

## Public finance

### Central, regional and local authorities

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#### Trends in the fourth quarter of 1998

According to the data available so far, the financial situation of the central, regional and local authorities improved in the fourth quarter. In the first three quarters, the deficit had already decreased by DM 25 billion to DM 45 billion compared with the same period a year earlier. The favourable trend in tax revenue observable since the spring continued in the last quarter of 1998. Total tax revenue<sup>1</sup> in the fourth quarter exceeded the corresponding level in 1997 by 5½%. This was augmented by large receipts from the sales of assets. The burden was also eased by the fact that the public authorities continued to restrict their spending.

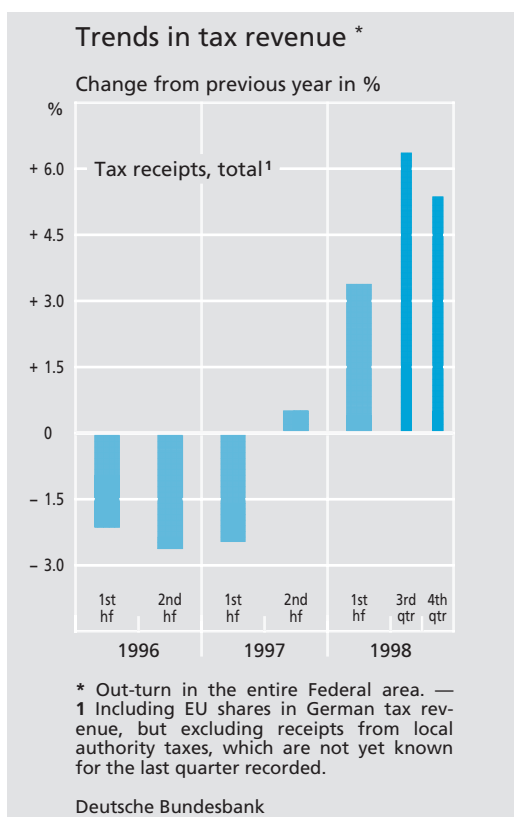
*Overall  
situation*

The strong increase in tax revenue was attributable to profit-related taxes. Their revenue was significantly affected by enterprises' improved earnings position, which was reflected both in larger final tax payments for previous years and increased tax prepayments. But other factors – for example, declining short-falls arising from tax concessions for investments in eastern Germany – contributed to the fact that receipts from assessed income tax, which amounted to DM 8½ billion, were about two-thirds greater in the fourth quarter of 1998 than in the corresponding period a year earlier. Whereas this tax had been making a steep "nosedive" from 1993 to 1997, its revenue has increased markedly since the

*Assessed taxes*

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<sup>1</sup> Including the EU shares in German tax revenue, but excluding receipts from local authority taxes, which are not yet known.



spring of 1998. Receipts from corporation tax likewise grew strongly (+ 14 %), although in this case receipts were reduced considerably by special corporate dividend payments resulting from the disbursement of retained profits.<sup>2</sup> On the other hand, this factor resulted in receipts from non-assessed taxes on earnings – mainly investment income tax on dividends – being approximately 70 % greater – at just over DM 3 billion – than in the corresponding period of 1997.

*Wage tax*

In the last quarter of 1998, wage tax yielded just under 4 % more than a year earlier, compared with an increase of just over 5 % in the third quarter. The revenue increase was probably reduced somewhat by the freeze on Christmas bonus payments in some economic sectors. Consequently, average wages and

salaries rose somewhat more slowly than before, a development which, in view of the tax base, was only partially offset by a more favourable trend in employment.

Receipts from turnover tax grew by just under 4 ½ % in the fourth quarter and thus slightly more slowly than in the previous three months. The rise here fell short of the rate which would have been consistent with the increase in the tax rate from April 1998, taken alone. The further decline in investment in the housing and government sectors, which in both cases is subject to tax, particularly depressed the assessment basis for turnover tax.

*Turnover tax*

The Federal Government played a major part in shaping the more favourable fiscal developments in the fourth quarter. During this period, it generated a surplus of DM 4 ½ billion, whereas in the same period a year earlier it had incurred a deficit of a similar amount. This turnaround was largely due to the strong increase in other receipts, including revenue from privatisations. At just over 2 ½ %, however, growth in the Federal Government's tax revenue was relatively slow, a fact which owed much to larger contributions to the EU. Expenditure only slightly exceeded its level of 1997.

