

## References

- Abel, Andrew B. (1983). "Optimal Investment under Uncertainty." *American Economic Review* 73 (1): 228–33.
- Bundesbank. (2018). Monthly Report, August 2018.
- European Commission (EC). (2017). "Investment in the EU Member States: An Analysis of Drivers and Barriers," Institutional Paper 062.
- International Monetary Fund. (2015). "Private Investment: What's the Holdup?" *World Economic Outlook*, April, Washington.
- \_\_\_\_\_. (2018). "Germany: 2018 Article IV Consultation," International Monetary Fund.
- . (2019). "The Price of Capital Goods: A Driver of Investment under Threat?" *World Economic Outlook*, April, Washington.
- Jorgenson, Dale W., and Calvin D. Siebert. (1968). "A Comparison of Alternative Theories of Corporate Investment Behavior." *American Economic Review* 58 (September): 681–712.
- KfW. (2018). "KfW Municipal Panel 2018," Economics Department, KfW Group.
- Mussa, Michael. (1977). "External and Internal Adjustment Costs and the Theory of Aggregate and Firm Investment." *Economica* 44 (174): 163–78.
- Oliner, Stephen, Glenn Rudebusch, and Daniel Sichel. (1995). "New and Old Models of Business Investment: A Comparison of Forecasting Performance." *Journal of Money, Credit, and Banking* 27 (3): 806–26.
- Seitz, Helmut. (2000). "Fiscal Policy, Deficits and Politics of Subnational Governments: The Case of the German Laender", *Public Choice* 102, 2000.
- Tobin, James. (1969). "A General Equilibrium Approach to Monetary Theory." *Journal of Money, Credit, and Banking* 1 (1): 15–29.



# GERMANY

## STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

June 20, 2019

Prepared By

European Department

### CONTENTS

FUND RELATIONS \_\_\_\_\_ [2](#)

STATISTICAL ISSUES \_\_\_\_\_ [4](#)

## FUND RELATIONS

(As of May 31st, 2019; unless specified otherwise)

**Mission:** May 7–17, 2019 in Berlin, Bonn, Frankfurt, Munich and Nuremberg. The concluding statement of the mission is available at

<https://www.imf.org/en/News/Articles/2019/05/17/Germany-Staff-Concluding-Statement-of-the-2019-Article-IV-Mission>

**Staff team:** Ms. Detragiache (head), Ms. Kozack, Mses. Chen, Dao, Mineshima, Mr. Natal (all EUR), Ms. Perry, Messrs. Klemm, and Hebous (all FAD) and Ms. Fernando (LEG).

**Country interlocutors:** State Secretary of the Ministry of Finance Schmidt, Bundesbank President Weidmann, officials from the Federal Chancellor's office, the Finance, Economic Affairs, Labor, and Environment Ministries, the Bundesbank, the Federal Office for Migration and Refugees. Mr. Meyer and Mr. Buetzer (OED) participated in the discussions. Additional meetings took place with representatives from the social partners, the banking and insurance sectors, think tanks, and academics.

**Fund relations:** The previous Article IV consultation discussions took place during May 2018 and the staff report was discussed by the Executive Board on June 29, 2018. The Executive Board's assessment and staff report are available at

<https://www.imf.org/en/Publications/CR/Issues/2018/07/04/Germany-2018-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-46049>

**Membership Status:** Joined August 14, 1952; Article VIII.

General Resources Account:	SDR Million	Percent of Quota
Quota	26,634.40	100.00
Fund holdings of currency	22,571.77	84.75
Reserve position in Fund	4,062.82	15.25
Lending to the Fund		
New Arrangements to Borrow	978.64	
<b>SDR Department:</b>	<b>SDR Million</b>	<b>Percent of Allocation</b>
Net cumulative allocation	12,059.17	100.00
Holdings	11,836.74	98.16

**Outstanding Purchases and Loans:** None

**Financial Arrangements:** None

**Projected Payments to Fund** (SDR Million; based on existing use of resources and present holdings of SDRs, as of April 30, 2019):

		<u>Forthcoming</u>			
	2019	2020	2021	2022	2023
Principal					
Charges/Interest	1.89	2.73	2.72	2.72	2.72
<b>Total</b>	1.89	2.73	2.72	2.72	2.72

1/ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

### **Exchange Rate Arrangement**

Germany's currency is the euro, which floats freely and independently against other currencies.

Germany is an Article VIII member and maintains an exchange system free of restrictions on payments and transfers for current international transactions. It maintains measures adopted for security reasons, which have been notified to the Fund for approval in accordance with the procedures of Decision 144 and does so solely for the preservation of national or international security.

