

Public finances

General government budget

The coalition parties forming the German Federal Government have given top priority to restructuring public finances.¹ Nevertheless, major progress in consolidation is not being targeted until 2007. The state of public finances will therefore not show much improvement in the current year. Given a figure of 3.3% last year, however, the deficit ratio is likely to fall slightly, owing to a favourable development in the economy. This means that, with a restrained expenditure policy, the 3% ceiling enshrined in the EU Treaty might be met in the current year for the first time since 2001.

3% limit could be met in current year

The general government revenue ratio (as defined in the national accounts), which increased slightly in 2005, is likely to fall again this year. One reason for this is that, given virtually unchanged contribution rates, there will be barely any increase in social security contributions.² The main reason for this is that gross wages and salaries are continuing to increase less than GDP. Furthermore, non-tax revenue is likely to decrease as there are now no exceptional inflows (consisting mainly of subsidy repayments by Landesbanks in 2005). By contrast, taxation changes are no longer a factor as minor revenue shortfalls owing to new government decisions and rev-

Government revenue ratio declining slightly in 2006

¹ On the coalition agreements, see also Deutsche Bundesbank, Monthly Report, November 2005, pp 48-62, and, on the updated version of Germany's stability programme, Deutsche Bundesbank, Monthly Report, March 2006, pp 8-10.

² The bringing forward of the transfer deadline for social security contributions, as defined in the national accounts, has no effect owing to the accruals principle of accounting.

enue increases as a result of measures taken earlier are more or less offsetting each other.

Expenditure growth quite moderate in both 2006 ...

A quite moderate development can continue to be expected on the expenditure side of the government budget. The increase in spending as part of the new government's programme for growth is limited in the current year. Moreover, these additional outlays contrast with cuts in the health insurance institutions' spending on pharmaceuticals and in administrative costs. Overall, the recently decided increases and cuts in expenditure roughly offset each other. The probability of a perceptible reduction in the government expenditure ratio is ultimately due to moderate developments in spending that were set in train earlier and positive cyclical factors. There will be no more than a limited rise in expenditure on old-age provision, for example, as no pension increase is being made. In addition, it is, above all, personnel expenditure that is likely to show a further fall owing to the decline in employment and to moderate developments in remuneration in the public sector. A further rise may be assumed in the case of unemployment benefit II (combination of former unemployment assistance and part of social assistance). Nevertheless, as the expenditure of the Federal Employment Agency is likely to fall, there could likewise be a decline in overall labour-market-related spending. Added to this is the fact that, following the recent interest rate rise, general government will continue to benefit from favourable financing conditions.

... and 2007

Given no additional measures that increase expenditure and prudent budget manage-

ment, growth in spending will probably accelerate only slightly in 2007. The expenditure ratio might then fall somewhat more sharply than in 2006, as nominal GDP is likely to grow faster owing to the effect of the (planned) VAT increase on the GDP deflator. Slightly increasing expenditures related to the growth programme and additional costs due to the effect of the VAT increase on public consumption and public investment are offset by increasing savings in the case of grants to homebuyers and investment grants. As things stand at present, an adjustment to pensions is hardly to be expected in 2007 either, and personnel expenditure is likely to go on decreasing. Labour-market-related spending could show a marked fall, not least on account of the reduction of the maximum period of entitlement to unemployment benefit I, which will then take effect for the first time, and the planned tightening of the criteria for claiming unemployment benefit II. The reduced pension insurance contributions of the Federal Government for recipients of unemployment benefit II will also play a part in this, although this will also bring losses of revenue in the pension insurance fund.

Government revenues in 2007 will be shaped, first, by the fiscal policy measures that have been announced. On the whole, these are likely to result in significant additional revenue. Nevertheless, it should not be overlooked that measures which boost receipts, such as the planned increases in the standard rate of VAT and insurance tax as well as the contribution rates for pension insurance (and perhaps also health insurance) will be accompanied by increasing shortfalls

Revenue trends in 2007 shaped by changes in legislation and overall economic conditions

owing to the tax component of the growth package and, above all, the lowering by 2 percentage points of unemployment insurance contributions. Overall, the additional revenue from the changes in legislation that come into effect next year could amount to just under $\frac{3}{4}\%$ of GDP.³ On the other hand, the macroeconomic reference variables of major taxes and levies will probably develop considerably more slowly than nominal GDP, which will be higher as a result of the VAT increase.⁴ All in all, the government revenue ratio is likely to increase somewhat.