*Federal budget*

<sup>2</sup> Many enterprises availed themselves of the option, in existence up to the end of 1998, to reduce shareholders' entitlement to a tax reduction by disbursing retained profit accumulated previously and subject to a tax rate of 50 %. At the turn of 1998–9, "own capital 50" was changed to "own capital 45", thus reducing the decrease in the refund of corporation tax on later disbursements by 5 percentage points.

### Trend in the revenue from major taxes

Type of tax	Revenue in DM billion		Change from previous year in %
	1997	1998	
<b>Full year</b>			
Wage tax	248.7	258.3	+ 3.9
Assessed income tax	5.8	11.1	+ 92.9
Corporation tax	33.3	36.2	+ 8.8
Turnover tax	240.9	250.2	+ 3.9
<b>of which: fourth quarter</b>			
Wage tax	75.1	78.0	+ 3.9
Assessed income tax	5.1	8.5	+ 67.6
Corporation tax	10.5	12.0	+ 14.1
Turnover tax	62.9	65.7	+ 4.4

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*Budgets of  
the Länder  
Governments*

The Länder Governments' deficit was probably smaller in the fourth quarter of 1998 than in the same period of 1997, when it had come to DM 17 ½ billion. The strong growth in tax revenue, in particular, had a beneficial effect. Furthermore, the Länder Governments tried to improve their financial situation by restricting spending. According to the data available, expenditure may actually have fallen below the level reached a year earlier. Statistical data on the local authorities' finances are not yet available.

*Net borrowing*

In the fourth quarter, net borrowing by the central, regional and local authorities amounted to just under DM 20 billion. Given the fact that borrowing is highest during the last few months of the year, especially in the case of the lower levels of government, bor-

rowing was relatively moderate. However, money market loans and short-term cash advances by banks were redeemed in the amount of DM 10 ½ billion net in the last quarter, with the result that new capital market debt, at DM 30 billion, was considerably greater and was funded mainly by bond issues, the outstanding amount of which increased by DM 24 billion. In addition, bank loans of DM 9 ½ billion were taken up. Among the other types of debt, redemptions outweighed borrowings.

Of the various levels of government, the Federal Government reduced its indebtedness by DM 6 ½ billion, although this was exclusively attributable to the high level of redemptions of money market loans. The Federal Government raised DM 10 ½ billion in the capital market, primarily through the sale of bonds. The debt of the special funds increased by a total of DM 5 billion. The Länder Governments were by far the largest borrowers, raising DM 18 billion net, almost exclusively in the form of loans against borrowers' notes and cash advances by banks. Local authority debt grew by an estimated DM 3 ½ billion.

### Provisional out-turn for the year 1998

The budget deficits of the central, regional and local authorities decreased perceptibly last year. Whereas expenditure in 1997 had exceeded receipts by DM 94 billion, the shortfall in 1998 was approximately DM 30 billion lower. However, this decline in the deficit is hardly a sign of lasting consolidation. In addition to cyclical effects, exceptionally large non-tax receipts, in particular, helped to re-

*Overall result  
according to  
financial  
statistics ...*

duce the financial gap. For example, the Bundesbank profit alone amounted to DM 24 billion; this was DM 15 billion more than in the previous year and is mainly attributable to the revaluation of foreign currency reserves. While the Federal Government – as usual – received DM 7 billion for budget financing purposes, the rest was paid to the Redemption Fund for Inherited Liabilities for debt redemption. The Federal and Länder Governments also increased their sales of participations and thus acquired considerable additional funds.

... and the  
national  
accounts

The present trends in public finances are better captured in the system of national accounts, as most of the special revenues mentioned do not affect the financial balance.<sup>3</sup> If the social security funds, whose financial situation was somewhat more favourable in 1998 than in the previous year, are included, the public authorities' deficit, as defined in the national accounts, fell by just over DM 17 billion to DM 84 billion.<sup>4</sup> The deficit ratio, as defined in the Maastricht Treaty, whose definition deviates slightly from that of the national accounts, fell from 2.7% to 2.1%. This quite considerable decline in the deficit ratio is partly attributable to spending restrictions. Enterprises' payments of tax arrears for previous years was likewise a relatively important factor here. Finally, the relatively strong economic growth last year helped to reduce the deficit. All in all, the financial position of the public authorities in Germany still has a long way to go to meet the targets of the Stability and Growth Pact, which in the medium term provide for a budget close to balance or in surplus.

