

UNCLASSIFIED
SAVING TELEGRAM

4
Pne Munte

BT BAG
FROM BONN

FRAME ECONOMIC

The inflation figure
is a graphic illustration
of why unemployment here
is still going up.

TO FCO TELNO 4 SAVING OF 27 MARCH 1986. Info all EC Posts,
UKDel OECD, UKMis Geneva, all Consulates-General
in the Federal Republic, Washington, Tokyo, Vienna. ✓

FEDERAL GERMAN ECONOMY

1/4

Summary

X 1. The outlook for the economy continues to brighten.
Inflation - now at 0.7% - is at its lowest level for 18 years,
and will fall further; the Discount rate has been lowered by
half a point; the latest economic forecasts are confident that
unemployment will fall this year (perhaps below 2 million) and
that 350,000 new jobs will be created. X

2. Stoltenberg announced the sale of a limited number of
government shares in some organisations in which the government
has majority holdings: but there will be no significant change
in the very modest level of privatisation.

3. Unemployment rose only slightly in February and now stands
at 2.593 million.

4. Amendments to the law affecting payment of benefits to
strikers were passed by the Bundestag.

Detail

5. The economy continues to improve. Evidence that the fall
in mineral oil prices will lead to further growth is working
through the economy and is reflected in rising business confidence
and more optimistic forecasts even from the traditionally down-
beat Kiel Institute. A number of events took place during the
month each of which contributed to the growing optimism.

6. On 6 March the Bundesbank led a round of cuts in international
interest rates with a 0.5 percentage point reduction in the
Discount rate to 3.5% (Bonn telno 202 to FCO). Stoltenberg,

/who

who attended the Bundesbank meeting, welcomed the reduction, describing it as a signal for similar action in partner countries. He added that the reductions, coupled with the benefits of the mineral oil price cut and the income tax package of DM 11 billion introduced in January, would provide an additional stimulus to domestic demand and further investment: leading interest rates in the FRG had now been practically halved since October 1982, a reflection of monetary stability, budgetary consolidation and the regained strength of the Deutsche Mark.

7. The Bundesbank Council also announced that from 1 May the re-discount quota (the amount available to commercial banks for re-financing) would be decreased by DM 5 billion to DM58.8 billion. The reason for this move was, according to the Bundesbank, to avoid a sudden upsurge in liquidity stemming from the cut in minimum reserve requirements decided last December. Under the minimum reserve changes the commercial banks could have agreed to receive an injection of DM 8 billion in extra liquidity. However, the re-discount decision means that, with a keen eye on the inflationary dangers, most of the liquidity generated by the minimum reserve changes will now be reabsorbed by the Bundesbank.

8. Nevertheless, German bankers have welcomed the decision to reduce the Discount rate (although some have expressed disappointment that this was not accompanied by a simultaneous cut in the Lombard rate); market rates (yield on bonds outstanding), responding to the cut, fell to 5.8% towards the end of the month after averaging 6.2% in February.

9. Inflation, cost of living index, fell in February to its lowest level for 18 years, 0.7% after 1.3% in January. Otto Schlecht, State Secretary at the Ministry of the Economy, said on 14 March that inflation rates of below 1% can be expected for 1986 as a whole. He said that the outlook for growth and employment in the FRG was better than in any other European country and that the government's earlier forecast of 3% real GNP growth would, as a result of the mineral oil price cuts, be improved upon.

10. The official optimism expressed by Schlecht is supported by the latest economic forecast from the Kiel Economic Institute. Kiel, usually the most pessimistic of the 5 Economic Institutes, forecast real GNP growth in 1986 of over 3.5% with higher real incomes, a strong increase in domestic demand helped by a real increase in investment of 4% together with virtually stable prices. Kiel attribute these improvements primarily to the results of the fall in mineral oil prices and to the strengthening of the Deutsche Mark against the US dollar. Nevertheless, higher growth will work through to the labour market with an estimated fall in the number of unemployed at the end of 1986 to 2 million (seasonally adjusted) or slightly lower. According to the forecast, 350,000 new jobs will be created in the course of the year which, allowing for adverse demographic factors, will result in a decrease of about 150,000 in the number of unemployed.

11. Nevertheless, Kiel see the risks to their scenario coming from an expansive monetary policy (reflecting concern in the upsurge in monetary growth in January) which could work through and adversely affect domestic price developments. They are also concerned that the level of wage increases may prove damaging. The size of wage settlements so far this year gives no cause for immediate alarm (the public service sector recently settled for 3.5% and bank employees for 4.2% for 1986), however certain claims clearly give Kiel cause for concern - the chemical workers have submitted a claim for 7%; construction workers for 5.8% and the metal workers - the pace setters for wages - for 7%.

12. For the first time in over a year there was some further movement on the subject of privatisation when Stoltenberg announced that the Cabinet had agreed the part privatisation of some government holdings to take effect in June. Three companies will be involved, VIAG (the holding company for the aluminium, energy and chemicals concern), Prakla-Seismos (geo-physical R & D and manufacturer of related equipment) and I.V.G. (a holding company engaged in a broad range of activities). The revenue expected to be raised by the share issues will be about DM 800 million. In none of the concerns will the government forego its majority holding and it is

significant that no further mention has been made of the privatisation of Lufthansa. It would appear that, as a result of differences within the Coalition but principally to the resistance of F. J. Strauß, the impetus for a far ranging privatisation programme, during the present legislative period at least, has been lost.

