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December 20, 1991

To: Members of the Executive Board
From: The Secretary
Subject: Germany - Monetary Policy

The Secretary has received the following memorandum dated December 19, 1991 from Mr. Esdar:

I should be grateful if you could circulate the following communication from the Deutsche Bundesbank, which I received today, to Executive Directors:

At its meeting on December 19, 1991 the Central Bank Council of the Deutsche Bundesbank took the following decision:

(1) With effect from December 20, 1991 the discount rate of the Deutsche Bundesbank will be raised from 7.5 percent to 8 percent.

(2) With effect from December 20, 1991 the Lombard rate of the Deutsche Bundesbank will be increased from 9.25 percent to 9.75 percent.

By taking these measures, the Bundesbank reaffirms its determination to keep to its tight monetary policy stance. The interest rate increase takes due account of the greater risks being posed to stability in the near future. In particular, curbing the strong monetary growth is imperative so as not to jeopardize the achievement of the 1992 monetary target which was adopted at the last meeting. In view of the ample liquidity supply, the monetary conditions for an economic growth consistent with stability remain in place.

Other Distribution:
Department Heads