A turnaround occurred in tax revenue in 1998. Whereas revenue had not been keeping pace with nominal economic growth during the previous five years, the overall tax ratio went up slightly for the first time in 1998 (to 22.1% as defined in the financial statistics). According to the official tax statistics, tax revenue totalled DM 833 billion.<sup>5</sup> It was thus 4½% above its level in 1997. The official tax estimate of November 1997, on which the budget plans for 1998 were largely based, was therefore exceeded by just over DM 9 billion (if the changes in tax law since then are disregarded).

*Turnaround in  
tax revenue*

These additional receipts were mainly attributable to the favourable trend in corporate profits. At the same time, the erosion of the tax base, which was partly associated with the wide use of tax concessions for investments in eastern Germany, tailed off, and receipts from assessed taxes increased strongly as a result. Hence, revenue from corporation tax went up by just under 9% in spite of the tax-reducing effect of increased dividend payments in respect of previously retained earnings. Receipts from assessed income tax (the amount of which is no longer significant in absolute terms) actually almost doubled (to DM 11 billion). Revenue from trade tax increased by an estimated 3%, although the trade capital tax has not been levied since the beginning of 1998. Despite the increase in

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<sup>3</sup> Revenue resulting from sales of financial assets is treated as "asset exchange" and is therefore recorded in a way which does not affect the deficit.

<sup>4</sup> The data on the fourth quarter of 1998 contained in this figure computed by the Federal Statistical Office are largely estimates.

<sup>5</sup> According to the provisional out-turn available so far, which still contains an estimate for local authority taxes.

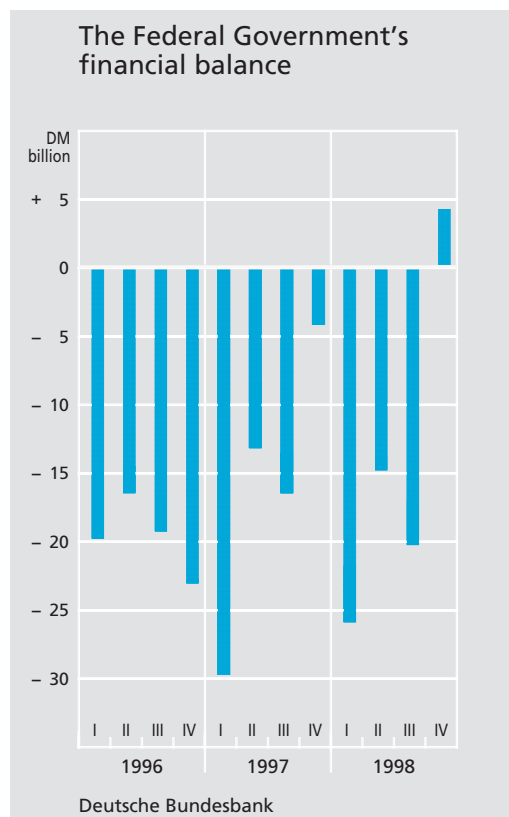
the tax rate, however, turnover tax showed only a moderate increase (+ 4%). The achievement of virtual price stability, mainly in private consumption, had a restraining effect on tax revenue here. Wage tax was not particularly lucrative either, owing to the modest rise in total gross wages and salaries (+ 4%).

*Slower increase  
in total revenue*

In spite of the recovery in tax revenue, growth in overall revenue fell markedly short of the growth in nominal GDP. Revenue, as defined in the national accounts, went up by only 2.7%. The decisive factor in this was that social security contributions grew by only just under 1% owing to the moderate increase in wages and salaries. Consequently, the overall taxes and social security ratio fell by nearly ½ percentage point to about 42 ½%.