Stricter conditions of the excessive deficit procedure could just be met

The deficit ratio could fall well below 3% in 2007 and the structural deficit ratio could decline by roughly 1 percentage point. This would just comply with the terms imposed by the ECOFIN Council, which tightened the deficit procedure against Germany in March.⁵ Germany was called upon to correct its excessive deficit as swiftly as possible and by no later than 2007 and to reduce the structural deficit ratio by at least 1 percentage point altogether in the course of this year and next. Nevertheless, Germany will clearly fail to meet the fundamental requirement enshrined in the Stability and Growth Pact that countries with an excessive deficit should aim to reduce the structural deficit by at least 0.5% of GDP per year.

The Federal Government has rightly made an express commitment to a fundamental consolidation of public finances. Above all, tax increases – especially VAT and insurance tax, but also income tax – are planned as part of an extensive package of measures. The Bundesbank has repeatedly pointed out that

a more expenditure-oriented consolidation would be preferable. A more evenly timed consolidation in 2006 and 2007 would be desirable. This would not be countered by the expected development of the economy as a whole. Given the existing national and international budgetary provisions, the fact that the gap with regard to the 3% limit is not a large one and the rather positive development of the economy in the current year, Germany should endeavour to meet the 3% limit now in 2006 and simultaneously adhere to the degree of consolidation planned for 2007. With the economy developing more favourably than expected, an intensification of consolidation efforts would be consistent with the intention of the Stability and Growth Pact.

Even if the 3% limit is undershot, however, the consolidation of public finances can by no means be regarded as completed. Instead, to reduce the deficit markedly and to prepare for the future budgetary strains stemming

Further consolidation needed in medium term

³ In contrast to the overview on page 57, this figure takes account of the impact of measures that were already adopted some time ago as well as changes in legislation pertaining to the social security funds. Furthermore, reference is made here to the definition in the national accounts.

⁴ The decoupling of major tax assessment bases from developments in nominal GDP is intensified by the increase in VAT. Nominal GDP is increased via the price effect. There is, however, no resulting direct impact on national income which forms the assessment basis of major government revenues (wage tax, social security contributions, profit-related taxes). Among other things, nominal private consumption (including turnover tax) also increases owing to the impact of the VAT increase on prices, but the assessment basis of the turnover tax does not. Effects on nominal private consumption before tax arise only as a result of macroeconomic repercussions as well as evasive responses and time shifts stemming from the consumers' behavioural adjustments to the tax increase.

⁵ On the deficit procedure, see also the short article in Deutsche Bundesbank, Monthly Report, March 2006, p 8.

from demographic developments, it will be necessary to continue lowering the structural budget deficit swiftly. This is the only way to achieve structural compliance with the constitutional borrowing limits again and then to meet the objective of a budget that is close to balance as enshrined in national and European budgetary law. To do this, care should be taken to ensure that the major fiscal policy reforms announced for health insurance, income tax, business taxation and the system of public finance do not lead to larger deficits. With regard to the medium and long-term conditions for growth, expenditure-related strategies are fundamentally preferable to increases in taxes and social security contributions.

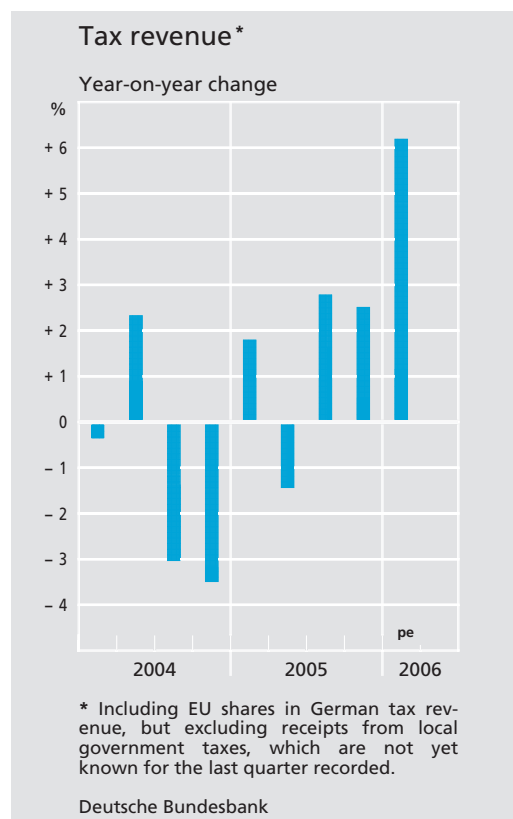
Budgetary development of central, state and local government⁶