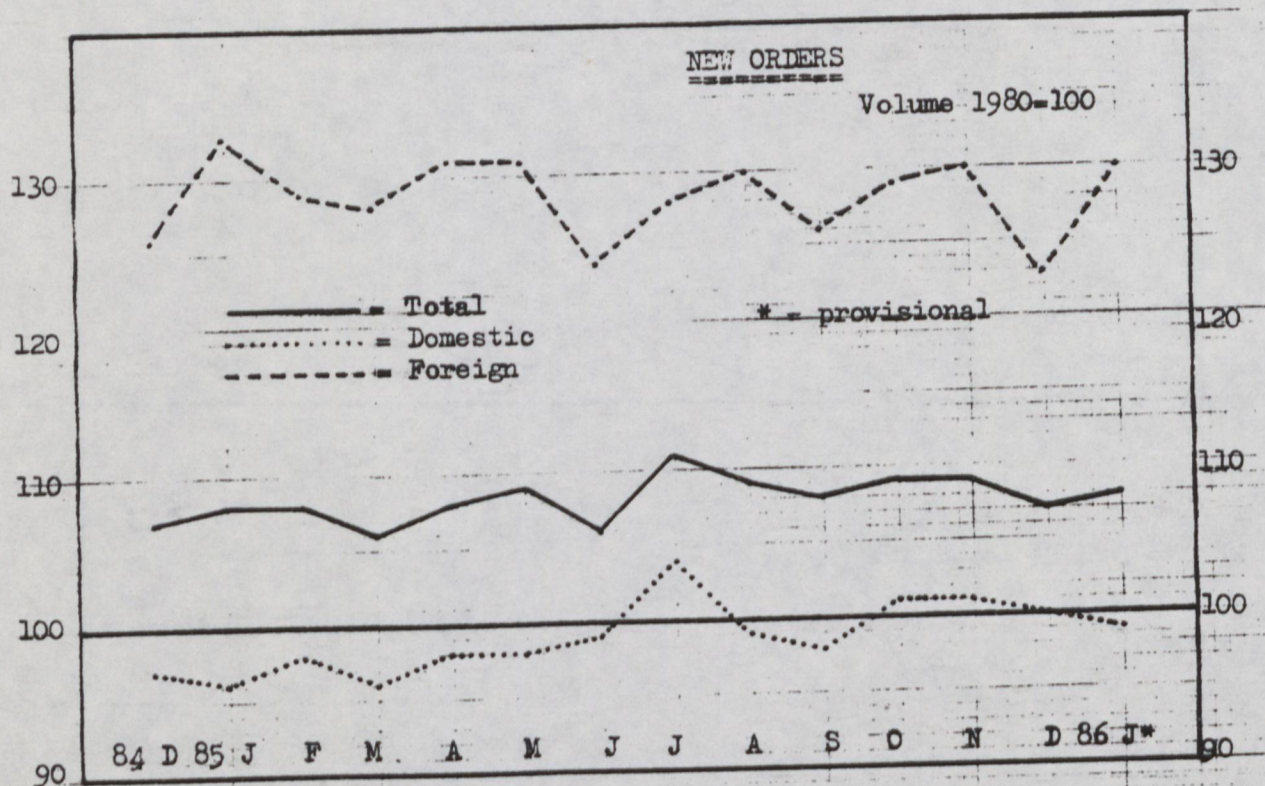
13. Draft legislation approved by the cabinet in December (Bonn Telno 19 Saving of 31 December) amending the law affecting strikers' benefits was passed by the Bundestag on 20 March after a fierce and bitter debate which followed a Day of Action on 6 March. This protest was organised by the trades unions in which they claimed 1 million members/^{had} participated. The amendment to Paragraph 116 of the Arbeitsförderungsgesetz was itself the result of last minute coalition compromises relating to the extent of entitlement to benefit during strikes on the one hand and the proposal to establish a neutral committee to arbitrate in controversial cases on the other. The bill will go before the Bundesrat next month. However, the SPD and the trades unions have already given notice that they will contest the new legislation before the Constitutional and Labour Courts.

14. Following the strong increase in January, unemployment rose only fractionally in February and now stands at 2.593 million. The unemployment rate at 10.4% was slightly down on a year earlier (10.5%) while the number of notified vacancies rose by 15,000 to 137,094.