*Expenditure  
increases  
restricted*

Those in charge of the public funds underlined their willingness to pursue a consolidation course by restricting increases in expenditure. According to the provisional results of the national accounts, public expenditure rose by 1½% last year. Gross fixed capital formation again declined (– 2½%), albeit less sharply than in previous years. Interest expenditure went up by only ½%, owing to the further fall in interest rates. As a result of the moderate pay settlement for government employees, the ongoing reduction in staff and savings measures in the health sector, final consumption of general government was only slightly up on 1997 (+ 1%). Expenditure on social benefits and subsidies rose fastest – by 2% in each case.



*Federal budget*

The improvement in budget balances (in the financial statistics) permeated all levels of government. In 1998 the Federal Government recorded net borrowings of DM 56.4 billion, which was DM 7.3 billion less than in 1997. The amount originally foreseen in the 1998 budget was met exactly. The adjusted estimate of just over DM 55 billion was exceeded somewhat, however.<sup>6</sup> Expenditure came to DM 456.9 billion and therefore fell DM 6.5 billion short of the adjusted estimate.

<sup>6</sup> After approving the 1998 Federal budget, the former Federal Parliament decided to increase value-added tax by 1 percentage point from April 1998 and to transfer – via the Federal budget – the additional revenue (DM 9.6 billion) to the pension insurance scheme. Moreover, transfers to the “German Unity” Fund were reduced by DM 3 billion; of this relief amount, DM 1.8 billion was passed on by way of the turnover tax to the Länder Governments, which participate in the funding of these transfers. These changes are taken into account in the adjusted estimate.

Spending therefore grew by 3.4 % compared with the actual figure for 1997. The Federal Labour Office, in particular, needed DM 6 ½ billion less in assistance in Federal funds than budgeted for. Furthermore, current operating expenditure *inter alia* was lower than envisaged. By contrast, unemployment assistance, in particular, required additional funds. On the receipts side, the Federal Government recorded shortfalls in receipts vis-à-vis the adjusted estimate of DM 7.5 billion. Although tax revenue exceeded the estimate by DM 2 billion, receipts from privatisation originally planned for 1998 were shifted to the current year. The Federal Government could do this as it was given sufficient room for manoeuvre in budgetary policy, owing to the relatively substantial decline in expenditure.

*Special funds*

The special funds made the greatest contribution to the improvement in budget balances. Taken together, they probably ran a surplus of about DM 25 billion in 1998 compared with DM 13 billion a year earlier. This was mainly attributable to the sharp increase in the Bundesbank profit as anything in excess of the "basic amount" of DM 7 billion goes to the Redemption Fund for Inherited Liabilities. Another contributory factor was that interest expenditure was lower than envisaged. The surpluses of the special funds would have been even greater had the Federal and Länder Governments not reduced their transfers to the Redemption Fund for Inherited Liabilities and the "German Unity" Fund below the amounts originally budgeted for. These transfers are used to service the debt accumulated in these funds, and the reductions made by

the Federal and Länder Governments were to provide relief for their own budgets.

The deficit in the Länder Governments' budgets probably totalled just over DM 30 billion in 1998 and was thus more or less in line with budget plans. In the previous year the Länder Governments had recorded a much greater deficit of DM 37 billion. The decline was due, firstly, to a sharp increase in tax revenue and, secondly, to the fact that expenditure had risen by only about 1 %. This was attributable not only to the moderate increase in expenditure on staff, which has a particular impact on Länder budgets, but also to the tight limits on grants to local authorities.

*Länder  
Governments*

Nevertheless, the local authorities' finances improved surprisingly fast. Whereas the local authorities had to fund a deficit of DM 6 billion in 1997, they may actually have achieved a surplus last year. The decisive factors here were the participation in turnover tax, introduced in 1998 to compensate for the abolition of trade capital tax, and the highly lucrative trade tax. Local authorities were likewise endeavouring to restrict spending. From January to September, their expenditure was 1¼ % below the level in the same period the year before; expenditure on tangible fixed assets declined even more sharply, namely by 2½ %.<sup>7</sup>

*Local  
authorities*

According to the provisional data available so far, the indebtedness of the central, regional

*Indebtedness*

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<sup>7</sup> However, the growth rate of both receipts and expenditure is reduced by the fact that municipal services continue to be provided by independent associations or enterprises and are no longer accounted for in budget calculations.

and local authorities rose by just over DM 70 billion to DM 2.3 trillion in 1998 and thus went up less rapidly than in previous years. This was attributable not least to the large one-off receipts. The vast bulk of new borrowing was financed by bonds and thus at the long end of the market. The debt ratio as defined in the Maastricht Treaty presumably decreased from 61.5 % in 1997 to about 61% last year.

