: none"> - quick tenders - foreign exchange swaps and foreign exchange transactions under repurchase agreements - short-term Treasury bill sales - shifts of Federal balances under section 17 of the Bundesbank Act and bill-based repurchase transactions - change in lombard loans

Deutsche Bundesbank

Excess balances

bills has been regarded as a market benchmark. As it is legitimate to consider it to be a lasting provision of funds, recourse to unused refinancing facilities, too, is assigned to category II. In a similar way, the change in banks' excess balances is now likewise regarded as a determinant of banks' liquidity requirements, and no longer as a variable usable to meet a remaining deficit or to absorb a surplus. Excess balances, being a cost factor for banks, are subject to a minimisation rule, and hence are generally small and fairly stable.

Distribution of profits

In addition, the following changes have been made: public sector cash transactions and transactions of other non-banks with the Bundesbank, which have hitherto been shown separately, are now grouped in a single item under current transactions (I.2). This aggregation is due to the abolition of the deposit requirement. The loss of information this causes, when viewed over a period of many years, is minimal, since public sector cash transactions have greatly outweighed those of non-banks in the past. The Bundesbank's distribution of profits to the Federal Government, which has hitherto been included in other factors, is now shown as a separate item under lasting provision or absorption of funds. In view of the profit transfer in groups and the profit generation over the entire year, which is included in other factors on an ongoing basis, this arrangement provides a better picture of the differing time horizons of the associated liquidity effects.

In addition, changes in minimum reserve ratios are shown, as in the past, as lasting influences on liquidity (II.) (now, however,

without a distinction between domestic and external liabilities), as are open market operations of the Bundesbank in the bond market or in liquidity paper and changes in the refinancing facilities. For the above-mentioned reasons, the latter are now joined by changes in banks' recourse to unused refinancing facilities, so that the change in bill rediscounting, too, and hence the net effect of quota measures, if applicable, are easier to perceive as the balance of the two variables.

The change in the short-term liquidity deficit (III.) is calculated as the balance of the categories change in central bank money, current transactions and lasting provision or absorption of funds. The settlement thereof – that is to say, the meeting of the remaining deficit or the absorption of the surplus (IV.) – is shown broken down into securities repurchase agreements, very short-term assistance operations by the Bundesbank and lombard loans. In this context, quick tenders, foreign exchange swaps, foreign exchange transactions under repurchase agreements and short-term Treasury bill sales are recorded separately. The shifts of Federal balances under section 17 of the Bundesbank Act are merely of "historical" interest; much the same applies to the bill-based repurchase transactions shown under the same heading, the last of which dates back to May 1982.

Besides the unused refinancing facilities, the balancing items in respect of the short-term liquidity deficit are included in the memo item in the form of monthly averages. The new differentiation of balancing items highlights, in particular, the key role played by

Short-term liquidity deficit

Memo items

securities repurchase agreements in the Bundesbank's market management policy. They are now being shown as a separate item, and are no longer grouped together with the other (very short-term) assistance measures.

The sum of the balancing items is identical with the respective level of the short-term liquidity deficit. The seasonally adjusted central bank money stock continues to be shown in the last column.

The monetary target for 1995

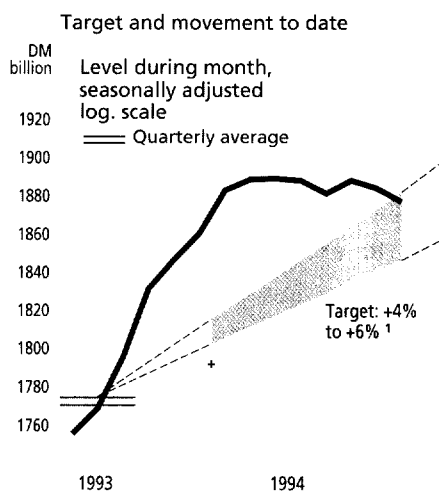
At its meeting on December 22, 1994, the Central Bank Council set the monetary target for 1995. Its decision reads as follows:

"In 1995 the Deutsche Bundesbank will conduct its monetary policy in such a way as to ensure that inflation continues to decline and, at the same time, that the monetary conditions for sustained economic growth remain in place. To this end, the Bank regards it as appropriate for the money stock M3 to expand by 4 % to 6 % between the fourth quarter of 1994 and the fourth quarter of 1995. The target for 1995 is associated with the intention of reducing the overhang remaining from the monetary growth in the course of 1994.

The Bundesbank is thus abiding by its tried and tested strategy of monetary targeting, and underlines that, despite the disruptive influences of the past few years, it still regards the money stock M3 as the key reference variable for its monetary policy.

For analysing monetary developments, it will also monitor the "extended money stock M3", which in future will likewise include the domestic and foreign money market fund certificates held by domestic non-banks."

Growth of the money stock M3 *



* Average of five bank-week return days; end-of-month levels included with a weight of 50%. — + The target corridor has not been shaded until March because M3 is normally subject to major random fluctuations around the turn of the year. —¹ Between the 4th quarter of the preceding year and the 4th quarter of the current year.

Deutsche Bundesbank

Abiding by the strategy of monetary targeting

Medium-term strategy

The monetary target for 1995 sets a clear stability signal. With it the Bundesbank is adhering to its tried and tested policy of monetary targeting which is based on the conviction that inflation can only be lastingly contained by keeping monetary growth within limits. This strategy is based on a medium-term perspective. Transitional disruptive factors, as for instance the bloating of the money stock at the beginning of 1994 that was clearly attributable to special factors, therefore constituted no reason to abandon the strategy of monetary targeting. The Bundesbank underlined this in its review of last year's monetary target back in July 1994.

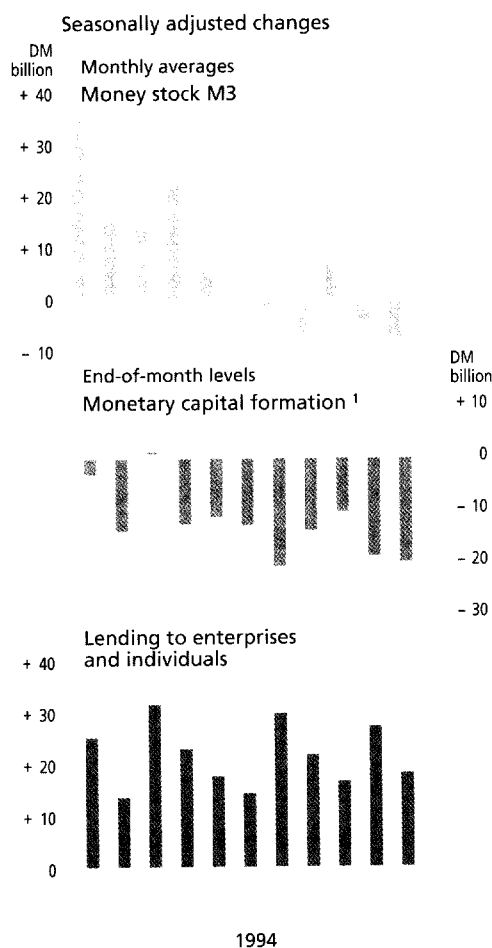
The Bundesbank had even less reason to call into question the use of the money stock as the key reference variable for German monetary policy after the growth of the money stock M3 had moved rapidly towards the target corridor of 4% to 6% from the late spring and actually reached it in November. In that month it was 5.8% above its level of the fourth quarter of 1993 (compared with 15.4% in April). The result for the fourth quarter of 1994 as a whole is likely to be similar; thus, the four-quarter target of 4% to 6% will be met.

Four-quarter target for 1994 reached

The adjustment of monetary developments shows that monetary policy was on the right track, both in terms of the strategy and in terms of its practical implementation. For the slowdown in monetary expansion was not a matter of pure chance but was largely the result of the Bundesbank's interest rate policy. The interest rate reduction of the spring 1994, aimed at widening the gap between the rates for long and short-term financial assets, and the subsequent interest rate policy of holding a steady course had the effect of dissolving the liquidity tailback in the financial markets and of fostering increased monetary capital formation at banks. The latter went up between April and November by a seasonally adjusted annual rate of just over 8½%, compared with only 3½% in the first quarter. This renewed increase in monetary capital formation slowed down monetary growth considerably. The expansion of lending remained fairly buoyant by comparison, but it did not exert its full effect on monetary growth, as it was accompanied by high outflows of funds in non-banks' external payments.

Adjustment of monetary growth bears out strategy and interest rate policy

The money stock M3 and its principal counterparts *



* The changes in the balance sheet counterparts as shown reflect their expansionary (+) or contractionary (-) impact on the money stock. — 1 Monetary capital formation by domestic non-banks at domestic credit institutions.

Deutsche Bundesbank

Monetary relationships basically stable

The normalisation of monetary developments provides confirmation that the Bundesbank can rely on a stable relationship in Germany as a whole between the money stock, interest rates and prices. Internal and most external studies have come to the conclusion that, even after German unification, the long-term monetary relationships retain their validity. This does not rule out the possibility of shorter-term disturbances in the future, too.

However, as long as the financial relations are basically stable, there is no real alternative to the strategy of monetary targeting. The fact that in the last few years more and more central banks have opted for a policy of a direct inflation target does not change our view, since those policies were in most cases not adopted for reasons of principle but on the strength of the assessment that a stable relationship between the money stock and price movements was not, or no longer, given owing to fundamental structural changes in the respective financial markets – particularly as a result of a global spate of deregulation and innovation. When judging the international significance of monetary strategies, one should not overlook the fact that the Bundesbank's monetary targeting strategy performs the role of the nominal anchor for those countries which implicitly or explicitly pursue a strategy of gearing their exchange rate to the Deutsche Mark. And that now applies to most countries in the European Union.

Retaining the money stock M3 as the target variable

In adopting the monetary target for 1995, the Bundesbank is not only persisting with its concept of monetary targeting, it is also sticking to M3 as the target variable. However, it is not unaware of the fact that the definition of the "relevant" money stock has become rather more difficult. On the other hand, the problems associated with differentiating between the financial funds to be included in the money stock M3 and other, relatively

Definition of M3 reviewed

liquid financial assets, are not new. In the past these problems arose for instance with regard to short-term bank debt securities and domestic non-banks' Euro-deposits which the Bundesbank has long since included in the "extended money stock M3."

The latest financial instruments and institutional changes have recently altered the monetary setting and raised new questions for the strategy of monetary targeting. This applies particularly to the money market funds newly licensed by the Second Financial Market Promotion Act. Another factor is the treatment of Federal balances and the special savings facilities in the money stock definition. The growing use of derivative financial instruments could, in theory, likewise impair the informative value of monetary aggregates. However, initial preliminary studies on the monetary policy implications of derivatives, such as were conducted at the BIS by a working group from the central banks of the G-10 countries, come to the conclusion that this problem is not new in principle and that monetary policy makers can view this development so far with relative composure.¹

Money market funds doubtlessly constitute a substitute for traditional bank deposits and other liquid financial assets. Between August and November 1994 domestic non-banks invested just over DM 19 billion in German and foreign money market funds. From the outset, the Bundesbank has recorded purchases of money market fund certificates in a sort of monetary subaccount in order to take due account of such purchases when assessing monetary growth. However, it did not in-

clude money market funds in the money stock M3. Although, owing to this procedure, (statistically recorded) monetary growth over the past few months was slowed down by investment in money market funds, that growth would have come distinctly close to the target corridor in the second half of 1994 even if such investment had been included in the money stock. If it is assumed that investments in money market funds consisted exclusively of shifts from the money stock M3 – and not in part also of shifts from Euro-deposits and monetary capital –, then a money stock M3 extended to include money market fund certificates in the hands of non-banks would in November 1994 have exceeded its average level of the fourth quarter of 1993 by an estimated 6.7% compared with a rate of 5.8% for the traditional measure M3.

The further development of money market funds is uncertain. Given their preferential treatment in the context of property tax², many observers believe that they could have gained greater significance at the turn of 1994–95. Over the longer term, however, a similarly rampant growth like that in other countries – for instance the United States or France – is not to be expected, as the basic conditions are too diverse for that. In Germany, money market funds merely enlarge the range of financial investment vehicles, whereas in those countries they acted as a

¹ See also Deutsche Bundesbank, The monetary policy implications of the increasing use of derivative financial instruments, Monthly Report, November 1994, page 47.

² From January 1995 fund certificates are subject to a rate of taxation of 0.5%, compared with a regular rate of 1%.

means of circumventing interest rate ceilings set by the government, or else they were heavily promoted by the government.

Inclusion of money market funds in "M3 extended"

The monetary character of money market funds is likewise unclear. Seen in terms of their degree of liquidity, they are undoubtedly comparable with bank deposits, which are included in M3. In fact, however, they often also involve interest-rate-responsive financial assets which stem from the forecourt of the capital market and do not perform any direct "payment medium function", at least not in the first place. Owing to this dual nature of money market funds, the Bundesbank will continue to exclude them from its intermediate target variable M3 – at least for the time being – but include them in the extended money stock M3. As of August 1994, this extended measure comprises the components of the money stock M3, deposits at German banks' foreign branches and foreign subsidiaries, and short-term bank debt securities held by domestic non-banks as well as their investments in German and foreign money market funds (less the short-term bank deposits of German money market funds in Germany and abroad and their holdings of short-term bank debt securities, see the adjacent table).

This solution suggests itself for a number of reasons: it accords the same treatment to domestic and foreign money market funds, which is appropriate as they are virtually complete substitutes. Moreover, it takes due account of the fact that, for money market funds, only end-of-month figures are available but no monthly averages, as are avail-

Money stock M3, extended to include deposits abroad, short-term bank debt securities and money market funds

DM billion

End of month	M3	De- posits abroad 1	Short- term bank debt secur- ities 2	Money market funds 3	M3, ex- tended 4
1993 Jan.	1,687.6	211.5	19.2	–	1,918.3
Feb.	1,698.3	220.2	18.3	–	1,936.8
Mar.	1,698.8	218.8	21.0	–	1,938.6
Apr.	1,708.2	218.9	21.6	–	1,948.7
May	1,725.4	220.8	23.1	–	1,969.3
June	1,732.0	220.0	23.4	–	1,975.4
July	1,739.8	229.7	22.9	–	1,992.4
Aug.	1,748.0	224.1	23.4	–	1,995.5
Sep.	1,750.2	231.8	22.6	–	2,004.6
Oct.	1,765.3	249.6	23.1	–	2,038.0
Nov.	1,820.3	248.6	22.7	–	2,091.6
Dec.	1,906.7	247.1	19.7	–	2,173.5
1994 Jan.	1,887.3	260.7	22.1	–	2,170.1
Feb.	1,891.4	253.7	22.9	–	2,168.0
Mar.	1,887.1	254.5	23.6	–	2,165.2
Apr.	1,896.7	253.7	23.4	–	2,173.8
May	1,899.6	253.1	23.1	–	2,175.8
June	1,901.4	243.3	24.3	–	2,169.0
July	1,891.1	247.7	24.7	–	2,163.5
Aug.	1,889.9	245.0	25.1	5.5	2,165.5
Sep.	1,881.6	242.1	24.6	9.5	2,157.8
Oct.	1,885.4	251.3	25.2	12.9	2,174.8
Nov. p	1,906.7	...	23.6	16.3	...

1 Liabilities of domestic banks' foreign subsidiaries and foreign branches to domestic non-banks according to balance sheet statistics; all currencies. — 2 With maturities of less than 2 years. — 3 Domestic and foreign money market fund certificates in the hands of domestic non-banks less the bank deposits of domestic funds in Germany and abroad and their holdings of short-term bank debt securities; partly estimated. — 4 Money stock M3 plus Euro-deposits, short-term bank debt securities and money market fund certificates.

Deutsche Bundesbank

able for M3. Finally, it does not burden M3 with capital-market-related financial assets.

*"Trimming" of
the money
stock M3*

The last consideration appears to be all the more important as the establishment of money market funds has already led to "defensive conditions" and overall to more market-related interest rates for time and savings deposits. That itself has further enlarged the grey area between money and monetary capital. Special savings facilities, too, which have been increasingly offered since mid-1993, show a high affinity to monetary capital. Although formally they are short-term instruments, in most cases the saver receives the higher interest rate only for a longer-term investment. In the first eleven months of the past year, the growth of savings deposits included in the money stock M3 was almost exclusively attributable to the special savings facilities. Even bearing in mind that savings deposits at three months' notice have always served as a means of wealth formation for risk-averse investors, the advance of special savings facilities does appear to have been accompanied by an increase in the share of "disguised" monetary capital in the money stock M3. In order to keep the target variable M3 informative in the light of these developments, a "trimming" seems to be advisable, rather than an extension to include interest-rate-responsive elements. In other words: as a yardstick of liquidity holdings, M3 at present tends to be distorted upwards, and the non-inclusion of money market funds helps correct that distortion to some extent.

A further important consideration is that a very broadly-defined money stock with a high

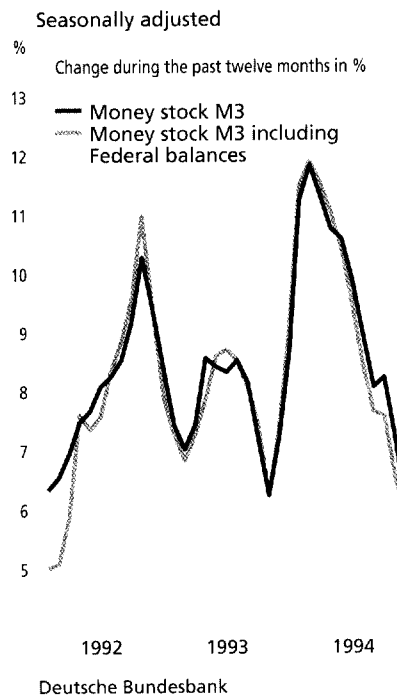
representation of components with market-related interest rates cannot be managed with sufficient reliability. At any rate, the increasing share of these components reduces the negative interest rate elasticity of the demand for money. After all, if money market funds, i.e. non-bank liabilities, were included in the money stock, this would in principle represent a move away from the strategy of monetary targeting based on bank balance sheets and towards a strategy of liquidity targeting which, in the long run, would have to be open for other liquid financial instruments (commercial paper, Treasury bills) as well. Such an aggregate would not permit a monetary analysis based on balance sheet items; the definition and monitoring of such an intermediate monetary target would presumably not be possible either.

Nevertheless, there is no doubt that money market funds have added to the uncertainties about the future monetary trend. The exclusion of liquid forms of investment from the definition of the money stock harbours the possibility in principle of underestimating the corporate sector's provision with liquidity. In addition, shifts between bank deposits, which are included in the money stock, and liquid assets, which are not included, will gain in significance in future. Therefore, the Bundesbank will accord a higher ranking to the new money stock "M3 extended". This applies, above all, to periods in which M3 and "M3 extended" develop along different lines, and in which the money stock M3 appears to be distorted – for instance, for tax reasons.

*Higher ranking
of "M3
extended"*

When judging the two aggregates it must, however, be borne in mind that in the past the former "M3 extended" grew much faster than M3, taking the average of the last ten years, by about 1 percentage point per annum. In the past year, however, this gap, which had at times come to around 3 percentage points, largely disappeared as domestic non-banks hardly built up any Euro-deposits at all. A direct comparison is made more complicated inter alia by the fact that the money stock "M3 extended" is based on end-of-month figures. In its course, it has therefore reached a higher level and is more volatile. In order to smooth its course somewhat and to facilitate comparison with M3, the Bundesbank will establish monthly averages for the seasonally adjusted "extended money stock M3" on the basis of two relevant end-of-month figures. The publication of up-to-date figures for "M3 extended" meets with certain problems as this aggregate is available at a later date than M3 for reasons of statistical recording. In its monthly press release on monetary trends, the Bundesbank will therefore report on the course of the money stock M3 during the previous month (as hitherto) and on the course of the "extended money stock M3" during the month prior to that.

Growth of the money stock M3 including and excluding Federal balances



the granting of cash advances to public authorities, the Federal Government's deposit requirement with the Bundesbank was abolished as well. Subject to a possible revision at a later date, the Federal balances that have since been maintained at commercial banks – like the previous balances with the Bundesbank – were not included in the money stock M3. This arrangement ensured continuity and lower volatility in the monetary series. It also took due account of the fact that the deposits held by the Federal Government show no significant correlation with the national product. Besides, this procedure corresponds to the one adopted by most European partner countries. For the Bundesbank, conceptual considerations continue to be in the forefront. It will therefore abide by its previous practice. It should be noted, however, that

*Federal
balances
not included
in M3*

When setting the monetary target, the Bundesbank, in addition to considering money market funds, also reviewed its treatment of Federal balances in the definition of the money stock. At the beginning of 1994, in the context of the entry into the second stage of the European economic and monetary union and the newly-introduced strict ban on

the different treatment of the Federal balances influences the trend in the money stock only over the shorter term, but not over the long term. In the past year, for instance, the money stock M3 would have grown somewhat more slowly if the Federal balances had been included, because the Federal Government has reduced its balances.

Derivation of the monetary target

In line with the potential-oriented approach, the Bundesbank has, as before, derived the 1995 monetary target from overall economic benchmarks for real potential growth, medium-term normative inflation and the trend in the velocity of circulation of money. For the overall production potential, a growth rate of 2¾% was assumed. This is slightly more than last year, when a growth rate of 2½% had been expected, but slightly less than the forecasts of the Council of Experts and the economic research institutes (3% in each case). The higher growth rate forecast compared with last year stems from the improved trends in both western and eastern Germany. In the old Länder this owes something to the fact that the labour force potential is set to rise again, for the first time for some while, as a result of the improved employment prospects. In eastern Germany, the modernisation and enlargement of the capital stock is the main factor.

Medium-term inflation has once again been estimated at not more than 2%. Last year, great advances were made on the way to price stability. In the course of 1994 the cost-

of-living index for western Germany grew by 2.7%, compared with 3.7% in 1993. In eastern Germany, where the increase in the cost of living had been disproportionately high in the past, price movements have adjusted distinctly towards west German trends of late. Next year, prices should continue to approach medium-term normative inflation. According to the forecasts available, the cost-of-living index and the index for the gross domestic product could rise by 2% to 2½% in 1995. Thus the assumed rate of normative inflation, on which the derivation of the target was based, is both realistic and ambitious.

As in the past two years, an addition of 1 percentage point was made to allow for the declining trend in the velocity of circulation of money scaled by the relationship between the (nominal) production potential and the money stock M3. Such an addition is borne out by the updating of the trend calculations. Its constancy shows that the theory that a break had occurred in the long-term relationship between the demand for money and its macroeconomic key factors on or after German reunification cannot be corroborated.

The sum of the aforementioned benchmark figures yields an average annual growth of the money stock M3 of 5¾% in 1995. The Bundesbank has converted this average, bearing in mind the monetary starting point, into a four-quarter target between the fourth quarter of 1994 and the fourth quarter of 1995.

*Benchmark
figures*

*Deduction for
monetary
overhangs*

At the moment the provision of liquidity turns out to be ample. Owing to the bloating of the money stock at the beginning of the year, the money stock M3 grew by about 9% on an annual average in 1994, and thus perceptibly more than would have been in line with the potential. In order to offset this overhang and contain the inherent inflation risks, the Bundesbank made a marked deduction for the 1995 monetary target. It did not base its calculations on the average level of the money stock M3 actually achieved last year, but rather on the average level which would have resulted in achieving the middle of last year's target corridor. Such a four-quarter rate of growth would have brought about an annual rate of growth of the money stock of 6¾%. The average target figure of 5¾% derived from the 1995 key economic variables was revised downwards by 2¼ percentage points, i.e. by the difference between 9 percentage points and 6¾ percentage points. This implies that for this year an average growth of only 3½% net remains. This target virtually signifies nothing less than the intention to eliminate completely the overhang created in 1994 (adjusted for the rate of price rises, which was up to 1 percentage point higher than the normative inflation rate of 2%) in this year. Thus, in terms of anti-inflation policy, this is a very ambitious goal.

*Four-quarter
target*

The average growth rate of 3½% after deduction of the overhangs was converted into a four-quarter target of 4% to 6% from the fourth quarter of 1994 to the fourth quarter of 1995. This four-quarter growth rate in keeping with the potential is distinctly higher

than the remaining average rate because the money stock M3 at the end of 1994 – in stark contrast to preceding years – is very close to the average. The decrease in the money stock since the spring of 1994 leaves "room" for the four-quarter growth in 1995, without this jeopardising the goal of reducing the liquidity tailbacks that accumulated in 1994. The usual corridor of 2 percentage points is to take due account, inter alia, of temporary fluctuations in monetary trends.

The target figure for the growth of the money stock is always based on the average reached in the fourth quarter of the preceding year. For this reason, information on actual monetary growth is likewise primarily geared to that base. In the first few months of the new target period, this gives rise to the problem of extrapolating the current figures vis-à-vis the fourth quarter of the previous year to yield an annual rate, as this suggests that a short-term, maybe unique development will continue for the further course of the year. In particular, distortions in monetary trends owing to special factors carry far too great a weight and could lead to misunderstandings about the trend of monetary growth. For some time the Bundesbank has taken due account of these problems by showing the target corridor in the first three months of a year as an "unshaded area" in the relevant chart. In the past year it also started to show the non-extrapolated rate of monetary growth since the fourth quarter of the preceding year alongside the corresponding annual rate. To draw the public's attention more strongly to the operational particularities at the beginning of the year and to mitigate

*Transitional
problem*

the transitional problems involved in moving from the old to the new basis of the monetary target, the Bundesbank will supplement the previous presentation in the first few months of the year by announcing, in addition to the annual rate of monetary growth against the preceding year, the growth rate against the last year but one as well.

Conclusion

The 1995 monetary target involves a monetary policy stance which, on the one hand, leaves sufficient room for the economy to grow under conditions of stability and for increasing employment. On the other hand, this stance aims at a further reduction of the rate of inflation and at avoiding any new monetary leeway for price increases. The monetary target is a clear stability signal; it is

associated with the intention of reducing the overhang resulting from monetary growth in the course of 1994. The aim is to maintain and strengthen the inherent stability of the Deutsche Mark, which, in view of the anchor-currency function of the Deutsche Mark, is important for our partners in Europe as well. In the current year, in particular, monetary policy needs to be bolstered and complemented in its anti-inflation efforts by further progress in fiscal policy consolidation on the part of government (and this at all levels) as well as by a pay-rate policy geared to stability and full employment. Actual developments in these two fields will be crucial in deciding the extent to which the Bundesbank can take advantage of the target envisaged for monetary growth in order to bring about lasting new growth and more employment. They are also crucial for the longer-term outlook on stability.

*Monetary
policy needs
support*

Demand for money and currency substi- tution in Europe

In the past, the international interdependence of the financial markets has become progressively closer. Worldwide, investors have increasingly diversified their portfolios. Against this background, it might seem reasonable to assume that progress has likewise been made in the internationalisation of holding liquid funds. This might be expected to be particularly true of Europe, where the goods and financial markets have largely coalesced to form a single market. If different currencies become more readily interchangeable, the question arises as to whether monetary growth can be assessed solely on the basis of domestic developments or, alternatively, whether the domestic money stock can still be regarded as a suitable yardstick for the operation of monetary policy. The point has in fact already been made that German monetary policy at the present time should orient itself less towards a domestic money stock and, instead, rather more towards a pan-European monetary aggregate. The present study constitutes an attempt to establish whether and, if so, to what extent factors due to currency substitution in Europe have affected German demand for money. The findings suggest that currency substitution effects have hitherto generally played only a minor role in Germany, so that it is appropriate for the Bundesbank to continue to gear its policy stance to the movements of the German money stock.

Currency substitution and the demand for money: some theoretical considerations

Concept and causes of currency substitution

Currency substitution is defined as a situation in which foreign money acts as a partial or full substitute for holding liquidity in national currency. Regarding the role of money as a means of payment, it is to be presumed that the interchangeability of currencies in the demand for money is being enhanced by the internationalisation of merchandise trade. Growing foreign trade turnover, mounting foreign travel and increasing cross-border investment income payments are likely to result in a greater diversification of money-holding at home and abroad. This applies in particular measure within Europe, as the bulk of the EU countries' foreign trade is intra-EU trade, and market interdependence is accelerating. As is evident from the adjacent table, however, the need for transaction-induced liquidity-holding in foreign currency would appear to be less pressing for German enterprises than for undertakings in many other European countries. In line with the currency pattern of German foreign trade, the greater part of German exports and imports is invoiced in Deutsche Mark, followed by the US dollar. In the aggregate, only 12 % and 10 %, respectively, of German exports and imports are invoiced in other EU currencies. Incidentally, these proportions have changed but little over time. No major repercussions on the trend of domestic monetary growth are to be expected from this angle, not even in the medium run. Altogether, this type of currency substitution is therefore likely to be of minor relevance for the description of German demand for money.

The currency structure of German foreign trade in 1992

Percentage share		
Currency	Exports	Imports
Deutsche Mark	77.0	55.9
US dollar	7.3	18.4
French franc	3.4	3.1
Pound sterling	3.2	2.2
Italian lira	2.2	1.7
Japanese yen	0.6	1.7
Other	6.3	17.0
All currencies	100	100
of which EMS currencies ¹	89.1	65.8

¹ Including Italian lira and pound sterling, excluding Austrian Schilling.

Deutsche Bundesbank

In capital transactions, in contrast to merchandise trade and services transactions, currency substitution is of major significance.¹ Money is used here not only as a transaction vehicle, but above all as a store of value and a medium for speculation. In this function, one currency is substituted for another whenever the cost of and the return on money-holding shift in its favour.

Broadly speaking, the "cost" of money-holding means the opportunity cost of alternative types of investment. The closer substitutes these "competing products" are for the monetary aggregate in question, the more sharply the demand for money will respond

"Cost" of currency substitution

¹ Deutsche Bundesbank, Germany's securities transactions with non-residents in the second half of the eighties, Monthly Report, April 1991, page 14 ff.

to changes in that cost. In studies of the demand for money, it is customary to consider domestic alternative investments. For theoretical reasons, a wide range of "opportunity costs" ought to be taken into account here. However, the usual statistical estimation methods are soon stretched to their limits at this point. In general, studies of the demand for money therefore confine themselves to considering only one or two variables for measuring the opportunity cost – say, a short-term interest rate in the case of narrowly defined monetary aggregates such as the money stock M1, or a long-term interest rate, possibly adjusted for the interest on the interest-bearing components, in the case of broadly defined monetary aggregates such as the money stock M3. These traditional arguments of a money demand function have to be supplemented if the role of currency substitution is to be examined. After all, in addition to potential domestic alternatives, foreign investments then have to be taken into account as well. Accordingly, the range has to be extended to include both (expected) exchange rate changes – the alternative investment is a non-interest-bearing bank deposit or cash held in the form of foreign currency – and foreign currency interest (adjusted for expected exchange rate changes) – the alternative investment is an interest-bearing bank deposit in foreign currency. If currency substitution is a major phenomenon, even relatively small changes in these variables will have an appreciable impact on domestic demand for money. In these circumstances it would be doubtful, for example, whether the achievement of a monetary target derived entirely from domestic

variables could be viewed as an indication of an appropriate monetary policy. An internationally aggregated money stock might then be a more informative indicator of the stance of monetary policy. These considerations have been set forth in the form of a simple portfolio model in the box on page 36.