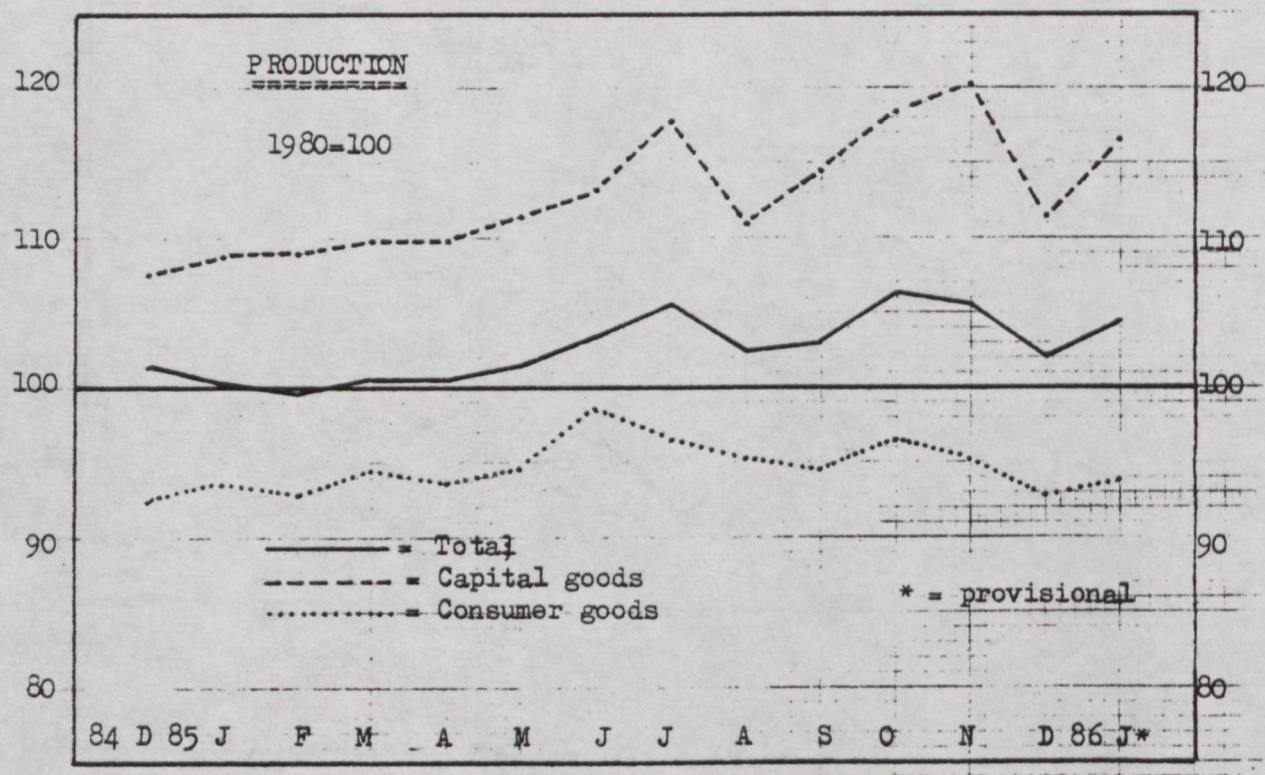
Prospects and Indicators

15. Demand in manufacturing has continued to increase since the New Year. New orders for January were up 1% due to an increase in export orders (up 5.5%) while domestic demand fell by 1%. The two monthly comparison December/January shows a decline in the overall level of orders although this reflects the distortions caused by the Christmas/New Year holiday period.

/NEW ORDERS UNBANKED UNBANKED UNBANKED



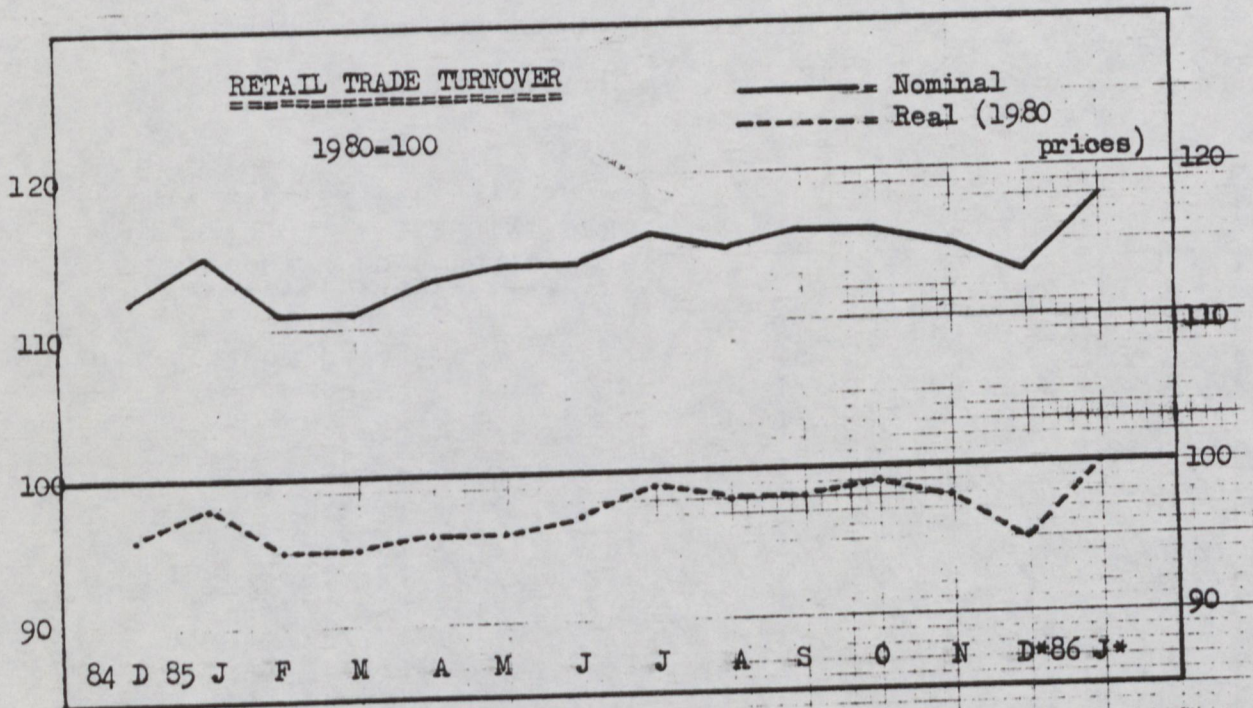
16. Production figures for January show a 2.5% increase on December. Construction output fell back again (down 7%) as a result of the cold weather while manufacturing output was 3% higher. The two monthly comparison, distorted by the effects of the Christmas holidays and not reflecting the trend, shows a 2.5% decline in total production.



17. Inflation, cost of living index, in February fell to its lowest level for 18 years, 0.7% after 1.3% in January. Month on Month prices fell by 0.2% and food prices in January were 0.3% lower than a year earlier. Inflation is now forecast to fall to under 1% (annual average) this year with the prospect of negative inflation in the early part of 1987.

FRG INFLATION		Average 1985: + 2.2%	
*****		Moving Average 1986: + 1.0%	
Cost of living index		(Gov't forecast: 1.5%-2%)	
		2.5	2.5
		2.3	2.3
		2.2	2.2
		2.1	2.1
		2.0	2.0
		1.8	1.8
		1.8	1.8
		1.3	1.3
		0.7	0.7
: Oct :	: Nov :	: Dec :	: Jan :
: 84 :	: 85 :	: 86 :	: 86 :

18. Retail trade turnover figures for January show a real increase of 3.3% on a year earlier. The February IFO survey reflects the upturn in turnover with a strong improvement in the business climate - the best for five years - and provides evidence to support the view that private consumption will expand rapidly during the year.



19. Current account figures for January show a surplus of DM 3.5 billion compared to a deficit of DM 0.2 billion a year earlier, but down on December's surplus of DM 6.9 billion. The visible trade surplus in January was DM 7 billion, down on December's level (DM 7.9 billion) but much higher than the DM 2.6 billion recorded in January 1985. Forecasts for the visible trade surplus this year are in the region of DM 100 billion while the current account surplus is expected to be around DM 45 - 50 billion after DM 36.8 billion in 1985.