### Budget plans for 1999 and outlook

The financial situation of the central, regional and local authorities is handicapped from the outset in that part of the substantial non-tax receipts of the previous year no longer accrue. To that extent, structural gaps which had been covered by these special receipts are now emerging. Although the central, regional and local authorities wish to pursue their consolidation policy in principle, they will probably again incur a larger overall deficit in the current year. The most important factor here is that the large surplus run last year by the Redemption Fund for Inherited Liabilities will decline considerably. However, the social security funds will probably show a more favourable out-turn than in 1998 (see page 47 ff).

In the system of national accounts, financial movements (in line with the less marked improvement in the previous year) are more favourable than in the budgetary definition. However, the government deficit ratio, as defined in the Maastricht Treaty, will probably decrease only slightly. The expected slow-down in economic growth will also have an impact on this. The rise in expenditure will probably be stronger than in the previous two

years, when it had been less than 1% on average. On the receipts side, a strong increase is to be expected, according to the tax estimate of November 1998 and owing to the planned tax increases but other receipts will presumably grow only marginally. This is particularly true of social security contributions; the contribution rate to the pension insurance scheme will be lowered from 20.3 % to 19.5 % in April. Again, as regards receipts, the risk of tax losses owing to weaker economic growth is not inconsiderable.

The new draft Federal budget for 1999 adopted by the Federal Government on January 20 provides for a deficit of DM 56.3 billion. The deficit is thus as large as the deficit budgeted for in the original draft by the previous government and is marginally below the provisional out-turn for 1998. The DM 58.2 billion for investment expenditure is slightly undershot. Expenditure amounts to DM 488 billion. It is therefore considerably greater than the amount included in the original draft (DM 465 ½ billion) and than the actual figure for 1998 (DM 457 billion). However, planned new expenditure and receipts play a major part. For instance, the deficit incurred by the postal benefit funds is being offset for the first time through the Federal budget and funded by receipts in the form of dividends and by the proceeds from the privatisation of the successor enterprises to the Post Office.<sup>8</sup> Moreover, additional transfers to

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<sup>8</sup> The postal benefit funds undertake pension payments for civil servants employed at the Post Office and are currently funded through receipts from the Federal Government's participations in the successor enterprises to the Post Office and through the transfers of fixed amounts by these enterprises.

*Total outlook according to financial statistics ...*

*... and the national accounts*

*Draft Federal budget for 1999*

the pension insurance scheme are a significant item; they are being funded by the increase in value-added tax in April 1998 and the additional tax on energy from April 1999. The Federal Government has published an expenditure growth rate of 1.7 %, to take account of these changes. Other expenditure exceeding the original draft figures is mainly the result of the continuation of special Federal grants to the Länder Governments of Saarland and Bremen which were not considered in that draft and of a larger risk provision in respect of guarantees and other warranties. At DM 11 billion, the estimate for transfers to the Federal Labour Office has not been changed since the original draft, although the 1998 out-turn of the Federal Labour Office was considerably more favourable than had been envisaged. This is a reflection of the fact that the Federal Government is stepping up active labour market policy measures. This is being given priority over other possible measures such as easing the burden on the Federal budget or lowering contribution rates.

At just under DM 432 billion, receipts likewise exceed the original draft figures as well as the amount realised in 1998 (just over DM 400 billion). Funding of additional subsidies to the pension insurance scheme and the deficit in the postal benefit funds accounts for most of this increase and therefore does not take any pressure off the budget. However, real relief is provided in that receipts from privatisation which were included in the 1998 budget were transferred to 1999 in view of the relatively favourable fiscal development.<sup>9</sup>

The assumption by the Federal Government of the debt of the Redemption Fund for Inherited Liabilities, the assets of the German Federal Railways and the Equalisation Fund for Safeguarding the Use of Coal represents a change in accounting practices. The previous transfers to these funds for debt servicing have been discontinued. On the other hand, direct provision is made for interest expenditure in the Federal budget. This change affords the Federal Government financial relief in principle, as the annuities previously paid not only included interest payments, the amount of which depended on the general interest rate level, but also some redemption payments. In the original draft, however, budget transfers to the Redemption Fund for Inherited Liabilities and to the Federal Railways Fund had already been reduced considerably with the result that only a small redemption payment was to be expected. For this reason, the change hardly brings additional relief for the Federal budget for 1999. The Bundesbank profit in excess of DM 7 billion is still to be paid to the Redemption Fund for Inherited Liabilities for direct debt repayment.