Practical problems posed by an empirical review of currency substitution

Any attempt empirically to review the above-described theoretical relationships between currency substitution and money demand comes up against a number of serious problems. As will be shown below, these are attributable, firstly, to the fact that, while there may be a close substitutional link with investments of funds in various currencies, these do not affect the statistical growth of the domestic money stock. Secondly, it is not impossible that phenomena which are at least closely associated with currency substitution influence domestic monetary growth without this being identifiable by the methods of analysis used here.

In Germany the definition of the monetary aggregates is based on their being held by residents. On the other hand, a differentiation by currency is not made. Consequently, it is irrelevant for monetary growth measured in this way if, for example, a domestic enterprise holds its sight deposits at a German bank in French currency rather than in Deutsche Mark. Similarly, the German money stock is not affected – at least directly – if a non-resident opens a Deutsche Mark account

*Definition of
the money
stock*

A simple portfolio model

The phenomenon of currency substitution, as described in the article, can be formalised in a simple portfolio model containing interest-bearing and non-interest-bearing monetary components for two countries that can be aggregated to yield national money stocks. The model is thus oriented towards the money stock M3, which comprises (non-interest-bearing) currency and sight deposits plus (interest-bearing) time deposits and savings deposits. Both money stock components may be held by residents and non-residents alike. In addition, there is the option of investing funds in long-term debt securities.

The overall assets M and M^* held by residents and non-residents consist of domestic and foreign interest-bearing (T and T_a respectively) and non-interest-bearing ($M1$ and $M1_a$ respectively) components, all of which are considered to be interchangeable. The foreign holdings are translated into domestic units using the exchange rate e .

$$(1) \quad M = M1 + T + e(M1_a + T_a)$$

$$(2) \quad M^* = M1^* + T^* + e(M1_a^* + T_a^*)$$

The total amount of domestic assets is marked by a "tilde" and is generated as follows: ¹

$$(3) \quad \tilde{M}1 = M1 + M1^*$$

$$(4) \quad \tilde{T} = T + T^*$$

Equation 4 means that domestic time deposits (\tilde{T}) are held by residents (T) and non-residents (T^*). The return on the foreign non-interest-bearing component equals the expected rate of appreciation of that currency $E(e)$, whereas the nominal return on the domestic non-interest-bearing money stock component is zero. For the domestic interest-bearing money stock component, the interest rate is i . The corresponding foreign investment yields the foreign interest rate i_a plus the expected appreciation $E(e)$.

The demand relationships can be derived from profit maximisation. For market equilibrium conditions (with small letters for the demand functions) in nominal units, the following equations are then obtained for the domestic money stock components (the "+" and "-" signs above the arguments indicate the signs of the partial derivatives):

$$(5) \quad m1 [E(e), \overset{+}{i}, \overset{+}{i}_a + E(e), \overset{-}{r}, \overset{+}{Y}^n] + m1^* [E(e), \overset{-}{i} - E(e), \overset{+}{i}_a, \overset{-}{r}, \overset{+}{eY}_a^*] - \tilde{M}1 = 0$$

$$(6) \quad t [E(e), \overset{+}{i}, \overset{+}{i}_a + E(e), \overset{-}{r}, \overset{+}{Y}^n] + t^* [E(e), \overset{+}{i} - E(e), \overset{+}{i}_a, \overset{-}{r}, \overset{+}{eY}_a^*] - \tilde{T} = 0.$$

The first four arguments in the demand functions are the nominal returns on the respective alternative investments (in each case, in absolute form): $E(e)$ is the alternative return on the foreign non-interest-bearing investment; i , $i_a + E(e)$ and $i - E(e)$, respectively, are the expected nominal returns on the domestic and foreign interest-bearing money stock component for residents and non-residents. For the sake of simplicity, only a single rate of return r of a non-money investment in the capital market is analysed. This assumption can be explained by the close interdependence of international capital markets or the domestic interest rate dominance in the capital market. In line with the usual portfolio behaviour, the demand for a component rises if the return on it increases or if the return on the alternative investment declines. In addition, all demand functions are positively affected by the nominal income Y^n or Y_a^* . ²

Currency substitution is summarised in arguments $E(e)$, $i_a + E(e)$ and $i - E(e)$, respectively. If an appreciation of the foreign currency is expected, the demand for the two domestic money stock components falls, other things being equal – specifically, both via the direct effect of $E(e)$ and via the indirect effect through the exchange-rate-adjusted interest rates $i - E(e)$ and $i_a + E(e)$, respectively.

¹ For the sake of simplicity and because of the limits to the empirical part, the foreign components of the overall portfolio are disregarded. — ² As only a segment of the overall

portfolio decision is being analysed, the assumption of a positive income dependence of the demand functions poses no problems.

with a German bank. To the extent that currency substitution has these results, it thus fails to affect statistical monetary growth. Accordingly, in these cases it cannot be said that the indicator function of the monetary aggregates is being impaired, either. An exception in this respect is the demand for cash. In the past few years there have indeed been recurring indications that the movement of currency in circulation has been distorted by cash-holding abroad. The demand for Deutsche Mark notes abroad is determined not only by the high inflation rates in many countries but often also by special circumstances, such as political uncertainty or changes in tax legislation. A crucial factor here is, of course, that (unlike bank deposits, which are included in the money stock) currency in circulation comprises, if only for statistical reasons, all notes and coins denominated in Deutsche Mark, irrespective of whether they are held by domestic non-banks or by non-residents.

Euro-deposits

In the past, the switching of money holdings to the Euro-markets has occasionally been linked to currency substitution. This is correct to a limited extent only. German non-banks' deposits abroad are mostly denominated in Deutsche Mark. The table on page 38 shows German non-banks' foreign currency deposits at home and abroad. The very modest size of these bank deposits, relative to the money stock M3 (which size, moreover, does not fluctuate very sharply) does not suggest that the currency substitution is highly significant. This applies in particular to the links with the European currencies, as the foreign currency assets are denominated primarily in US dollars.

Conversely, it is also true that phenomena which at least in a broad sense constitute currency substitution may have an impact on monetary developments in Germany even though no evidence of this can be adduced by the traditional means of tracing currency substitution. This is true in particular of the effects of substitution between Deutsche Mark securities and securities denominated in foreign currency; this process is as a rule discussed under the heading of portfolio substitution or international capital mobility. If, for example, non-residents' demand for Deutsche Mark securities increases at times when the Deutsche Mark is expected to appreciate, and if this causes the capital market rate to decline and consequently prompts residents to prefer holding liquid funds to investing resources in the securities markets, the resultant faster monetary growth actually owes something to external influences. However, in this case the tests usually performed with the aid of money demand functions will provide no evidence of substitution effects as the impact is exerted via the domestic capital market rate. The customary partial analysis fails to capture such causalities. Hence the studies presented here cannot be regarded as being fully representative of all external influences on domestic monetary developments, especially not in periods of speculation.

Another problem in reviewing currency substitution is posed by the quantification of expected exchange rate changes, which are of crucial importance in this context as an argument in the money demand function. Measuring expectations of (changes in) exchange rates is indeed difficult, and empirical

Indirect currency substitution

Expectations of exchange rate changes

Domestic non-banks' foreign currency deposits

DM billion; annual averages

Year	at domestic credit institutions 1	in the Euro-market 2		Compare	
		Total	US dollar share 3	Euro-deposits, total	Money stock M3 4
1988	1.2	9.0	5.2	63.2	1,122.8
1989	1.5	16.3	5.8	94.6	1,185.6
1990	1.7	17.8	6.2	123.6	1,240.8
1991	1.7	16.0	5.8	152.8	1,489.4
1992	1.7	14.4	9.1	174.6	1,616.1
1993	1.8	15.4	9.7	228.4	1,748.4

1 Foreign currency deposits in EC currencies. — 2 Foreign currency deposits at domestic credit institutions' foreign branches and subsidiaries. — 3 End-of-year levels. —

4 Calculated from end-of-month levels; until 1990 western Germany.

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studies are invariably subject to the condition that the assumptions made in respect of the expectations of exchange rate changes are fairly plausible. In the empirical studies described below, an attempt has been made to allow for this problem by taking due account of several common hypotheses about the formation of exchange rate expectations.

Earlier empirical studies

Approaches

In recent years quite a number of studies of the implications of currency substitution for the demand for money in individual countries have been carried out. In line with the considerations outlined above, these studies have analysed, firstly, the implications of foreign interest rates and of expectations of ex-

change rate changes for the respective national demand for money. Secondly, tests have been made to establish whether there is a link between the money demand functions for different countries from which currency substitution may be inferred. In this connection, the authors have tried to find out, in particular, whether trends in the monetary expansion of a given country which cannot be explained by traditionally formulated money demand functions are accompanied by mirror-image "errors" in the monetary growth of a partner country.

In earlier studies of the impact of currency substitution on German demand for money, the focus was on the role of the Deutsche Mark/US dollar exchange rate or of the US dollar interest rate. While the findings do not

*Findings of
older studies*

point unambiguously in a single direction, these studies provide some evidence of the existence of currency substitution effects. More recently, attention has been focused more strongly on relations with European partner countries. This owes something to the perception that currencies will probably become more interchangeable in the course of the European unification process, and that monetary aggregates based on Europe-wide definitions are likely to play a major role in monetary policy in any future monetary union. However, only in isolated cases do the findings of these studies endorse the thesis that currency substitution has exercised an impact on national money-holding (see the table on page 40).

These studies, which cover the period from the early seventies to the mid-eighties, provide little evidence of currency substitution within the EC. Effects of this kind were identified, if at all, only vis-à-vis the Italian lira. In these analyses, money demand equations were specified with a partial adjustment process as a matter of principle. A more recent study, which covers the period up to the end of 1987, and which explicitly tries to sift out the impact of the setting-up of the EMS on the Deutsche Mark/US dollar relationship, is based on the assumption of a broader dynamic structure. But this approach, too, failed to identify short or long-run currency substitution in the stricter sense, i. e. in terms of M1. On the other hand, such effects were clearly discernible among the interest-bearing components – on a growing scale, indeed, from the beginning of the eighties. The im-

pact on the money stock in Germany, however, was but small.

Those studies which cover trends extending into the nineties are more likely to yield findings in some areas which imply currency substitution in Europe. Currency substitution effects were identified here for the demand for M1 with respect to the French franc, the pound sterling and, with reservations, the Italian lira. As far as the money stock M3 is concerned, by contrast, only very minor “external influences” of this kind were identified. Altogether, it is therefore often claimed that currency substitution has hitherto had little impact on the demand for money in Germany. This does not rule out the possibility of such effects increasing in importance in future.

Most recent studies

Empirical evidence gathered by the Bundesbank

The Bundesbank studies presented below analyse the extent to which the demand for the money stock M3 in Germany may have owed something to factors which might indicate currency substitution within Europe. Firstly, it is assumed that a long-run relationship exists between the domestic money stock and the usual domestic variables to be taken into account here, such as GNP and Deutsche Mark interest rates. This approach is justified insofar as there is reasonable evidence of the existence of such a long-run relationship. Secondly, it is assumed that this long-run relationship is obscured by short-run relationships between monetary growth and

Specification of the demand for money

Impact of currency substitution in the EC on German demand for money

Author	Estimation period	Estimation method	Monetary aggregate	Currency substitution variables	Currency substitution effects identified
Brillembourg, Schadler ¹	1973–1978	Full Information Maximum Likelihood	M2	Foreign interest rates, exchange rates (French franc, Italian lira, pound sterling, Swiss franc)	For Swiss franc only
Melvin ²	1973–1980	OLS, sensitivity analyses	M1, currency	Foreign inflation rate (pound sterling, Italian lira, French franc), foreign interest rate	For Italian lira only
Batten, Hafer ³	1972–1983	Output equation with OLS	M1	Effective exchange rate	None
von Hagen, Neumann ⁴	1973–1987	Error correction equation	M1	Dollar interest rate, dollar exchange rate	Currency substitution for interest-bearing dollar component only
Artis et al. ⁵	1979–1990	OLS with Goldfeld lag	M1	Swap rate (US dollar, French franc, Italian lira, ECU)	For Italian lira only
Lane, Poloz ⁶	1972–1990	(1) Error correction models (2) SUR estimation (3) Correlation of residuals of national money demand functions	M1	Exchange rates (French franc, Italian lira, pound sterling), foreign GNP (France, United Kingdom, Italy)	(1) Long-run: ambiguous (depending on specification) Short-run: French franc, pound sterling (2) For French franc only (3) French franc, pound sterling
Angeloni et al. ⁷	1982–1990	GLS estimation	M1, M3	ECU exchange rate	None
Monticelli ⁸	1979–1992	Error correction models, Granger causalities	Europe-wide money stock aggregates including/excluding cross-border deposits	EU countries excluding Luxemburg, Portugal, Greece	Minor impact of currency substitution as European aggregate excluding cross-border deposits best
Mizen, Pentecost ⁹	1976–1990	OLS	Pound sterling held in European countries	Foreign interest rates (Germany, France, Belgium, Netherlands, Italy, Denmark, Ireland)	None

¹ A. Brillembourg, S.M. Schadler, A Model of Currency Substitution in Exchange Rate Determination, 1973–78, IMF Staff Papers, 1979, Vol. 26, page 513 ff. — ² M. Melvin, Currency Substitution and Western European Monetary Unification, *Economica*, 1985, Vol. 52, page 79 ff. — ³ D.D. Batten, R.W. Hafer, Money, Income and Currency Substitution: Evidence from Three Countries, Federal Reserve Bank of St. Louis Review, 1985, Vol. 67/5, page 27 ff. — ⁴ J. von Hagen, M.J.M. Neumann, Currency Substitution and the Demand for Money: Further International Evidence, 1990, mimeo. — ⁵ M.J. Artis, R.C. Bladen-Hovell, W. Zhang, A European Money Demand Function, in: P.R. Masson, M.P. Taylor (eds.), Policy Issues in the Opera-

tion of Currency Unions, Cambridge, 1993, page 240 ff. — ⁶ T.D. Lane, S.S. Poloz, Currency Substitution and Cross-Border Aggregation, IMF Working Paper 92/71, Washington. — ⁷ I. Angeloni, C. Cottarelli, A. Levy, Cross-Border Deposits and Monetary Aggregates in the Transition to EMU, IMF Working Paper 91/114, Washington. — ⁸ C. Monticelli, All the Money in Europe? An Investigation of the Economic Properties of EC-Wide Extended Monetary Aggregates, BIS Working Paper No. 19, Basle, 1993. — ⁹ P. Mizzen, E.J. Pentecost, Evaluating the Empirical Evidence for Currency Substitution: A Case Study of Demand for Sterling in Europe, *The Economic Journal*, 1994, page 1057 ff.

its determinants. It is examined whether these determinants also include variables which might be interpreted as indicating currency substitution. Accordingly, the traditional specification of money demand equations with a domestic opportunity cost and transactions variable is supplemented by two arguments which are simultaneously added to the estimation equations (for a more detailed description, see the annex):

- the expected appreciation or depreciation of the foreign currency, to capture currency substitution in the narrower sense (reference point: non-interest-bearing money stock components)
- the exchange-rate-adjusted (expected) return on a foreign interest-bearing (short-term) financial investment, to capture currency substitution in the broader sense (reference point: interest-bearing money stock components).

In line with the theoretical considerations, the impact of these variables on M3 should be significantly negative, i.e. an expected Deutsche Mark appreciation should increase demand for M3. Conversely, higher foreign interest rates should curb domestic monetary growth because an investment in Deutsche Mark appears to be less attractive.

The study thus analyses the bilateral relationships with the French franc, the Dutch guilder, the pound sterling, the Italian lira, the Danish krona, the Belgian franc and the ECU (representing the EMS as a whole) from the early seventies to 1994. Admittedly, such

a separate study, broken down by individual currencies, has the disadvantage that the currency substitution variables of the countries not included exert no impact in the equations. On the other hand, if all variables were incorporated in a single estimation equation, the total number of variables to be taken into account would increase to such an extent that the findings would be unlikely to be informative.

As the exchange rate expectations actually prevailing in the market are unknown, empirical studies are forced to rely on plausible assumptions. Thus, in many studies the swap rate or the gap between domestic and foreign interest rates is used as a measure of expected exchange rate changes, or perfect foresight is assumed. The former poses problems because of "covered interest parity". This method implies that, in the final analysis, the foreign arguments virtually coincide with the domestic interest rate arguments, and hence that an empirical study along the lines described here is impossible. If, on the other hand, actual exchange rate trends are used, obvious errors of measurement will give rise to distortions. Even so, perfect foresight was included in the empirical studies as a possible hypothesis and, accordingly, the exchange rate changes occurring in the following period were used as the (expected) rate of return for the non-interest-bearing component and, in conjunction with a foreign interest rate, for the interest-bearing component. Alternatively, the assumption that the future exchange rate can best be predicted on the basis of the exchange rate last observed is regarded as an exchange rate hypothesis.

*Depicting the
currency substi-
tution argu-
ments*

When comparing forecasts, this random-walk hypothesis of exchange rate movements has proved to be superior to alternative attempts at explanation in a large number of econometric studies. This means that exchange rate changes follow a random path. Under this hypothesis, only the foreign interest rate remains as the currency substitution variable. Finally, as a third variant, an assumption of the expectations entertained of exchange rate changes is used which implies that the expected future changes in the spot rate are identical to its past trend (adaptive expectation formation). For the sake of econometric operationalisation, exchange rate expectations are depicted in terms of the current appreciation or depreciation of the domestic currency in relation to the previous quarter.

The second constituent of the currency substitution argument (foreign interest rates) is captured by the three-month Euro-market rate, which is intended to provide a proxy for the return on the foreign currency. Short-term interest rates are likely to depict the relevant return on foreign financial investments. The use of Euro-market rates circumvents the problems posed by differing national interest rates and capital controls, which used to be of significance in the past.

In the relationships with the French franc, the pound sterling, the Dutch guilder, the Belgian franc or the Danish krona, neither the non-interest-bearing nor the interest-bearing components of M3 provided any evidence of external influences that could be associated with currency substitution, under any of the three expectation hypotheses. In some cases,

the coefficients of the (adjusted) foreign interest rates and of the expectations of exchange rate changes did not differ significantly from zero in the statistics. Some of them even had "wrong", i.e. positive, signs. In other words, no evidence of currency substitution effects was found among the countries in question. The findings are no different if the observation period for the hypothesis with adaptive expectations of exchange rate changes does not start until 1985. Only in relation to the Dutch guilder does the net interest variable with a negative sign become significant. This might be due to the close interest and exchange rate linkage between the Netherlands and Germany. Broadly speaking, however, the thesis that currency substitution has been posing increasing difficulties over time for German monetary policy makers is not tenable.

The relationship with the Italian lira apparently constitutes a special case. Evidence of currency substitution can be found for all three hypotheses of exchange rate movements. If the Italian currency is expected to appreciate and/or if Italian "net interest income" increases, demand for M3 declines. There is thus a temporary shift out of the official German monetary aggregate. Both the interest-bearing and non-interest-bearing components of M3 are affected.

The special case of the lira

These findings are consistent with the fact that, almost throughout the period covered by the study, inflation rates and nominal interest rates in Italy were higher than in Germany. As expectations of stable parities within the EMS have prevailed in the market

Little empirical evidence of currency substitution

since the realignment in 1987, and until 1992, Italian assets yielded *ex ante* and *ex post* correspondingly higher returns. Thus the lira appreciated against the Deutsche Mark in real terms between 1988 and 1991 because of inflation-induced high nominal interest rates. In addition to this speculative motive, intensive German-Italian travel is likely to have contributed to the interdependencies described.

There is also evidence of small-scale currency substitution effects in Germany's relations with the EU countries as a whole (which were depicted by including the Deutsche Mark/ECU exchange rate and ECU interest rates in the German demand for money). On the one hand, this is rather surprising, as such effects tended not to be confirmed for the individual currencies, viewed in isolation. On the other hand, one explanation could be that, in the ECU orientation, not only Italy but also the other higher-inflation countries Spain, Portugal and Greece were included with some weight.

Currency substitution in the case of cash

As mentioned above, it cannot be taken for granted that the demand for the money stock M3 is affected by currency substitution phenomena, if only because this monetary aggregate does not distinguish between currencies. Basically it would therefore seem to be more promising to attempt to trace such influences in the case of the demand for cash. German currency in circulation encompasses all Deutsche Mark notes and coins outside the German banking system, irrespective of whether these funds are held in Germany or abroad. Switching out of foreign

currencies into Deutsche Mark or vice versa is therefore fully reflected in currency in circulation as shown in the statistics. In point of fact, even less evidence of any impact on the demand for currency which could be associated with currency substitution can be identified than in the case of the overall trend of M3. Only in relation to the Italian lira and only for the abbreviated period from 1985 can significant and, in terms of their order of magnitude, major influences be detected. It should be noted, however, that the estimations of the demand for currency have generally yielded less satisfactory results, so that these conclusions are necessarily subject to major reservations. Moreover, these studies do not take due account of conditions in eastern and south-eastern Europe, i.e. those countries in which presumably a large part of the Deutsche Mark cash balances lodged abroad is held.

The generally small empirical evidence of currency substitution in the EU may owe something to the fact that quarterly data have been used as part of a money demand estimation. Currency substitution processes may play an appreciable role in strictly limited periods only, such as in a situation of strong expectations of exchange rate changes, which, moreover, are not captured properly by our models of the formation of expectations. This is why what are known as "impulse dummies" have been defined for individual countries for the exchange rate realignments of 1987 and 1992. They, however, likewise failed to provide any significant explanation. Hence it is not impossible that the use of monthly or even weekly data

Qualifications

might have provided stronger evidence of such effects. On the other hand, one factor arguing against the use of monthly data is that no suitable monthly variables for recording transaction volumes exist. Anyway, even monthly data might well prove to be too long-term.

Summary and conclusions

The findings of the present study suggest that, basically, the significance of the phenomenon of currency substitution in Germany can be assumed to be low. In most cases, no such effects could be identified, regardless of the expectation formation process assumed for exchange rate movements in demand estimations for the money stock M3. Changes in interest or exchange rate

Generally speaking, currency substitution low

conditions in other European countries apparently fail to induce German non-banks to engage in large-scale switching of their currency holdings.

On the other hand, the studies presented here do not rule out the possibility of such influences playing a major part over very short periods of time. Moreover, it is not unreasonable to presume that external influences have not been of major relevance only because German monetary policy has been able to operate in Europe within a framework of mostly fixed but still adjustable exchange rates. After all, the approaches outlined here provide no indication of whether domestic monetary growth was influenced indirectly by external factors, such as the repercussions of foreign interest rate movements on domestic interest rates.

Annex

Empirical test of currency substitution

Econometric methodology

The currency substitution hypothesis is verified for Germany with the aid of a money demand function which is supplemented by currency substitution effects. For this purpose, money demand functions are formulated within the framework of general dynamic structures as what are known as error correction equations. In this way, long-run equilibrium relationships are combined with a high degree of dynamism. The concrete model framework is provided by the two-tier procedure developed by Robert Engle and Clive Granger.¹ There, currency substitution variables are included in the short-run dynamics, which are superimposed upon the long-run (cointegration) relationships.

The data

In the study, unadjusted data based on quarterly observations are used. The estimation period covers the years from the early seventies (for further details, see the estimations) to the first quarter of 1994. From the third quarter of 1990, all-German data are used. The logarithm of real demand for money (mr) is estimated, with the GNP deflator (p) being used for deflating. The domestic variables used comprise a scale variable, the logarithm of real GNP (yr) and an opportunity cost coefficient, viz. the yield on domestic bearer debt securities outstanding (r) or, for the interest-bearing money stock components represented by the time deposit rate for

¹ R.F. Engle, C.W.J. Granger, Cointegration and Error Correction: Representation, Estimation, and Testing, *Econometrica*, 1987, Vol. 55, page 251 ff.

deposits of between DM 100,000 and DM 1 million (it), an interest rate differential ($zd=r-it$). The changes (Δ) are the changes from the corresponding period of the previous year, i.e. they are fourth differences (year-on-year growth rates).

M3 has been adjusted for statistical breaks. By eliminating statistical breaks, illusory correlations are avoided, as is the risk of deriving economic effects (such as structural breaks) from changed statistical definitions. In addition, foreign currency deposits included in M3 have been adjusted for changes in value caused by exchange rate changes. Currency substitution effects are therefore not mistakenly attributed to differing valuation effects. The hypothesis of currency substitution is verified by reference to interest and exchange rate influences. The currencies studied are the French franc (F), the Italian lira (I), the pound sterling (GB), the Dutch guilder (NL), the Danish krona (DK), the Belgian franc (BE) and the ECU (EC). The foreign interest rate variables are denoted by ix , the exchange-rate-adjusted returns by nfx in the case of perfect foresight and by nx in the case of adaptive expectations of exchange rate changes (with $x \equiv F, I, GB, NL, DK, BE, EC$). The focus of the presentation of the empirical findings is on the estimations with adaptive expectations of exchange rate changes. Moreover, the results derived from the alternative exchange rate hypotheses, which are more frequently used in the literature, are given for Italy and for the EC.

Long-run relationship for German demand for money

First, the degree of integration of the time series used, as required as part of a cointegration analysis, is investigated. As is evident from the adjacent table, all variables are integrated from degree 1 ($I(1)$), so that the stationarity of the variables is ensured by simple differentiation. The basic precondition for the application of the methods used here is thus satisfied.

After the preliminary statistical work, the long-run equation covering the period from the first quarter of 1970 to the first quarter of 1994 is estimated first. Besides GNP and the capital market rate, three seasonal dummies ($seas1, seas2, seas3$) are included to capture seasonal effects, each of which has the value one in the first, second or third quarter and otherwise is zero. In line with

Stationarity tests

Variable	Test specification	t-value (absolute)
$m3r$	C, T	1.82
$\Delta m3r$	C, T	4.99 ***
y	C	0.49
Δy	C	3.40 **
r	C	2.00
Δr	C	3.69 ***
zd	C	2.72 *
Δzd	C	5.13 ***
$iDK 1$	C	1.54
ΔiDK	C	4.35 ***
iF	C	2.09
ΔiF	C	4.77 ***
il	C	2.67 *
Δil	C	5.48 ***
iGB	C	3.31 **
ΔiGB	C	5.65 ***
iNL	C	3.14 **
ΔiNL	C	5.44 ***
$iBE 1$	C	1.90
ΔiBE	C	3.56 **
$iEC 2$	C	1.38
ΔiEC	C	2.51 **
eDK	C	1.85
ΔeDK	C	4.82 ***
eF	C	1.59
ΔeF	C	4.46 ***
eI	C	1.82
ΔeI	C	4.19 ***
eGB	C	2.48
ΔeGB	C	5.58 ***
eNL	C	2.80 *
ΔeNL	C	6.22 ***
$eBE 4$	C	2.12
ΔeBE	C	4.32 ***
$eEC 3$	C	1.71
ΔeEC	C	3.23 **

Estimation period 1970/1 to 1994/1 unless indicated separately. — Comparison of t-values with the critical values of J.G. MacKinnon, Critical Values for Cointegration Tests, in: R.F. Engle and C.W.J. Granger (eds.), Long-Run Economic Relationships, Oxford 1991; test with 2 lags. — ***/**/* significant at the 1%/5%/10% level. — C = constant, T = deterministic trend. — 1 1978/3 to 1994/1. — 2 1980/1 to 1994/1. — 3 1973/1 to 1994/1. — 4 1979/3 to 1994/1.

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the procedure used for many studies, a real equilibrium equation is estimated. A price homogeneity of the demand for money of degree one is thus assumed, ensuring freedom from money illusion. The basic structure of the resultant equation corresponds to that obtained in other studies. It reads as follows:

$$m3r = -6.40 + 1.40 \text{ yr} - 1.22 \text{ r} + 0.12 \text{ seas1} \\ + 0.07 \text{ seas2} + 0.05 \text{ seas3} + \epsilon$$

$R^2 = 0.98$ (adjusted determination coefficient)

DW = 0.48 (Durbin-Watson statistic)

ADF = 2.50 (Augmented Dickey-Fuller test with four lags)

ADF(4) = 3.78** (ADF test only with fourth lag)

[The critical value of the ADF test at a significance level of 10% (5%) is 3.52 (3.84).]

Income elasticity is above one, reflecting the falling trend of the velocity of circulation of money. The negative (semi-)interest elasticity of -1.22 is likewise statistically verified. The findings of augmented Dickey-Fuller tests in respect of the cointegration of the variables are admittedly not unequivocal, but it has been shown that such tests are of a relatively poor quality, and that it is better to use the t-value of the error correction term as a cointegration test in the dynamic equation.² As described below, the findings of such a test argue in favour of the existence of a cointegration relationship.

Estimation of the dynamic models

The residuals of the long-run regression are used as equilibrium errors in the error correction models. For stability reasons, the sign of this error correction term (ECT) should be negative, so that existing disequilibria are reduced over time. Owing to the seasonal pattern of the money stock and the income variable, these error correction terms are modelled not as a simple lag but as averages of the four previous quarters.³ The other variables are included in the estimation in the form of annual growth rates.

In all estimations, the simultaneous values and up to four lags of the endogenous and exogenous variables are initially taken into account. In the subsequent selection process the coefficients which are not significant are successively set at zero. Of the currency substitution

variables, however, one variable is retained in the equations, even if it is not significant, in order to provide an idea of the order of magnitude of these influences. Depending on the availability of data, the estimation period ranges from the first quarter of 1973 (as a maximum) to the first quarter of 1994. In some cases it has been adjusted forward (for further details, see the explanatory notes to the table on page 47).

In the columns of the table the t-values come after the estimated coefficients. The test statistics' properties are satisfactory. All equations are free from first-order autocorrelation (Durbin-Watson statistic). The explanatory value of the equations specified is high (adjusted determination coefficient). In all estimations, the standard error of the regression is between 1.4% and 1.6%. In the test statistics for autoregressive heteroscedasticity (ARCH effects), the White test points to the existence of corresponding effects for the Netherlands and the United Kingdom. According to the Jarque-Bera test for normal distribution, the equation residuals found are consistent with the normal distribution hypothesis.

A feature common to all estimations is that the coefficients of the domestic variables have the theoretically expected signs and differ significantly from zero. For instance, the coefficient of the simultaneous income variable is positive and relatively high, at about 0.80.⁴ In the aggregate, correction with the lagged values yields a value of about 0.40. The coefficients of the domestic capital market rate are negative. For the short run, semi-interest elasticities of an order of magnitude ranging between -0.30 and -0.50 are observed. The coefficient of the error correction variable is negative and mostly significant

² See J.J.M. Kremers, N.R. Ericsson, J.J. Dolado, *The Power of Cointegration Tests*, Oxford Bulletin of Economics and Statistics, 1992, Vol. 54, page 325 ff.

³ Consequently: $ECT = 0.25 \sum_{i=1}^4 \epsilon_{i,t}$

⁴ If a dummy variable which has the value one in the third quarter of 1990 and the value minus one in the third quarter of 1991 is included in the equations, the coefficients of the income variables decrease. The coefficient of their lag will even become insignificant in some cases. In addition, the coefficient of the error correction term falls at the same time. However, this change in specification does not result in the coefficients of the foreign variables becoming significant. To this extent, the empirical evidence of currency substitution remains low.