20. On the monetary front, Discount rate was lowered to 3.5% from 4% (see paragraphs 6-8). Monetary growth in February was slower following January's upsurge: M3 expanded by DM 1.7 billion (after DM 6.1 billion in January). Central Bank Money figures for the six months to February show a growth rate of 6.4% (s.a.a.r), outside the 1986 target range of 3.5% to 5.5% but which reflect the usual first quarter front-loading.

21. Market rates, yield on bonds outstanding, which had averaged 6.2% in February, fell to around 5.8% towards the end of March following the cut in Discount rate.

FRG INTEREST RATES
Yield on bonds outstanding

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	*Apr	May
Yield on bonds outstanding	7.7	7.5	7.3	7.1	7.1	7.0	6.8	6.7	6.6	6.5	6.4	6.4	6.3	6.2	6.2	5.8	5.8

% * = moving monthly average

=====
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar*Apr May
=85=====86=====

WILLIAMS

NEW ORDERS

New Orders
=====

22. Provisional new orders figures for January show a slight increase in demand (+ 1 per cent). The increase was borne solely by foreign demand (+ 5.5 per cent), while domestic demand fell by 1 per cent. The two-monthly comparison, December/January on October/November, shows a decline in the overall level of orders with domestic demand down by 1.5 per cent and export orders by 2.5 per cent. While orders for consumer goods rose by 1.5 per cent, capital goods demand fell back by 3 per cent. Compared to a year earlier, total orders were 1.5 per cent higher with domestic demand up 1.5 per cent and foreign demand up 4 per cent.

NEW ORDERS
1980=100
=====

	Total		Domestic		Foreign	
	Value	Volume*	Value	Volume	Value	Volume
=====						
1984 Nov	121	103	111	95	145	123
Dec	125	107	114	97	149	126
1985 Jan	126	108	113	96	157	133
Nov	131	109	120	101	156	130
Dec	128	107	119	100	148	123
1986 Jan (p)	129	108	118	99	156	130

* = at constant prices
p = provisional

/Production

Production
=====

23. Provisional production figures for January show a 2.5 per cent increase in output compared to December. Construction output fell back again (- 7 per cent) while manufacturing output was 3 per cent higher. The two-monthly comparison, January/December on October/November, distorted by the effects of Christmas holidays, shows a 2.5 per cent decline in total production. All major manufacturing sectors recorded a fall: basic and producer goods - 3.5 per cent, capital goods - 4.5 per cent and consumer goods - 2.5 per cent. Compared to a year earlier, overall output was 3 per cent higher, with capital goods output up by 5.5 per cent. Construction activity was 8 per cent higher than a year earlier, favoured by the mild December weather.

		PRODUCTION 1980=100 =====				
		Total	Basic & producer goods	Capital goods	Consumer goods	Construction
		=====	=====	=====	=====	=====
1984	Nov	101.3	98.6	108.9	93.9	85.8
	Dec	101.5	97.5	107.7	92.3	99.4
1985	Jan	100.2	96.8	108.9	93.6	73.6
	Nov	105.7	98.9	120.1	95.1	72.6
	Dec	102.1	95.2	111.5	92.9	94.6
1986	Jan	104.5	98.7	116.5	93.9	88.2

* = provisional
=====

/Prices

Prices
=====

24. Inflation, cost of living index, in February fell to its lowest level for 18 years, 0.7 per cent after 1.3 per cent in January. Month-on-month prices fell by 0.2 per cent. Food prices in January were 0.3 per cent lower than a year earlier.

25. The annual increase in retail prices in February fell to 0.6 per cent after 1.1 per cent in January. Month-on-month retail prices were down by 0.1 per cent. Industrial producer price rises eased back by 0.5 per cent to stand 0.8 per cent down on a year earlier. Other indicators are for January. Import prices continue to fall, standing 9.6 per cent lower than a year earlier. Export prices rose only marginally month-on-month in January (+ 0.1 per cent), with the annual rate showing a decline in prices of 0.1 per cent on a year earlier. Figures for agricultural producer prices show a month-on-month fall of 2.1 per cent, well down on a year earlier (- 3 per cent). Latest Terms of Trade figures for January show a further improvement on the preceding month (+ 0.7 per cent), standing 9.9 per cent up on a year earlier.

		PRICES 1980=100 =====					
		Cost of living	Industrial producer prices	Agricultural producer prices	Retail prices	Import prices	Export prices
		=====	=====	=====	=====	=====	=====
1984	Dec	119.3	120.4	105.7	116.0	125.5	117.6
1985	Jan	120.0	121.2	104.6	116.6	127.0	118.6
	Nov	121.3	121.9	103.0*	117.8	118.7	118.7
	Dec	121.4	121.5	103.8*	117.8	117.4	118.4
1986	Jan	121.6	121.2	103.7*	117.9	114.8	118.5
	Feb	121.3	120.6	101.5*	117.8		
% increase on a year earlier:							
1985	Nov	+ 1.8%	+ 1.3%	- 2.8%*	+ 1.6%	- 4.8%	+ 1.0%
	Dec	+ 1.8%	+ 0.9%	- 1.8%*	+ 1.6%	- 6.5%	+ 0.7%
1986	Jan	+ 1.3%	+ 0.0%	- 3.0%*	+ 1.1%	- 9.6%	- 0.1%
	Feb	+ 0.7%	- 0.8%		+ 0.6%		

* = provisional

/Private Consumption

Private consumption
=====

26. Retail trade turnover figures for January show a nominal increase of 4.1 per cent on a year earlier, in real terms an increase of 3.3 per cent. The February Ifo survey reflects the upturn in turnover with a marked improvement in the business climate within the industry, with assessment of the current situation at levels not seen for five years. Expectations for the coming six months remained practically unchanged. Price rises are expected to remain moderate in the coming months. In February the index of retail prices recorded an increase of only 0.6 per cent on a year earlier, after 1.1 per cent in January.