Tax revenue

Marked increase in tax revenue in first quarter

Tax revenue⁷ in the first quarter⁸ showed a sharp 6% increase on the year. Growth in most taxes contributed to this, although special developments were also a factor in some cases.

The 1% rise in wage tax more or less matches the rate expected for the year as a whole. The outcome for assessed income tax and corporation tax was again clearly up on the prior-year level. This probably reflects, first and foremost, the favourable trend in profits. Cutbacks in grants to homebuyers, disbursements of which are deducted from cash received from assessed income tax, also con-



tributed to the increase, however. Even so, this was considerably offset by the fact that there were no longer the inflows recorded last year in connection with the tax amnesty. Of the consumption-related taxes, revenue from VAT increased by 3%. This signified a continuation of the positive trend from the second half of 2005, although developments in turnover tax over the year were quite volatile. Despite the continuing decline in fuel consumption, revenue from mineral oil duty increased by just over 1½%. Receipts in the

⁶ Reporting below is based on the budgetary definition (as defined in the government's financial statistics).

⁷ Including EU shares in German tax revenue, but excluding receipts from local government taxes, which are not yet known for the first quarter. Owing to strike action, the figures for Saarland are available only up to February. The data therefore contain estimates.

⁸ See also the table on p 56 as well as the statistical section of this report.

Overall tax revenue and major individual taxes

Type of tax	Q1		Year-on-year percentage change	Year-on-year percentage change
	2005	2006 pe		
Overall tax revenue 1	90.4	96.0	+ 6.2	+ 2.7
of which				
Wage tax	27.9	28.2	+ 1.0	+ 1.1
Assessed income tax	- 3.8	- 2.1	.	+ 36.7
Investment income tax 2	5.8	5.4	- 6.6	+ 3.6
Corporation tax	4.4	5.2	+ 17.7	+ 14.2
Turnover tax	34.9	35.9	+ 3.0	+ 1.8
Mineral oil tax	4.4	4.5	+ 1.7	- 2.0
Tobacco tax	2.5	2.8	+ 11.5	+ 3.0

1 Including EU shares in German tax revenue, but excluding receipts from local government taxes, which are not yet known for the quarter recorded. — 2 Non-assessed taxes on earnings and withholding tax on interest income. — 3 According to official tax estimate of May 2006.

Deutsche Bundesbank

first quarter are low as a rule and therefore of relatively minor significance for the year as a whole. The growth in tobacco tax (11½%) is mainly a reflection of the most recent tax increase in September 2005. There was also a marked rise in motor vehicle tax revenue following the expiry of tax breaks for low-pollutant private cars and in revenue from land and buildings transfer tax in connection with increased housing acquisitions before the abolition of the grant to homebuyers for new cases at the end of 2005.

According to the new official tax estimate of May 2006, revenue (including receipts from local government taxes) is expected to rise by 3% for the whole of 2006. This means that expectations have been adjusted upward by €8 billion since the last official estimate of

November 2005. The revision reflects the markedly larger revenue in the base year 2005 (+€4 billion) as well the development of the economy as a whole, which is now assessed more positively.⁹ This contrasts with shortfalls owing to changes in tax legislation which have now been adopted (-€1½ billion). The main reason for the adjustment are the revisions in the case of profit-related taxes (+€7½ billion), which, as in the two preceding years, grew very strongly in the first quarter of 2006. Overall, the tax ratio (as defined in the government's financial statistics) is projected to rise to 20.3%.

