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December 16, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Federal Republic of Germany - Monetary Measures

The Secretary has received the following memorandum dated December 15, 1983 from Mr. Grosche:

I have received the following communication from the Governor of the Deutsche Bundesbank, which I would like to ask you to kindly circulate to the members of the Executive Board for information.

"At its meeting on December 15, 1983, the Central Bank Council of the Deutsche Bundesbank took the following decision:

In 1984 the Deutsche Bundesbank will aim at a growth of the money stock that does not jeopardize the objective of stability policy and permits monetary policy to aid strong real growth of the economy. It, therefore, considers it appropriate to expand the central bank money stock by 4 to 6 percent between the fourth quarter of 1983 and the fourth quarter of 1984.

In its decision the Central Bank Council was guided by the fact that further economic recovery in the Federal Republic of Germany appears to be secured. Furthermore, given the vigorous expansion of the money stock in 1983, the economy's monetary cloak is wide enough to permit the financing of the recovery when the envisaged growth of the money stock for the coming year is also considered. Since the summer of this year the central bank money stock has been increasing at an annual rate of about 5 percent. The monetary growth target for 1984 permits a continuation of the monetary expansion of that order and of the monetary policy which is being pursued at present. However, in the second year of an economic recovery increased attention must be paid to maintaining stable prices."

Other Distribution:
Department Heads