Labour and Social Affairs

27. Unemployment rose in February by 2707 to 2.593 million or 10.4% against 10.5% a year ago and 10.4% in January. The Federal Labour Institute drew attention to the severe winter weather and adduced the increase to cyclical factors. The underlying structural trend was downwards. The outlook for new jobs remains bright with estimates of between 350,000 and 400,000 being created during the year. According to a recent forecast from Kiel University unemployment could fall below the magic figure of 2 million by the end of this year.

28. Detailed figures are as follows:

	<u>End February 1986</u>	<u>End January 1986</u>	<u>End February 1985</u>
a) Unadjusted total	2,593,049(10.4%)	2,590,342(10.4%)	2,611,270(10.5%)
b) Adjusted total	2,291,000	2,280,000	2,290,000
c) Short-time working	294,496	263,313	432,333
d) Unfilled vacancies	137,094	121,848	101,062
e) Total men in a)	1,519,685	1,503,049	1,583,474
f) Total women in a)	1,073,364	1,087,293	1,027,796

29. On the social front, the Ministry of Labour announced on 21 March that pensioners (13.5 million) will receive an increase in state pensions, with effect from 1 July 1986, of 2.15%. This figure includes an increase of 0.7% in health insurance contributions bringing the total contribution rate to 5.2%.

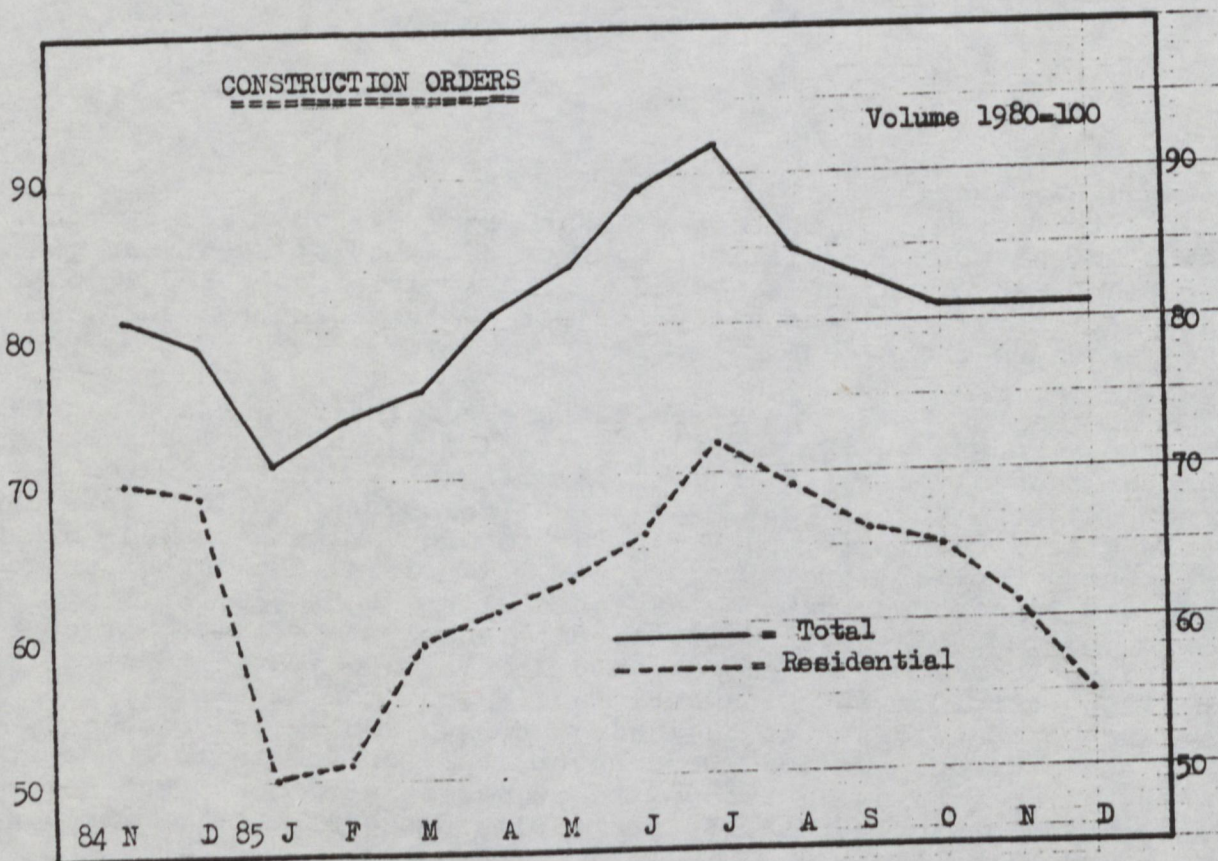
30. Negotiations began during the month for wage claims for the metal working industry (7%), construction workers (5.8%), printing workers (7%) textile workers (6.5%) and chemical workers (7%). Agreements concluded during the month included bank workers (4.2%).

31. The controversy over the amendment of Paragraph 116 of the Arbeitsförderungsgesetz continued during the month (see details at paragraph 13). This culminated in a Day of Action (demonstrations organised by the trades unions, attended by approximately 1 million people) to oppose the amendment of Paragraph 116.