The revenue trend next year will be largely determined by the increase in the standard rate of VAT.¹⁰ The associated additional revenue (+€19½ billion) is also the main reason for the projected increase in the tax ratio to 21.1%. In the following years to 2010 as well, there will be additional net receipts owing to the legislative changes that have been taken into account, and the tax ratio will show a further slight rise to 21.2%. Owing to these additional tax increases, receipts will be considerably greater than predicted in the last medium-term projection of May 2005. After adjustment for these, however, the less favourable macroeconomic development now expected will result in aggre-

Sharp rise in tax ratio owing to VAT increase in 2007

Upward adjustment of revenue expectations for 2006

⁹ The Federal Government is now projecting nominal GDP growth of 2% and real GDP growth of 1.6% for 2006, whereas in November 2005 nominal growth of 1.8% and real growth of 1.2% were expected. For 2007, nominal growth of 2.3% and real growth of 1.0% are expected.

¹⁰ The official tax estimate took into account the effects of the Act Accompanying the 2006 Budget (*Haushaltbegleitgesetz 2006*), which provides, in particular, for the increase in the general rate of VAT.

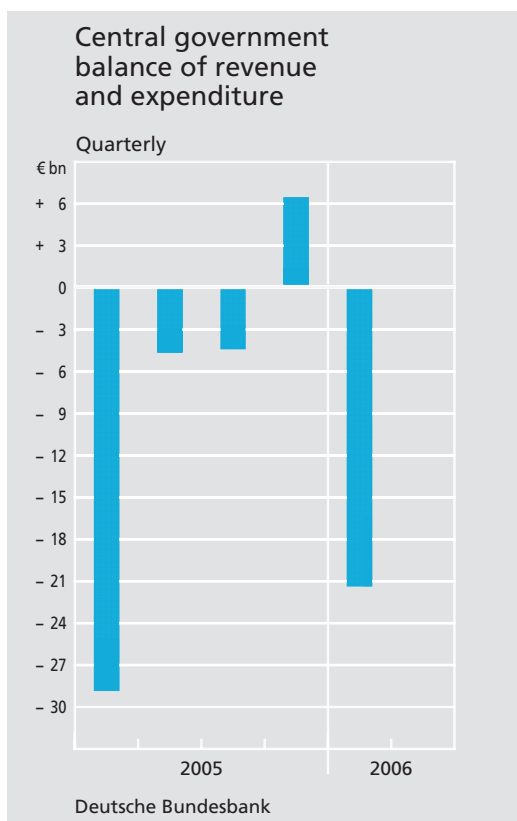
Financial effects of new taxation measures *

€ billion; revenue shortfalls (-)

Measure	2006	2007	2008	2009	2010
Revenue-increasing measures overall	1.1	27.8	35.2	37.9	39.0
Increase in tax rates	0	21.3	25.2	26.3	26.7
General rate of VAT (from 16 % to 19 %)	0	19.4	22.8	23.3	23.8
Insurance tax (in particular, standard rate from 16 % to 19 %)	0	1.7	1.7	1.6	1.6
Top rate of income tax (to 45 %) with relief for income from business profits	0	0.1	0.8	1.3	1.3
Further measures	1.1	6.6	10.0	11.6	12.3
Abolition of grant to homebuyers for new cases	0.2	1.5	2.2	3.0	3.7
Limiting offsetting of losses with tax deferral models	0.6	1.6	2.1	2.1	2.1
Limiting commuter tax deduction	0	1.3	2.5	2.5	2.5
Reduction in savers' tax allowance	0	0.6	0.8	0.8	0.8
Limiting child benefit/tax allowance for children	0	0	0	0.7	0.5
Abolition of special allowance for private tax consultancy fees	0	0.3	0.6	0.6	0.6
Other	0.3	1.3	1.8	2.0	2.1
Revenue-lowering measures overall	- 2.8	- 5.7	- 6.8	- 5.3	- 1.9
Increase in degressive depreciation for mobile assets	- 1.1	- 3.7	- 4.8	- 3.0	0.1
Tax relief for labour costs of certain household services	- 0.4	- 1.2	- 1.2	- 1.2	- 1.2
Deductibility of employment-related childcare costs	- 0.1	- 0.5	- 0.5	- 0.5	- 0.5
Extension of turnover thresholds for tax collected only after payment has been received by the enterprise	- 1.2	- 0.3	0	0	0.3
Extension of investment grant	0	0	- 0.3	- 0.6	- 0.6
Measures overall	- 1.7	22.2	28.4	32.6	37.1
<i>Memo item:</i> Support for lowering contribution rate to Federal Employment Agency by revenue of one VAT point	0	- 6.5	- 7.6	- 7.8	- 8.0