The Länder Governments have provided for deficits totalling about DM 30 billion in their budgets, most of which have already been adopted. This figure is approximately as high as last year. Tax revenue has been set at just over 3½ % higher than the amount envisaged in 1998. A decline is expected – mainly

*Budgets of  
the Länder  
Governments*

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<sup>9</sup> Estimated receipts from privatisation were increased by DM 14 billion compared with the original draft; about one-half of this amount in connection with the postal benefit funds.



as a result of lower proceeds from privatisation – in the case of other receipts. In total, receipts will rise by 1%. At just over ½%, expenditure is not supposed to grow more rapidly than last year. In this context, expenditure on staff is to increase by 1½%. Grants to local authorities are to be similar to the actual figure for 1998.

*Budgets of the local authorities*

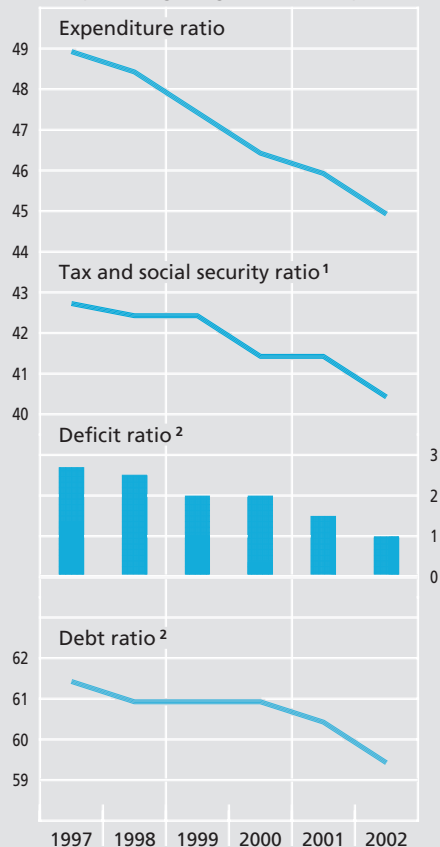
The particularly favourable out-turn for 1998 will probably not be repeated in the case of the local authorities. Instead, it is likely that a deficit will again be recorded in local authorities' budgets for 1999. In addition to an accelerated increase in expenditure, a particularly significant fact is that receipts from trade tax will probably tend to decrease in contrast to the substantial additional revenue last year mainly as a result of back-payments of taxes. According to the annual budget survey conducted by the local authority central associations, the local authorities expect a deficit of DM 3½ billion in 1999.

*Federal Government's Stability programme*

The Federal Government intends to continue its consolidation policy in the medium term. Hence the stability programme recently presented in line with the provisions of the Stability and Growth Pact provides for a reduction in the deficit quota to 1% by 2002. This objective is to be achieved by limiting the growth in expenditure to 2% – as recommended by the Financial Planning Council of the central, regional and local authorities. If a rise in nominal GDP of 3½% to 4% per annum is assumed, the Federal Government's projection envisages a fall in the expenditure ratio from 48½% in 1998 to 45% in 2002. This would still leave some scope for lowering

**Ratios of the public authorities according to the German stability programme \***

As a percentage of gross domestic product



\* As defined in the national accounts. — 1 Taxes and social security contributions; the other receipts accruing to public authorities are not included. — 2 Deficit and debt level according to the Maastricht Treaty.

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the taxes and social security ratio. To secure the road towards a sustainable government financial position, it would be necessary first and foremost to maintain the course mapped out by the government of applying expenditure restrictions at all levels of government, especially at times when new unexpected strains on the budget arise. The recent decisions by the Federal Constitutional Court on

family taxation, for example, are associated with large additional payments.