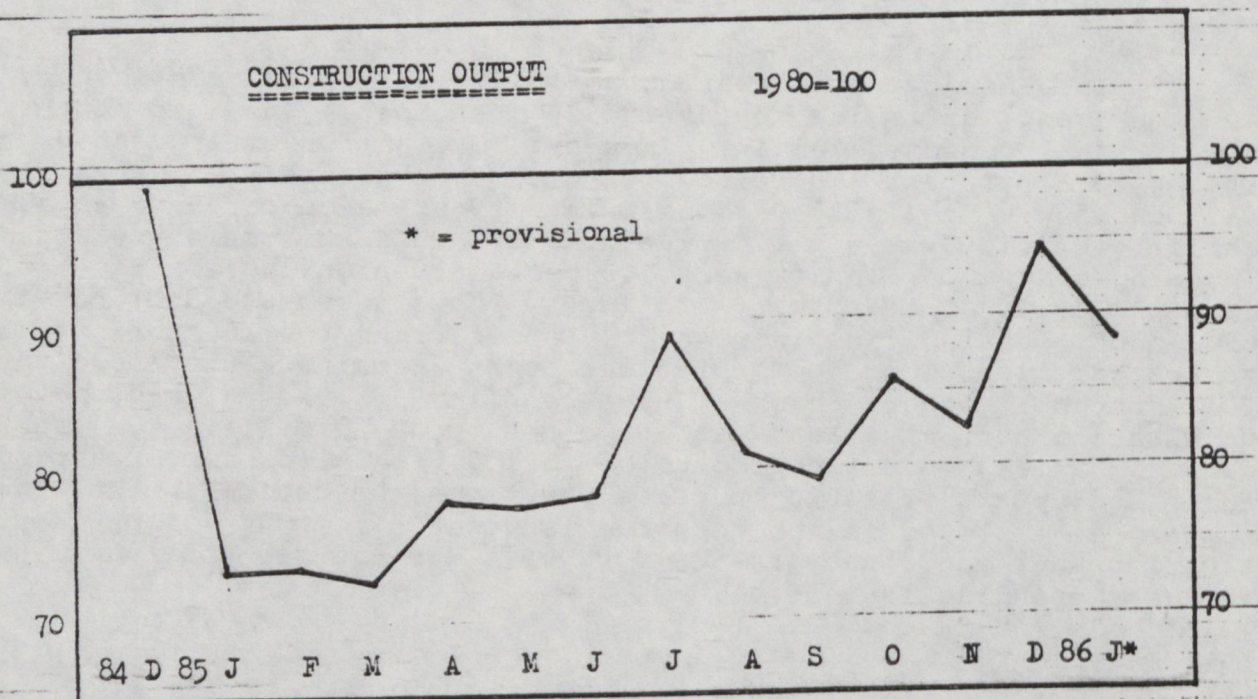
Construction

=====

32. In January construction activity fell back again sharply (- 7 per cent) after its recovery in December. The two-monthly comparison, December/January against October/November, shows a strong 15.5 per cent increase in output, but this is heavily influenced by the mild December weather, while compared to a year earlier activity was 8 per cent higher for much the same reasons. Incoming orders in January were 7.8 per cent up on the low level of January 1985. The February Ifo survey shows a renewed decline in the mood within the industry. Expectations for the coming six months were low. The length of order books remained unchanged at 2.1 months, higher than a year earlier (1.9), while capacity utilisation at 58 per cent was 10 points up on its level a year earlier. Prices were reported to be rising with firms now expecting increased upward pressure on price levels in the coming months. The number of employed in the construction sector fell by 7.4 per cent from December to January to 938,000. This was 4.4 per cent down on the corresponding 1985 level.



/CONSTRUCTION OUTPUT



Balance of payments

33.

Current account figures for January show a surplus of DM 3.5 billion, down on December of last year (DM 6.9 billion) but comparing favourably with a deficit of DM 0.2 billion a year earlier. Seasonally adjusted the January surplus was unchanged on the December level.

34.

The visible trade surplus in January was DM 7 billion, down on December's level (DM 7.9 billion) but markedly higher than a year earlier (DM 2.6 billion). Exports were 4 per cent higher than a year earlier while imports fell by 7 per cent, solely as a result of the fall in import prices caused by the weakening dollar and the drop in oil prices. The import price of oil was 26 per cent down on a year earlier while overall imports were costing on average 9.5 per cent less. The services account in January recorded a deficit of DM 0.2 billion compared to a DM 1.5 billion surplus in December, while on the transfers side the balance of outflows was unchanged at DM 2.8 billion. On long-term capital account inflows were maintained for the third consecutive month, with continuing strong foreign activity on the domestic securities market. On short-term capital account outflows remained high (DM 13 billion).

35.

The net foreign assets of the Bundesbank rose by DM 3.2 billion in January.

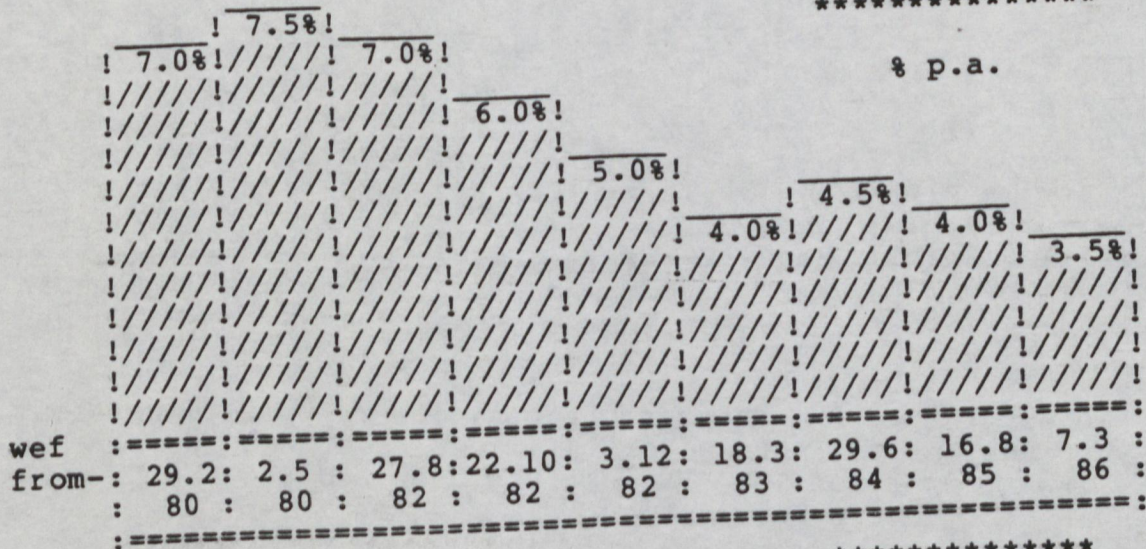
Monetary

MONETARY

36. As widely expected the Bundesbank Council lowered the Discount rate from 4 per cent to 3.5 per cent with effect from 7th March. The Lombard rate was left unchanged at 5.5 per cent. It was also announced that the rediscount quota available to banks would be lowered by DM 5 billion from May, more or less counterbalancing the simultaneous reduction in minimum reserve requirements. Market rates, yield on bonds outstanding, which had averaged 6.2 per cent in February, responded quickly, falling to around 5.8 per cent towards the end of March.