Estimation results of error correction models for M3 *

Variable 1	Italy	France	Netherlands	United Kingdom	Denmark	Belgium	EC
C	0.02 (5.30)	0.02 (5.15)	0.02 (4.93)	0.02 (5.76)	0.02 (4.88)	0.02 (4.27)	0.02 (5.37)
$\Delta m3r (-1)$	0.49 (6.17)	0.49 (5.94)	0.55 (6.73)	0.48 (6.12)	0.44 (4.86)	0.52 (4.81)	0.39 (5.54)
$\Delta m3r (-4)$	-0.24 (4.29)	-0.25 (4.59)	-0.24 (4.29)	-0.25 (4.70)	-0.24 (3.92)	-0.25 (3.58)	
ECT	-0.24 (3.32)	-0.26 (3.88)	-0.26 (3.77)	-0.28 (4.28)	-0.22 (2.76)	-0.29 (3.46)	-0.30 (3.70)
Δy	0.75 (9.51)	0.80 (10.08)	0.82 (10.01)	0.78 (9.96)	0.84 (9.69)	0.87 (8.66)	0.77 (8.90)
$\Delta y (-1)$	-0.35 (3.26)	-0.34 (3.08)	-0.44 (4.08)	-0.36 (3.45)	-0.36 (2.99)	-0.48 (3.42)	
$\Delta y (-2)$							-0.45 (6.09)
$\Delta y (-3)$							
$\Delta y (-4)$							
Δr			-0.37 (2.44)	-0.39 (2.71)	-0.46 (2.56)	-0.39 (1.84)	-0.46 (2.12)
$\Delta r (-1)$		-0.36 (2.41)					
$\Delta r (-2)$							
$\Delta r (-3)$							
$\Delta r (-4)$	-0.27 (1.99) ²						
Δnx^3			0.05 (1.10)	0.04 (1.69)			
$\Delta nx (-1)$	-0.09 (2.62)						
$\Delta nx (-2)$						0.04 (0.30)	
$\Delta nx (-3)$		0.09 (2.38)			0.20 (2.72)		0.35 (2.94)
$\Delta nx (-4)$							
Δex^3						-0.28 (2.18)	
$\Delta ex (-1)$				0.05 (1.89)			
$\Delta ex (-2)$		0.12 (1.09)					
$\Delta ex (-3)$	-0.13 (3.14)						
$\Delta ex (-4)$							

Test statistics ⁴

R ²	0.82	0.82	0.83	0.84	0.84	0.84	0.84
DW	1.61	1.64	1.72	1.72	1.68	1.74	1.94
Std	0.014	0.014	0.015	0.014	0.015	0.016	0.015
ARCH(4)	0.97	1.92	1.50	0.55	0.76	1.00	4.69
White	0.85	1.68	1.94	1.78	0.57	0.86	1.89
JB	0.82	0.09	0.34	0.36	1.19	1.90	1.52

* Estimation periods: I: 1975/2 to 1994/1; F, NL, GB: 1973/ 1 to 1994/1; DK: 1979/3 to 1994/1; BE: 1980/1 to 1994/1; EC: 1981/1 to 1994/1. — 1 Absolute t-values in parentheses after coefficients. — 2 For Italy, the interest rate differential $z_d = r - it$ was used instead of r . — 3 $x \in I, F, NL, GB, DK,$

BE, EC. — 4 R²: adjusted coefficient of determination; DW: Durbin-Watson test statistic; Std: standard error of regression; ARCH (4): autoregressive conditional heteroscedasticity with 4 lags; White: White test for heteroscedasticity; JB: Jarque-Bera test for normal distribution of residuals.

Estimation results of error correction models for M3 (Italy and EC) *

Variable 1	Country					
	Italy			EC		
	Hypothesis					
	Random walk	Perfect foresight	Adaptive expectation	Random walk	Perfect foresight	Adaptive expectation
C	0.02 (5.10)	0.02 (5.57)	0.02 (5.30)	0.02 (5.25)	0.03 (7.30)	0.02 (5.37)
$\Delta m3r (-1)$	0.52 (6.10)	0.47 (5.57)	0.49 (6.17)	0.35 (4.57)	0.30 (4.61)	0.39 (5.54)
$\Delta m3r (-4)$	-0.25 (4.19)	-0.25 (4.46)	-0.24 (4.29)			
ECT	-0.26 (3.38)	-0.25 (3.34)	-0.24 (3.32)	-0.37 (4.49)	-0.43 (5.14)	-0.30 (3.70)
Δy	0.75 (9.16)	0.75 (9.28)	0.75 (9.51)	0.85 (9.74)	0.65 (8.68)	0.77 (8.90)
$\Delta y (-1)$	-0.37 (3.37)	-0.32 (2.77)	-0.35 (3.26)			
$\Delta y (-2)$						
$\Delta y (-3)$				-0.49 (6.18)		-0.45 (6.09)
$\Delta y (-4)$					-0.47 (6.86)	
Δr						
$\Delta r (-1)$				-0.42 (1.81)	-0.30 (1.67)	
$\Delta r (-2)$						-0.46 (2.12)
$\Delta r (-3)$						
$\Delta r (-4)$	-0.22 (1.52) ²	-0.20 (1.79) ²	-0.27 (1.99) ²			
Δix^3	-0.06 (1.66)			-0.18 (1.33)		
$\Delta ix (-1)$						
$\Delta ix (-2)$						
$\Delta ix (-3)$						
$\Delta ix (-4)$						
Δnfx^3		-0.07 (2.06)				
$\Delta nfx (-1)$						
$\Delta nfx (-2)$						
$\Delta nfx (-3)$					0.40 (3.22)	
$\Delta nfx (-4)$						
Δnzx^3						
$\Delta nzx (-1)$						
$\Delta nzx (-2)$			-0.09 (2.62)			
$\Delta nzx (-3)$						
$\Delta nzx (-4)$						0.35 (2.94)
Δex^3						
$\Delta ex (-1)$					-0.46 (4.02)	
$\Delta ex (-2)$						
$\Delta ex (-3)$		-0.10 (2.41)	-0.13 (3.14)			
$\Delta ex (-4)$						
Test statistics ⁴						
R ²	0.80	0.81	0.82	0.82	0.86	0.84
DW	1.63	1.69	1.61	1.66	1.72	1.94
Std	0.015	0.014	0.014	0.016	0.014	0.015
ARCH(4)	0.98	0.83	0.97	1.25	1.74	4.69
White	1.19	0.83	0.85	1.51	1.58	1.89
JB	0.73	0.63	0.82	0.62	0.19	1.52

* Estimation periods: I: 1975/2 to 1994/1; EC: 1981/1 to 1994/1. — 1 Absolute t-values in parentheses after coefficients. — 2 For Italy the interest rate differential $zd = r-it$

was used instead of r . — 3 $x \equiv I$, EC. — 4 See footnote 4 to the table on page 47.

at the 5 % level, so that in the long run the coefficients of the cointegration relationship are operative.

These test and estimation results substantially remain valid if the other two hypotheses about exchange rate expectations in German demand for money are analysed.⁵ The test statistics do not change markedly. The standard error of the regression is about 1.5 % in each

case. The determination coefficient is 0.80. No significant currency substitution influences were found for the currencies of France, Belgium, the Netherlands, Denmark and the United Kingdom.

⁵ See the table on page 48 for the relationships with the Italian lira and the ECU.

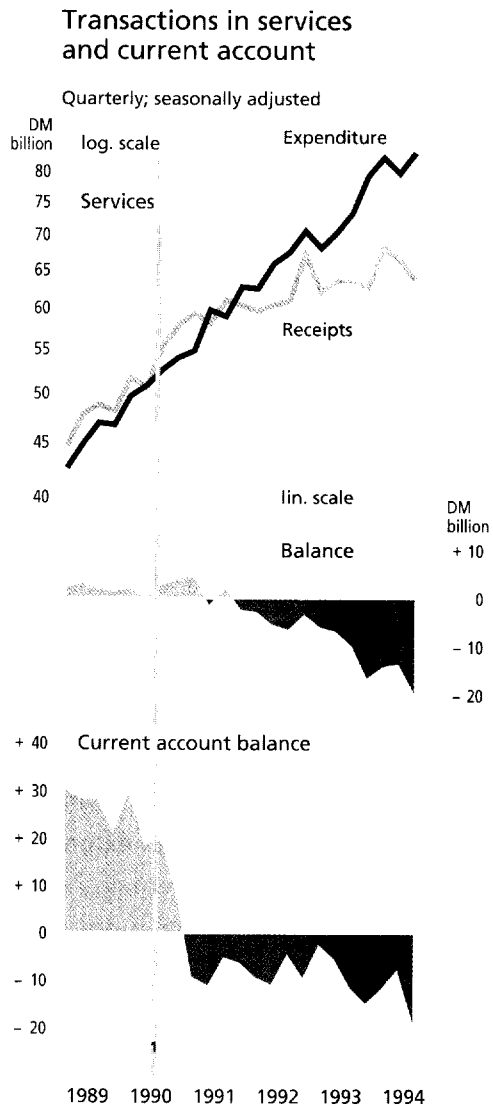
Recent developments in service transactions with non-residents

During the past few years Germany's current account has been increasingly burdened by rising deficits in the services sector. In contrast to a surplus of DM 8½ billion in 1990, the current account showed a deficit of DM 38½ billion in 1993, and it is likely that the deficit in 1994 will actually increase to approximately DM 70 billion. It was the rise in travel expenditure following German reunification that initially contributed to this trend. More recently, however, the statistics have been showing a considerable deterioration in the investment income account with non-residents, although recording deficiencies associated with the introduction of the flat-rate tax on residents' interest income have been playing an important role here. To that extent the available figures make Germany's current account appear much more unfavourable than is consistent with the actual conditions.

Prior to German unification major sections of Germany's services account¹ were marked by fairly different and in some cases opposite trends. For example, foreign travel always ran large "structural" deficits owing to the natural competitive advantages of the traditional holiday countries, but these were accompanied by growing interest and other investment income arising from the external assets

Overview

¹ This article is a continuation of the Deutsche Bundesbank's earlier report on the German services account. See Deutsche Bundesbank, The Federal Republic of Germany's service transactions with the rest of the world, Monthly Report, April 1990, page 12 ff.



1 From July 1990 Germany as now territorially defined.

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which Germany had built up over many years from surpluses on current transactions with non-residents. Germany also had net receipts from its provision of services for the troops stationed on its territory. On the other hand, in most of the other services areas, such as commission fees, publicity and trade fairs or patent and licence transactions, which are less significant in quantitative terms, deficits predominated on balance.

The structure of the services account, which had been fairly stable for many years, has undergone considerable and permanent changes since 1990. For example, the deficit on foreign travel shot up after reunification, while the substantial surpluses on investment income dwindled as a result of the fall in Germany's net external assets. However, this dramatic turnaround on investment income account was due in large measure to statistical recording problems, too. There were also falling receipts in other sectors of the services account. In particular, the payments of foreign military agencies for services used in Germany have declined significantly as the numbers of troops have now been markedly reduced. Overall, these developments have resulted in a reversal to the negative in Germany's services account in the order of DM 80 billion since the beginning of the nineties.

The increase in deficits in the services sector occurred against a background of significantly rising turnover. For example, the turnover in services (calculated on an f.o.b./f.o.b. basis, i.e. including the freight and insurance costs of imports) probably went up by no less than 40% between 1990 and 1994, whereas the estimated rise in the turnover in merchandise trade was only 6%. Services now account for about one-third of total current transactions with non-residents, compared with one-quarter at the beginning of the nineties. This trend has been partly due to both higher turnover in foreign travel and a sharp increase in investment income payments, which are ultimately a reflection of the rapid growth in Germany's external as-

sets and liabilities during the past few years. To a certain degree the expansion observed in the turnover in services therefore reflects the inherent momentum of the financial markets.

*Changes in the
definition of
the services
account*

A new balance of payments concept, whose preparation is now almost complete, will take account of the special role of the financial sector. The main provision here is that investment income will no longer be shown under service transactions but will appear in a separate sub-account ("factor services") together with the other factor incomes from abroad. This amended concept is in line with the new guidelines which the International Monetary Fund (IMF) has worked out in cooperation with the member states. The Bundesbank will include a detailed report on this in its Monthly Report of March, when the figures for 1994 will be available and published in line with the new balance of payments breakdown.

Foreign travel

*Foreign travel
account
balance*

Foreign travel has always run by far the largest deficit of the various sub-balances in the services account. Once investment income has been extracted, as planned, foreign tourism will determine the trend in Germany's services account (in the new definition) even more strongly than before. At the beginning of the nineties Germany's travel account deficit was in the order of DM 30 billion; by 1993 annual net expenditure on foreign travel had risen to DM 44½ billion. According to the figures available up to October, an an-

nualised increase to approximately DM 50 billion is to be expected for 1994. This means that, as far as net expenditure on international tourism is concerned, Germany is at the top of the league and far in front of Japan, whose expenditure in 1993 was the equivalent of DM 38 billion.

It is primarily the increased expenditure of German travellers abroad that has been reflected in the sharp rise in the deficit on Germany's travel account since the beginning of the nineties, whereas there has hardly been any growth in the corresponding receipts from foreign tourists in Germany. For example, German travel expenditure abroad rose by DM 14½ billion, or 30%, from DM 47½ billion in 1990 to DM 62 billion in 1993. This increase was considerably sharper than that in the previous four-year period (1986 to 1989), when expenditure rose by "only" just over DM 5 billion (+ 13%). The strong expansion in travel expenditure after reunification is particularly remarkable in that it has far exceeded the simultaneous rise in the disposable income of households. The additional demand for foreign travel has come mainly from the new Länder. After decades of isolation from the west and far-reaching restrictions on travel the citizens of eastern Germany have had a particularly large pent-up demand for holiday trips abroad. However, foreign travel is likewise still much more popular among west Germans than other consumer products.

Expenditure

Foreign travel has also become more attractive for German tourists not least because the rises in prices have slowed down considerably

Breakdown of German foreign travel

Shares in the total receipts from and expenditure on foreign travel in %

Group of countries/Country	1990	January to September 1994
Receipts		
EC member countries	49.4	48.5
of which		
Belgium and Luxemburg	4.3	5.4
Denmark	6.6	5.9
France	9.4	9.6
Italy	6.3	5.8
Netherlands	14.2	14.3
Portugal	0.6	1.1
Spain	2.0	0.6
United Kingdom	5.3	5.0
Other European countries	27.4	26.5
of which		
Austria	11.0	12.4
Sweden	6.5	5.1
Switzerland	4.3	5.6
Non-European countries	15.6	17.0
of which		
Japan	3.7	4.1
United States	8.3	9.8
Other countries	7.6	8.0
All countries	100	100
Expenditure		
EC member countries	50.7	51.1
of which		
Belgium and Luxemburg	1.4	1.4
Denmark	2.0	2.6
France	7.8	8.3
Greece	3.4	3.7
Italy	13.7	13.3
Netherlands	5.5	5.2
Portugal	1.2	1.4
Spain	12.3	11.5
United Kingdom	3.2	3.5
Other European countries	29.9	26.0
of which		
Austria	16.0	14.5
Sweden	1.5	1.3
Switzerland	6.9	6.7
Non-European countries	7.6	8.3
of which: United States	5.2	5.8
Other countries	11.8	14.6
All countries	100	100

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in major holiday countries during the past few years, and in some cases these rises have been even less steep than those in Germany. Given the nominal appreciation of the Deutsche Mark since the middle of 1992, which has been very sharp in the case of a few currencies, the purchasing power of the Deutsche Mark has been considerably higher in many of the popular destinations than in Germany; this is particularly true of Italy, Spain and the United Kingdom but also applies – albeit less markedly – to other European countries such as Portugal, Sweden, the Netherlands and France and to non-European countries, notably the United States. For example, German travel expenditure in Italy increased by 11½% immediately after the devaluation of the lira in 1992, whereas expenditure there had previously been declining.

Austria, however, has remained the most popular holiday country, judging by its share of approximately 15% in Germany's total travel expenditure (followed by Italy, Spain, France and Switzerland). Like the other Alpine regions, Austria has the advantage that it is attractive to holiday-makers not only during the summer season but, as a result of its winter tourism, throughout the rest of the year, too. Nevertheless, the highest growth rates during the past few years have been recorded outside Europe, particularly in the United States, where German tourists spent more than twice as much in 1994 as they had done towards the end of the eighties. Here, too, exchange-rate-related price advantages have no doubt been just as important as the fierce competition in North Atlantic air fares.

Among the losers in international travel, on the other hand, have been the former Soviet Union and, even more so, the crisis-ridden former Yugoslavia, where German travel expenditure had fallen by 1993 to only one-eighth of its 1990 level (DM 1.0 billion). By contrast, a marked rise has been recorded in the countries in transition in central and eastern Europe. Particularly, the Czech Republic and Slovakia, favourite holiday destinations for citizens of the new Länder, achieved an above-average rise in earnings from German tourists.

Receipts

The steep increase in foreign travel expenditure between 1990 and 1993 was in contrast to the trend in receipts from foreign travellers, which remained virtually unchanged at approximately DM 17 billion annually; between January and October 1994 these receipts were actually 5% below the level in the same period a year earlier. In terms of the number of overnights spent by foreign visitors, the decline was even greater as it amounted to just over 15% in the old Länder between 1990 and 1993. Firstly, this was probably due to cyclical factors which will become less significant again as the economic upswing world-wide gathers momentum. Secondly, however, it was presumably also due to the – largely exchange-rate-related – increase in the cost to foreign visitors of staying in Germany. This is suggested by the fact that receipts from tourists from Italy, Spain and Sweden, whose currencies have depreciated particularly sharply against the Deutsche Mark, have recently fallen considerably. On the other hand, visitors from the Netherlands, Austria and Switzerland

spent appreciably more in Germany in 1993 and 1994 than in the base year 1990.

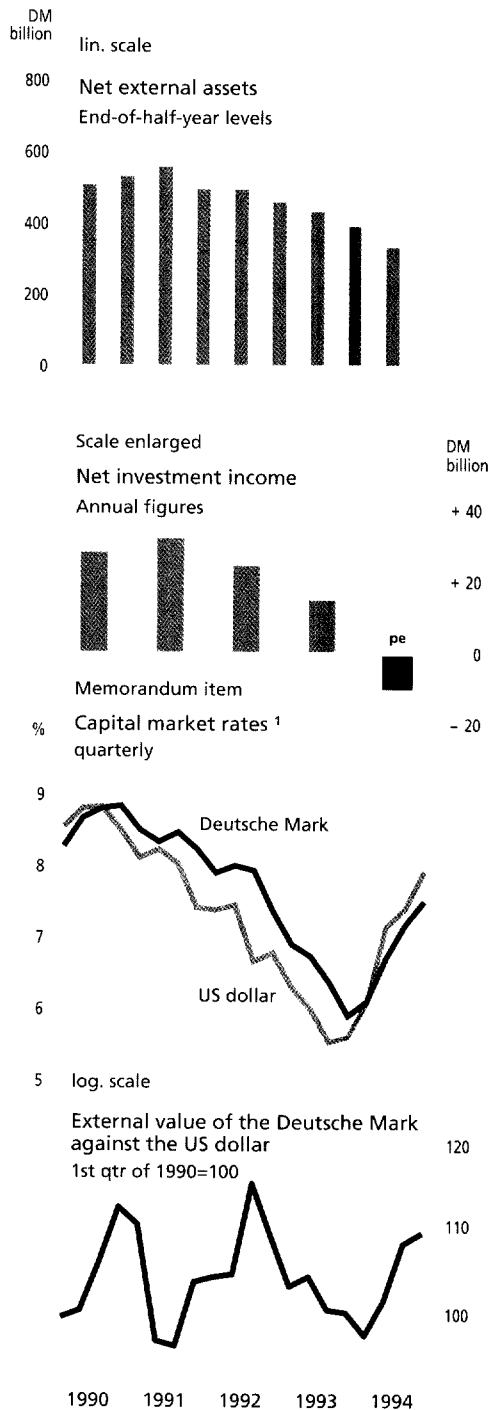
However, the effects of exchange rates should not be overestimated. After all, the fastest growth in Germany's receipts was from travellers from the United States, where the economic recovery process had set in earlier than in most other industrial countries. In the four-year period from 1990 to 1993 there was a rise here of just over one-third to DM 1.9 billion, which means that the United States was the third most important country in terms of foreign visitors to Germany – after the Netherlands and Austria and in front of France.

Investment income

In the past few years the investment income account has deteriorated dramatically. After record surpluses amounting to about DM 30 billion at the beginning of the nineties net investment income had been halved to DM 15 billion by 1993 and actually went into an estimated deficit of approximately DM 10 billion in 1994. There were several reasons for this trend. Firstly, the decline in Germany's net external assets as a result of the persistent current account deficits since 1991 had a sustained detrimental effect on the investment income account. Other factors such as the interest rate advantage which the Deutsche Mark had been enjoying over the dollar for some time and the appreciation of the Deutsche Mark accentuated this trend. Yet the dramatic reversal of the investment income account into minus is probably largely

Trends

External assets and investment income



¹ Yields on US Federal bonds and on German public bonds with a residual period to maturity of approximately ten years.

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the result of statistical recording difficulties. Where residents have transferred their safe custody accounts abroad for tax reasons during the past few years or have purchased domestic securities through foreign financial centres and have left them there for safe-keeping, the interest which they earn and which is paid to the bank carrying the safe custody account is reported as investment income payments to non-residents, whereas the corresponding interest credited by the foreign custodian bank to the resident holder of the safe custody account is not recorded.

The investment income reported² rose sharply, particularly towards the end of the eighties and at the beginning of the nineties. Since then the rise in the flow of German interest and dividend receipts has slowed down considerably although Germany's (gross) external assets have risen quite steeply in the past few years as well. In 1994 Germany's investment income, at an estimated DM 118 billion, will probably fall just short of the level in 1993 (DM 122 ½ billion). By contrast, annual growth towards the end of the eighties and at the beginning of the nineties was in the region of DM 20 billion. During the past three years the world-wide decline in capital market rates, which started at the end of 1990, has curtailed the growth in Germany's investment income generated abroad – owing to the locking-in of interest rates and fixed interest agreements, however, there was a certain delay before the effect of

Receipts

² Interest and dividends arising from securities investment, loans and direct investment, excluding payments arising from financial futures contracts, many of which are margin payments.

this was reflected in interest income trends. Since the autumn of 1992 there have also been interest rate reductions at the short end of the market. Another point is that the sharp intermittent appreciation of the Deutsche Mark against the dollar, in which most foreign currency assets are denominated, has reduced the interest income arising from dollar assets in Deutsche Mark terms.

*Average yield
on external
assets*

The computed average yield on Germany's total external assets, which had reached a peak of 6.7 % in 1991, had fallen to 5.8 % by the first half of 1994.³ The sharpest fall was in the yield on German securities investment abroad (from 8.4 % to 6.9 %). At the same time the average yield on loans to non-residents declined from 6.6 % to 5.7 %; the reason why this yield is lower than that on securities investment is that this asset item includes not only monetary assets but also other external assets (such as gold, real estate, public participating interests and trade credits), some of which do not yield regular investment income. The computed average yield is probably least informative in the case of direct investment because, among other things, the different "degrees of maturity" of direct investment and its flexibility with regard to taxes have to be taken into account. However, in 1994 (rise from 2.6 % to 4.1%) the trend was entirely consistent with the strengthening cyclical upswing in the industrial countries, which are the main target group of German enterprises' participating interests.

Expenditure

In contrast to investment income generated abroad, there has been a dynamic growth in payments to non-residents over the past few

Investment income *

DM billion

Year	Receipts	Expend- iture	Balance
1990	97.3	68.4	+ 28.9
1991	114.1	81.9	+ 32.3
1992	116.5	91.3	+ 25.2
1993	122.4	105.6	+ 16.8
1994 1	118.0	128.0	- 10.0

* Excluding other investment income. — 1 Annualised rate based on the figures for the first eleven months of 1994.

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years. In 1994 these were estimated at DM 128 billion (excluding other investment income), which means they had almost doubled within a period of no more than four years. This also means that, despite falling interest rates, total investment income expenditure rose significantly more sharply than external liabilities during the past four years, with the result that there was a slight increase (from 6.4 % to 6.9 %) in the computed average yield on foreign investment in Germany between 1990 and the first half of 1994.

This trend in the computed average yield on Germany's external liabilities, which, in itself, is surprising, has been due essentially to the

*Average yield
on external
liabilities*

³ The calculation of the yield is based on a computed average holding in the year (or half-year) concerned and is therefore no more than a rough estimate.

above-average rise in interest payments on securities. These payments have gone up fourfold since 1990 and now account for the lion's share of Germany's investment income expenditure. By contrast, interest paid on unsecured external liabilities has increased much less sharply, and the investment income payments for foreign direct investment were lower in 1993 and 1994 as a result of the recession-related depression in profitability than they had been at the beginning of the nineties.

The average yield on advances and loans raised abroad declined in line with the general interest rate trend from 7% in 1992 to 6% in the first half of 1994. On the other hand, the computed average yield on non-residents' investment in securities in the German market rose at the same time from 5½% to 8%. This was probably due mainly to the aforementioned statistical recording problems in the field of investment income which arose in connection with the introduction of the flat-rate tax on interest income. To avoid this tax, resident savers have evidently shifted large amounts of the securities previously held on their behalf by domestic credit institutions to custodians abroad.⁴ While in the end this makes no difference to Germany's external position, the reported interest payments to foreign agencies have increased significantly more sharply than non-residents' investment in the German securities market. This trend continued even more strongly in 1994.

If for the sake of simplicity it is assumed that, owing to the sharp fall in short and long-term

Deutsche Mark interest rates in 1993 and the time-lag before this took effect, the actual average yield on non-residents' investment in German securities may, at best, have remained unchanged in 1994, too, at 5.5% against 1992, but that it can hardly have risen, investment income expenditure should have been several billion Deutsche Mark lower in 1993 and a two-digit billion amount lower in 1994 than the DM 43 billion shown in the statistics for 1993 and the annualised sum of DM 62 billion based on the first eleven months of 1994. In the light of this it therefore seems that the obvious deterioration in Germany's investment income account during the past two years is largely due to deficiencies in recording. At any rate, the total expected deficit of an estimated DM 10 billion in 1994 will be within the assumed margin of error.

The data from other statistical sources also suggest that significant transfers of safe custody accounts abroad have arisen in connection with the introduction of the flat-rate tax on investment income. For example, according to the annual securities deposit statistics (the figures for which are so far available only up to the end of 1993, however), the bonds which German banks held in safe custody for resident private investors fell in 1993 by DM 22 billion for the first time within a single year. These statistics also show that at the

*Transfer of safe
custody
accounts
abroad*

⁴ Where a resident simply shifts his safe custody account abroad, this is not recorded either under capital transactions or in the stocks. Nevertheless, interest transferred abroad by domestic banks on the payment dates will be reported as such and recorded in the balance of payments as expenditure because it is not possible to identify the final beneficiary.

Investment income, external assets and average yields

DM billion

Item	1990	1991	1992	1993	1994 1st half	1990	1991	1992	1993	1994 1st half
Investment income	Receipts					Expenditure				
Direct investment ¹	9	9	6	6	5	10	11	11	5	4
Securities	24	26	28	31	16	16	20	25	43	31
Loans	65	79	82	85	42	42	51	55	58	28
Total ²	97	114	117	122	63	68	82	91	106	63
Net receipts ²	29	32	25	17	0	-	-	-	-	-
External assets	Assets (level at the end of the period under review)					Liabilities (level at the end of the period under review)				
Direct investment ¹	167	196	216	238	245	88	103	106	106	105
Securities	293	326	398	461	474	331	396	513	788	758
Loans ³	1,184	1,217	1,285	1,504	1,441	693	742	819	913	961
Total	1,644	1,739	1,899	2,203	2,160	1,111	1,241	1,438	1,808	1,825
Net assets	533	497	462	395	335	-	-	-	-	-
Average yields	Receipts (as % of assets) ⁴					Expenditure (as % of liabilities) ⁴				
Direct investment	5.8	4.9	2.9	2.6	4.1	12.4	11.5	10.5	4.7	7.6
Securities	8.2	8.4	7.7	7.2	6.9	4.8	5.5	5.5	6.6	8.0
Loans	5.9	6.6	6.6	6.1	5.7	6.7	7.1	7.0	6.7	6.0
Total ²	6.2	6.7	6.4	5.9	5.8	6.4	7.1	6.8	6.5	6.9

¹ Yields on stocks: only capital shares (no loans). —
² Excluding "Other investment income". — ³ Including

other assets and liabilities. — ⁴ Relative to average holdings for the year or for the first six months of 1994.

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same time the level of securities which German banks held in safekeeping for foreign institutions (for example, custodian banks) rose much more sharply than would have been consistent with the purchases of paper abroad in 1993. That, too, supports the assumption that private investors have shifted abroad some of the paper which they had hitherto been depositing in safe custody accounts in Germany. In addition, a substantial amount of the paper which they had previously held in safekeeping themselves has now apparently been deposited in safe custody accounts abroad. A likely incentive for this action is the flat-rate tax levied at the particularly high rate of 35 % when residents redeem interest coupons which they had held themselves. This tax can be avoided if a foreign custodian bank is involved. Incidentally,

another indication of this is the disproportionately large amount of interest paid on bank debt securities, which, in contrast to public bonds, are also obtainable as physical securities.

Finally, it must be remembered in this connection that investment income expenditure is also distorted upwards by the roundabout transactions which resident savers have been making through foreign financial centres during the past few years, again for tax reasons. Where these were handled by Luxemburg investment funds, the investment income figures shown were amended in connection with the annual revision of the balance of payments statistics in 1994. However, some of the interest income which German investors receive from the direct purchase of

German securities through foreign financial centres and which is much more difficult to estimate quantitatively has not been taken into account.

*Reduced in-
formative value
of the invest-
ment income
account*

All in all, the informative value of the investment income account and of the figures for Germany's current account, which are based on it, has declined significantly recently – with the corresponding consequences for the aggregates of the national accounts, such as private saving and gross national product, which are derived from them. On the other hand, the area of uncertainty in which errors in the investment income account may possibly arise is also large. For this reason the Bundesbank has never revised the investment income figures. The Bank is currently trying to quantify the distortions outlined above through estimates.

Other services

*Government
transactions*

The net receipts arising from government transactions are traditionally an important asset item in the German services account, although almost all of these are receipts from foreign military agencies. They reached a total of just over DM 20 billion a year in the eighties and early nineties and arose from the sales of goods and services to troops stationed in Germany. As already indicated, receipts from US troops in Germany, in particular, declined after reunification as a result of the fall in troop numbers. Overall, the total receipts from these troops decreased from DM 21 billion in 1990 to DM 14½ billion in 1993 and are expected to be no more than

DM 12½ billion in 1994. In view of the fact that the reduction in troop numbers is still not complete, a further fall can be expected in the future.

The remaining transactions recorded in the services account are very heterogeneous. They include activities such as transportation, which is closely linked to German foreign trade, as well as economically more independent services such as construction and assembly work and receipts from and expenditure on research and development. These transactions recently had a 35% share in total service transactions with non-residents – calculated on an f.o.b./f.o.b. basis and therefore including the transport cost of imported goods.

