



# GERMANY

## STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION— INFORMATIONAL ANNEX

June 22, 2021

Prepared By

European Department

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## FUND RELATIONS

(As of June 3, 2021; unless specified otherwise)

**Mission:** May 7–19, 2021 by video conference. The concluding statement of the mission is available at <https://www.imf.org/en/News/Articles/2021/05/20/mcs-52021-Germany-Concluding-Statement-of-the-2021-Article-IV-Mission>.

**Staff team:** Mr. Aiyar (head), Mr. Caceres, Mses. Dao, Mineshima (all EUR), Mr. Parry (FAD), Mr. Prasad, and Ms. Oliva (both MCM).

**Country interlocutors:** State Secretary of the Federal Ministry of Finance Schmidt, Bundesbank President Weidmann, officials from the Federal Chancellor's office, the Finance, Economic Affairs, Environment, Buildings and Interior, and Labor Ministries, the Bundesbank, the BaFin, the Federal Office for Employment, the ECB (SSM), the EIOPA, representatives from the automotive industry, social partners, banks, and think tanks.

**Fund relations:** The previous Article IV consultation discussions took place during November 2020 and the staff report was discussed by the Executive Board on January 13, 2021. The Executive Board's assessment and staff report are available at <https://www.imf.org/en/Publications/CR/Issues/2021/01/15/Germany-2020-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-50020>.

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

| General Resources Account: | SDR Million        | Percent of Quota             |
|----------------------------|--------------------|------------------------------|
| Quota                      | 26,634.40          | 100.00                       |
| IMF's Holdings of Currency | 20,432.84          | 76.72                        |
| Reserve Tranche Position   | 6,224.31           | 23.37                        |
| Lending to the Fund        |                    |                              |
| New Arrangements to Borrow | 368.69             |                              |
| <b>SDR Department:</b>     | <b>SDR Million</b> | <b>Percent of Allocation</b> |
| Net cumulative allocation  | 12,059.17          | 100.00                       |
| Holdings                   | 11,850.83          | 98.27                        |

**Outstanding Purchases and Loans:** None

**Latest Financial Commitments:** None

**Overdue Obligations and Projected Payments to Fund<sup>1/</sup>** (SDR Million; based on existing use of resources and present holdings of SDRs):

|                  | 2021 | 2022 | <u>Forthcoming</u><br>2023 | 2024 | 2025 |
|------------------|------|------|----------------------------|------|------|
| Principal        |      |      |                            |      |      |
| Charges/Interest | 0.08 | 0.31 | 0.31                       | 0.31 | 0.31 |
| Total            | 0.08 | 0.31 | 0.31                       | 0.31 | 0.31 |

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 was last assessed against the previous AML/CFT standard in 2009/10, with a follow-up in 2014. Since then, the legal and organizational framework for AML/CFT has been comprehensively restructured, including to transpose the EU's fifth Money Laundering Directive (5AMLD). A revised and restructured Anti-Money Laundering Law (Geldwäschegesetz) came into effect on June 26, 2017. At the same time, the 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. In September 2019, the Anti-Financial Crime Alliance (AFCA) was established as the German AML public-private partnership, where BaFin is a public-sector representative on the Board alongside the Financial Intelligence Unit (FIU) and the Federal Criminal Police Office (BKA). In response to the COVID-19 pandemic, increased emphasis has been placed on digital communication and digital data exchange with the institutions. The vast majority of on-site inspections since 2020 have thus been conducted as "remote audits."

The AML/CFT strategy for the nonfinancial sector comprises better prioritization, improved risk orientation, and enhanced cooperation between key players. To enhance coordination between Laender governments—which are in charge of AML/CFT supervision for the nonfinancial sector—and the federal government, Laender governments have been tasked to create "coordination offices." Faced with the Wirecard incidence, a new regular expert-group meeting on AML/CFT ("Expertenkreis") has been created, which takes place twice a month to exchange information between BaFin and the FIU at the working level. Moreover, BaFin and the FIU established a task force to conduct in-depth analysis on the money laundering-anomalies in the Wirecard case. The ongoing FATF mutual evaluations focus on the effectiveness of AML/CFT systems (i.e., preventive measures, investigation and prosecution), as well as adjustments to the framework (e.g., measures to improve accessibility to beneficial ownership information). Germany's next FATF assessment is due to be adopted in June 2022.