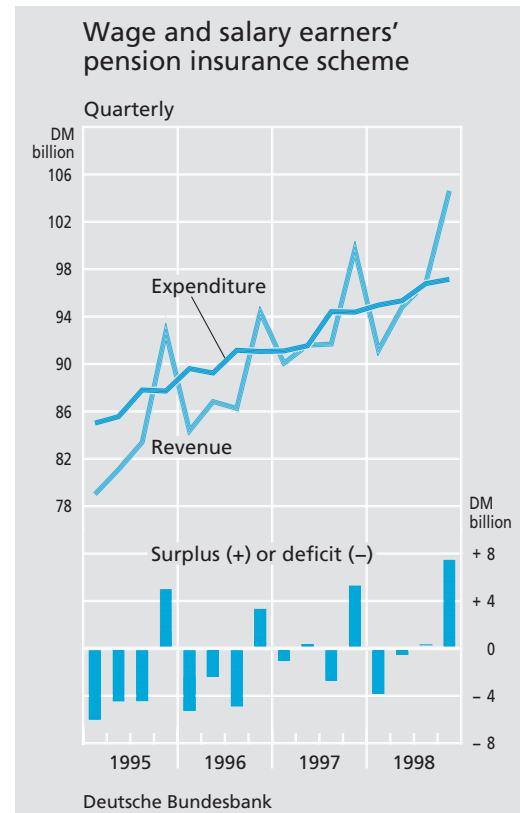
### Social security funds

*Pension insurance scheme in fourth quarter...*

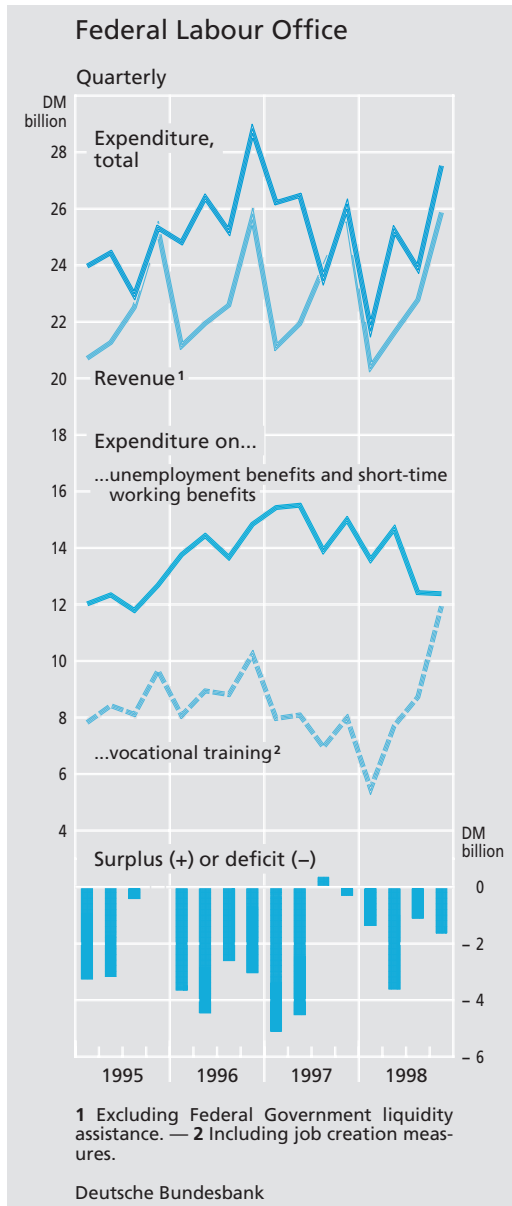
In the fourth quarter of the year, the wage and salary earners' pension insurance scheme usually generates a financial surplus through contributions by virtue of the exceptional payments to employees that are concentrated at the end of the year. This surplus amounted to DM 7 ½ billion in the last quarter of 1998 and was thus just over DM 2 billion greater than in the same period the year before. This improvement was mainly attributable to the increase in Federal transfers, which is being funded by the raising of the standard rate of value-added tax from 15 % to 16 % from April 1998. The total payments of the Federal Government to the pension insurance scheme therefore increased by approximately one-quarter in the fourth quarter of 1998. Contribution receipts went up by 1%. Whereas contributions for wages and salaries increased by just over 2 %, contributions resulting from unemployment relief declined perceptibly. All in all, receipts of the pension insurance scheme rose by 5 %. At just under 3 %, expenditure grew at a much slower pace. The fact that the increase in pension payments of mid-1998 was relatively small (0.44 % in western Germany and 0.89 % in eastern Germany) had a dampening effect. On the other hand, the number of pensions has gone up further.