At a value of just over DM 62 billion, or 11½%, transportation represents the largest single item among these other services. Yet, with receipts of DM 29½ billion and expenditure of DM 33 billion in 1993, there was only a comparatively slight increase in both the receipts from and expenditure on transport services compared with those in 1990; judging by the figures that are available up to September, there will be no radical change here in 1994 either. On balance, the annual deficit in this sector has ranged between DM 1½ billion and DM 3½ billion during the past few years. It is hardly surprising that there has been only a slight rise in the transactions shown in the transportation account, given the sizeable downturn in foreign trade in 1993. Instead, the interesting point is that transport turnover has remained relatively stable, while losses of 8% were reported in

Transportation

merchandise trade between 1992 and 1993. That could be yet another indication that the sharp fall in foreign trade figures following the reorganisation of the statistics at the beginning of 1993 is still at least partly a statistical problem, even though corrections have since been made.

Commission fees, publicity and trade fairs

Germany has traditionally run fairly large deficits on commission fees, publicity and trade fairs (including the ancillary costs associated with merchandise trade and service transactions); in the period 1990-3 Germany's annual expenditure on these service categories exceeded receipts by approximately DM 13 billion. This corresponds roughly to the deficits recorded in previous years.

Patents and licences

For some time Germany has also incurred deficits on its patents and licence transactions with non-residents. From 1990 to 1993 they rose by DM 1 billion to almost DM 4 billion. Including the cross-border payments for research and development as well as for engineering and EDP services, the technological services shown in Germany's balance of payments ran a deficit of just over DM 5 billion in 1993, compared with one of just over DM 1 billion in the base year 1990.⁵ According to the figures available so far for 1994, it is likely that last year's deficit was just as high. At first sight, these figures indicate a deterioration in the transfer account for technical know-how. However, a factor arguing against this is that in the past few years developments have been influenced by, among other things, spe-

⁵ See Deutsche Bundesbank, Technological services in the balance of payments, Special Statistical Publication, May 1994.

Germany's service transactions *

Item		DM billion		January to September	
		1990	1993	1993	1994
Foreign travel	Receipts	17.0	17.4	13.2	12.5
	Expenditure	47.7	62.0	48.3	52.7
	Balance	-30.7	-44.6	-35.1	-40.2
Investment income	Receipts	97.9	132.5	99.8	107.2
	Expenditure	69.8	117.5	84.0	111.3
	Balance	28.2	15.0	15.8	-4.1
Other services of which Government transactions	Balance	-2.3	-23.6	-17.1	-18.6
	Balance	19.8	12.8	10.2	8.2
Transportation	Receipts	27.0	29.4	21.5	22.2
	Expenditure	28.5	32.9	24.7	25.6
	Balance	-1.5	-3.6	-3.2	-3.4
Commission fees, publicity and trade fairs, ancillary services	Receipts	5.0	6.8	5.1	5.6
	Expenditure	17.6	19.8	14.8	14.3
	Balance	-12.6	-13.0	-9.6	-8.7
Licences, patents	Receipts	3.2	3.3	2.6	2.8
	Expenditure	6.1	7.3	5.3	5.4
	Balance	-2.9	-3.9	-2.7	-2.6
Wages and salaries	Receipts	11.0	13.3	9.5	10.6
	Expenditure	14.4	23.6	17.0	17.3
	Balance	-3.5	-10.4	-7.4	-6.6
Insurance	Receipts	6.9	10.0	6.8	9.5
	Expenditure	9.3	12.1	8.8	10.9
	Balance	-2.4	-2.0	-2.0	-1.4
Construction and assembly work	Receipts	5.3	6.5	5.0	3.9
	Expenditure	4.8	6.9	4.9	5.2
	Balance	0.5	-0.4	0.0	-1.4
Other services	Receipts	16.3	14.5	10.6	11.1
	Expenditure	16.1	17.6	13.0	13.7
	Balance	0.2	-3.0	-2.4	-2.5
Services, total	Receipts	212.6	249.9	186.7	195.7
	Expenditure	217.4	303.1	223.1	258.5
	Balance	-4.8	-53.3	-36.4	-62.9
Services as % of merchandise trade	Receipts	33.9	41.9	42.7	41.4
	Expenditure	42.3	57.6	57.3	62.2

* In contrast to the official foreign trade statistics and the usual publication practice in the Monthly Reports, the freight and insurance costs payable on imports are included in service transactions.

cial factors, such as the expenditure on patents and licences after reunification as a result of the sharp increase in the output of goods produced under foreign licence. It must also be remembered that to a large extent patent and licence transactions also include settlement payments by foreign enterprises in Germany to their parent companies and that the level of these payments is partly influenced by intra-group policy decisions and tax considerations. Furthermore, the exchange of technical know-how under the services items mentioned does not comprise all of the technological exchange between Germany and the rest of the world; trade in high-tech products also accounts for a considerable proportion of this.

Outlook for international service transactions

Germany's participation in the global growth in cross-border services trading has so far been more or less average. Its share in the overall international services turnover (excluding factor incomes) has been estimated at just over 9% on an average of the years 1990-3, while its corresponding share in international merchandise trade amounted to 11%. Given the specific business structure in Germany, whose success as an industrial location is to be found in its comparative cost advantage in merchandise trade, these ratios are essentially an expression of Germany's role in the international division of labour. In

important sub-sections such as foreign travel there are, in addition, the natural competitive advantages of typical holiday countries as a result of their more favourable climate. As already stated at the beginning, however, the development of cross-border service transactions has been particularly dynamic in Germany, too, and in all probability the strong growth in the services sector will continue for the foreseeable future.

This expansion is due not least to the progress that has now been made in liberalising service transactions. At the beginning of the nineties the OECD's liberalisation code was amended and supplemented in the field of cross-border financial services. Furthermore, with the introduction of the single European market the barriers to free trade in services have been largely dismantled in Europe. Again, the GATT agreements of just over a year ago brought developments in this field a step forward on a global scale. However, they also showed just how difficult it is to achieve success in liberalising this sector. In view of the above-average rise in demand for the "products" of the services sector in the highly developed industrial countries and the greater significance of the income generated in this field, there should be no let-up in the efforts to reduce further the regulatory differential between services, on the one hand, and merchandise trade and capital transactions, on the other. The newly created World Trade Organisation has a particular role to play in this field.

*Progress in
liberalising
services*

*Germany's
market share*

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Note

From January 1995 the figures of the banking statistics shown in section IV "Credit institutions" are being presented in a modified form in order to streamline them. Some tables and details have now been incorporated in the Statistical Supplement "Banking statistics", which has likewise been completely revised. When defining the items in the tables, we have paid attention to bringing the monthly balance sheet statistics into line with the new accounting legislation (see Deutsche Bundesbank, The new accounting legislation for credit institutions applicable from 1993, and its implications for the monthly balance sheet statistics, Monthly Report, May 1992, pages 37 to 46). In order to enhance legibility, the figures in sections II "Overall monetary survey", III "Deutsche Bundesbank" and IV "Credit institutions" are quoted in DM billion (with one digit after the decimal point).

Discrepancies in the totals are due to rounding.

Abbreviations and symbols

- e Estimated
- p Provisional
- pe Partly estimated
- r Revised
- ... Figure available at a later date
- . Figure unknown or not to be published or not meaningful
- 0 Less than 0.5 but more than nil
- Nil

I. Key economic data

1. Monetary developments and interest rates

Period	Money stock in various definitions, seasonally adjusted 1				Factors determining the money stock, seasonally adjusted 1, 3			Interest rates		
	M3, monthly average	M3, extended 2	M2 3	M1 3	Bank lending to enterprises and individuals 4	Monetary capital formation	Day-to-day money	Current account credit 5	Yield on listed Federal securities outstanding	
Average annual change, in %							Annual averages, in % p. a.			
1987	7.3	6.9	6.8	9.1	3.9	5.6	3.7	6.7	5.8	
1988	6.3	6.6	6.2	9.5	4.5	4.3	4.0	6.6	6.1	
1989	5.7	8.3	8.8	6.4	6.4	4.7	6.6	8.3	7.0	
1990	4.6	7.0	12.5	4.6	8.1	10.5	7.9	9.9	8.8	
1991	.	.	.	.	.	.	8.8	10.9	8.6	
1992	8.1	9.3	11.7	6.6	11.3	8.0	9.4	12.0	8.0	
1993	7.8	10.2	8.5	9.3	8.7	4.0	7.5	11.1	6.3	
1994	...	...	...	...	...	...	5.3	9.6	6.7	
1993 Dec.	Change from the 4th qtr of the previous year, annual rate in %				Change over the last six months, expressed as an annual rate, in %			Monthly averages, in % p. a.		
	8.1	9.2	13.1	10.3	13.5	10.0	6.4	6.2	10.2	5.5
1994 Jan.	21.3	11.8	14.8	11.1	15.7	10.1	5.4	6.2	10.1	5.5
Feb.	17.6	12.6	14.6	10.8	12.4	9.8	5.8	6.2	10.0	5.8
Mar.	15.4	13.8	14.3	12.6	10.9	10.1	5.0	6.0	9.9	6.2
Apr.	15.4	15.0	13.9	12.9	12.5	9.4	4.9	5.7	9.9	6.3
May	13.4	13.9	12.1	10.0	8.6	9.8	5.4	5.4	9.6	6.4
June	11.4	10.6	8.3	5.9	9.2	8.8	5.2	5.1	9.4	6.9
July	9.8	6.3	4.8	1.3	4.2	9.1	6.9	5.0	9.4	6.7
Aug.	8.2	3.7	3.9	0.4	7.7	9.6	6.9	4.9	9.4	6.9
Sep.	7.8	3.0	3.3	- 3.4	7.0	8.5	7.9	4.8	9.4	7.3
Oct.	6.8	0.1 p	1.7	- 5.6	5.3	8.7	8.5	4.9	9.4	7.4
Nov.	5.8 p	- 1.3	...	- 7.8 p	4.5 p	8.7 p	9.2	5.0	9.3	7.3
Dec.	...	...	...	...	...	...	4.9	9.3	7.4	7.4

1 From January 1991 including eastern Germany. Statistical changes have been eliminated. — 2 Monthly average on the basis of end-of-month levels; from August 1994 including money market funds. —

3 End-of-month level. — 4 Excluding the Bundesbank, including lending in the form of securities. — 5 DM 1 million and more but less than DM 5 million.

2. Public finance

3. Foreign trade and payments

Period	Central, regional and local authorities 1				Social security funds 1	Balance of payments 1			Exchange rates 4		
	Receipts	Expenditure	Financial balance	Level of debt	Financial balance	Current account 2	Capital account	Long-term	Short-term 3	Dollar rate	External value of the Deutsche Mark 5
Change from previous year in %					DM billion						
1987	2.4	3.7	- 51.0	848.8	3.5	82.5	- 22.0	- 19.3	1.80	178.9	
1988	3.0	3.1	- 53.3	903.0	1.5	88.9	- 86.8	- 36.9	1.76	177.4	
1989	9.4	4.1	- 22.2	928.8	13.2	108.1	- 22.2	- 104.9	1.88	175.7	
1990	3.6	6.9	- 46.3	1,053.5	16.2	75.7	- 65.4	0.7	1.62	185.5	
1991	.	.	- 121.8	1,173.9	14.3	- 32.2	- 27.3	59.8	1.66	183.1	
1992	pe 12.4	pe 9.7	pe - 110.0	1,345.2	pe - 7.0	- 34.4	39.7	63.4	1.56	188.7	
1993	pe 3.0	pe 4.8	pe - 133.0	1,509.1	pe 4.0	- 32.2	186.5	- 190.0	1.65	193.4	
1994	...	...	...	...	...	...	...	...	1.62	193.4
1993 3rd qtr	- 0.4	2.7	- 35.2	1,444.3	- 0.8	- 11.5	40.2	1.7	1.68	192.1	
4th qtr	p 6.1	p 1.1	p - 54.3	1,509.1	p 6.2	- 14.8	76.2	- 75.3	1.68	193.6	
1994 1st qtr	p 8.5	p 4.9	p - 22.4	1,587.4	p - 3.9	- 11.7	- 24.5	36.9	1.72	189.9	
2nd qtr	p 7.7	p 1.7	p 1.0	1,585.8	p 0.1	- 7.7	- 34.9	44.6	1.66	191.6	
3rd qtr	...	...	...	...	...	- 18.9	3.1	30.6	1.56	195.7
4th qtr	...	...	...	...	...	...	...	...	1.54	196.3
1994 Sep.	.	.	.	.	.	.	4.7	7.0	1.55	195.8
Oct.	.	.	.	.	.	.	5.3 p	0.8	1.52	196.6
Nov.	.	.	.	.	.	.	23.4	...	1.54	196.3
Dec.	.	.	.	.	.	.	...	...	1.57	196.1

1 From the 1st qtr 1991 including eastern Germany.

1 From July 1990 including eastern Germany. — 2 Seasonally adjusted quarterly figures; from 1993 figures subject to significant uncertainty owing to changes in the method of data collection in foreign trade. — 3 Including balance of unclassifiable transactions. — 4 Monthly or quarterly and annual averages. — 5 Weighted external value of the Deutsche Mark (against the currencies of 18 industrial countries).

I. Key economic data

4. Orders received and output

Period	Western Germany							Eastern Germany				
	Gross domestic product 1	Orders received (volume 2)			Output 3			Orders received (value)		Output in manufacturing 5		
		total	from the German market	from abroad	Construction	Manufacturing	Construction	Manufacturing	Construction			
	Change from previous period in % 4							Change from previous year in %				
1986	2.3	0.2	2.1	- 2.9	7.2	2.6	6.3					
1987	1.5	0.3	- 0.6	1.8	- 4.1	0.3	- 0.5					
1988	3.7	7.6	6.2	9.8	7.7	3.9	4.3					
1989	3.6	7.7	7.5	8.1	10.7	5.2	6.6					
1990	5.7	4.4	7.9	- 1.4	8.0	5.5	5.5					
1991	5.0	0.5	4.0	- 5.7	3.7	3.0	3.0					
1992	1.8	- 3.5	- 3.2	- 4.0	1.2	- 2.0	6.2	- 7.5	48.0	- 2.7		
1993	- 1.7	- 7.6	- 9.8	- 3.1	- 0.6	- 7.7	- 2.4	13.2	29.6	9.0		
1994	2.3	...	...	...	...	...	...	...	...	...
1992 2nd qtr	- 0.0	- 3.8	- 4.2	- 2.9	- 6.4	- 2.1	- 3.1	- 5.5	55.7	- 2.5		
3rd qtr	- 0.5	- 2.6	- 2.4	- 3.2	- 2.6	- 1.7	- 1.0	- 13.8	26.3	- 3.7		
4th qtr	- 1.0	- 6.7	- 6.0	- 7.7	8.2	- 4.5	3.8	- 4.5	43.1	- 0.1		
1993 1st qtr	- 1.5	- 1.0	- 3.2	3.1	- 2.4	- 3.0	- 2.5	- 1.3	26.0	- 1.1		
2nd qtr	0.5	0.3	- 0.5	2.0	- 5.4	- 0.3	- 1.0	13.9	28.9	9.3		
3rd qtr	1.0	1.6	2.5	- 0.2	3.3	0.5	- 0.6	25.1	32.7	15.9		
4th qtr	- 0.5	- 0.7	- 3.0	3.6	6.2	- 0.5	- 1.4	16.7	29.9	11.6		
1994 1st qtr	0.5	2.5	0.7	5.7	1.9	0.2	5.9	19.4	35.5	21.7		
2nd qtr	1.0	3.9	4.3	3.3	- 5.1	3.2	- 4.2	14.8	31.7	25.3		
3rd qtr	1.0	2.0	2.5	1.2 p	- 2.2	1.3	- 0.1	19.6	21.6	17.4		
1994 July		- 0.2	1.0	- 2.0	- 2.0	1.6	- 0.7	18.2	10.6	13.3		
Aug.		- 2.0	- 1.0	- 3.9	1.9	- 2.8	- 0.2	25.5	21.9	19.0		
Sep.		5.4	1.7	11.9 p	- 0.6	1.3	- 0.8	16.0	32.7	19.6		
Oct.		- 1.2	- 0.5	- 2.4 p	1.2	0.7 o	4.8	12.1	9.0	22.2		
Nov. p		- 0.3	0.1	- 1.1	...	0.1	4.0	...	...	...

1 At 1991 prices. From 1991 provisional. Quarterly figures rounded to the nearest full or half percentage point. — 2 At 1985 prices. — 3 Annual figures adjusted for working-day variations. — 4 Quarterly and monthly figures adjusted for seasonal and working-day variations. — 5 Adjusted for work-

ing-day variations. — o Figures may not be fully comparable to those of the previous months as they were brought into line with the results of the 1994 overall survey in the construction sector as from October. — + First preliminary figures from the Federal Statistical Office.

5. Labour market *

Period	Western Germany 1			Eastern Germany	
	Employed (work-place concept) 2	Unemployed	Unemployment rate 3	Unemployed	Unemployment rate 3
	Thousands		%	Thousands	%
1986	26,856	2,228	7.9		
1987	27,050	2,229	7.9		
1988	27,261	2,242	7.7		
1989	27,658	2,038	7.1		
1990	28,479	1,883	6.4		
1991	29,190	1,689	5.7	913	
1992	29,452	1,808	5.9	1,170	
1993	28,994	2,270	7.3	1,149	15.1
1994	...	2,556	8.2	1,142	15.2
1993 1st qtr	29,188	2,084	6.7	1,165	15.2
2nd qtr	29,062	2,209	7.1	1,112	14.6
3rd qtr	28,929	2,334	7.5	1,157	15.2
4th qtr	28,797	2,465	8.0	1,162	15.2
1994 1st qtr	28,699	2,532	8.2	1,271	16.9
2nd qtr	28,639	2,579	8.3	1,188	15.8
3rd qtr	28,606	2,572	8.3	1,107	14.7
4th qtr	...	2,543	8.2	1,003	13.3
1994 July	28,618	2,567	8.3	1,136	15.1
Aug.	28,606	2,573	8.3	1,105	14.7
Sep.	28,594	2,568	8.3	1,041	13.8
Oct.	28,604	2,544	8.2	1,001	13.3
Nov. 4	28,600	2,533	8.2	980	13.0
Dec.	...	2,534	8.2	1,015	13.5

* Monthly figures: end-of-month figures; employed: averages; annual and quarterly figures: averages. — 1 Quarterly and monthly figures seasonally adjusted. — 2 From 1992 provisional. — 3 As a percentage of the total labour force (excluding the armed forces). — 4 First preliminary estimate by the Federal Statistical Office.

6. Prices *

Period	Western Germany				Eastern Germany
	World market prices 1	Producer prices of industrial products 2	Construction price level 3	Cost-of-living index	Cost-of-living index
	Change from previous year in %				
1986	- 46.0	- 2.6	1.9	- 0.1	
1987	- 14.4	- 2.4	1.8	0.2	
1988	- 6.3	1.3	2.0	1.3	
1989	18.0	3.1	3.3	2.8	
1990	0.4	1.7	6.1	2.7	
1991	- 9.9	2.5	6.8	3.5	
1992	- 6.9	1.4	5.3	4.0	11.2
1993	- 4.4	0.0	4.1	4.2	8.8
1994	0.2	...	...	3.0	3.4
1993 1st qtr	1.2	0.5	4.9	4.3	8.9
2nd qtr	- 7.9	- 0.2	4.4	4.2	8.7
3rd qtr	- 3.8	- 0.2	3.6	4.2	8.9
4th qtr	- 7.4	- 0.1	3.4	3.8	8.8
1994 1st qtr	- 9.4	0.2	2.0	3.3	3.6
2nd qtr	- 0.5	0.3	1.5	3.1	3.4
3rd qtr	4.4	0.6	1.6	3.0	3.3
4th qtr	7.4	...	...	2.7	3.0
1994 July	4.6	0.4		2.9	3.2
Aug.	2.2	0.7		3.0	3.4
Sep.	6.4	0.7		3.0	3.4
Oct.	2.5	1.0		2.8	3.1
Nov.	7.1	1.4		2.7	3.0
Dec.	12.8	...		2.7	3.0

* Average of the period concerned. — 1 HWWA index of raw material prices, Deutsche Mark basis. — 2 Domestic sales. — 3 Calculated by the Bundesbank.

II. Overall monetary survey

2. Consolidated balance sheet of the banking system * Assets

DM billion

End of year or month	Lending to domestic non-banks												
	Total assets	Bundesbank							Credit institutions				
		Total	Domestic non-banks, total	Public authorities				Federal Railways and Post Office and east German Railways and Post Office			Domestic non-banks, total	Enterprises	
				Total	Advances, Treasury bills and Treasury certificates	Securities	Equalisation claims	Total	Advances, Treasury bills and Treasury discount paper	Securities			Total
1989	3,242.3	2,483.9	13.9	12.9	1.1	3.2	8.7	1.0	-	1.0	2,470.1	1,922.8	
1990	3,831.9	2,888.6	13.5	12.7	0.7	3.3	8.7	0.8	-	0.8	2,875.0	2,271.5	
1991	4,147.5	3,160.6	13.7	13.0	0.2	4.1	8.7	0.7	-	0.7	3,147.0	2,517.8	
1992	4,504.5	3,497.5	19.3	19.0	4.5	5.7	8.7	0.3	-	0.3	3,478.2	2,739.0	
1993	5,001.7	3,839.8	13.4	13.1	-	4.4	8.7	0.3	-	0.3	3,826.4	2,986.0	
1993 Nov.	4,865.1	3,777.2	14.6	14.2	1.0	4.6	8.7	0.3	-	0.3	3,762.6	2,924.1	
1993 Dec.	5,001.7	3,839.8	13.4	13.1	-	4.4	8.7	0.3	-	0.3	3,826.4	2,986.0	
1994 Jan.	5,002.4	3,847.9	13.2	12.9	-	4.2	8.7	0.3	-	0.3	3,834.7	2,987.8	
1994 Feb.	5,017.6	3,863.8	13.1	12.8	-	4.1	8.7	0.3	-	0.3	3,850.8	2,997.2	
1994 Mar.	5,010.1	3,902.4	13.0	12.7	-	4.0	8.7	0.3	-	0.3	3,889.4	3,027.3	
1994 Apr.	5,018.2	3,919.5	12.8	12.5	-	3.8	8.7	0.3	-	0.3	3,906.7	3,043.8	
1994 May	5,030.2	3,936.7	12.8	12.5	-	3.8	8.7	0.3	-	0.3	3,923.9	3,056.3	
1994 June	5,052.0	3,969.1	12.7	12.4	-	3.7	8.7	0.3	-	0.3	3,956.4	3,085.2	
1994 July	5,066.5	3,996.4	12.5	12.2	-	3.5	8.7	0.3	-	0.3	3,983.9	3,104.9	
1994 Aug.	5,088.5	4,012.6	12.4	12.1	-	3.4	8.7	0.3	-	0.3	4,000.2	3,122.8	
1994 Sep.	5,114.9	4,040.2	12.2	11.9	-	3.3	8.7	0.3	-	0.3	4,028.0	3,149.5	
1994 Oct.	5,140.2	4,069.5	12.1	11.8	-	3.2	8.7	0.3	-	0.3	4,057.4	3,171.5	
1994 Nov.	5,207.9	4,107.3	12.1	11.8	-	3.1	8.7	0.3	-	0.3	4,095.2	3,193.9	

Liabilities

DM billion

End of year or month	Money stock M3											Memorandum items		
	Total liabilities	Money stock M2							Domestic non-banks' time deposits for less than 4 years 7				Money stock M3, monthly average 9	Money stock M3, extended, plus money market funds 10
		Total	Total	Money stock M1			Domestic non-banks' savings deposits at three months' notice 8	of which Enter- prises and indi- viduals 1	Domestic non-banks' time deposits for less than 4 years 7	Domestic non-banks' savings deposits at three months' notice 8				
				Total	Currency in circula- tion (ex- cluding credit institutions' cash in hand) 6	Enter- prises and indi- viduals 1					Public au- thorities 7	Total			of which Enter- prises and indi- viduals 1
1989	3,242.3	1,255.6	776.6	450.7	146.9	303.8	283.7	20.1	325.8	279.4	479.1	1,220.9	1,363.6	
1990	3,831.9	1,503.0	987.6	584.3	158.6	425.8	391.2	34.6	403.3	350.4	515.4	1,461.4	1,642.9	
1991	4,147.5	1,597.7	1,084.5	604.0	171.8	432.3	402.9	29.4	480.5	422.8	513.1	1,550.0	1,762.8	
1992	4,504.5	1,718.7	1,196.5	669.6	200.5	469.1	440.7	28.4	527.0	469.7	522.2	1,685.1	1,929.2	
1993	5,001.7	1,906.7	1,319.2	726.3	212.0	514.3	486.2	28.2	592.9	531.0	587.4	1,834.4	2,173.4	
1993 Nov.	4,865.1	1,820.3	1,266.0	705.4	206.3	499.1	475.4	23.7	560.7	508.3	554.3	1,775.1	2,091.7	
1993 Dec.	5,001.7	1,906.7	1,319.2	726.3	212.0	514.3	486.2	28.2	592.9	531.0	587.4	1,834.4	2,173.4	
1994 Jan.	5,002.4	1,887.3	1,291.5	686.7	208.0	478.7	456.5	22.3	604.8	546.6	595.8	1,878.2	2,170.1	
1994 Feb.	5,017.6	1,891.4	1,290.0	682.3	208.2	474.2	451.3	22.8	607.7	549.3	601.4	1,876.0	2,168.0	
1994 Mar.	5,010.1	1,887.1	1,283.1	673.8	214.7	459.1	438.0	21.1	609.3	552.6	604.1	1,873.1	2,165.2	
1994 Apr.	5,018.2	1,896.7	1,290.1	686.6	213.9	472.7	449.0	23.7	603.5	549.3	606.6	1,876.2	2,173.8	
1994 May	5,030.2	1,899.6	1,290.7	689.4	213.7	475.6	452.7	22.9	601.3	543.9	608.9	1,886.4	2,175.8	
1994 June	5,052.0	1,901.4	1,289.2	702.4	214.8	487.7	464.3	23.4	586.8	528.9	612.2	1,882.6	2,168.9	
1994 July	5,066.5	1,891.1	1,275.3	695.0	216.0	479.0	457.2	21.8	580.3	526.8	615.8	1,877.7	2,163.5	
1994 Aug.	5,088.5	1,889.9	1,270.2	696.0	214.7	481.4	459.3	22.1	574.1	518.3	619.8	1,878.1	2,165.6	
1994 Sep.	5,114.9	1,881.6	1,258.3	701.3	218.3	483.0	461.7	21.2	557.0	504.3	623.3	1,871.6	2,157.7	
1994 Oct.	5,140.2	1,885.4	1,258.0	711.5	217.2	494.3	472.5	21.8	546.5	495.0	627.3	1,866.4	2,174.7	
1994 Nov.	5,207.9	1,906.7	1,274.8	714.4	220.3	529.1	504.3	24.7	525.4	475.5	631.9	...	...

* Consolidated statistical balance sheet of the credit institutions (excluding assets and liabilities of foreign branches and building and loan associations), including the Bundesbank (see Tables III. 1 and IV. 1 and 2), from June 1990 including east German credit institutions. The figures for the latest date are always to be regarded as provisional; subsequent alterations, which will appear in the following Monthly Report, are not specially marked. — 1 Including Federal Railways and Federal Post Office and Telekom. — 2 Including Treasury bills and Treasury certificates of Federal Railways and Federal Post Office. — 3 Including Treasury bills and Treasury certificates of

the Federal and Länder Governments, excluding liquidity paper. — 4 Including the working capital put at the disposal of foreign branches. — 5 Including counterpart of coins in circulation. — 6 Including DM notes and coins held abroad. — 7 Excluding Federal Government's deposits (see footnote 12). — 8 Until June 1993 savings deposits at statutory notice. — 9 Money stock as a monthly average of five bank-week return days (end-of-month levels included with a weight of 50%). Notwithstanding the other time series, east German credit institutions could not be included here until July 1990. — 10 Money stock M3 plus domestic non-banks'

II. Overall monetary survey

								External assets				End of year or month
and individuals 1				Public authorities				Total	Bundesbank	Credit institutions 4	Other assets 5	
Short-term 2	Medium and long-term	Securities	Total	Short-term 3	Medium and long-term	Securities	Equalisation claims					
375.2	1,506.4	41.2	547.2	10.5	432.1	102.8	1.9	613.5	100.1	513.4	144.9	1989
521.0	1,697.4	53.1	603.6	27.1	456.1	118.7	1.7	718.4	106.6	611.8	225.0	1990
575.8	1,876.0	65.9	629.2	26.1	485.1	115.5	2.4	729.6	97.3	632.2	257.3	1991
571.2	2,077.2	90.6	739.3	26.0	501.7	147.2	64.3	794.1	144.0	650.1	212.9	1992
544.2	2,307.6	134.2	840.4	19.0	552.6	193.5	75.3	950.4	122.8	827.6	211.5	1993
535.9	2,259.7	128.5	838.5	18.6	545.2	201.8	72.9	883.7	123.6	760.1	204.2	1993 Nov.
544.2	2,307.6	134.2	840.4	19.0	552.6	193.5	75.3	950.4	122.8	827.6	211.5	Dec.
528.7	2,318.9	140.2	846.9	18.7	554.9	197.4	75.9	937.5	120.7	816.8	217.0	1994 Jan.
517.9	2,336.3	142.9	853.5	15.1	555.7	207.4	75.4	933.1	121.3	811.8	220.6	Feb.
528.8	2,347.6	150.9	862.1	13.8	557.7	216.0	74.6	900.5	122.0	778.6	207.2	Mar.
522.5	2,361.4	159.8	862.9	14.3	557.8	216.5	74.2	888.3	122.8	765.5	210.4	Apr.
517.5	2,377.0	161.9	867.6	13.7	558.0	222.0	73.9	883.5	124.0	759.5	210.0	May
530.3	2,394.0	161.0	871.2	14.8	558.2	224.1	74.1	873.2	125.2	748.1	209.6	June
524.7	2,414.2	166.0	879.0	14.0	561.1	231.2	72.8	867.5	126.0	741.6	202.6	July
520.3	2,434.3	168.2	877.4	12.8	560.1	232.8	71.7	870.8	127.0	743.8	205.1	Aug.
534.3	2,443.4	171.8	878.5	12.5	562.5	231.2	72.2	869.4	126.8	742.7	205.3	Sep.
534.8	2,457.8	178.9	885.9	16.5	566.6	232.1	70.7	857.8	126.3	731.5	212.8	Oct.
542.4	2,472.7	178.8	901.3	24.9	574.5	232.0	69.8	882.4	124.6	757.8	218.2	Nov.