## STATISTICAL ISSUES

(As of June 3, 2021)

| 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 <i>ESA2010</i> requirements, most of which were 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 <i>ESA2010</i> (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 <i>GFSM 2014</i> format in International Financial Statistics, albeit with delay. Germany submits annual data for publication in the <i>Government Financial Statistics Yearbook</i>, in <i>GFSM 2014</i> 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). Former FSI ratios on nonperforming loans have been switched from annual to quarterly periodicity. The quarterly data stemming from the harmonized FINREP reporting is due to the EBA ITS on</p> |

reporting. The former use of data provided by the annual accounts has been suspended in line with the periodicity concept of the SDDS plus.

**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 Standard 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.

| <b>Table of Common Indicators Required for Surveillance</b><br>(As of June 3, 2021)   |                            |               |                                |                                     |                                       |
|---|----------------------------|---------------|--------------------------------|-------------------------------------|---------------------------------------|
|   | Date of Latest Observation | Date Received | Frequency of Data <sup>7</sup> | Frequency of Reporting <sup>8</sup> | Frequency of Publication <sup>8</sup> |
| Exchange Rates  | Jun 3, 2021                | Jun 3, 2021   | D                              | D                                   | D                                     |
| International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>1</sup>   | Apr 2021                   | May 2021      | M                              | M                                   | M                                     |
| Reserve/Base Money <sup>2</sup>   | Apr 2021                   | May 2021      | M                              | M                                   | M                                     |
| Broad Money <sup>2</sup>  | Apr 2021                   | May 2021      | M                              | M                                   | M                                     |
| Central Bank Balance Sheet  | Apr 2021                   | May 2021      | M                              | M                                   | M                                     |
| Consolidated Balance Sheet of the Banking System  | Apr 2021                   | May 2021      | M                              | M                                   | M                                     |
| Interest Rates <sup>3</sup>   | May 2021                   | May 2021      | M                              | M                                   | M                                     |
| Consumer Price Index  | May 2021                   | May 2021      | M                              | M                                   | M                                     |
| Revenue, Expenditure, Balance and Composition of Financing <sup>4</sup> —General Government <sup>5</sup>  | Q1:2021                    | May 2021      | Q                              | Q                                   | Q                                     |
| Stocks of General Government and Government-Guaranteed Debt <sup>6</sup>  | 2020                       | Apr 2021      | A                              | A                                   | A                                     |
| External Current Account Balance  | Mar 2021                   | May 2021      | M                              | M                                   | M                                     |
| Exports and Imports of Goods and Services   | Mar 2021                   | May 2021      | M                              | M                                   | M                                     |
| GDP/GNP   | Q1:2021                    | May 2021      | Q                              | Q                                   | Q                                     |
| Gross External Debt   | Q4:2020                    | Mar 2021      | Q                              | Q                                   | Q                                     |
| International Investment Position <sup>7</sup>  | Q4:2020                    | Mar 2021      | Q                              | Q                                   | Q                                     |
| <sup>1</sup> Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.<br><sup>2</sup> Pertains to contribution to EMU aggregate.<br><sup>3</sup> Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes, and bonds.<br><sup>4</sup> Foreign, domestic bank, and domestic nonbank financing.<br><sup>5</sup> The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.<br><sup>6</sup> Including currency and maturity composition.<br><sup>7</sup> Includes external gross financial asset and liability positions <i>vis-à-vis</i> nonresidents.<br><sup>8</sup> Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA). |                            |               |                                |                                     |                                       |