* Acts abolishing grants to homebuyers, to launch an immediate tax programme, to limit offsetting of losses in connection with tax deferral models, to curb tax abuse and to promote growth and employment through tax concessions; draft Act accompanying the 2006 budget, draft Tax amendment act 2007, draft Investment Grant act 2007, draft New provisions for the taxation of energy products

and for Amending the Electricity Tax Act. The additionally planned changes to the taxation of biological fuels are not included. Furthermore, the entry into force of new provisions in the field of business and capital income taxation has been announced for 2008. Source: Various Bundestag printed documents, Bundesbank calculations.



gate shortfalls increasing to €6½ billion in 2009.

Extensive tax increases

Tax increases (see the overview on page 57) play a particular part in the Federal Government's newly adopted consolidation measures, the increase in the standard rates of VAT and insurance tax from 16% to 19% playing the greatest role.¹¹ Besides this, additional revenue will result from restricting various tax loopholes, cutbacks in exemption limits and standard deductions, and the abolition of the grant to homebuyers. A more comprehensive approach would have been quite possible. Furthermore, the revenue effects are lessened by the creation of new tax exemptions, which the government hopes will give positive stimuli to investment and employment. It nevertheless seems doubtful whether this will

achieve the desired objective or whether anticyclical measures are at all warranted. Generally, the aim should be to create a more transparent tax system. One step in this direction would be to promote certain politically desirable objectives – as advocated in the Federal Government's Subsidy Report – by means of (temporary) transfers rather than special concessions in the context of tax legislation.

Central government budget

In the first quarter of 2006, central government recorded a deficit of just under €21½ billion, a decrease of €7½ billion on the year. This was due mainly to a very sharp increase in receipts of more than €6½ billion (+14½%). Tax revenue was €3 billion up on the year (+7½%), due in part to smaller (-€1 billion) transfers to the EU budget, which are deducted from receipts. Other revenue increased by €3½ billion. The Bundesbank profit alone, at almost €3 billion, was more than €2 billion greater than in the previous year. In addition, there was a €1½ billion increase in loan repayments from foreign borrowers, not least owing to the agreements concluded with the Paris Club. However, there was a decline of just over €½ billion in the compensatory amount paid by the Federal Employment Agency. This compensatory amount, which was introduced last year, is

Marked reduction in central government budget deficit in Q1 ...

¹¹ The abolition of the grant to new homebuyers and its eventual expiry in the case of those already receiving it will be reflected in higher cash receipts from assessed income tax, from which the disbursement of the grant is deducted. In contrast to the definition used in the government's financial statistics, however, the grant to homebuyers is shown in the national accounts as a capital transfer in government expenditure.

calculated according to the transfer of the former recipients of regular unemployment benefit into the basic allowance for persons able to work (unemployment benefit II). Expenditure declined by 1%. The absence of belatedly recorded unemployment assistance payments in January 2005 to the amount of €1½ billion was offset by total additional outlays for unemployment benefit II and by a back payment of subsidies for coal mining. The central government budget was relieved by the liquidity assistance that did not have to be given to the Federal Employment Agency.

... but draft budget envisages increase again in the year as a whole

A deficit of €38½ billion is projected in the government's draft Federal budget for 2006. The renewed increase of €7 billion on the year mainly reflects the scheduled decline of more than €9 billion in receipts from asset realisations. According to the latest tax estimate, €1½ billion more revenue is to be expected than foreseen in the government draft. By contrast, lower receipts than in budget estimate (almost €5½ billion) are likely in the case of the compensatory amount paid by the Federal Employment Agency following inflows of no more than €¾ billion in the first quarter. The amount of just over €6½ billion projected for disposals of assets could also be undershot if the Federal Government's remaining shares in Deutsche Telekom were to be retained for subsequent financial years. On the expenditure side, renewed risks may be posed by unemployment benefit II. If first-quarter circumstances persist, outlays of just over €2 billion more than the budget estimate may arise. Nevertheless, this could be offset by lower spending on benefits to get people into work and on interest payments

which were estimated cautiously at a discount of €1 billion. All in all, as things stand at present, it should be possible to contain the deficit as planned despite the risks.