		Domestic non-banks' monetary capital with credit institutions							External liabilities				End of year or month
Bundesbank Treasury discount paper (liquidity paper) purchased by domestic non-banks 11	Federal Government's deposits in the banking system 12	Total	Time deposits for 4 years and over (incl. loans on a trust basis)	Savings deposits with a period of notice of more than 3 months	Bank savings bonds	Bearer bonds outstanding (net) 13	Capital and reserves 14	Total	Bundesbank 15	Credit institutions 16	Excess of inter-bank liabilities	Other liabilities	
-	6.9	1,482.9	491.3	226.5	202.5	406.5	156.0	325.1	54.3	270.8	- 3.8	175.6	1989
-	19.1	1,670.9	524.9	239.9	226.5	489.3	190.3	393.0	54.8	338.2	- 1.9	247.8	1990
-	12.7	1,852.8	560.1	241.0	236.7	603.1	211.9	395.2	44.9	350.3	5.2	283.9	1991
-	0.4	1,988.5	564.3	248.6	240.0	696.0	239.5	456.0	29.2	426.8	23.7	317.3	1992
0.1	13.5	2,146.1	603.1	272.0	219.1	789.8	262.1	536.4	42.4	494.0	28.0	371.1	1993
1.3	2.9	2,136.0	596.3	259.3	224.8	795.7	259.9	527.2	43.8	483.4	14.7	364.0	1993 Nov.
0.1	13.5	2,146.1	603.1	272.0	219.1	789.8	262.1	536.4	42.4	494.0	28.0	371.1	Dec.
0.1	6.7	2,168.1	613.5	270.1	211.5	806.9	266.2	554.9	43.4	511.4	20.2	365.2	1994 Jan.
0.7	4.2	2,179.9	619.9	270.0	208.5	809.1	272.5	557.9	45.5	512.4	23.4	360.7	Feb.
0.5	5.5	2,179.5	625.0	269.5	205.6	803.3	276.1	560.8	41.1	519.7	17.6	359.6	Mar.
0.1	7.1	2,187.7	630.8	269.9	203.4	805.4	278.3	570.8	45.7	525.1	21.6	334.2	Apr.
0.6	8.9	2,198.0	636.1	271.3	202.3	807.6	280.7	576.2	43.5	532.8	19.0	328.5	May
0.1	3.1	2,212.4	638.5	271.9	201.7	816.9	283.3	570.0	40.5	529.5	26.1	339.0	June
0.3	3.8	2,232.4	644.4	272.8	201.2	828.9	285.1	577.2	40.3	536.8	16.4	345.6	July
0.2	3.7	2,248.8	652.1	273.7	199.6	837.4	286.0	587.8	40.6	547.2	18.8	339.4	Aug.
0.5	8.3	2,261.3	655.5	274.5	199.3	844.7	287.4	583.1	34.2	548.9	20.3	360.4	Sep.
0.4	2.7	2,275.0	660.3	275.0	200.8	854.4	284.5	588.2	34.8	553.4	22.5	366.5	Oct.
0.7	0.1	2,300.7	665.3	275.6	204.1	870.9	284.8	596.8	34.9	561.9	30.1	373.4	Nov.

deposits with domestic credit institutions' foreign branches and foreign subsidiaries, and bearer bonds outstanding with maturities of less than two years; from August 1994 including domestic and foreign money market funds in the hands of domestic non-banks (adjusted for the money market funds' bank deposits). — 11 Included in "Other liabilities". — 12 Sight deposits and time deposits for less than 4 years. Up to December 1993 central bank deposits of domestic public authorities. — 13 Amount outstanding after deducting credit institutions' holdings of their own and other credit institutions' debt securities. Including bank debt securities held

by banks and non-banks abroad. — 14 Bundesbank and the credit institutions. After deduction of the asset items: unpaid capital, own shares and participating interests in domestic credit institutions. — 15 Including liquidity paper sold to foreign parties and including counterpart of special drawing rights allocated. — 16 Including the working capital of the branches of foreign banks.

From January 1995 the figures in DM billion will be quoted with one digit after the decimal point.

III. Deutsche Bundesbank

1. Assets

DM billion

End of year or month/ Reporting date	Monetary reserves and other external assets 1, 2												Lending to domestic	
	Total assets	Monetary reserves										External loans and other external assets	Total	Securities purchased in open market transactions under re-purchase agreements
		Total	Gold	Reserve position in the IMF and special drawing rights			Claims on the European Monetary Institute 3	Memo item Claims on the European Monetary Institute (gross) 3	Foreign currency balances					
				Drawing rights within the reserve tranche	Loans under special borrowing arrangements	Special drawing rights								
1989	308.6	100.0	16	97.5	13.7	5.2	—	3.1	17.3	32.1	58.3	2.4	175.3	108.8
1990	349.6	106.4	17	104.0	13.7	4.6	—	2.8	18.4	29.4	64.5	2.4	208.5	117.4
1991	359.9	97.3	18	94.8	13.7	5.4	—	2.9	17.3	29.1	55.4	2.6	225.3	148.5
1992	368.3	144.0	19	141.4	13.7	6.8	—	1.4	33.6	41.7	85.8	2.6	188.9	124.1
1993	405.6	122.8	—	120.1	13.7	6.8	—	1.7	36.2	48.0	61.8	2.6	257.5	184.5
1994 Mar.	368.5	122.0	—	119.4	13.7	6.8	—	1.7	33.5	47.8	63.7	2.6	221.9	148.1
Apr.	352.2	122.8	—	120.2	13.7	6.7	—	1.7	34.3	48.7	63.7	2.6	204.3	135.2
May	357.6	124.0	—	121.4	13.7	6.6	—	1.7	34.4	48.8	64.9	2.6	206.4	141.6
June	361.3	125.2	—	122.6	13.7	6.6	—	1.7	34.5	48.9	66.0	2.6	211.7	128.1
July	347.2	126.0	—	123.3	13.7	6.6	—	1.7	35.1	47.5	66.1	2.6	196.5	131.2
Aug.	346.5	127.0	—	124.6	13.7	6.6	—	1.8	35.2	47.6	67.3	2.4	193.9	130.2
Sep.	343.3	126.8	—	124.4	13.7	6.5	—	1.8	34.3	46.7	68.2	2.4	192.5	121.5
Oct.	347.3	126.3	—	123.9	13.7	6.5	—	1.8	35.0	47.0	66.9	2.4	195.9	126.7
1994 Nov. 7	338.2	126.6	—	124.3	13.7	6.6	—	1.8	35.0	47.0	67.2	2.4	190.0	127.1
15	341.9	126.7	—	124.3	13.7	6.6	—	1.8	35.0	47.0	67.2	2.4	188.3	125.6
23	342.0	127.1	—	124.7	13.7	6.6	—	1.8	35.0	47.0	67.6	2.4	191.4	129.2
30	375.0	124.6	—	122.3	13.7	6.6	—	1.8	33.0	45.0	67.2	2.4	228.2	139.0
Dec. 7	355.7	123.1	—	120.7	13.7	6.6	—	1.8	33.0	45.0	65.6	2.4	213.1	150.5
15	358.2	122.3	—	120.0	13.7	6.6	—	1.8	33.0	45.0	64.9	2.4	216.6	154.3
23	349.0	121.3	—	118.9	13.7	6.6	—	1.8	33.0	45.0	63.8	2.4	208.6	146.3

2. Liabilities

DM billion

End of year or month/ Reporting date	Deposits											
	Total liabilities	Banknotes in circulation	Domestic credit institutions 11	Domestic public authorities						Domestic enterprises and individuals 13	Foreign depositors 1	
				Total	Federal Government	EBF, ERP Special Fund, "German Unity" Fund	Länder Governments	Other public depositors 12				
1989	308.6	150.5	66.9	6.1	5.1	0.0	0.9	0.0	0.0	5.5	48.4	
1990	349.6	166.9	76.7	19.1	15.3	0.0	3.7	0.1	0.1	6.4	49.1	
1991	359.9	181.3	72.4	12.7	11.6	0.0	1.0	0.1	0.1	9.8	39.4	
1992	368.3	213.4	88.9	0.4	0.1	0.0	0.3	0.0	0.0	0.8	24.6	
1993	405.6	224.3	73.4	13.5	13.0	0.0	0.4	0.1	0.1	0.8	22.0	
1994 Mar.	368.5	223.7	49.8	0.3	0.1	0.0	0.1	0.1	0.1	0.6	21.3	
Apr.	352.2	222.0	52.8	0.2	0.1	0.0	0.1	0.0	0.0	0.5	21.5	
May	357.6	223.0	57.7	0.2	0.1	0.0	0.1	0.0	0.0	0.6	19.8	
June	361.3	222.9	65.7	0.2	0.0	0.0	0.1	0.0	0.0	0.9	17.5	
July	347.2	223.8	51.3	0.2	0.0	0.0	0.1	0.0	0.0	0.5	16.8	
Aug.	346.5	223.0	50.0	0.2	0.1	0.0	0.1	0.0	0.0	0.5	16.8	
Sep.	343.3	225.6	49.2	0.2	0.1	0.0	0.1	0.0	0.0	0.8	17.0	
Oct.	347.3	225.8	51.8	0.2	0.1	0.0	0.1	0.1	0.1	0.7	17.3	
1994 Nov. 7	338.2	227.0	42.7	0.3	0.1	0.0	0.1	0.0	0.0	0.6	16.2	
15	341.9	227.0	45.5	0.6	0.1	0.1	0.3	0.1	0.1	0.6	16.4	
23	342.0	225.8	46.4	0.2	0.0	0.0	0.1	0.0	0.0	0.6	16.6	
30	375.0	228.5	70.2	0.2	0.1	0.0	0.1	0.0	0.0	0.7	17.8	
Dec. 7	355.7	234.6	47.9	0.3	0.0	0.1	0.1	0.0	0.0	0.6	16.8	
15	358.2	236.2	47.1	0.5	0.1	0.0	0.3	0.1	0.1	0.7	18.8	
23	349.0	239.6	43.5	0.3	0.0	0.0	0.2	0.1	0.1	0.6	18.6	

1 The Bundesbank's external positions denominated in foreign currencies, ECUs and SDRs are shown at balance sheet rates. — 2 For further breakdown see Table X. 6, and Deutsche Bundesbank, Balance of payments statistics, Statistical Supplement to the Monthly Report, Table II. 6. — 3 Up to December 31, 1993 claims on the EMCF in connection with the European Monetary System. — 4 Excluding prime bankers' acceptances; the Bundesbank ceased buying prime bankers' acceptances with effect from January 1992. — 5 Including Equalisation of Burdens Fund and ERP Special Fund. — 6 Since the entry into force of the second stage of the economic and

monetary union on January 1, 1994, the Bundesbank may no longer grant any direct credit to public authorities. — 7 Resulting from the currency reform of 1948, including non-interest-bearing debt certificates in respect of the currency conversion in Berlin (West); including amounts exchanged for Treasury bills and Treasury certificates and sold; see also item "Liabilities arising from liquidity paper sold". — 8 Up to December 31, 1993 Federal Railways. — 9 Up to December 23, 1991 including foreign securities (from December 31, 1990 to December 23, 1991: DM 0.1 billion). — 10 Including the items "German coins", "Balances on postal giro accounts" and

III. Deutsche Bundesbank

credit institutions				Lending to and other claims on domestic public authorities				Securities			Other assets ¹⁰	End of year or month/ Reporting date
Domestic bills	Foreign bills	Lombard loans	Memorandum item Loans to domestic credit institutions excluding money market bills purchased ⁴	Total	Federal Government ^{5, 6}			Lending to Federal Railways Fund ⁸ and Federal Post Office ⁶	Debt securities and interest-bearing Treasury paper of Federal and Länder Governments	Debt securities and interest-bearing Treasury paper of Federal Railways Fund ⁸ and Federal Post Office ⁹		
					Advances	Equalisation claims ⁷	Länder Governments ⁶					
34.1	27.2	5.2	173.4	9.7	-	8.7	1.1	-	3.2	1.1	19.3	1989
54.1	30.8	6.2	207.6	9.4	-	8.7	0.7	-	3.3	1.0	21.0	1990
36.2	38.7	1.9	225.3	8.9	-	8.7	0.2	-	4.1	0.7	23.6	1991
50.0	13.2	1.6	188.9	13.2	4.4	8.7	0.2	-	5.7	0.3	16.2	1992
47.6	10.5	14.8	257.5	8.7	-	8.7	-	-	4.4	0.3	11.9	1993
50.7	10.0	13.1	221.9	8.7	-	8.7	-	-	4.0	0.3	11.7	1994 Mar.
52.3	9.0	7.7	204.3	8.7	-	8.7	-	-	3.8	0.3	12.3	Apr.
52.5	9.1	3.1	206.4	8.7	-	8.7	-	-	3.8	0.3	14.4	May
52.1	9.1	22.4	211.7	8.7	-	8.7	-	-	3.7	0.3	11.6	June
53.1	8.9	3.4	196.5	8.7	-	8.7	-	-	3.5	0.3	12.3	July
53.1	8.6	2.1	193.9	8.7	-	8.7	-	-	3.4	0.3	13.3	Aug.
52.4	8.7	9.9	192.5	8.7	-	8.7	-	-	3.3	0.3	11.8	Sep.
53.0	9.7	6.5	195.9	8.7	-	8.7	-	-	3.2	0.3	13.0	Oct.
52.8	9.5	0.6	190.0	8.7	-	8.7	-	-	3.1	0.3	9.5	1994 Nov. 7
52.6	9.9	0.2	188.3	8.7	-	8.7	-	-	3.1	0.3	14.7	15
52.7	9.5	0.1	191.4	8.7	-	8.7	-	-	3.1	0.3	11.4	23
52.7	9.5	27.0	228.2	8.7	-	8.7	-	-	3.1	0.3	10.1	30
53.2	9.3	0.2	213.1	8.7	-	8.7	-	-	3.1	0.3	7.4	Dec. 7
52.9	9.3	0.1	216.6	8.7	-	8.7	-	-	3.2	0.3	7.2	15
52.6	9.5	0.2	208.6	8.7	-	8.7	-	-	2.9	0.3	7.2	23

Liabilities to credit institutions	Liabilities arising from liquidity paper sold ¹⁴	Liabilities to the European Monetary Institute ¹	Counterpart of special drawing rights allocated ¹	Provisions	Capital and reserves	Other liabilities	Memorandum items			End of year or month/ Reporting date
							Currency in circulation		Rediscount quotas fixed ¹⁵	
							Total	of which Coins		
-	4.1	-	2.7	4.8	7.8	11.8	162.1	11.6	58.8	1989
-	4.8	-	2.6	5.0	8.1	11.0	179.7	12.8	84.6	1990
-	6.9	-	2.6	5.5	8.9	20.4	194.6	13.3	78.8	1991
-	2.0	-	2.7	9.2	9.6	16.8	227.3	13.9	64.4	1992
-	26.2	-	2.9	9.8	11.2	21.4	238.6	14.3	65.3	1993
-	25.4	-	2.9	9.8	11.2	23.5	238.0	14.4	65.3	1994 Mar.
-	25.5	-	2.9	11.3	11.8	3.6	236.4	14.4	65.3	Apr.
-	25.6	-	2.9	11.3	11.8	4.7	237.4	14.5	65.3	May
-	22.8	-	2.9	11.3	11.8	5.3	237.3	14.5	65.3	June
-	22.8	-	2.9	11.3	11.8	5.8	238.4	14.5	65.3	July
-	22.8	-	2.9	11.3	11.8	7.2	237.6	14.6	65.3	Aug.
-	16.3	-	2.9	11.3	11.8	8.2	240.2	14.6	65.3	Sep.
-	16.3	-	2.9	11.3	11.8	9.1	240.4	14.6	65.3	Oct.
-	16.3	-	2.9	11.3	11.8	9.2	241.5	14.5	.	1994 Nov. 7
-	16.3	-	2.9	11.3	11.8	9.5	241.6	14.6	.	15
-	16.3	-	2.9	11.3	11.8	10.1	240.4	14.6	.	23
-	16.3	-	2.9	11.3	11.8	15.4	243.1	14.7	65.5	30
-	16.3	-	2.9	11.3	11.8	13.1	249.3	14.7	.	Dec. 7
-	16.3	-	2.9	11.3	11.8	12.7	250.9	14.7	.	15
-	5.9	-	2.9	11.3	11.8	14.5	254.4	14.8	.	23

"Other assets". — ¹¹ From January 1992 including deposits of the Postbank. — ¹² Local authorities, local authority associations and social security funds. — ¹³ Up to December 1991 including deposits of the Federal Post Office (see footnote 11). — ¹⁴ Up to October 1992 mobilisation and liquidity paper. — ¹⁵ Excluding the special rediscount line for financing export orders (see Deutsche Bundesbank, Monetary policy regulations). From July 1990 to October 1992 including the refinancing quotas set for east German credit institutions. — ¹⁶ Decrease

of DM 0.7 billion owing to a valuation adjustment. — ¹⁷ Decrease of DM 5.2 billion owing to a valuation adjustment. — ¹⁸ Decrease of DM 1.8 billion owing to a valuation adjustment. — ¹⁹ Decrease of DM 4.4 billion owing to a valuation adjustment.

From January 1995 the figures in DM billion will be quoted with one digit after the decimal point.

IV. Credit institutions

3. Credit institutions' principal assets and liabilities, by category of banks *

DM billion

End of month	Number of reporting credit institutions	Volume of business	Cash in hand and balances with central banks	Lending to credit institutions			Lending to non-banks				Participating interests	Other asset items	
				Total	of which		Total	of which					
					Balances and advances	Securities issued by credit institutions		Advances for		Bills discounted			Securities issued by non-banks
								up to 1 year	over 1 year				
All categories of banks													
1994 Oct.	3,739	6,771.8	82.0	2,106.7	1,518.1	544.4	4,311.2	532.3	3,074.6	50.0	478.8	100.3	171.7
Nov.	3,732	6,866.7	84.2	2,151.5	1,564.3	541.6	4,354.8	552.3	3,098.5	49.4	479.0	103.1	173.1
Commercial banks													
1994 Oct.	334	1,629.0	25.3	428.4	342.4	77.2	1,081.6	245.1	635.3	30.5	133.9	57.0	36.6
Nov.	335	1,643.0	18.3	433.8	349.6	74.7	1,094.4	255.3	637.5	30.1	134.7	57.7	38.7
Big banks ¹													
1994 Oct.	3	615.9	14.4	146.1	124.6	20.8	409.5	109.4	222.3	14.1	58.9	35.2	10.8
Nov.	3	615.2	8.5	148.0	126.5	20.9	411.2	112.9	223.0	13.9	56.7	35.9	11.6
Regional banks and other commercial banks ²													
1994 Oct.	196	866.0	9.5	211.3	157.6	46.4	601.5	106.1	393.7	12.0	67.3	21.2	22.5
Nov.	196	880.1	8.6	215.1	163.3	43.7	611.6	112.1	394.7	11.7	70.3	21.3	23.6
Branches of foreign banks													
1994 Oct.	62	81.7	0.3	50.4	45.7	4.6	29.8	11.6	3.9	2.7	2.8	0.0	1.1
Nov.	63	81.3	0.2	49.6	44.7	4.8	30.2	11.8	4.3	2.7	3.0	0.0	1.2
Private bankers ³													
1994 Oct.	73	65.3	1.1	20.6	14.4	5.4	40.8	18.0	15.4	1.7	4.9	0.6	2.2
Nov.	73	66.5	1.0	21.2	15.1	5.3	41.4	18.5	15.5	1.8	4.8	0.6	2.3
Regional giro institutions (including Deutsche Girozentrale)													
1994 Oct.	13	1,180.4	4.2	485.6	398.3	83.9	638.4	45.3	471.8	4.4	61.0	20.7	31.5
Nov.	13	1,204.1	5.7	498.7	411.4	83.8	649.6	51.8	476.8	4.2	60.8	22.1	28.2
Savings banks													
1994 Oct.	658	1,393.2	29.7	340.5	95.1	240.3	981.3	123.5	692.3	8.2	130.6	7.6	34.1
Nov.	657	1,411.2	32.8	348.5	103.8	239.3	987.2	122.7	698.3	8.3	131.3	7.8	35.0
Regional institutions of credit cooperatives (including Deutsche Genossenschaftsbank)													
1994 Oct.	4	214.1	1.9	131.4	106.8	22.2	69.4	11.0	26.8	1.7	20.4	6.7	4.7
Nov.	4	219.6	2.9	134.7	108.3	24.0	71.1	12.6	27.2	1.6	20.2	6.7	4.2
Credit cooperatives													
1994 Oct.	2,679	801.3	16.6	181.6	98.3	78.0	575.7	93.0	369.9	5.0	98.1	4.6	22.8
Nov.	2,672	811.1	17.0	187.5	104.4	77.6	579.2	92.1	373.8	5.0	98.6	4.6	22.9
Mortgage banks													
1994 Oct.	33	821.0	1.2	159.2	146.7	11.8	631.3	6.2	605.5	0.1	13.9	1.9	27.4
Nov.	33	831.0	0.5	162.3	150.4	11.4	637.3	6.3	611.4	0.1	13.8	2.3	28.6
Credit institutions with special functions ⁴													
1994 Oct.	18	732.9	3.1	380.0	330.6	31.0	333.5	8.2	272.9	0.2	21.0	1.8	14.5
Nov.	18	746.6	7.0	386.0	336.4	30.9	336.1	11.4	273.5	0.2	19.7	1.8	15.7
Memorandum item: Foreign banks ⁵													
1994 Oct.	156	300.7	3.3	128.0	102.9	22.3	156.5	41.6	67.3	6.4	30.7	2.2	10.7
Nov.	157	305.9	3.0	129.0	103.5	22.8	160.3	44.0	68.1	6.4	31.6	2.2	11.3
of which: Credit institutions majority-owned by foreign banks ⁶													
1994 Oct.	94	219.0	2.9	77.6	57.2	17.7	126.7	30.0	63.4	3.8	27.9	2.2	9.6
Nov.	94	224.6	2.8	79.4	58.8	18.0	130.1	32.2	63.9	3.7	28.6	2.2	10.1

* Excluding the assets and liabilities of foreign branches. Statistical alterations are not specially marked here, see changes in the Statistical Supplement to the Monthly Report, Banking statistics. For the definition of the items see the notes to Table IV. 1 "Assets" and IV. 2 "Liabilities", page 16* ff. The figures for the latest date are always to be regarded as provisional; subsequent alterations, which will appear in the following

Monthly Report, are not specially marked. — 1 Deutsche Bank AG, Dresdner Bank AG, Commerzbank AG. — 2 Including private bankers whose business is not organised in the form of a sole proprietorship or partnership. — 3 Only credit institutions organised in the form of a sole proprietorship or partnership; see also footnote 2. — 4 Including Deutsche Postbank AG. —

IV. Credit institutions

Deposits of credit institutions			Deposits of non-banks									Bearer debt securities outstanding	Capital (including published reserves)	Other liability items	End of month
Total	of which		Total	Sight deposits	Time deposits for			Savings deposits		Bank savings bonds					
	Sight deposits	Time deposits			1 month to less than 3 months	3 months to less than 4 years	4 years and more	Total	of which at three months' notice						
All categories of banks															
1,740.9	411.0	1,214.2	2,989.6	515.7	431.2	143.9	686.1	920.5	639.1	206.8	1,404.6	291.0	345.7	1994 Oct.	
1,792.1	443.6	1,232.3	3,021.0	549.2	412.6	143.4	693.9	925.8	643.7	210.1	1,416.0	291.6	346.0	Nov.	
Commercial banks															
582.8	177.0	357.6	652.3	172.9	139.8	38.4	121.2	142.7	99.1	25.7	185.3	108.5	100.1	1994 Oct.	
595.6	185.2	362.5	652.7	178.9	132.3	38.7	122.1	142.7	98.9	26.5	189.6	108.6	96.5	Nov.	
Big banks¹															
189.1	65.7	107.8	311.6	91.5	66.7	14.5	39.9	85.5	56.2	9.5	29.3	46.4	39.5	1994 Oct.	
189.5	62.2	112.5	312.0	95.1	63.0	14.8	40.1	85.4	55.9	9.7	30.5	46.4	36.7	Nov.	
Regional banks and other commercial banks²															
300.8	85.8	194.9	299.3	67.8	62.6	19.2	77.3	53.4	40.1	14.3	154.5	55.2	56.2	1994 Oct.	
312.8	97.5	194.9	299.3	70.1	59.0	19.2	77.9	53.5	40.2	14.8	157.6	55.3	55.1	Nov.	
Branches of foreign banks															
68.5	19.2	40.4	9.2	2.7	0.9	1.4	1.2	0.2	0.2	0.1	-	2.9	1.2	1994 Oct.	
68.1	19.2	40.1	9.0	2.7	0.8	1.4	1.2	0.2	0.2	0.1	-	2.9	1.3	Nov.	
Private bankers³															
24.4	6.2	14.5	32.2	10.8	9.7	3.3	2.8	3.6	2.6	1.8	1.5	4.0	3.2	1994 Oct.	
25.2	6.4	15.0	32.4	11.0	9.5	3.4	2.8	3.6	2.6	1.8	1.5	4.0	3.3	Nov.	
Regional giro institutions (including Deutsche Girozentrale)															
402.5	110.5	280.2	259.2	22.5	19.2	11.4	143.6	15.3	13.2	2.2	442.7	40.5	35.4	1994 Oct.	
425.6	130.2	283.3	259.5	23.1	17.2	11.8	144.5	15.3	13.3	2.2	442.3	40.7	36.1	Nov.	
Savings banks															
230.9	33.3	175.9	967.1	180.7	142.8	37.8	19.3	469.9	298.8	114.8	72.3	53.7	69.2	1994 Oct.	
232.6	33.2	177.5	981.0	196.0	137.5	37.1	19.8	472.4	300.9	116.5	74.5	53.9	69.2	Nov.	
Regional institutions of credit cooperatives (including Deutsche Genossenschaftsbank)															
154.0	49.5	99.0	14.8	3.1	1.2	1.5	8.4	0.0	0.0	0.2	27.5	9.2	8.5	1994 Oct.	
159.3	53.0	100.9	14.0	2.4	1.0	1.4	8.6	0.0	0.0	0.2	28.4	9.2	8.7	Nov.	
Credit cooperatives															
92.3	8.8	69.7	611.0	107.1	123.9	51.3	23.3	241.3	180.5	63.4	31.7	35.6	30.8	1994 Oct.	
92.5	8.1	70.4	619.6	115.6	120.9	50.8	23.5	243.8	182.9	64.3	33.1	35.8	30.1	Nov.	
Mortgage banks															
88.6	9.9	76.0	230.9	1.2	1.3	1.2	223.5	0.2	0.2	0.1	448.3	19.7	33.5	1994 Oct.	
95.7	11.3	81.7	232.2	1.3	1.1	1.2	224.8	0.2	0.2	0.1	450.2	19.7	33.2	Nov.	
Credit institutions with special functions⁴															
189.8	22.2	155.9	254.4	28.1	2.9	2.3	146.8	51.2	47.2	0.4	196.8	23.8	68.2	1994 Oct.	
190.8	22.7	155.9	262.0	31.9	2.6	2.4	150.5	51.4	47.4	0.5	197.8	23.8	72.3	Nov.	
Memorandum item: Foreign banks⁵															
175.0	56.0	103.0	78.2	24.3	12.7	7.7	11.1	13.6	7.9	4.8	13.3	16.2	17.9	1994 Oct.	
179.0	56.9	106.2	78.9	23.9	13.3	7.6	11.3	13.6	7.8	5.3	13.6	16.2	18.3	Nov.	
of which: Credit institutions majority-owned by foreign banks⁶															
106.6	36.8	62.6	69.0	21.6	11.8	6.3	9.9	13.3	7.7	4.8	13.3	13.3	16.8	1994 Oct.	
110.9	37.7	66.1	69.9	21.3	12.4	6.3	10.0	13.4	7.6	5.2	13.6	13.3	17.0	Nov.	

⁵ Sum of the credit institutions majority-owned by foreign banks and included in other categories of banks, and of the category "Branches of foreign banks" (of dependent legal status). — ⁶ Separate presentation of the credit institutions majority-owned by foreign banks, included in the banking categories "Regional banks and other commercial banks", "Private

bankers" and "Mortgage banks".

From January 1995 the figures of the banking statistics will be presented in a modified form in section IV "Credit institutions"; see also the notes following the contents.

IV. Credit institutions

9. Securities portfolios *

DM billion

Period	Domestic securities							Foreign securities					
	Total	Bank debt securities 1	Public debt securities 2	Corporate debt securities 3	Shares	Investment fund certificates	Other securities	Total	Bank debt securities	Debt securities of non-banks	Shares and investment fund certificates	Other securities	
End of year or month *													
1991	649.7	601.0	414.7	115.5	26.7	21.6	19.0	3.4	48.7	17.5	28.7	2.0	0.6
1992	739.4	672.9	429.5	147.2	41.0	23.9	27.0	4.3	66.5	21.3	40.7	3.9	0.6
1993	908.2	820.9	485.9	193.5	70.8	26.6	40.4	3.7	87.3	22.3	56.4	6.6	2.0
1994 June	991.0	900.2	506.4	224.1	92.0	29.8	43.6	4.3	90.8	22.5	60.3	6.5	1.6
July	1,008.6	916.7	511.2	231.2	95.9	29.4	44.7	4.4	91.9	22.3	61.4	6.5	1.5
Aug.	1,015.5	923.5	514.1	232.8	98.1	28.3	45.8	4.3	92.0	23.1	61.4	6.2	1.3
Sep.	1,014.6	923.5	511.7	231.2	99.3	30.8	46.2	4.2	91.1	22.8	61.1	6.1	1.1
Okt.	1,023.2	932.1	513.2	232.1	105.9	30.2	46.7	4.2	91.1	22.6	61.3	6.1	1.0
Nov.	1,020.7	927.9	509.2	232.0	103.4	31.8	47.6	3.9	92.7	23.4	61.4	6.9	1.0
Changes *													
1992	+ 92.8	+ 74.9	+ 17.1	+ 32.2	+ 14.4	+ 2.2	+ 8.0	+ 1.1	+ 17.9	+ 3.8	+ 12.1	+ 2.0	- 0.0
1993	+ 183.5	+ 163.5	+ 59.8	+ 65.1	+ 23.1	+ 2.7	+ 13.4	- 0.7	+ 20.0	+ 0.3	+ 15.3	+ 2.8	+ 1.6
1994 June	+ 0.5	+ 0.8	+ 1.2	+ 2.1	+ 2.4	- 4.9	+ 0.6	- 0.5	- 0.3	- 0.4	- 0.2	+ 0.1	+ 0.2
July	+ 17.6	+ 16.5	+ 4.8	+ 7.1	+ 3.9	- 0.4	+ 1.1	+ 0.1	+ 1.1	- 0.1	+ 1.2	+ 0.1	- 0.1
Aug.	+ 7.0	+ 6.6	+ 2.9	+ 1.7	+ 2.2	- 1.1	+ 1.0	- 0.1	+ 0.5	+ 0.8	+ 0.1	- 0.1	- 0.3
Sep.	- 0.7	+ 0.1	- 2.4	+ 1.6	+ 1.2	+ 2.5	+ 0.3	- 0.1	- 0.7	- 0.3	- 0.1	- 0.1	- 0.2
Okt.	+ 9.1	+ 8.6	+ 1.4	+ 0.8	+ 6.6	- 0.6	+ 0.5	- 0.1	+ 0.5	- 0.0	+ 0.5	+ 0.1	- 0.1
Nov.	- 3.2	- 4.2	- 3.9	- 0.0	- 2.5	+ 1.6	+ 1.0	- 0.3	+ 1.0	+ 0.6	- 0.3	+ 0.8	- 0.0

* Excluding securities portfolios of building and loan associations, excluding debt securities arising from the exchange of equalisation claims (see also Table IV. 1, footnote 8) and excluding money market paper. Including securities sold to the Bundesbank in open market transactions under repurchase agreements. Statistical alterations have been eliminated from the changes. The figures for the latest date are always to be regarded as provisional; subsequent alterations, which will appear in the following

Monthly Report, are not specially marked. — 1 Excluding own issues, excluding registered debt securities. — 2 From 1995 including issues of the Federal Railways and the east German Railways. — 3 Including issues of Deutsche Bahn AG, Deutsche Post AG and the Deutsche Telekom AG and issues of the Federal Post Office and the Treuhand agency; until 1994 also including issues of the Federal Railways and the east German Railways (see also footnote 2).