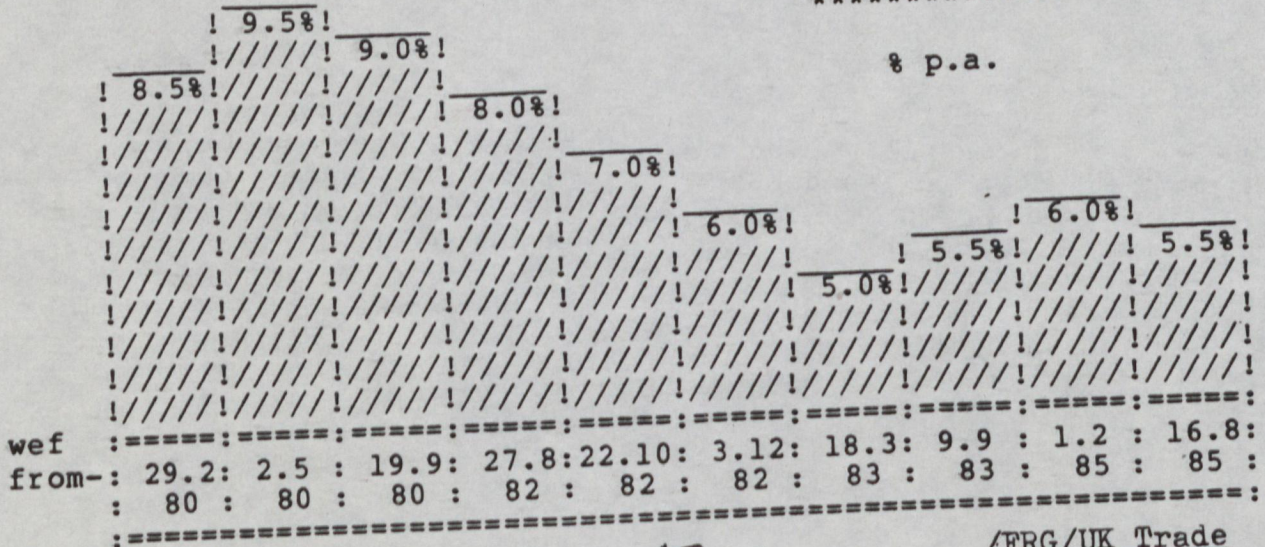
37. Monetary growth in February was slower following the upsurge in January, with M3 expanding in seasonally adjusted terms by DM 1.7 billion compared to DM 6.1 billion in January. M3 over the last six months expanded at a seasonally adjusted annual rate of 6 per cent, exceeding its level of a year earlier at the end of February by 5 per cent. M2 at the end of February was 5 per cent higher than a year earlier and M1 6 per cent. Overall private sector credit in February was moderate, with demand for short-term credit declining while long-term credit demand remained lively. Over the last six months total private sector credit has expanded at a seasonally adjusted annual rate of 5.5 per cent. Central Bank Money figures for the six months to February show an annual growth rate of 6.4 per cent, outside the monetary target for 1986 of 3.5-5.5 per cent, but this is normal early in the year.

DISCOUNT RATE



% p.a.

LOMBARD RATE

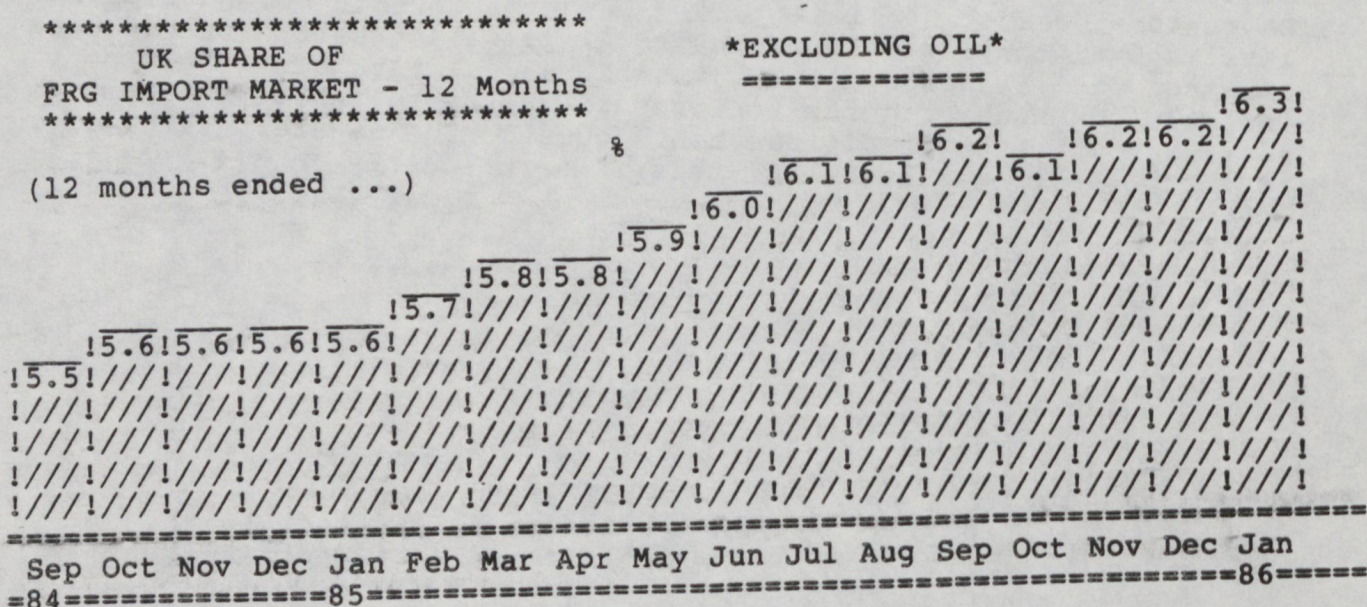


% p.a.