### **Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT)**

Germany is currently preparing for their forthcoming comprehensive AML/CFT assessment by the Financial Action Task Force (FAFTF) that is scheduled to take place between 2020 and 2021. Germany was last assessed against the previous AML/CFT standard in 2009. Since that time, the legal and organizational framework for AML/CFT has been comprehensively restructured, including to transpose the EU's fourth Money Laundering Directive. In addition, efforts are also underway to transpose the EU's fifth Money Laundering Directive into national law. Notably, a revised and restructured Anti-money laundering Law (Geldwäschegesetz) came into effect on June 26, 2017. In addition, authorities introduced a Transparency Register in June 2017, to hold information on the ultimate beneficial owners of legal persons (e.g., companies, partnerships) and arrangements (trusts). The register is accessible to competent authorities, and more broadly to the general public provided that a legitimate interest can be stated on a case-by-case basis. Authorities are also working to strengthen risk-based supervision in line with the FSAP's main AML recommendation to increase the effectiveness of the AML/CFT supervisory framework over cross-border banks.

# STATISTICAL ISSUES

(As of June 10, 2019)

I. Assessment of Data Adequacy for Surveillance
<p><b>General:</b> The economic database is generally comprehensive and of high quality, and data provision is adequate for surveillance.</p>
<p><b>National Accounts:</b> Germany adopted the <i>European System of Accounts 2010 (ESA2010)</i> in September 2014, with GDP calculated both annually and quarterly on a current and chained volume basis. Germany has received multiple derogations from ESA2010 requirements, most of which are scheduled to be addressed by 2020. A direct source for quarterly changes in inventories, which is an important indicator of changes in GDP over the business cycle, is lacking. Extrapolations of changes in inventories are based on the difference between the monthly production index and turnover index in manufacturing.</p>
<p><b>Government Finance Statistics:</b> Comprehensive data reporting systems support the accuracy and reliability of the government finance statistics. However, these data are based on cash accounting systems, although documentation exists to explain the differences between the general government data in the ESA2010 (noncash) classification and the general cash data on an administrative basis; Germany publishes—through Eurostat—general government revenue, expenditure, and balances on a noncash/ accrual basis on a quarterly basis (<i>ESA2010</i>) and these data are presented in a GFSM 2014 format in International Financial Statistics, albeit with delay. Germany submits annual data for publication in the <i>Government Financial Statistics Yearbook</i>, in GFSM 2014 format. Monthly data are disseminated on a cash-basis.</p> <p><b>Monetary and Financial Statistics:</b> The ECB reporting framework is used for monetary statistics and data are reported to the IMF through a “gateway” arrangement with the ECB. The arrangement provides an efficient transmission of monetary statistics to the IMF and for publication in the <i>IFS</i>. Monetary statistics for Germany published in the <i>IFS</i> cover data on central bank and other depository corporations (ODCs) using Euro Area wide residency criterion. Data based on national residency criterion is also published as memorandum items. Germany reports data on some series and indicators of the Financial Access Survey (FAS), including the two indicators adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).</p> <p><b>Financial Sector Surveillance:</b> Germany participates in the IMF’s Coordinated Direct Investment Survey (CDIS), Coordinated Portfolio Investment Survey (CPIS) and financial soundness indicators (FSIs) databases. The German authorities compiled a comprehensive set of FSI data and metadata. Of the 40 FSIs, Germany reports all except net foreign exchange exposure to equity (I31). Even though Germany reports all of the 12 core FSIs, six FSIs are reported on an annual basis only: (i) NPL Net of Provisions to Capital, (ii) NPL to Total Gross Loans, (iii) Return on Assets, (iv) Return on Equity, (v) Interest Margin to Gross Income, and (vi) Non-Interest Expense to Gross Income. Plans are already</p>

underway to change the legal basis for the periodicity of deposit taking institutions' reporting requirements. In addition, the quality of data on bank exposures submitted to the BIS needs to be improved, including provision of the data on ultimate risk basis for advanced countries.

**External Sector Statistics:** The Bundesbank compiles the balance of payments in close cooperation with the Federal Statistical Office. Balance of payments, International Investment Position statistics, and related cross-border statistics are compiled according to the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)*, and the legal requirements of the ECB and Eurostat.

## II. Data Standards and Quality

Adherent to the Special Data Dissemination Standards Plus (SDDS Plus) since February 2015.

**Implementing G-20 DGI recommendations:**

Currently disseminates a residential property price index and a commercial property price index.

Data ROSC from 2006 is available.