10. Treasury bill and debt securities portfolios of domestic public authorities and their special funds *

DM billion

Period	Treasury bills and Treasury certificates (excluding mobilisation and liquidity paper)				Debt securities of domestic public authorities and their special funds						
	Total	Public authorities			Federal Railways, Federal Post Office, Treuhand agency 2	Total	Public authorities				Federal Railways, east German Railways, Federal Post Office, Treuhand agency 2
		Total	Federal Government and its special funds 1	Länder Governments			Total	Federal Government and its special funds 1	Länder Governments	Local authorities and local authority associations	
End of year or month *											
1991	11.7	11.4	11.4	-	0.4	141.0	115.5	93.3	22.1	0.2	25.5
1992	9.6	9.3	9.3	-	0.2	186.6	147.2	104.6	42.5	0.2	39.4
1993	5.2	2.2	2.2	-	3.1	262.8	193.5	119.8	73.3	0.5	69.3
1994 June	1.7	1.7	1.6	0.1	0.1	314.9	224.1	146.9	76.7	0.5	90.8
July	1.2	1.2	1.1	0.1	0.0	325.9	231.2	153.7	77.0	0.5	94.7
Aug.	1.7	1.3	1.2	0.1	0.4	329.6	232.8	154.7	77.6	0.5	96.8
Sep.	1.4	1.4	1.3	0.1	0.1	329.3	231.2	154.5	76.3	0.5	98.1
Oct.	1.8	1.7	1.6	0.1	0.0	336.7	232.1	153.8	77.8	0.4	104.6
Nov.	2.1	2.0	1.8	0.2	0.0	333.7	232.0	152.0	79.5	0.5	101.7
Changes *											
1992	- 2.2	- 2.0	- 2.0	± 0.0	- 0.1	+ 46.2	+ 32.2	+ 11.8	+ 20.3	- 0.0	+ 14.0
1993	- 4.8	- 7.2	- 7.2	- 0.0	+ 2.3	+ 87.9	+ 65.1	+ 34.0	+ 30.8	+ 0.3	+ 22.8
1994 June	- 0.1	+ 0.0	+ 0.0	+ 0.0	- 0.1	+ 4.6	+ 2.1	+ 2.2	- 0.1	- 0.1	+ 2.5
July	- 0.5	- 0.5	- 0.5	+ 0.0	- 0.0	+ 11.0	+ 7.1	+ 6.8	+ 0.3	- 0.0	+ 3.9
Aug.	+ 0.5	+ 0.1	+ 0.1	+ 0.0	+ 0.3	+ 3.7	+ 1.7	+ 1.0	+ 0.6	+ 0.1	+ 2.1
Sep.	- 0.2	+ 0.1	+ 0.1	+ 0.0	- 0.3	- 0.3	- 1.6	- 0.3	- 1.3	- 0.1	+ 1.2
Oct.	+ 0.3	+ 0.4	+ 0.4	+ 0.0	- 0.0	+ 7.4	+ 0.8	- 0.7	+ 1.5	- 0.0	+ 6.6
Nov.	+ 0.3	+ 0.3	+ 0.1	+ 0.2	- 0.0	- 3.0	- 0.0	- 1.8	+ 1.7	+ 0.1	- 2.9

For footnote * see Table IV. 1. — 1 "German Unity" Fund, Debt-Processing Fund, ERP Special Fund. From 1995 including issues of the Federal Railways and the east German Railways. — 2 Issues of the Federal Railways and the east German Railways included up to 1994 only (see also footnote 1).

From January 1995 the figures of the banking statistics will be presented in a modified form in section IV "Credit institutions"; see also the notes following the contents.

IV. Credit institutions

16. Lending commitments to domestic enterprises and individuals *

DM billion													
Period	Commitments for medium and long-term loans of fixed amounts and for fixed periods					Memorandum item Commitments for residential building (reduced range of reporting credit institutions 1)							
	Loans promised as at beginning of period	Loans promised during period	Loans promised and paid out	Cancellations	Loans promised but not yet paid out at end of period	Loans promised as at beginning of period	Loans promised				Loans promised and paid out	Cancellations, etc. 5	Loans promised but not yet paid out at end of period
							Total	for new construction 2	for modernisation, purchase and acquisition 3	for repayment of other loans 4			
1991	6 104.0	457.8	395.2	35.0	131.6	18.9	73.3	28.7	41.3	3.3	66.5	1.2	24.5
1992	7 130.7	518.0	468.0	35.9	144.8	24.5	97.8	38.3	54.9	4.6	90.4	4.3	27.5
1993	144.8	684.4	603.5	48.4	177.4	27.5	151.5	58.1	83.6	9.8	132.2	3.1	46.7
1994 Mar.	183.7	73.3	59.3	4.3	193.4	48.8	18.2	7.8	9.2	1.3	13.6	0.6	52.9
Apr.	193.4	54.0	47.6	4.5	195.3	52.9	12.3	5.2	6.4	0.8	10.8	0.1	54.3
May	195.3	52.2	44.9	3.7	199.0	54.3	12.6	5.7	6.2	0.7	10.9	0.0	56.0
June	199.0	56.2	48.2	4.3	202.6	56.0	14.3	6.4	7.2	0.7	11.8	0.2	58.3
July	202.6	50.6	47.6	3.4	202.1	58.3	11.8	4.7	6.1	1.0	11.8	0.2	58.6
Aug.	202.1	46.7	44.0	4.2	200.7	58.6	11.7	5.0	6.1	0.5	11.5	0.3	58.4
Sep.	200.7	50.5	45.3	3.6	202.4	58.4	11.6	5.2	5.8	0.6	11.8	0.7	57.5
Oct.	202.4	44.8	44.3	3.7	199.3	57.5	10.1	4.3	5.4	0.4	11.1	0.0	56.6
Nov.	199.3	45.0	43.6	3.5	197.2	...	...	...	...	...	...	...	...

* Including non-profit organisations. From January 1991 including commitments to borrowers in the former GDR. The figures for the most recent period are always to be regarded as provisional; subsequent alterations, which will appear in the following Monthly Report, are not specially marked. — 1 Source: Statistics of the Ministry for Regional Planning, Building and Urban Development; only institutions affiliated to the following associations: Deutscher Sparkassen- und Giroverband (excluding Länder building and loan associations and excluding savings banks in the former GDR), Verband deutscher Hypothekenbanken, Verband öffentlicher

Banken (excluding housing promotion institutions). — 2 Creation of new housing. — 3 Including commitments for repairs. — 4 Repayments of housing loans from other credit institutions. — 5 Ascertained as a difference. — 6 Statistical increase owing to the inclusion of commitments to borrowers in the former GDR to the amount of DM 3.1 billion (DM 2.1 billion to credit institutions in the new Länder, DM 1.0 billion to credit institutions in the old Länder). — 7 Statistical decrease of DM 0.9 billion. — 8 Statistical increase of DM 3.0 billion.

17. Off-balance-sheet operations of domestic credit institutions, their foreign branches and their foreign subsidiaries *

DM billion									
End of year or month	Placing/underwriting commitments 1	Interest-rate and currency swaps 2			Liabilities arising from forward exchange transactions		Liabilities arising from forward transactions in bonds		
		Total	Interest-rate swaps	Currency swaps	Interest-rate/currency swaps	Commitments to take	Commitments to deliver	Commitments to take	Commitments to deliver
Domestic credit institutions									
1991	0.3	582.4	486.7	25.7	70.0	592.5	623.0	2.6	6.2
1992	0.2	921.7	789.8	34.0	97.9	822.3	839.7	2.1	7.2
1993	0.3	1 413.1	1 236.0	50.3	126.9	1 011.3	1 036.2	8.8	14.6
1994 Aug.	0.2	1 844.3	1 647.8	50.6	145.9	1 249.1	1 255.6	20.8	26.6
Sep.	0.2	1 846.4	1 647.9	50.4	148.0	1 199.1	1 199.1	6.1	11.6
Oct.	0.2	1 904.3	1 705.3	49.2	149.9	1 158.1	1 165.2	5.6	12.7
Nov.	0.2	1 974.8	1 764.3	51.9	158.6	1 200.8	1 210.7	4.5	10.6
Foreign branches of domestic credit institutions									
1991	4.7	132.2	97.6	15.0	19.6	241.5	262.4	0.9	1.2
1992	4.6	224.7	175.3	23.2	26.2	331.6	348.3	0.1	0.8
1993	4.2	338.4	271.7	34.1	32.6	382.9	393.2	0.2	0.8
1994 July	3.7	418.1	351.0	38.1	29.0	473.1	489.7	0.2	0.2
Aug.	3.4	432.1	366.9	36.3	28.9	477.3	497.0	0.1	0.2
Sep.	3.4	447.5	383.8	34.9	28.7	503.0	525.6	1.8	0.4
Oct.	3.3	460.5	395.9	35.6	28.9	527.5	548.1	0.7	0.6
Foreign subsidiaries of domestic credit institutions									
1991	1.7	121.1	105.1	8.1	7.9	.	.	.	.
1992	1.6	190.0	172.6	10.2	7.2	.	.	.	.
1993	.	264.3	237.7	15.0	11.6	.	.	.	.
1994 July	.	289.3	262.6	15.3	11.4	.	.	.	.
Aug.	.	297.0	268.7	17.2	11.1	.	.	.	.
Sep.	.	297.5	271.0	15.9	10.6	.	.	.	.
Oct.	.	299.7	271.7	17.2	10.8	.	.	.	.

* The figures for the latest date are always to be regarded as provisional; subsequent alterations, which will appear in the following Monthly Report, are not specially marked. — 1 Excluding underwriting commitments arising from usual syndicated lending. From December 1993 reduced by commitments drawn down. From December 1993 no longer requested from

foreign subsidiaries. — 2 It is the principal amounts that are listed.

From January 1995 the figures of the banking statistics will be presented in a modified form in section IV "Credit institutions"; see also the notes following the contents.

V. Minimum reserves

2. Reserve maintenance (cont'd)
Breakdown by category of banks

Monthly average 1	Number of credit institutions subject to reserve requirements	Liabilities subject to reserve requirements DM million	Required reserves prior to deduction of deductible cash balances 4	Average reserve ratio 12 for liabilities to			Memorandum items		
				residents and non-residents, total	residents	non-residents	Deductible cash balances 5	Required reserves after deduction of deductible cash balances 6	Excess reserves 8
All categories of banks 11									
1994 Oct.	3,740	1,981,152	54,567	2.8	2.7	3.2	12,426	42,141	379
Nov.	3,737	1,992,875	55,249	2.8	2.8	3.1	12,576	42,673	302
Commercial banks									
1994 Oct.	316	485,177	14,811	3.1	3.0	3.5	3,199	11,612	122
Nov.	316	487,150	14,958	3.1	3.0	3.4	3,240	11,718	105
Big banks									
1994 Oct.	3	249,092	7,652	3.1	3.0	3.3	1,913	5,739	35
Nov.	3	251,468	7,763	3.1	3.1	3.2	1,941	5,822	27
Regional banks and other commercial banks 13									
1994 Oct.	187	202,816	6,046	3.0	2.9	3.6	1,191	4,854	54
Nov.	189	202,513	6,089	3.0	2.9	3.6	1,202	4,887	50
Branches of foreign banks									
1994 Oct.	60	6,745	273	4.0	3.9	4.2	6	267	23
Nov.	59	6,182	243	3.9	3.8	4.0	6	236	21
Private bankers 14									
1994 Oct.	66	26,523	840	3.2	3.1	3.4	89	752	10
Nov.	65	26,987	863	3.2	3.2	3.4	91	772	8
Regional giro institutions									
1994 Oct.	13	72,720	2,172	3.0	3.0	2.9	288	1,883	13
Nov.	13	76,586	2,280	3.0	3.0	2.6	288	1,992	8
Savings banks									
1994 Oct.	655	800,709	21,030	2.6	2.6	2.3	5,250	15,780	80
Nov.	654	804,581	21,306	2.6	2.7	2.3	5,319	15,986	61
Regional institutions of credit cooperatives									
1994 Oct.	4	7,651	306	4.0	3.9	4.4	35	271	0
Nov.	4	7,357	293	4.0	4.0	3.9	35	258	2
Credit cooperatives									
1994 Oct.	2,671	516,810	13,355	2.6	2.6	2.3	3,073	10,281	106
Nov.	2,669	518,608	13,494	2.6	2.6	2.3	3,110	10,384	102
Mortgage banks									
1994 Oct.	32	12,617	301	2.4	2.4	2.2	11	290	9
Nov.	32	12,793	302	2.4	2.4	2.1	11	291	11
Credit institutions with special functions 11									
1994 Oct.	15	83,978	2,551	3.0	3.0	2.9	568	1,983	44
Nov.	15	84,338	2,577	3.1	3.1	2.7	572	2,005	9
Building and loan associations									
1994 Oct.	34	1,490	42	2.8	2.8	3.0	1	41	4
Nov.	34	1,462	40	2.7	2.7	3.2	1	39	5

* From August 1990 including reserve maintenance of the East Germany credit institutions. — 1 Pursuant to sections 5 to 7 of the Minimum Reserves Order. — 2 Including liabilities arising from initial sales to non-residents of bearer bonds and order bonds forming part of a total issue. — 3 From August to December 1990 including liabilities in "giro accounts with savings banks and savings accounts evidenced by a passbook" in eastern Germany; from January 1991 including liabilities in "savings accounts evidenced by a passbook" in eastern Germany. — 4 Amount after applying the reserve ratios to liabilities subject to reserve requirements (section 5 (1) of the Minimum Reserves Order). Owing to the introduction in March 1978 of deductible cash balances, accompanied by a compensatory increase in reserve ratios, the continuity of the series is not assured. — 5 Banks' holdings of German legal tender pursuant to section 5 (2) of the Minimum

Reserves Order. — 6 To be maintained as credit balances on giro accounts at the Bundesbank. — 7 Average credit balances of credit institutions subject to reserve requirements maintained on giro accounts at the Bundesbank. — 8 Actual reserves less required reserves after deduction of deductible cash balances. — 9 Required reserves after deduction of deductible cash balances. — 10 The exemption of institutions mainly engaged in long-term business and of building and loan associations was abolished with effect from January 1, 1984. — 11 From February 1992 including the "Deutsche Bundespost Postbank". — 12 Required reserves prior to deduction of deductible cash balances as % of liabilities subject to reserve requirements. — 13 Including guarantee banks with small amounts. — 14 Only credit institutions organised in the form of a sole proprietorship or partnership.

VI. Interest rates

3. The Bundesbank's open market transactions in securities under repurchase agreements *

Allotment rate 1, % p.a.							
Period	Monthly averages	Period	Monthly averages	Period	Monthly averages	Period	Monthly averages
1988 Jan.	3.25	1990 Jan.	7.70	1992 Jan.	9.40	1994 Jan.	6.00
Feb.	3.25	Feb.	7.76	Feb.	9.41	Feb.	6.00
Mar.	3.25	Mar.	7.81	Mar.	9.48	Mar.	5.87
Apr.	3.25	Apr.	7.78	Apr.	9.56	Apr.	5.62
May	3.25	May	7.80	May	9.60	May	5.30
June	3.33	June	7.80	June	9.60	June	5.05
July	3.83	July	7.89	July	9.63	July	4.89
Aug.	4.25	Aug.	7.94	Aug.	9.70	Aug.	4.85
Sep.	4.25	Sep.	7.96	Sep.	9.53	Sep.	4.85
Oct.	4.28	Oct.	8.00	Oct.	8.83	Oct.	4.85
Nov.	4.38	Nov.	8.00	Nov.	8.75	Nov.	4.85
Dec.	4.84	Dec.	8.51	Dec.	8.77	Dec.	4.85
1989 Jan.	5.13	1991 Jan.	8.56	1993 Jan.	8.63		
Feb.	5.78	Feb.	8.50	Feb.	8.51		
Mar.	5.90	Mar.	8.50	Mar.	8.31		
Apr.	5.91	Apr.	8.58	Apr.	8.05		
May	6.29	May	8.60	May	7.63		
June	6.53	June	8.73	June	7.60		
July	6.60	July	8.79	July	7.25		
Aug.	6.65	Aug.	8.93	Aug.	6.80		
Sep.	6.89	Sep.	9.00	Sep.	6.75		
Oct.	7.33	Oct.	9.00	Oct.	6.63		
Nov.	7.30	Nov.	9.05	Nov.	6.33		
Dec.	7.30	Dec.	9.29	Dec.	6.05		

Day of credit advice	Bids by credit institutions		Purchases by the Bundesbank					Running for ... days
	Number of bidders	Amount	Number	Amount	Fixed-rate tenders	Variable-rate tenders		
		DM million			DM million	Fixed rate	Marginal allotment rate		Major allotment rate 2
1994 May 18	435	111,307	373	77,814	-	5.23	5,24 - 5,25	14
May 25	426	96,515	387	63,811	-	5.20	5,21 - 5,22	14
June 1	396	112,681	313	68,151	-	5.15	5,15 - 5,16	14
June 8	416	106,521	375	64,270	-	5.10	5,11 - 5,12	14
June 15	437	104,610	380	66,016	-	5.05	5,05 - 5,06	14
June 22	471	97,979	443	64,928	-	5.00	5,00 - 5,01	14
June 29	433	94,618	376	63,157	-	4.96	4,97	14
July 6	467	110,575	384	65,267	-	4.93	4,93 - 4,94	14
July 13	482	104,045	392	64,139	-	4.91	4,91	14
July 20	487	94,219	450	64,172	-	4.88	4,89	14
July 27	548	169,599	548	67,014	4.85	-	-	14
Aug. 3	506	169,256	506	60,946	4.85	-	-	14
Aug. 10	570	210,137	570	69,366	4.85	-	-	14
Aug. 17	590	196,203	590	58,886	4.85	-	-	15
Aug. 24	627	222,617	627	71,265	4.85	-	-	14
Sep. 1	527	191,700	527	57,526	4.85	-	-	13
Sep. 7	602	236,812	602	73,436	4.85	-	-	14
Sep. 14	606	211,925	606	56,188	4.85	-	-	14
Sep. 21	709	247,583	709	69,357	4.85	-	-	14
Sep. 28	516	167,962	516	52,098	4.85	-	-	14
Oct. 5	621	235,639	621	74,257	4.85	-	-	14
Oct. 12	704	210,786	704	50,642	4.85	-	-	14
Oct. 19	692	245,111	692	73,576	4.85	-	-	14
Oct. 26	646	204,264	646	53,160	4.85	-	-	14
Nov. 2	613	227,508	613	73,979	4.85	-	-	13
Nov. 9	638	216,265	638	50,873	4.85	-	-	14
Nov. 15	639	257,458	639	74,703	4.85	-	-	16
Nov. 23	681	227,178	681	54,487	4.85	-	-	14
Dec. 1	620	263,434	620	88,287	4.85	-	-	13
Dec. 7	694	243,649	694	62,175	4.85	-	-	14
Dec. 14	811	287,603	811	92,087	4.85	-	-	14
Dec. 21	886	257,724	886	54,209	4.85	-	-	14
Dec. 28	830	252,101	830	92,076	4.85	-	-	14
1995 Jan. 4	832	245,600	832	49,100	4.85	-	-	14

* Purchases of fixed-income securities eligible as collateral for lombard loans; since July 11, 1983 also of Treasury discount paper; first such transaction on June 21, 1979. Excluding quick tenders; first such transaction on November 28, 1988. The figures for the latest date are always to be regarded as provisional; subsequent alterations, which will appear in the following Monthly Report, are not specially marked. — 1 Unweighted average of the interest rates of the monthly securities repurchase agreements with maturities of one month or, since October 1992, two weeks; uniform or, since Sep-

tember 1988, marginal allotment rate (variable-rate tenders) and fixed rate (fixed-rate tenders). — 2 Spread of the rates at which most of the allotments took place.

From January 1995 extended presentation of open market transactions; the following tables will be dropped: VI.4 Rates for sales of financing paper, VI.5 Yields on Bundesbank Treasury discount paper (liquidity paper).

VII. Capital market

5. Yields and price indices on domestic securities

Period	Yields										Price indices ¹				
	Bonds ²									Shares		Bonds	Shares		
	Yield on bonds outstanding										Dividend yield ³		REX Frankfurt stock exchange bond price index	Federal Statistical Office share price index	DAX Frankfurt stock exchange share price index
	Total	of which				Memorandum item DM-bonds issued by non-residents ⁵	Yield on newly issued bonds	including tax credit ¹	excluding tax credit ¹	Average rate	End-1980=100	End-1987=1000			
		Bank bonds	Industrial bonds	Public bonds											
Total				Listed Federal Securities											
				With residual maturities of 9 to 10 years ⁴											
	% p.a.														
1989	7.1	7.2	7.2	7.0	7.0	.	7.1	7.0	2.85	1.82	99.46	330.4	1 790.37		
1990	8.9	9.0	9.0	8.8	8.8	8.7	9.2	8.7	3.78	2.42	93.50	274.5	1 398.23		
1991	8.7	8.9	8.9	8.6	8.6	8.5	9.2	8.6	3.80	2.43	96.35	285.7	1 577.98		
1992	8.1	8.3	8.7	8.0	8.0	7.9	8.8	8.0	4.01	2.57	101.54	265.0	1 545.05		
1993	6.4	6.5	6.9	6.3	6.3	6.5	6.8	6.4	2.88	1.84	109.36	370.8	2 266.68		
1994	6.7	6.8	7.0	6.7	6.7	6.9	6.9	.	3.32	2.13	99.90	341.6	2 106.58		
1994 Mar.	6.2	6.2	6.5	6.2	6.2	6.3	6.4	6.2	2.82	1.80	105.77	357.5	2 133.11		
Apr.	6.3	6.4	6.7	6.3	6.3	6.5	6.5	6.3	2.73	1.75	104.53	371.4	2 245.98		
May	6.5	6.5	6.9	6.4	6.4	6.7	6.7	6.5	2.94	1.88	103.44	352.6	2 127.70		
June	6.9	6.9	7.0	6.9	6.9	7.1	7.0	6.9	3.06	1.96	103.22	341.7	2 025.34		
July	6.8	6.8	7.1	6.7	6.7	6.9	6.9	6.6	3.01	1.93	103.38	353.3	2 146.64		
Aug.	7.0	7.0	7.2	6.9	6.9	7.1	7.1	6.9	3.12	2.00	102.03	361.6	2 212.85		
Sep.	7.4	7.4	7.4	7.3	7.3	7.5	7.5	7.3	3.37	2.15	100.57	334.5	2 011.75		
Oct.	7.5	7.5	7.6	7.4	7.4	7.5	7.6	7.4	3.33	2.13	100.68	339.5	2 071.63		
Nov.	7.4	7.5	7.5	7.3	7.3	7.5	7.5	7.3	3.39	2.17	101.16	334.7	2 048.26		
Dec.	7.4	7.5	7.7	7.4	7.4	7.5	7.6	.	3.32	2.13	99.90	341.6	2 106.58		

¹ End of year or month. — ² Bearer bonds with maximum maturities according to the terms of issue of over 4 years, if their mean residual maturities exceed 3 years. Convertible bonds, etc., bank bonds with unscheduled redemption, zero bonds, floating-rate notes and foreign currency bonds are not included. Group yields for the various categories of securities are weighted with the amounts outstanding or (in the case of issue yields) the amounts sold of the bonds included in the calculation. Monthly figures for yields on bonds outstanding are calculated on the basis of the yields on

all the business days of a month. The annual figures are the unweighted means of the monthly figures. — ³ Source: Federal Statistical Office.— ⁴ Only bonds deliverable at the DTB (German Financial Futures Exchange) are included. Up to and including April 1994 monthly averages are calculated on the basis of the yields on the 4 bank-week return days (including the end-of-month yield of the previous month).— ⁵ As far as quoted on German stock exchanges.

6. Sales and purchases of investment fund certificates

Period	DM million														Memo item Net transactions with non-residents (col. 14 less col. 8)
	Sales of investment fund certificates							Purchases							
	Domestic funds (sales receipts)							Residents							
	Investment funds open to the general public							Credit institutions ¹ Non-banks ²							
								of which Foreign investment fund certificates				Non-residents ⁴			
	Total	Total	Money market funds	Securities-based funds	Open-end real estate funds	Specialised investment funds	Foreign funds ³	Total	Total	of which Foreign investment fund certificates	Total	of which Foreign investment fund certificates	Non-residents ⁴		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
1989	39 566	33 274	16 435	—	15 943	492	16 839	6 292	39 965	1 012	260	38 953	6 033	— 400	— 6 692
1990	25 787	26 856	7 904	—	8 032	— 128	18 952	-1 069	25 766	4 177	— 362	21 589	— 708	22	— 1 091
1991	50 064	37 492	13 738	—	11 599	2 144	23 754	12 572	49 887	7 225	— 5	42 662	12 577	176	— 12 396
1992	81 178	20 473	-3 102	—	-9 189	6 087	23 575	60 705	81 179	10 145	2 152	71 034	58 554	— 3	— 60 707
1993	79 966	61 672	20 791	—	6 075	14 716	40 881	18 294	75 903	15 844	2 476	60 059	15 816	— 4 062	— 14 232
1994 Mar.	8 159	7 189	3 528	—	3 036	492	3 660	971	7 663	1 106	174	6 557	797	496	— 474
Apr.	9 458	8 801	2 115	—	1 394	720	6 686	657	9 043	891	— 52	8 152	709	415	— 242
May	4 910	4 188	1 826	—	1 510	317	2 362	722	4 672	1 179	— 50	3 493	772	238	— 484
June	7 174	6 844	1 599	—	1 062	537	5 245	330	6 826	630	67	6 196	263	348	— 18
July	5 595	5 199	1 695	—	1 388	307	3 504	396	5 530	1 145	91	4 385	305	65	— 331
Aug.	10 241	4 030	1 564	—	1 356	208	2 466	6 210	10 191	995	— 24	9 196	6 234	50	— 6 161
Sep.	5 371	2 042	2 118	1 423	526	170	— 76	3 329	5 504	212	— 134	5 292	3 463	133	— 3 462
Oct.	8 802	6 320	2 758	2 431	205	122	3 563	2 482	8 979	504	36	8 475	2 446	— 177	— 2 658
Nov.	9 313	7 033	6 489	4 364	1 997	128	543	2 280	7 708	1 338	388	6 370	1 892	— 1 604	— 675
Dec.	.	31 334	24 256	22 962	541	753	7 078	.	.	.	.	.	.	.	.

¹ Book values. — ² Residual. — ³ Net purchases or net sales (-) of foreign investment fund certificates (also of money market funds) by residents; transaction values. — ⁴ Net purchases or net sales (-) of domestic

investment fund certificates by non-residents; transaction values. — For the last two years provisional figures only, smaller revisions have not been specially marked.

VIII. Public finance

1. Finances of the public sector *

DM billion																
Period	Central, regional and local authorities ¹									Social security funds ²			Public sector, total ³			
	Receipts		Expenditure							Balance of receipts and expenditure	Re-ceipts ⁶	Ex-pend-iture	Balance of receipts and expenditure	Re-ceipts	Ex-pend-iture	Balance of receipts and expenditure
	Total	of which Taxes	Total ⁴	of which		Current grants	Interest paid	Capital formation	Financial aid ⁵							
			Person- nel ex-pend-iture	Other oper- ating ex-pend-iture												
1982	492.8	378.7	562.8	178.9	85.4	160.5	45.2	54.3	38.5	- 70.0	315.2	310.4	+ 4.8	763.6	828.7	- 65.2
1983	515.2	396.6	570.5	183.9	89.0	158.1	51.4	50.4	37.7	- 55.3	315.7	316.9	- 1.2	791.9	848.4	- 56.4
1984	538.5	414.7	584.9	186.7	93.2	160.8	53.6	49.4	41.0	- 46.3	328.2	331.1	- 2.8	828.1	877.3	- 49.2
1985	565.0	437.2	604.3	193.6	97.3	165.5	56.0	52.0	39.4	- 39.3	343.6	341.7	+ 1.9	868.5	905.9	- 37.4
1986	587.8	452.4	629.9	202.5	100.6	172.6	57.8	55.6	40.2	- 42.1	360.0	353.9	+ 6.1	907.0	943.0	- 36.0
1987	602.0	468.7	653.0	211.1	103.4	182.4	58.6	57.2	39.9	- 51.0	374.2	370.7	+ 3.5	933.7	981.3	- 47.6
1988	620.3	488.1	673.6	216.5	105.0	192.6	60.4	58.2	40.4	- 53.3	393.3	394.8	- 1.5	966.9	1,021.7	- 54.8
1989	678.6	535.5	700.8	222.8	110.5	202.6	61.2	62.2	41.1	- 22.2	413.7	400.5	+ 13.2	1,042.8	1,051.8	- 9.0
1990	703.1	549.7	749.4	236.1	118.5	214.9	64.7	66.7	47.9	- 46.3	442.7	426.5	+ 16.2	1,094.3	1,124.4	- 30.1
1991 7, p	850.4	661.9	972.1	294.7	143.5	294.9	77.3	90.6	71.3	- 121.8	563.0	548.6	+ 14.3	1,343.5	1,451.0	- 107.5
1992 pe	956.0	731.7	1,066.0	321.5	155.0	302.0	101.0	103.5	83.0	- 110.0	621.0	628.0	- 7.0	1,499.5	1,616.5	- 117.0
1993 pe	984.5	749.1	1,117.5	336.0	157.5	338.0	102.5	101.0	83.0	- 133.0	672.5	668.5	+ 4.0	1,558.5	1,688.0	- 129.5
1992 3rd qtr	221.0	181.1	248.7	72.1	31.1	76.9	25.1	23.3	20.3	- 27.7	156.0	155.5	+ 0.5	357.1	384.3	- 27.1
4th qtr	247.7	200.3	313.8	85.3	42.3	85.9	29.5	37.5	32.7	- 66.0	169.9	162.6	+ 7.3	398.3	457.0	- 58.7
1993 1st qtr	213.2	175.9	241.8	66.9	30.5	83.4	30.1	15.0	16.2	- 28.6	159.0	161.4	- 2.5	345.8	376.9	- 31.1
2nd qtr	230.2	178.3	242.9	68.5	30.3	86.9	19.3	19.2	17.7	- 12.6	165.6	164.7	+ 0.9	369.1	380.9	- 11.8
3rd qtr	220.1	184.2	255.3	70.3	31.7	84.1	27.1	22.7	20.1	- 35.2	167.8	168.6	- 0.8	364.2	400.2	- 36.0
4th qtr P	262.9	210.7	317.2	88.3	42.4	93.0	25.0	34.8	33.6	- 54.3	179.9	173.7	+ 6.2	421.5	469.7	- 48.2
1994 1st qtr B, p	231.3	191.6	253.7	68.4	31.1	90.9	32.5	14.1	16.3	- 22.4	168.1	172.0	- 3.9	372.6	398.9	- 26.3
2nd qtr B, p	248.0	185.1	246.9	68.7	30.3	88.4	22.0	18.0	18.4	+ 1.0	174.6	174.4	+ 0.1	396.7	395.6	+ 1.1

* The budgetary definition used here differs from the methods employed for the government account of the national accounts and, in case of the quarterly figures, in some respects also from the financial statistics. — ¹ Federal Government, Länder Governments, local authorities, municipal special-purpose associations, Equalisation of Burdens Fund, ERP Special Fund, "German Unity" Fund, Debt-Processing Fund, EC shares; 1990 excluding "German Unity" Fund and section B of the Federal budget. The quarterly figures, unlike the annual figures based on the annual accounts statistics of the Federal Statistical Office, do not include municipal special-purpose associations, hospitals keeping commercial accounts and various special accounts. For the receipts of Bundesbank profit see footnote 1 to Table VIII, 2. — ² Statutory pension insurance funds, Federal Labour

Office, statutory health insurance and accident insurance institutions, agricultural old-age pension funds, and supplementary pension funds for government employees. The annual figures differ from the sum of the quarterly figures, as the latter are all provisional. The quarterly figures for some fields of insurance are estimated. — ³ After adjustment for payments by the central, regional and local authorities to the social security funds. — ⁴ Including discrepancies in clearing transactions between the central, regional and local authorities. — ⁵ Expenditure on investment grants, loans and acquisition of participating interests. — ⁶ Including Federal Government liquidity assistance to the Federal Labour Office. — ⁷ From 1991 including public authorities in eastern Germany. — ⁸ Excluding the Federal Railways Fund.