*... and in 1998 as a whole*

Generally speaking, the financial situation of the pension insurance scheme improved



slightly in 1998. It ran a surplus of just over DM 3 billion, compared with one of just under DM 2 billion in the previous year. However, this amount was not large enough by far to replenish the fluctuation reserve to its statutory minimum level of one month's expenditure, as had been envisaged in the drafts for 1998. This reserve actually came to just under DM 18 billion at the end of the year, which is equivalent to 0.7 month's expenditure. This unfavourable result was due mainly to the fact that employment trends over the year as a whole were more unsatisfactory than had initially been expected and that receipts from contributions were therefore lower. The planned sale of the GAGFAH (the non-profit public limited company for employees' housing owned by the Federal In-



insurance Office for Salaried Employees) was postponed until 1999.

#### Outlook

The increase in the fluctuation reserve to the statutory minimum level must now be made in the current year, an undertaking which will require a considerably larger surplus than the one in 1998. Even with the proceeds from the sale of the GAGFAH, achieving this would have necessitated the retention of the contri-

bution rate at its present level of 20.3%. However, the Federal Government has decided to lower this rate to 19.5% from April 1999 and to pay additional Federal transfers as financial compensation. These transfers are to be funded by a higher tax on energy. The act governing adjustments in the social security funds and to safeguard employees' rights creates an additional burden on the pension insurance scheme on the expenditure side, because the cuts in benefits approved in the previous legislative period (especially the introduction of a "demographic factor" in respect of the pension adjustment) have been cancelled. The resultant financial gap is to be closed by including persons employed in jobs with a monthly remuneration of up to DM 620 and quasi self-employed persons in the compulsory social security scheme, i. e. by increasing income through additional contributions. Regarding longer-term developments, which are mainly influenced by demographic pressures, the Federal Government is preparing a restructuring of the pension insurance scheme, which is to come into effect in 2001.

In the fourth quarter of 1998 the Federal Labour Office recorded a deficit of DM 1.7 billion, which was DM 1.4 billion more than in the same period a year earlier. The decisive factor here was that the instruments of active labour market policy were again being increasingly used in the course of last year. In the last quarter, expenditure on measures to promote employment therefore rose exceptionally rapidly, namely by 50% to DM 12 billion. The more favourable trend in employment, however, took some pressure off the Federal Labour Office. Expenditure on un-

*Federal Labour Office in the fourth quarter...*

employment benefits decreased by 17%. Total expenditure grew by 5½%. By contrast, receipts hardly exceeded their previous year's level.

... and in 1998  
as a whole

For 1998 as a whole, the Federal Labour Office recorded a much more favourable outcome than anticipated. At DM 7¾ billion, the deficit was only half as high as the financial gap of just over DM 14 billion envisaged in the budget. A significant factor in this was that the number of unemployed persons was considerably lower than the 4.4 million allowed for in the budget plan. Expenditure on unemployment benefits therefore undershot the budget estimate by just over DM 7½ billion and was 11% below the corresponding amount in the previous year. Expenditure on job promotion schemes, however, was approximately as high as the estimates. Following a perceptible decline in the first half of the year and a subsequent strong increase, it exceeded its previous year's level by 9% over the year as a whole. All in all, expenditure by the Federal Labour Office fell by just under

4%. However, receipts were just over 2% lower than a year earlier, with receipts from contributions being lower than anticipated.

The budget plan of the Federal Labour Office for the current year assumes that the number of unemployed persons will decrease by about 150,000 compared with 1998. However, at DM 11 billion, the estimated deficit is considerably higher than the actual deficit in 1998. Receipts are expected to go up by 3½% against the actual figure for 1998, and expenditure by 6½%. Although spending on unemployment benefits is expected to be lower than the actual figure for 1998, provision has been made for an increase of 12% in funds for active labour market policy measures. This is a reflection of the fact that expenditure on employment promotion measures is to be continued at the high expenditure level reached in the second half of 1998. Moreover, a new programme offering vocational training and employment for unemployed youths was launched at an expected cost of DM 2 billion.

*Budget plans  
for 1999*