FRG/UK Trade

January 1986

38. In the twelve months to the end of January 1986 FRG imports from the UK totalled DM 36.8 billion, 8.0 per cent of total FRG imports. A year earlier the UK market share had been 7.7 per cent. While total FRG imports rose by 5.1 per cent year-on-year, imports from the UK increased by 8.1 per cent. Excluding oil, total FRG imports rose by 6.3 per cent, while imports from the UK rose by 19.1 per cent with the UK share of the non-oil import market climbing to 6.3 per cent from 5.6 per cent a year earlier. The graph below shows the steady increase in the UK share of the FRG non-oil import market.



39. FRG exports to the UK over the period were up 12.6 per cent year-on-year against an increase of 9.1 per cent in total FRG exports. The proportion of FRG exports destined for the UK rose from 8.3 per cent to 8.6 per cent.

40. The trade gap in favour of the FRG rose from DM 7.0 billion to DM 9.5 billion.

Memorandum

41. In February 1986 the £ was weak, averaging DM 3.333, 4 per cent down on its January level and 7.7% lower than a year earlier. In March the £ dropped further to a low of DM 3.189, steadying towards the end of the month at around DM 3.30.

FRG: MAIN ECONOMIC

FRG: Main economic statistics

	Q4 84	Q3 85	Q4 85	% change on prev.	
	=====	=====	=====	qtr/month	year
		DM bn		=====	=====
1. Expenditure on GNP (current prices)					
a) Gross National Product	447.8	467.1	469.6	0.5	4.9
b) Private consumption	248.9	260.3	259.5	-0.3	4.3
c) Government consumption	90.1	92.3	93.2	1.0	3.4
d) Fixed capital formation	91.9	91.8	93.4	1.7	1.6
e) Exports of goods & services	155.8	165.0	161.0	-2.4	3.3
f) Imports of goods & services	138.7	144.0	142.2	-1.3	2.5
g) Net exports	17.1	21.0	18.8		
2. Expenditure on GNP (constant prices)					
a) Gross National Product	389.3	398.9	398.7	-0.1	2.4
b) Private consumption	210.1	216.9	215.7	-0.6	2.7
c) Government consumption	78.4	79.9	80.1	0.3	2.2
d) Fixed capital formation	80.9	80.3	80.9	0.7	0.0
e) Exports of goods & services	133.2	138.5	135.9	-1.9	2.0
f) Imports of goods & services	113.3	117.1	117.8	0.6	4.0
g) Net exports	19.9	21.4	18.1		
3. Income of households					
a) Gross wages & salaries	202.1	206.7	209.7	1.5	3.8
b) Disposable income	286.8	296.7	297.9	0.4	3.9
c) Savings as a % of b)	13.2	12.3	12.9		
1976=100					
=====					
4. Productivity					
a) In the economy as a whole					
i) GNP per working person (1980 prices)	108.6	110.6	110.3	-0.3	1.6
ii) wage and salary costs per production unit	110.2	109.7	111.7	1.8	1.4
1980=100					
=====					
Dec 84 Nov 85 Dec 85					
=====					
b) In industry					
i) output per employed person	114.0	119.0	113.0	-5.0	-0.9
ii) wage and salary costs per production unit	106.0	107.0	110.0	2.8	3.8
Jan 85 Dec 85 Jan 86					
=====					
5. Industrial production					
a) Total	100.2	102.1	104.5	2.4	4.3
b) Manufacturing industry	102.5	103.5	106.5	2.9	3.9
c) Construction	73.6	94.6	88.2	-6.8	19.8
6. New orders (volume)					
a) Total	108.0	107.0	108.0	0.9	0.0
b) Domestic	96.0	100.0	99.0	-1.0	3.1
c) Foreign	133.0	123.0	130.0	5.7	-2.3

	Feb 85	Jan 86	Feb 86		
=====					
in 1000's					
=====					
7. Unemployment					
a) i) unemployed	2,611.3	2,590.3	2,593.0	0.1	-0.7
ii) as a % of the working population	10.5	10.4	10.4		
b) Short-time workers	432.3	263.3	294.5	11.8	-31.9
c) Vacancies	101.1	121.8	137.1	12.6	35.6

1980=100					
=====					
8. Prices					
a) Cost of living of all private households	120.5	121.6	121.3	-0.2	0.7
b) Retail prices	117.1	117.9	117.8	-0.1	0.6
c) Producer prices of industrial products	121.6	121.2	120.6	-0.5	-0.8
	Jan 85	Dec 85	Jan 86		
	=====				
d) Export prices	118.6	118.4	118.5	0.1	-0.1
e) Import prices	127.0	117.4	114.8	-2.2	-9.6
Terms of Trade	93.7	102.3	103.0	0.7	9.9

DM bn					
=====					
9. Balance of payments					
a) Visible trade					
i) exports	42.1	45.0	43.8	-2.7	4.0
ii) imports	39.6	37.1	36.8	-0.8	-7.1
iii) balance	2.5	7.9	7.0		
b) Supplementary trade items	0.4	0.3	-0.5		
c) Services	-0.9	1.5	-0.2		
d) Transfers	-2.3	-2.8	-2.8		
e) Current account	-0.3	6.9	3.5		
10. Net foreign reserves (+/-)	-2.2	-2.7	3.2		

Seasonally adjusted

	Feb 85	Jan 86	Feb 86		
=====					
11. Money stock (change in month)					
M1	-0.3	-4.5	2.5		
M2	2.2	6.0	-0.5		
M3	4.5	6.1	1.7		

Unadjusted

12. Monetary capital formation	10.0	11.2	6.9		
--------------------------------	------	------	-----	--	--

Bank rates:

Since 7.3.86 Discount rate: 3.5%
 Since 16.8.85 Lombard rate: 5.5%

Sources: Federal Statistical Office, Wiesbaden;
 Deutsche Bundesbank, Frankfurt
 Discrepancies in totals due to rounding (81) (35)

ajm

FRAME ECONOMIC
 ECD (1)