2. Finances of the Federal Government, Länder Governments and local authorities *

DM billion										
Period	Federal Government ¹		Länder Governments				Local authorities			
	Receipts	Expenditure	Western ^{2, 3}		Eastern ³		Western ³		Eastern ³	
			Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
1982	208.9	246.6	199.6	224.2			145.8	153.0		
1983	216.8	248.7	206.9	228.3			150.3	151.7		
1984	225.2	253.9	216.1	234.3			155.8	154.7		
1985	236.7	259.4	226.2	243.3			163.6	162.9		
1986	240.6	263.9	236.4	254.1			170.8	172.5		
1987	243.6	271.5	244.4	263.9			176.7	179.2		
1988	242.2	278.2	253.7	270.1			185.1	184.4		
1989	277.9	292.9	275.1	282.7			196.0	194.3		
1990	290.5	311.4	280.2	299.6			205.8	209.9		
1991	354.1	406.1	312.5	330.8	67.4	77.9	222.9	228.9	50.2	48.2
1992 pe	399.5	431.2	331.0	349.5	75.0	88.0	240.5	250.5	56.5	64.5
1993 pe	401.0	462.0	340.0	366.0	79.5	95.5	252.0	261.0	62.0	67.0
1992 3rd qtr	96.7	105.5	78.8	81.6	17.8	20.2	52.2	54.6	11.4	14.5
4th qtr	106.7	128.6	89.6	104.0	23.6	35.8	65.4	67.3	16.5	20.0
1993 1st qtr	87.4	105.6	77.8	80.2	15.8	17.5	46.4	52.1	11.7	11.8
2nd qtr	103.3	105.7	77.6	80.0	15.7	18.7	52.6	54.2	12.1	13.3
3rd qtr	96.8	116.1	76.8	83.5	19.7	20.4	54.8	56.5	12.4	14.0
4th qtr P	113.4	134.4	91.4	105.6	25.2	35.8	68.0	67.7	18.4	19.9
1994 1st qtr	101.2	114.9	79.2	82.7	18.6	18.9	47.6	53.3	11.0	12.5
2nd qtr	116.5	110.1	77.0	80.8	18.5	19.3	54.9	54.8	12.7	13.6

* See corresponding footnote to Table VIII, 1. — ¹ In this table the Bundesbank profit transfer is shown in full as Federal Government receipts. The Federal Government, by contrast, has shown only the scheduled amount of the Bundesbank profit as receipts in its budget from 1989 (receipts over and above the scheduled amount are used to repay due debt). — ² Including

Berlin, Bremen, Hamburg. From 1991 including East Berlin. — ³ The quarterly figures, unlike the annual figures based on the annual accounts statistics of the Federal Statistical Office, do not include hospitals keeping commercial accounts and various special accounts.

VIII. Public finance

3. Federal finance on a cash basis

DM billion

Period	Cash receipts 1	Cash expenditure 1, 2	Cash surplus (+) or deficit (-)	Financing 3						Cash surplus (+) or deficit (-), cumulative from beginning of year
				Change						
				in cash resources 4	in Bundesbank advances	in market debt	in liabilities arising from investment assistance levy	Items in course of settlement	Seigniorage	
(a)	(b)	(c)	(d)	(e)	(f)					
1980	199.50	228.25	- 28.76	- 1.45	+ 1.34	+ 25.46	-	-	0.48	- 28.76
1985	257.54	280.45	- 22.90	+ 0.74	- 1.77	+ 27.35	- 0.52	- 1.76	0.34	- 22.90
1986	266.01	289.51	- 23.50	- 0.75	+ 2.01	+ 21.04	- 0.02	- 0.60	0.32	- 23.50
1987	270.68	296.11	- 25.42	+ 3.47	- 2.01	+ 27.10	- 0.00	+ 3.39	0.42	- 25.42
1988	274.29	310.71	- 36.42	- 1.16	-	+ 34.69	- 0.00	-	0.56	- 36.42
1989	306.52	320.27	- 13.74	+ 2.43	-	+ 15.37	- 0.00	-	0.80	- 13.74
1990	332.99	368.86	- 35.86	+ 8.27	-	+ 51.65	- 0.00	- 8.82	1.31	- 35.86
1991	405.61	449.33	- 43.90	- 3.71	-	+ 30.20	- 0.00	+ 8.82	1.16	- 43.90
1992	438.22	475.10	- 36.88	- 11.55	+ 4.35	+ 20.25	± 0.00	-	0.72	- 36.88
1993	450.28	512.29	- 62.01	+ 12.95	- 4.35	+ 78.54	± 0.00	-	0.78	- 62.01
1994 Jan.	33.87	45.25	- 11.38	- 3.89	-	+ 7.49	± 0.00	-	0.00	- 11.38
Feb.	35.94	40.37	- 4.43	- 1.02	-	+ 3.33	± 0.00	-	0.07	- 15.81
Mar.	40.88	40.22	+ 0.67	+ 0.09	-	- 0.58	± 0.00	-	0.01	- 15.14
Apr.	48.46	36.30	+ 12.16	+ 4.57	-	- 7.61	± 0.00	-	0.01	- 2.98
May	35.28	39.15	- 3.87	- 0.78	-	+ 3.08	± 0.00	-	0.02	- 6.85
June	39.99	40.44	- 0.44	- 1.98	-	- 1.59	± 0.00	-	0.05	- 7.30
July	33.59	38.37	- 4.78	+ 0.27	-	+ 4.89	± 0.00	-	0.16	- 12.07
Aug.	35.59	36.21	- 0.62	- 1.72	-	- 1.12	± 0.00	-	0.03	- 12.70
Sep.	39.87	42.47	- 2.60	+ 2.70	-	+ 5.29	± 0.00	-	0.01	- 15.30
Oct.	31.87	39.27	- 7.39	- 3.59	-	+ 3.79	± 0.00	-	0.02	- 22.69
Nov. p	30.99	45.69	- 14.70	- 6.64	-	+ 7.99	± 0.00	-	0.08	- 37.39

1 The cash transactions recorded as cash receipts and cash expenditure comprise payments into and out of the accounts carried by the Bundesbank for the Federal Government. The cash receipts and cash expenditure differ from those shown in the official financial statistics primarily because they are recorded not at the time they are entered in the budgetary accounts but at the time of the actual receipt or outpayment, and because trans-

actions on behalf of the European Communities (which are entered not in the Federal budget but in appendices thereto) are conducted through the accounts of the Federal Government. — 2 Including small amounts of special transactions. — 3 Cash balance = column (a) less (b) less (c) less (d) less (e) less (f). — 4 Deposits at the Bundesbank and other credit balances.

4. Tax revenue of the central, regional and local authorities

DM million

Period	Federal and Länder Governments and European Communities						Local authorities 4		Balance of untransferred tax shares 5
	Total	Total 1	Federal Government	Länder Governments		European Communities 3	Total	of which in the New Länder	
				Total	of which New Länder 2				
1980	364,991	313,711	177,543	125,474		10,619	51,203		+ 78
1985	437,201	375,639	207,930	152,516		15,193	61,469		+ 91
1986	452,436	388,636	210,585	160,099		17,953	63,762		+ 37
1987	468,660	403,649	218,838	166,488		18,323	64,850		+ 162
1988	488,097	419,303	222,672	172,964		23,667	68,862		- 69
1989	535,526	461,796	249,786	189,214		22,795	73,620		+ 111
1990 6	549,667	474,482	261,832	191,266		21,384	74,447		+ 738
1991 7	661,920	577,150	321,334	224,321	19,139	31,495	84,633	2,540	+ 137
1992	731,738	638,423	356,849	247,372	23,807	34,203	93,374	4,034	- 58
1993	749,119	653,015	360,250	256,131	27,542	36,634	95,809	5,863	+ 295
1994 2nd qtr p	185,132	161,325	91,077	60,906	7,896	9,342	p 24,770	p 2,142	p - 962
3rd qtr	...	165,562	93,326	62,544	7,644	9,692	...	...	...
1994 July		51,306	29,248	18,844	2,427	3,214			
Aug.		51,470	29,261	18,962	2,660	3,247			
Sep.		62,787	34,817	24,739	2,558	3,231			
Oct.		48,627	27,967	17,419	2,290	3,241			
Nov.		49,153	27,864	18,095	2,592	3,195			

1 Including receipts from the Equalisation of Burdens levies (1980: DM 75 million). — 2 After taking account of the distribution of the Länder Governments' share in all-German turnover tax revenue on the basis of the number of inhabitants in the old and new Länder. — 3 Including the (GNP-related) receipts accruing to the EC from 1988 to the detriment of the Federal Government's tax revenue. — 4 Including local authority taxes of

Berlin, Bremen and Hamburg. — 5 Difference between the local authorities' share in the income taxes received by the Länder cash offices in the period in question (see Table VIII, 5) and the amounts passed on to the local authorities during the same period. — 6 Excluding the tax revenue of the former GDR. — 7 From 1991 including the tax revenue in the new Länder.

VIII. Public finance

5. Tax revenue, by type

DM million

Period	Total 1	Joint taxes									Federal taxes 7, 8	Länder taxes 7	EC share in customs duties 8	Memo item Local authorities' share in income taxes
		Income taxes 2					Turnover taxes 4, 5							
		Total	Wage tax	As-sessed income tax	Corporation tax	Investment income taxes 3	Total	Value-added tax	Turnover tax on imports	Share in trade tax 5, 6				
Old Länder														
1985	402,069	214,241	147,630	28,569	31,836	6,206	109,825	51,428	58,397	4,491	49,684	18,476	5,352	26,430
1988	449,407	239,427	167,504	33,189	30,003	8,731	123,286	67,661	55,625	4,967	52,733	22,669	6,325	30,104
1989	494,591	265,462	181,833	36,799	34,181	12,648	131,480	67,996	63,484	5,310	61,339	24,208	6,792	32,795
1990	506,599	255,032	177,591	36,519	30,090	10,832	147,585	78,012	69,573	5,572	65,879	25,368	7,163	32,117
1991	.	288,496	204,578	41,201	31,368	11,349	174,053	94,312	79,741	5,961	.	27,117	.	36,867
1992	.	316,121	230,146	42,744	32,188	11,044	191,786	112,202	79,584	6,923	.	30,123	.	40,933
1993	.	321,799	236,738	34,541	28,286	22,234	207,346	166,309	41,037	4,093	.	31,183	.	40,692
1994 2nd qtr	.	71,003	55,447	4,768	4,070	6,718	53,723	43,894	9,829	1,358	.	8,029	.	9,032
3rd qtr	.	74,913	58,620	5,674	2,239	8,381	53,463	43,456	10,006	1,521	.	8,088	.	9,644
1994 July	.	20,755	20,860	- 1,817	- 1,764	3,476	18,003	14,719	3,283	1,092	.	2,272	.	2,857
Aug.	.	18,342	19,467	- 1,622	- 2,375	2,873	18,966	15,495	3,471	427	.	3,574	.	2,677
Sep.	.	35,815	18,293	9,113	6,378	2,032	16,494	13,243	3,252	2	.	2,241	.	4,111
Oct.	.	18,054	18,302	- 1,320	- 939	2,010	17,687	14,743	2,943	1,187	.	2,137	.	2,547
Nov.	.	16,805	18,114	- 1,606	- 1,920	2,217	19,135	15,840	3,295	332	.	3,442	.	2,476
Unified Germany														
1991	615,506	298,804	214,175	41,532	31,716	11,381	179,672	98,797	80,875	5,986	93,624	29,113	8,307	38,356
1992	681,751	331,310	247,322	41,531	31,184	11,273	197,712	117,274	80,438	6,923	105,094	32,963	7,742	43,328
1993	697,988	341,785	257,987	33,234	27,830	22,734	216,306	174,492	41,814	4,181	93,757	34,720	7,240	44,973
1994 2nd qtr	171,433	77,263	60,889	4,495	5,039	6,840	56,719	46,720	9,999	1,432	25,138	9,080	1,802	10,109
3rd qtr	176,386	80,948	64,651	5,469	2,318	8,511	56,769	46,528	10,241	1,570	26,229	9,127	1,743	10,823
1994 July	54,557	22,613	22,898	- 2,005	- 1,797	3,516	18,986	15,623	3,362	1,128	8,650	2,617	564	3,252
Aug.	54,516	20,139	21,514	- 1,823	- 2,478	2,926	20,140	16,573	3,568	440	9,282	3,917	598	3,046
Sep.	67,312	38,197	20,239	9,297	6,592	2,069	17,643	14,332	3,311	2	8,297	2,593	581	4,526
Oct.	51,538	19,703	20,314	- 1,587	- 1,078	2,055	18,917	15,910	3,007	1,238	8,653	2,443	585	2,912
Nov.	52,014	18,414	20,233	- 1,964	- 2,123	2,267	20,384	17,016	3,369	338	8,553	3,780	545	2,861

1 This total, unlike that in Table VIII, 4, includes neither the revenue from Equalisation of Burdens levies, trade tax on returns and capital (less Federal and Länder shares in trade tax), the taxes on land and buildings and other local authority taxes, nor the balance of untransferred tax shares. — 2 The yield of wage tax and assessed income tax was distributed among the Federal Government, the Länder Governments and the local authorities in the ratio of 42.5 : 42.5 : 15 from 1980, and the yield of corporation tax and investment income tax between the Federal Government and the Länder Governments in the ratio of 50 : 50 from 1970. — 3 From February 1993 including revenue from the tax on interest income, in which the local

authorities have a share of 12%. — 4 The Federal Government's share: 65.5% in 1985, 65% from 1986 to 1992, 63% from 1993; the remainder went to the Länder Governments. The EC share must be deducted from the Federal Government's share stated. — 5 Since 1991 the distribution of turnover tax and the level and distribution of the share in trade tax have been affected by the financing of the debt service of the "German Unity" Fund. — 6 Federal Government and Länder Governments 50% each. — 7 From breakdown see Table VIII, 6. — 8 Receipts from Federal taxes and from customs duties accruing to the EC are only recorded for the whole of Germany.

6. Individual taxes of the Federal Government, Länder Governments and local authorities

DM million

Period	Federal taxes						Länder taxes					Local authority taxes		
	Mineral oil tax	Tobacco tax	Spirits tax	Insurance tax	Other capital trans-action taxes 1	Other Federal taxes 2	Motor vehicle tax	Property tax	Inheritance tax	Beer tax	Other Länder taxes	Trade tax 3	Taxes on land and buildings	Other local taxes 4
1985	24,521	14,452	4,153	2,476	1,386	2,697	7,350	4,287	1,512	1,254	4,073	30,759	7,366	1,497
1988	27,032	14,555	3,999	2,904	1,254	2,990	8,169	5,554	2,402	1,253	5,290	34,465	8,238	953
1989	32,965	15,509	3,920	4,190	1,697	3,058	9,167	5,775	2,083	1,260	5,925	36,706	8,490	1,050
1990 5	34,621	17,402	4,229	4,433	1,869	3,325	8,313	6,333	3,022	1,355	6,345	38,796	8,724	1,121
1991 6	47,266	19,592	5,648	5,862	1,041	14,215	11,012	6,729	2,636	1,647	7,090	41,297	9,921	1,181
1992	55,166	19,253	5,545	8,094	292	16,744	13,317	6,750	3,030	1,625	8,241	44,848	10,783	1,281
1993	56,300	19,459	5,134	9,290	79	3,495	14,059	6,784	3,044	1,769	9,065	42,266	11,663	1,383
1994 2nd qtr	15,882	4,897	1,098	2,082	28	1,151	3,842	1,608	758	447	2,425	P 11,199	P 3,572	P 360
3rd qtr	15,985	5,309	1,102	2,462	18	1,353	3,460	1,604	909	519	2,635	...	...	...
1994 July	5,432	1,871	347	562	4	435	1,234	117	279	151	836	.	.	.
Aug.	5,380	1,705	380	1,353	4	460	1,136	1,391	322	193	876	.	.	.
Sep.	5,174	1,732	375	547	11	458	1,091	95	308	175	924	.	.	.
Oct.	5,563	1,922	320	497	1	351	1,076	180	267	125	794	.	.	.
Nov.	5,552	1,653	336	703	3	305	1,030	1,470	305	138	838	.	.	.

1 Revenue from the capital transfer taxes (levied until the end of 1990 and 1991, respectively). — 2 Other excise taxes including the Federal Government's residual share in customs duties received and income tax surcharge. From July 1991 including the "solidarity surcharge" which was

levied on income and corporation tax until June 30, 1992. — 3 On returns and capital. — 4 Including tax-like receipts. — 5 Only the former Federal territory. — 6 From the beginning of 1991 including tax receipts in the new Länder.

VIII. Public finance

7. Indebtedness of the public sector *

DM million

End of year or month	Total	Bundes- bank advances	Treasury discount paper	Treasury notes ¹	5-year special Federal bonds ¹	Federal savings bonds	Bonds ¹	Direct lending by banks ²	Loans from non-banks		Old debt		
									Social security funds ³	Other ²	owing to German unifica- tion ⁴	Equalisa- tion claims	Other ⁵
Public authorities													
1987	848,816	808	5,496	46,939	84,417	31,128	171,873	461,882	7,502	24,122	-	14,646	2
1988	903,015	1,010	5,449	51,164	89,705	34,895	200,756	477,457	7,171	21,125	-	14,281	2
1989	928,837	1,053	12,154	50,448	93,870	33,366	225,063	472,947	6,743	19,288	-	13,903	2
1990	1,053,490	742	38,313	50,080	123,014	30,892	276,251	494,059	6,364	20,260	-	13,512	2
1991	1,173,864	189	34,709	66,159	133,663	34,696	333,202	527,630	6,998	21,841	1,481	13,109	188
1992	1,345,224	4,542	36,186	109,733	153,825	35,415	362,230	539,235	7,021	18,132	1,451	77,269	188
1993 Sep.	1,444,333	126	31,052	132,788	185,403	41,809	389,957	558,385	6,570	17,409	1,443	79,205	188
Dec.	1,509,150	-	30,589	150,138	188,767	46,093	402,073	578,352	6,076	19,267	1,421	86,181	196
1994 Mar.	1,587,398	-	26,226	157,260	187,404	49,496	443,435	603,547	5,883	26,067	1,412	86,476	193
June	1,585,764	-	25,001	157,526	184,522	52,166	443,458	606,060	5,741	25,008	1,412	84,681	188
Federal Government													
1987	440,476	-	5,267	38,458	84,417	31,128	143,469	111,904	1,712	13,760	-	10,361	1
1988	475,169	-	5,263	44,202	89,705	34,895	172,059	106,196	1,633	10,955	-	10,260	1
1989	490,541	-	11,823	43,367	93,870	33,366	195,765	92,110	1,399	8,685	-	10,155	1
1990	542,189	-	19,494	38,763	123,014	30,892	239,282	72,523	1,294	6,880	-	10,046	1
1991	586,493	-	19,932	47,861	133,663	34,696	278,734	52,654	1,616	5,737	1,481	9,934	186
1992	611,099	4,354	24,277	50,516	153,825	35,415	289,049	37,081	1,457	3,671	1,451	9,818	186
1993 Sep.	665,975	-	23,739	56,816	185,403	41,809	314,884	27,738	855	3,400	1,443	9,704	186
Dec.	685,283	-	23,276	60,565	188,767	46,093	325,201	26,129	730	3,211	1,421	9,698	194
1994 Mar.	695,522	-	20,954	62,254	187,404	49,496	339,232	21,723	520	2,695	1,412	9,642	191
June	689,408	-	19,729	60,218	184,522	52,166	338,529	20,285	429	2,294	1,412	9,637	186
West German Länder Governments													
1987	284,609	808	230	8,481			28,254	232,153	1,637	8,759		4,286	2
1988	302,560	1,010	186	6,962			28,546	251,709	1,468	8,656		4,021	2
1989	309,860	1,053	331	7,082			29,148	258,159	1,440	8,898		3,748	2
1990	328,787	742	-	11,318			28,621	273,580	1,431	9,627		3,466	2
1991	347,409	100	-	17,268			28,618	286,881	1,706	9,660		3,175	2
1992	366,602	141	-	40,822			26,026	286,020	1,728	8,991		2,874	2
1993 Sep.	375,975	126	-	53,147			21,883	287,776	1,911	8,411		2,719	2
Dec.	393,577	-	-	62,585			22,450	293,845	1,733	10,399		2,563	2
1994 Mar.	391,157	-	-	63,603			20,270	293,300	1,685	9,735		2,563	2
June	395,027	-	-	65,287			20,954	295,247	1,606	9,523		2,408	2
East German Länder Governments													
1991	4,937	89		1,030			-	3,819	-	-			
1992	22,528	48		9,740			-	12,465	-	275			
1993 Sep.	29,661	-		14,070			-	15,221	-	370			
Dec.	40,263	-		18,115			1,000	21,003	5	140			
1994 Mar.	40,861	-		18,965			1,000	20,756	-	140			
June	40,890	-		18,565			1,000	21,185	-	140			
West German local authorities ⁶													
1987	117,818						150	111,912	4,153	1,603			
1988	119,316						150	113,627	4,071	1,513			
1989	121,374						150	115,615	3,904	1,705			
1990	125,602						150	119,261	3,634	2,557			
1991	132,060						150	125,642	3,557	2,711			
1992	141,349						150	135,783	3,564	1,852			
1993 Sep.	149,000						-	143,550	3,600	1,850			
Dec.	153,870						-	148,464	3,272	2,134			
1994 Mar.	156,450						-	151,000	3,300	2,150			
June	155,950						-	150,500	3,300	2,150			
East German local authorities ⁶													
1991	8,642			-			-	8,392	115	135			
1992	13,245			-			-	12,866	265	114			
1993 Sep.	16,350			-			-	16,000	200	150			
Dec.	18,989			-			300	18,203	331	155			
1994 Mar.	20,000			100			400	19,050	300	150			
June	20,900			125			400	19,925	300	150			
Federal Railways Fund													
1994 Mar.	65,659			3,500			29,493	24,623	73	7,970			
June	66,991			4,523			29,456	25,465	87	7,460			

For footnotes see page 74*.

VIII. Public finance

7. Indebtedness of the public sector * (cont'd)

End of year or month	DM million								Loans from non-banks		Old debt		
	Total	Bundes- bank advances	Treasury discount paper	Treasury notes 1	5-year special Federal bonds 1	Federal savings bonds	Bonds 1	Direct lending by banks 2	Social security funds 3	Other 2	owing to German unifica- tion 4	Equalisa- tion claims	Other 5
"German Unity" Fund													
1990	19,793						8,198	11,367	5	223			
1991	50,482						25,701	22,625	5	2,152			
1992	74,371			8,655			42,371	21,787	5	1,553			
1993 Sep.	85,109		1,876	8,756			43,940	28,981	5	1,552			
Dec.	87,676		1,876	8,873			43,804	31,566	5	1,552			
1994 Mar.	88,246		897	8,838			43,679	33,276	5	1,552			
June	88,515		897	8,809			43,637	33,285	17	1,871			
Debt-Processing Fund													
1990	27,634		18,819					7,843		972			
1991	27,472		14,777					11,250		1,445			
1992	91,747		11,909					13,583	2	1,676	7	64,577	
1993 Sep.	93,898		5,437					20,004		1,676	7	66,782	
Dec.	101,230		5,437					20,197		1,676	7	73,921	
1994 Mar.	101,417		4,376					21,094		1,676	7	74,272	
June	99,937		4,376					21,503	2	1,420	7	72,637	
ERP Special Fund													
1987	5,913							5,913					
1988	5,970							5,970					
1989	7,063							7,063					
1990	9,485							9,485					
1991	16,368							16,368					
1992	24,283					4,633		19,650					
1993 Sep.	28,365					9,250		19,115					
Dec.	28,263					9,318		18,945					
1994 Mar.	28,086					9,361		18,725					
June	28,147					9,482		18,665					

* Excluding public authorities' mutual indebtedness. — 1 Excluding bonds in the issuers' portfolios. — 2 Mainly loans against borrowers' notes. Including loans raised abroad. Other loans from non-banks, including liabilities arising from the investment assistance levy. — 3 Including Debt Register claims and special Federal paper. — 4 Assumption of liabilities arising from residential construction by the former GDR's armed forces and from residential construction in connection with the return home of the troops of the

former USSR in eastern Germany. — 5 Commutation and compensation debt, and old debt mainly expressed in foreign currency, in accordance with the London Debts agreement; excluding bonds in own portfolios. — 6 Data other than end-of-year figures have been estimated. Including indebtedness of municipal special-purpose associations and municipal hospitals. — 7 Provisional amount of liabilities to the Currency Conversion Equalisation Fund.

8. Loans raised by public authorities against borrowers' notes

End of year or month	DM million								Federal Railways 5 / Federal Post Office	
	Total 1	Central, regional and local authorities								
	Total	Federal Govern- ment 2	"German Unity" Fund	Debt-Pro- cessing Fund	ERP Special Fund	Länder Govern- ments 3	Local authorities 3, 4, 5	Federal Railways Fund		
1985	527,510	497,702	166,115			6,287	213,501	111,799		29,808
1986	513,608	486,192	143,792			6,415	223,177	112,808		27,416
1987	515,708	489,779	127,003			5,713	241,083	115,980		25,929
1988	529,422	502,724	118,447			5,890	260,717	117,670		26,698
1989	523,599	496,044	101,893			6,753	267,375	120,023		27,555
1990	543,952	517,022	80,434	11,595	8,815	9,285	283,226	123,667		26,930
1991	579,176	549,325	59,784	24,782	12,695	16,319	298,254	137,491		29,851
1992	590,477	555,633	42,028	23,345	15,261	19,650	304,656	150,693		34,844
1993 Mar.	597,271	559,712	37,249	25,415	16,530	19,410	306,509	154,599		37,559
June	607,817	569,399	34,856	27,425	20,130	19,310	309,938	157,740		38,418
Sep.	618,646	577,705	31,811	30,538	21,680	19,115	312,269	162,292		40,941
Dec.	636,125	594,345	29,903	33,123	21,873	18,945	322,097	168,404		41,780
1994 Mar.	645,298	628,997	24,770	34,833	22,770	18,725	324,059	171,175	32,665	6 16,301
June	644,553	628,045	22,842	35,173	22,925	18,665	323,743	171,685	33,012	6 16,508

1 Excluding Debt Register claims and cash advances. Including small amounts of mortgage loans, land charges in annuity and other forms, and debts outstanding. — 2 Including Equalisation of Burdens Fund. — 3 From 1991, in the whole of Germany. — 4 Data other than end-of-year figures

have been estimated. Including municipal special-purpose associations and municipal hospitals. — 5 Including contractually agreed loans. — 6 From 1994 Federal Post Office only.

VIII. Public finance

9. Changes in public sector indebtedness *

Item	Level at end of			Net borrowing 1						
	1992	1993	June 1994	1993				1994		
				Total	1st half	1st qtr	2nd qtr	1st half	1st qtr	2nd qtr
Borrowers										
Federal Government	611,099	685,283	689,408	+ 74,184	+ 40,082	+ 20,995	+ 19,087	+ 4,125	+ 10,239	- 6,114
"German Unity" Fund	74,371	87,676	88,515	+ 13,305	+ 7,623	+ 5,170	+ 2,453	+ 839	+ 571	+ 269
Debt-Processing Fund	91,747	101,230	99,937	+ 139	- 1,604	- 6	- 1,598	- 9	- 164	+ 155
ERP Special Fund	24,283	28,263	28,147	+ 3,979	+ 4,223	- 178	+ 4,401	- 116	- 177	+ 61
Federal Railways Fund	-	-	66,991	-	-	-	-	+ 1,113	- 219	+ 1,332
West German Länder Governments	366,602	393,577	395,027	+ 26,975	+ 2,201	- 137	+ 2,337	+ 1,450	- 2,419	+ 3,869
East German Länder Governments	22,528	40,263	40,890	+ 17,735	+ 5,186	+ 2,290	+ 2,896	+ 627	+ 598	+ 29
West German local authorities 2	141,349	153,870	155,550	+ 12,521	+ 4,851	+ 1,651	+ 3,200	+ 2,080	+ 2,580	- 500
East German local authorities	13,245	18,989	20,900	+ 5,744	+ 1,705	+ 1,105	+ 600	+ 1,911	+ 1,011	+ 900
Total	1,345,224	1,509,150	1,585,764	+ 154,582	+ 64,268	+ 30,892	+ 33,377	+ 12,021	+ 12,020	+ 1
Types of debt										
Bundesbank advances	4,542	-	-	- 4,542	- 4,478	- 4,454	- 24	-	-	-
Treasury discount paper 3	36,186	30,589	25,001	- 5,597	- 5,553	+ 379	- 5,932	- 5,588	- 4,362	- 1,225
Treasury notes 4	109,733	150,138	157,526	+ 40,405	+ 12,295	+ 5,818	+ 6,478	+ 3,889	+ 3,622	+ 267
Five-year special Federal bonds 4	153,825	188,767	184,522	+ 34,943	+ 27,532	+ 19,451	+ 8,081	+ 4,245	+ 1,363	+ 2,882
Federal savings bonds	35,415	46,093	52,166	+ 10,677	+ 3,259	+ 2,174	+ 1,085	+ 6,073	+ 3,403	+ 2,670
Bonds 4	362,230	402,073	443,458	+ 39,843	+ 20,424	+ 7,271	+ 13,153	+ 12,016	+ 11,993	+ 23
Direct lending by credit institutions 5	539,235	578,352	606,060	+ 39,117	+ 11,717	+ 934	+ 10,783	+ 3,755	+ 1,242	+ 2,513
Loans from social security funds	7,021	6,076	5,741	- 945	- 435	- 546	+ 111	- 413	- 272	- 141
Other loans 5	18,052	19,187	24,929	+ 1,135	- 276	- 72	- 204	- 3,235	- 2,176	- 1,059
Old debt 6	1,639	1,617	1,600	- 23	- 3	- 10	+ 7	- 16	- 12	- 5
Equalisation claims	77,269	86,181	84,681	- 432	- 214	- 54	- 160	- 216	- 55	- 160
Investment assistance levy	79	79	79	- 0	- 0	- 0	- 0	- 0	- 0	- 0
Total	1,345,224	1,509,150	1,585,764	+ 154,582	+ 64,268	+ 30,892	+ 33,377	+ 12,021	+ 12,020	+ 1
Creditors										
Banking system										
Bundesbank	18,958	13,081	12,459	- 5,877	- 4,855	- 4,581	- 274	- 665	- 409	- 257
Credit institutions	719,100	803,400	878,400	+ 75,000	+ 29,600	+ 17,400	+ 12,200	+ 35,000	+ 23,100	+ 11,900
Domestic non-banks										
Social security funds 7	7,000	6,100	5,700	- 900	- 400	- 500	+ 100	- 500	- 300	- 200
Other 8	255,365	179,368	191,105	- 76,041	- 53,677	- 30,327	- 23,349	- 1,914	- 8,071	+ 6,157
Foreign creditors pe	344,800	507,200	498,100	+ 162,400	+ 93,600	+ 48,900	+ 44,700	- 19,900	- 2,300	- 17,600
Total	1,345,224	1,509,150	1,585,764	+ 154,582	+ 64,268	+ 30,892	+ 33,377	+ 12,021	+ 12,020	+ 1

* Excluding public authorities' mutual indebtedness. — 1 Net borrowing is lower than the increase in indebtedness which includes the assumption of debts. — 2 Data other than end-of-year figures have been estimated. Including indebtedness of municipal special-purpose associations and municipal hospitals. — 3 Excluding mobilisation and liquidity paper. — 4 Excluding bonds in the issuers' portfolios. — 5 Including loans raised

abroad. — 6 Liabilities arising from the residential construction of the former GDR's armed forces and from residential construction in connection with the return of the troops of the former USSR based in eastern Germany to their home country, and old debt in accordance with the London Debts Agreement. — 7 Excluding public bonds acquired by supplementary pension funds for government employees. — 8 Ascertained as a difference.

10. Indebtedness of the Treuhand privatisation agency

End of year or month	Credit market debt								Assumption of old loans	Liabilities arising from enterprises' equalisation claims
	Total	Total	Short-term direct lending by banks	Commercial paper	Medium-term notes	Treuhand notes	Bonds	Loans against borrowers notes		
1990	14,058	4,330	4,330	-	-	-	-	-	9,728	-
1991	39,402	24,192	6,670	4,867	-	-	-	12,655	15,210	-
1992	106,792	54,669	5,689	9,070	-	-	15,218	24,692	38,010	14,113
1993 Mar.	125,253	75,539	6,204	5,959	-	4,342	32,353	26,682	34,644	15,070
June	142,942	99,150	3,779	7,093	-	9,837	50,124	28,317	29,583	14,209
Sep.	147,667	111,654	4,864	4,930	-	14,425	58,039	29,397	21,527	14,486
Dec.	168,322	134,488	3,208	5,866	4,982	22,690	68,245	29,497	19,684	14,150
1994 Mar.	172,626	144,861	1,875	1,312	6,482	29,087	76,898	29,207	14,891	12,874
June	178,980	157,822	6,679	2,172	6,482	31,095	82,867	28,527	8,128	13,030
Sep.	183,322	169,691	2,376	1,806	6,482	39,442	91,564	28,022	2,598	11,033

Source: Treuhand agency.

VIII. Public finance

13. Receipts, expenditure and assets of the wage and salary earners' pension insurance funds

DM million

Period	Receipts 1			Expenditure 1			Balance of receipts and expenditure	Assets 4					Memorandum item Administrative assets
	Total	of which		Total	of which			Total	Deposits 5	Securities 6	Mortgage and other loans 7	Real estate	
		Contributions 2	Federal payments		Pension payments 3	Pensioners' health insurance							
Old Länder													
1980	135,636	111,206	22,335	132,515	108,937	12,797	+ 3,121	18,804	10,279	3,783	4,678	64	3,929
1985	165,949	137,662	26,601	164,540	140,539	11,081	+ 1,409	11,953	5,516	3,162	3,203	71	4,455
1990	212,904	174,916	34,775	203,312	175,188	10,961	+ 9,592	35,570	25,971	7,771	1,731	960	5,034
1991	226,397	183,328	38,663	215,730	185,570	11,285	+ 10,667	43,841	30,977	11,232	1,513	120	5,404
1992	238,428	193,310	39,806	228,049	195,812	11,781	+ 10,379	49,812	38,319	10,055	1,307	131	5,839
1993	243,119	196,357	41,837	248,866	207,633	13,064	- 5,747	39,786	29,957	8,499	1,100	229	6,297
1993 4th qtr	66,697	54,998	10,371	63,918	53,383	3,506	+ 2,779	39,786	29,957	8,499	1,100	229	6,297
1994 1st qtr	62,100	48,956	12,105	64,873	54,154	3,493	- 2,773	34,954	25,253	8,415	1,059	227	6,402
2nd qtr	65,184	51,952	12,202	65,618	54,252	3,548	- 434	32,323	22,477	8,608	1,011	228	6,547
3rd qtr	66,534	53,815	11,872	67,747	56,399	3,702	- 1,213	28,981	19,512	8,279	963	229	6,725
New Länder													
1991	32,140	25,598	6,406	31,624	26,711	3,417	+ 516	.	.	.	.	.	.
1992	42,324	32,553	9,463	46,918	40,017	2,515	- 4,594	.	.	.	.	.	.
1993	53,241	36,051	10,834	55,166	45,287	2,834	- 1,925	.	.	.	.	.	.
1993 4th qtr	14,173	10,170	2,414	15,204	12,455	807	- 1,031	.	.	.	.	.	.
1994 1st qtr	14,796	9,206	3,548	16,650	13,562	811	- 1,854	.	.	.	.	.	.
2nd qtr	15,886	9,912	3,530	16,760	13,625	754	- 874	.	.	.	.	.	.
3rd qtr	15,732	10,262	3,601	17,793	14,515	955	- 2,061	.	.	.	.	.	.

1 The annual figures differ from the sum of the quarterly figures, as the latter are all provisional. From 1993 including financial compensation payments. — 2 Including contributions of the pension insurance funds for recipients of public financial benefits. — 3 Payments by pension insurance funds to health insurance institutions under section 50 of the Social Security Code V have been deducted from pension payments. — 4 Excluding administrative assets. Largely corresponds to fluctuation reserves. Level at

the end of the year or quarter. From 1992 figures for the whole of Germany. — 5 Including cash resources. — 6 Including Debt Register claims. From end-1986 including funds placed in securities-based investment funds. — 7 Excluding loans to other social security funds; including participating interests. — Source: Federal Minister of Labour and Social Affairs and Association of German Pension Insurance Funds.

14. Receipts, expenditure and assets of the Federal Labour Office

DM million

Period	Receipts			Expenditure			Balance of receipts and expenditure	Subsidies or working fund credits of the Federal Government	Assets 6				
	Total 1	of which		Total	of which				Total	Deposits 7	Securities	Loans 8	
		Contributions	Levies 2		Unemployment relief 3, 4	Promotion of winter construction							Promotion of vocational training 4, 5
Old Länder													
1980	19,050	17,321	1,139	21,675	10,121	1,974	6,327	- 2,625	1,840	589	220	144	225
1985	32,043	29,492	1,409	29,738	15,314	1,442	8,486	+ 2,306	-	5,823	5,359	406	58
1990	40,701	38,368	994	41,424	18,432	1,035	16,146	- 723	706	91	0	75	16
1991	65,632	62,524	1,125	42,048	17,542	1,412	16,818	+ 23,585	-	4,973	4,894	72	7
1992	76,368	73,365	1,440	47,508	21,742	1,373	17,648	+ 28,860	-	72	0	68	5
1993	81,509	76,326	1,828	58,970	34,149	1,467	15,895	+ 22,540	-	65	-	62	3
1993 4th qtr	22,886	21,341	286	15,135	9,266	64	3,665	+ 7,751	-	65	-	62	3
1994 1st qtr	18,947	18,107	304	15,038	9,444	679	3,232	+ 3,909	-	61	-	58	3
2nd qtr	21,080	18,480	1,477	14,494	8,929	534	3,381	+ 6,586	-	61	-	58	3
3rd qtr	21,444	19,443	1,006	13,715	8,486	98	3,381	+ 7,729	-	58	-	55	3
New Länder													
1991	4,559	4,552	0	29,875	17,857	74	8,317	- 25,316	1,025	-	-	-	-
1992	3,313	3,297	3	46,015	14,569	357	20,228	- 42,702	8,940	-	-	-	-
1993	3,600	3,569	8	50,566	13,856	452	20,996	- 46,966	24,419	-	-	-	-
1993 4th qtr	1,009	1,000	1	11,857	3,673	11	4,222	- 10,848	2,722	-	-	-	-
1994 1st qtr	859	846	5	10,824	3,709	201	3,600	- 9,965	5,629	-	-	-	-
2nd qtr	893	879	5	10,753	3,484	216	3,983	- 9,860	4,527	-	-	-	-
3rd qtr	972	955	2	9,705	3,116	30	3,946	- 8,733	1,049	-	-	-	-

1 Excluding Federal Government liquidity assistance. — 2 Levies to promote winter construction and to pay bankruptcy compensation to employees. — 3 Unemployment benefits, follow-up unemployment assistance (1980) and short-time-working benefits. From 1990 including the integration allowance paid to resettlers from eastern Europe and emigrants from the GDR as a replacement for the unemployment benefits. — 4 Including contributions to the statutory health insurance, and to the pension insurance funds. — 5 Vocational training, measures to foster the commencement of work,

rehabilitation and job creation measures. — 6 Excluding administrative assets. Level at the end of the year or quarter. From end-1988 excluding liquid funds for budget-financing purposes. — 7 Including cash resources. — 8 Excluding loans out of budgetary expenditure; including participating interests. — 9 Including DM 4,894 million in transfers from the Federal Government pursuant to the 1991 supplementary budget. — Source: Federal Labour Office.

IX. Economic conditions

1. Origin, distribution and expenditure of national product
Western Germany

Item	1990	1991 p	1992 p	1993 p	1994 o	1991 p	1992 p	1993 p	1994 o	1991 p	1992 p	1993 p	1994 o
	DM billion					Change from previous year in %				Percentage of total			
at current prices													
I. Origin of national product													
Gross value added													
Agriculture, forestry and fisheries	36.7	33.9	32.8	29.3	29.1	- 7.8	- 3.1	- 10.8	- 0.6	1.3	1.2	1.0	1.0
Producing sector	939.4	1,002.2	1,028.6	981.1	1,011.7	+ 6.7	+ 2.6	- 4.6	+ 3.1	37.6	36.5	34.5	34.3
Energy supply ¹ , mining	70.2	74.1	76.0	73.5	74.2	+ 5.5	+ 2.6	- 3.3	+ 1.0	2.8	2.7	2.6	2.5
Manufacturing	741.6	790.8	799.9	749.0	768.5	+ 6.6	+ 1.1	- 6.4	+ 2.6	29.6	28.4	26.3	26.1
Construction	127.6	137.3	152.7	158.6	169.0	+ 7.6	+ 11.2	+ 3.9	+ 6.5	5.1	5.4	5.6	5.7
Distribution, transportation ²	346.8	386.7	405.9	405.6	413.5	+ 11.5	+ 5.0	- 0.1	+ 2.0	14.5	14.4	14.3	14.0
Services ³	707.9	797.0	891.9	964.8	1,039.6	+ 12.6	+ 11.9	+ 8.2	+ 7.8	29.9	31.6	33.9	35.3
All enterprises	2,030.8	2,219.7	2,359.2	2,380.8	2,493.9	+ 9.3	+ 6.3	+ 0.9	+ 4.8	83.2	83.7	83.7	84.6
do. adjusted ⁴	1,934.6	2,108.5	2,235.1	2,247.7	2,351.4	+ 9.0	+ 6.0	+ 0.6	+ 4.6	79.0	79.3	79.1	79.7
Government	253.2	271.2	289.4	299.7	302.2	+ 7.1	+ 6.7	+ 3.6	+ 0.8	10.2	10.3	10.5	10.2
Households ⁵	58.3	64.6	70.9	74.9	78.1	+ 10.7	+ 9.8	+ 5.6	+ 4.3	2.4	2.5	2.6	2.6
All sectors	2,246.1	2,444.2	2,595.4	2,622.3	2,731.7	+ 8.8	+ 6.2	+ 1.0	+ 4.2	91.6	92.0	92.2	92.6
Gross domestic product ⁶	2,426.0	2,647.6	2,813.0	2,853.7	2,979.4	+ 9.1	+ 6.2	+ 1.4	+ 4.4	99.2	99.8	100.4	101.0
Net factor incomes from abroad	+ 22.6	+ 20.4	+ 6.8	- 10.9	- 30.8	.	.	.	.	0.8	0.2	-0.4	-1.0
Gross national product at market prices	2,448.6	2,668.0	2,819.8	2,842.8	2,948.6	+ 9.0	+ 5.7	+ 0.8	+ 3.7	100	100	100	100
II. Distribution of national product													
Wage and salary income ⁷	1,317.1	1,422.2	1,513.6	1,535.9	1,552.7	+ 8.0	+ 6.4	+ 1.5	+ 1.1	53.3	53.7	54.0	52.7
Entrepreneurial and property income	575.1	621.2	627.2	593.3	647.5	+ 8.0	+ 1.0	- 5.4	+ 9.1	23.3	22.2	20.9	22.0
National income	1,892.2	2,043.5	2,140.7	2,129.2	2,200.2	+ 8.0	+ 4.8	- 0.5	+ 3.3	76.6	75.9	74.9	74.6
III. Expenditure of national product													
Private consumption	1,320.7	1,448.8	1,536.3	1,588.9	1,644.8	+ 9.7	+ 6.0	+ 3.4	+ 3.5	54.3	54.5	55.9	55.8
Government consumption	444.1	466.5	502.9	508.5	520.2	+ 5.1	+ 7.8	+ 1.1	+ 2.3	17.5	17.8	17.9	17.6
Machinery and equipment	234.6	263.9	257.6	213.3	206.9	+ 12.5	- 2.4	- 17.2	- 3.0	9.9	9.1	7.5	7.0
Construction	273.2	299.3	329.3	338.5	357.8	+ 9.6	+ 10.0	+ 2.8	+ 5.7	11.2	11.7	11.9	12.1
Increase in stocks	+ 11.5	+ 20.4	- 2.6	- 11.5	+ 10.1	.	.	.	.	0.8	-0.1	-0.4	0.3
Domestic expenditure	2,284.1	2,498.9	2,623.5	2,637.7	2,739.8	+ 9.4	+ 5.0	+ 0.5	+ 3.9	93.7	93.0	92.8	92.9
Foreign balance ⁸	+ 164.6	+ 169.1	+ 196.3	+ 205.1	+ 208.8	.	.	.	.	6.3	7.0	7.2	7.1
Exports	884.4	998.3	1,062.4	1,043.3	1,112.0	+ 12.9	+ 6.4	- 1.8	+ 6.6	37.4	37.7	36.7	37.7
Imports	719.8	829.3	866.1	838.1	903.2	+ 15.2	+ 4.4	- 3.2	+ 7.8	31.1	30.7	29.5	30.6
Gross national product at market prices	2,448.6	2,668.0	2,819.8	2,842.8	2,948.6	+ 9.0	+ 5.7	+ 0.8	+ 3.7	100	100	100	100
at prices of 1991													
Private consumption	1,370.0	1,448.8	1,480.4	1,483.0	1,496.0	+ 5.7	+ 2.2	+ 0.2	+ 0.9	54.3	54.8	56.2	55.8
Government consumption	465.0	466.5	485.3	479.7	485.1	+ 0.3	+ 4.0	- 1.2	+ 1.1	17.5	18.0	18.2	18.1
Machinery and equipment	240.9	263.9	252.8	208.3	203.1	+ 9.5	- 4.2	- 17.6	- 2.5	9.9	9.4	7.9	7.6
Construction	291.4	299.3	312.2	309.7	321.8	+ 2.7	+ 4.3	- 0.8	+ 3.9	11.2	11.6	11.7	12.0
Increase in stocks	+ 15.0	+ 20.4	- 0.5	- 7.0	+ 14.3	.	.	.	.	0.8	-0.0	-0.3	0.5
Domestic expenditure	2,382.4	2,498.9	2,530.2	2,473.8	2,520.2	+ 4.9	+ 1.3	- 2.2	+ 1.9	93.7	93.7	93.7	94.0
Foreign balance ⁸	+ 161.5	+ 169.1	+ 170.8	+ 165.2	+ 160.8	.	.	.	.	6.3	6.3	6.3	6.0
Exports	899.3	998.3	1,047.3	1,016.2	1,074.0	+ 11.0	+ 4.9	- 3.0	+ 5.7	37.4	38.8	38.5	40.1
Imports	737.8	829.3	876.5	851.0	913.2	+ 12.4	+ 5.7	- 2.9	+ 7.3	31.1	32.5	32.2	34.1
Gross national product at market prices	2,543.9	2,668.0	2,701.0	2,639.0	2,681.0	+ 4.9	+ 1.2	- 2.3	+ 1.6	100	100	100	100
Gross domestic product at market prices	2,520.4	2,647.6	2,694.3	2,648.6	2,708.9	+ 5.0	+ 1.8	- 1.7	+ 2.3	99.2	99.8	100.4	101.0

Source: Federal Statistical Office. — 1 Including water supply. — 2 Including telecommunications. — 3 Credit institutions, insurance enterprises, letting of dwellings and other services. — 4 Enterprises' gross value added less imputed remuneration for bank services. — 5 Including private non-profit organisations. — 6 Gross value added by all economic sectors plus turnover tax receipts and turnover tax withheld because of statutory special regulations and import levies (import duties, excise taxes on imports, price

adjustment levies and monetary compensatory amounts on imports of agricultural products). — 7 Including employers' contributions to social security funds and other social security expenditure by employers (inter alia on company old-age pension schemes). — 8 Including transactions in goods and services with the former GDR or the new Länder. — o Preliminary figure.

X. Foreign trade and payments

6. External position of the Bundesbank *

DM million

End of year or month	Monetary reserves and other claims on non-residents							Liabilities to non-residents			Net external position (col. 1 less col. 8)
	Total	Monetary reserves			Reserve position in the Inter- national Monetary Fund and special drawing rights ²	claims on the EMI ³ (net) ²	Loans and other claims on non- residents ⁴	Total	Liabilities arising from external trans- actions ⁵	Liabilities arising from liquidity Treasury discount paper	
		Gold	Foreign currency balances ¹								
1	2	3	4	5	6	7	8	9	10	11	
1988	97,126	94,689	13,688	50,183	9,264	21,554	2,437	27,249	27,249	-	69,877
1989	99,959	97,527	13,688	58,308	8,229	17,303	2,432	51,642	51,642	-	48,317
1990	106,446	104,023	13,688	64,517	7,373	18,445	2,423	52,259	52,259	-	54,188
1991	97,345	94,754	13,688	55,424	8,314	17,329	2,592	42,335	42,335	-	55,010
1992	143,959	141,351	13,688	85,845	8,199	33,619	2,608	26,506	26,506	-	117,453
1993	122,763	120,143	13,688	61,784	8,496	36,176	2,620	39,541	23,179	16,362	83,222
1993 Dec.	122,763	120,143	13,688	61,784	8,496	36,176	2,620	39,541	23,179	16,362	83,222
1994 Jan.	120,729	118,109	13,688	62,577	8,476	33,369	2,620	40,840	23,057	17,783	79,888
Feb.	121,281	118,661	13,688	63,059	8,477	33,438	2,620	42,905	23,279	19,626	78,376
Mar.	121,993	119,373	13,688	63,661	8,510	33,515	2,620	38,487	22,330	16,158	83,505
Apr.	122,809	120,190	13,688	63,737	8,442	34,324	2,620	42,981	22,601	20,380	79,829
May	124,006	121,386	13,688	64,914	8,385	34,400	2,620	40,771	20,979	19,792	83,235
June	125,191	122,571	13,688	66,039	8,375	34,470	2,620	37,769	18,725	19,044	87,422
July	125,963	123,344	13,688	66,122	8,386	35,148	2,620	37,652	18,042	19,610	88,312
Aug.	127,001	124,631	13,688	67,349	8,370	35,225	2,370	37,912	18,019	19,893	89,089
Sep.	126,771	124,411	13,688	68,166	8,285	34,272	2,360	31,485	18,027	13,458	95,286
Oct.	126,299	123,939	13,688	66,920	8,315	35,016	2,360	32,140	18,363	13,778	94,159
Nov.	124,618	122,258	13,688	67,152	8,380	33,038	2,360	32,210	18,775	13,436	92,408

Supplementary stock figures on "Reserve position in the International Monetary Fund and special drawing rights" and "Claims on the European Monetary Institution"

DM million

End of year or month	Reserve position in the IMF and special drawing rights						Claims on the European Monetary Institution			
	Total	Reserve position in the IMF		Special drawing rights		Net acquisitions or net use ⁸	Total	ECU balances ⁹	Difference between ECU value and book value of the reserves contributed	Other claims ¹⁰
		Drawing rights within the reserve tranche ⁶	Loans under special borrowing arrange- ments ⁷	Total	Allocated					
1	2	3	4	5	6	7	8	9	10	
1988	9,264	5,957	-	3,307	2,901	406	21,554	37,969	- 16,415	-
1989	8,229	5,166	-	3,063	2,701	361	17,303	32,125	- 14,823	-
1990	7,373	4,565	-	2,808	2,573	235	18,445	29,370	- 10,925	-
1991	8,314	5,408	-	2,906	2,626	280	17,329	29,129	- 11,800	-
1992	8,199	6,842	-	1,357	2,687	- 1,330	33,619	34,826	- 8,040	6,834
1993	8,496	6,833	-	1,663	2,876	- 1,213	36,176	43,663	- 11,787	4,300
1993 Dec.	8,496	6,833	-	1,663	2,876	- 1,213	36,176	43,663	- 11,787	4,300
1994 Jan.	8,476	6,813	-	1,663	2,876	- 1,213	33,369	47,617	- 14,247	-
Feb.	8,477	6,778	-	1,699	2,876	- 1,177	33,438	47,686	- 14,247	-
Mar.	8,510	6,811	-	1,699	2,876	- 1,177	33,515	47,762	- 14,247	-
Apr.	8,442	6,742	-	1,699	2,876	- 1,177	34,324	48,725	- 14,402	-
May	8,385	6,647	-	1,738	2,876	- 1,138	34,400	48,802	- 14,402	-
June	8,375	6,638	-	1,738	2,876	- 1,138	34,470	48,871	- 14,402	-
July	8,386	6,649	-	1,738	2,876	- 1,138	35,148	47,550	- 12,401	-
Aug.	8,370	6,595	-	1,774	2,876	- 1,101	35,225	47,627	- 12,401	-
Sep.	8,285	6,510	-	1,774	2,876	- 1,101	34,272	46,674	- 12,401	-
Oct.	8,315	6,541	-	1,774	2,876	- 1,101	35,016	46,980	- 11,964	-
Nov.	8,380	6,567	-	1,813	2,876	- 1,063	33,038	45,002	- 11,964	-

* Valuation of the gold holdings and the claims on non-residents according to section 26 (2) of the Deutsche Bundesbank Act and the provisions of the Commercial Code, especially section 253. In the course of the year, valuation at the balance sheet rates of the preceding year. — 1 Mainly US dollar assets. — 2 For breakdown see Table below. — 3 European Monetary Institution (until 1993 claims on the EMCF) 4 Mainly loans to the World Bank. — 5 Including mobilisation and liquidity paper sold to non-residents by the Bundesbank; excluding the liquidity Treasury discount paper issued and sold to non-residents in March 1993, shown in column 10 (see sections

42 and 42a of the Deutsche Bundesbank Act). — 6 Comprising subscription payments in cash and Deutsche Mark callings by the IMF to finance its sales of Deutsche Mark (net) to other countries. — 7 Including the "Witteveen Facility". — 8 Difference between actual holdings and SDRs allocated. — 9 Resulting from the provisional contribution of gold and dollar reserves and from transfers from other central banks. — 10 Assets resulting from the very short-term financing mechanism and from short-term monetary support. — Discrepancies in the totals, including discrepancies from Table III, 1, are due to rounding.

X. Foreign trade and payments

7. Assets and liabilities of domestic enterprises (excluding credit institutions)
vis-à-vis non-residents *

DM million

End of year or month	Claims on non-residents							Liabilities to non-residents						
	Total	Balances with foreign banks	Claims on foreign non-banks					Total	Loans from foreign banks	Liabilities to foreign non-banks				
			Total	from financial operations	from trade credits					Total	from financial operations	from trade credits		
					Total	Credit terms granted	Advance payments effected					Total	Credit terms used	Advance payments received
All countries														
1990	297,583	85,277	212,306	65,761	146,545	133,848	12,697	236,591	59,758	176,833	80,423	96,410	61,130	35,280
1991	306,747	90,654	216,093	68,120	147,973	134,881	13,092	271,684	75,631	196,053	95,224	100,829	64,672	36,157
1992	315,182	102,878	212,304	64,155	148,149	135,416	12,733	286,898	76,626	210,272	110,506	99,766	63,265	36,501
1993	362,764	143,134	219,630	71,528	148,102	134,876	13,226	294,209	76,992	217,217	119,358	97,859	62,838	35,021
1994 June	383,592	149,953	233,639	76,879	156,760	142,799	13,961	303,766	77,655	226,111	124,488	101,623	64,185	37,438
July	390,129	157,400	232,729	77,194	155,535	141,667	13,868	305,016	78,665	226,351	124,844	101,507	63,476	38,031
Aug.	389,324	157,101	232,223	79,167	153,056	139,423	13,633	305,881	79,297	226,584	127,126	99,458	61,403	38,055
Sep. r	395,084	158,790	236,294	79,300	156,994	143,961	13,033	308,676	78,950	229,726	127,153	102,573	66,483	36,090
Oct.	...	169,625	...	...	...	...	...	...	77,769	...	...	...	...	...
Nov. p	...	170,658	...	...	...	...	...	...	77,369	...	...	...	...	...
EC countries														
1990		75,895		32,491					46,358		38,027			
1991		80,601		35,977					61,353		45,838			
1992		90,757		31,476					63,551		57,261			
1993		128,619		35,496					62,521		58,828			
1994 June		134,547		37,232					63,657		62,161			
July		140,862		36,653					64,880		62,430			
Aug.		141,373		38,247					65,464		64,581			
Sep. r		142,744		37,088					65,683		64,641			
Oct.		153,604		...					64,581		...			
Nov. p		155,285		...					64,489		...			
Other industrial countries														
1990		7,083		28,160					11,693		33,476			
1991		7,202		25,772					12,419		40,738			
1992		8,062		25,825					11,182		43,551			
1993		9,445		28,739					11,764		50,248			
1994 June		9,066		31,521					11,251		52,781			
July		9,947		32,294					11,029		52,756			
Aug.		9,550		32,014					11,138		52,473			
Sep.		9,532		32,936					10,749		52,612			
Oct.		9,531		...					10,866		...			
Nov. p		9,005		...					10,526		...			
Countries in transition														
1990		120		98					209		101			
1991		150		282					6		127			
1992		154		971					28		392			
1993		209		1,150					23		332			
1994 June		184		1,450					40		355			
July		169		1,523					39		455			
Aug.		182		1,601					31		456			
Sep.		182		1,666					29		436			
Oct.		56		...					28		...			
Nov. p		56		...					28		...			
Developing countries														
1990		2,179		5,012					1,498		8,819			
1991		2,701		6,089					1,853		8,521			
1992		3,905		5,883					1,865		9,302			
1993		4,861		6,143					2,684		9,950			
1994 June		6,156		6,676					2,707		9,191			
July		6,422		6,724					2,717		9,203			
Aug.		5,996		7,305					2,664		9,616			
Sep.		6,332		7,610					2,489		9,464			
Oct.		6,434		...					2,294		...			
Nov. p		6,312		...					2,326		...			

* Including domestic individuals' assets and liabilities vis-à-vis non-residents. Domestic credit institutions' assets and liabilities vis-à-vis non-residents are shown in table 5 in section IV "Credit institutions". Statistical increases and

decreases have not been eliminated; to this extent the changes in totals are not comparable with the figures shown in Table X. 5.

List of previous publications

Subjects dealt with during the past twelve months in the Monthly Reports of the Deutsche Bundesbank

February 1994

- The economic scene in Germany in winter 1993-4

March 1994

- Trends in local authority finance since the beginning of the nineties
- Germany's balance of payments in 1993

April 1994

- The finances of the Treuhand agency
- The profitability of east German savings banks and credit cooperatives in 1991 and 1992
- Financial conglomerates and their supervision

May 1994

- Overall financial flows in Germany in 1993
- Real exchange rates as an indicator of international competitiveness
- Money market management by the Deutsche Bundesbank

June 1994

- The economic scene in Germany in spring 1994

July 1994

- East German enterprises' profitability and financing in 1992
- The finances of the Federal Labour Office since the beginning of the nineties
- Developments in external relations between Germany and the growth area of south-east Asia

August 1994

- Review of the 1994 monetary target
- The trend in agreed pay rates and actual earnings since the mid-eighties
- Recent trends in the Deutsche Bundesbank's cashless payments

September 1994

- The economic scene in Germany in summer 1994

October 1994

- The profitability of German credit institutions in 1993
- The trend in and significance of assets held in the form of investment fund certificates
- Comparison of the provision of business enterprises in selected EC countries with own funds

November 1994

- West German enterprises' profitability and financing in 1993
- The monetary policy implications of the increasing use of derivative financial instruments
- The Fifth Act Amending the Banking Act

December 1994

- The economic scene in Germany in autumn 1994

January 1995

- The monetary target for 1995
- Demand for money and currency substitution in Europe
- Recent developments in service transactions with non-residents

Special publications

- No. 7 The monetary policy of the Bundesbank, March 1994

Special statistical publications

- 1 Banking statistics guidelines
- (5) Annual accounts of west German enterprises 1971 to 1991, October 1993
- (6) Ratios from the annual accounts of west German enterprises for 1990, March 1994
- (8) Balance of payments statistics of the Federal Republic of Germany, 2nd edition, February 1991
- (10) International capital links, May 1994
- (11) Balance of payments by region, August 1994
- (12) Technological services in the balance of payments, May 1994

Banking regulations

- (2) Banking Act, September 1994
- (3) Monetary policy regulations, April 1994