The structural budgetary position of central government is likely to improve very little this year. Despite asset realisations amounting to more than €16 billion, it is planned for 2006 that the regular borrowing limit pursuant to Article 115 of the German constitution will be exceeded by €15 billion. The government justifies this by invoking the exemption clause necessary to avert a disruption of the overall economic equilibrium. Given the outlook for the economy as a whole for the current year and in view of the budgetary regulations, the fact that a significant consolidation is not planned to take place before next year poses problems. Besides the planned consolidation measures, recourse to further asset disposals – in economic terms, disinvestment – is envisaged for complying with the above-mentioned borrowing limit by the end of the financial planning horizon. Now that the Federal Government's holding of shares in the successor enterprises of Deutsche Post has largely been used up and the privatisation of the German railways (Deutsche Bahn) is unlikely to be feasible in the short term, the possibilities of such unsustainable budget financing appear severely limited. If further tax increases with their potentially harmful effect on growth are to be avoided, a critical review of all central government payments and benefits will be necessary.

Major need for structural consolidation

State government budgets

*Fall in state
government
deficits as early
as Q1*

In the first quarter, state governments¹² recorded a deficit of just under €8 billion. This represents a decrease of €1 billion compared with the first quarter of 2005, when sizeable repayments of subsidies by the Landesbanks brought non-recurring relief amounting to €2 billion net. Although this special effect was no longer a factor, receipts were 2% up on the year. With a growth of 8½%, tax receipts alone virtually offset the lack of subsidy repayments. Expenditure increased by just under ½%, although the prior-year figure had been very high owing to the recapitalisation of one of the Landesbanks (by just over €1 billion). With regard to personnel expenditure, a further dampening factor was that the collective public sector pay agreement concluded by central government and the local authorities was not adopted by the state governments and that there was no matching increase in civil servants' compensation either. However, the 1½% decline in personnel expenditure was also due in part to institutions such as universities and day nurseries being taken out of the core budgets of some state governments. In such cases, personnel expenditure is replaced by grants, the outflow of which may nevertheless show a different seasonal pattern. The developments in personnel expenditure and in other spending recorded by a number of state governments at the start of the year – which, in some cases, constituted a sharp rise – therefore have to be seen in that context.

Before the most recent tax estimate, the state government budget plans projected only a

moderate reduction in the deficits to just over €23 billion. The figure for 2005, at €24 billion, was almost €3 billion below the budget estimates and the tax estimate led to an upward €3½ billion revision of the state governments' revenue expectations. Hence, the financial balance in the current year, too, could be distinctly more favourable than previously planned. Even so, there is still a considerable structural underfunding of most state government budgets. The budget projections for 2006 so far show that the federal states of Berlin, Bremen, Hesse, Lower Saxony, North Rhine-Westphalia, Saarland and Schleswig-Holstein will, in some cases, quite clearly overshoot the constitutional ceiling for net borrowing. Baden-Württemberg, Hamburg und Rhineland-Palatinate are using asset disposals to comply with the limit. In the case of the east German state governments, extensive central government funding to reduce additional burdens resulting from reunification have kept new borrowing below the constitutional limits. The almost universal deployment of some of these funds for general budget financing is not consistent with their actual intended purpose, however. On the whole, therefore, considerable additional consolidation measures are needed in order to comply structurally with the constitutional borrowing limits.

*Further decline
possible in year
as a whole*

¹² The results for Saarland have been estimated as no figures have been reported so far for 2006.

Local government budgets¹³

Further deficit reduction possible in local government

For local government, results are currently available only for 2005. These show that the deficit fell by 1½% to just under €2½ billion. A further deficit reduction appears possible for the current year.

Social security funds

Statutory pension insurance scheme

Marked increase in contributions to statutory pension insurance scheme

Complete figures for the first quarter of 2006 are not yet available for the statutory health insurance funds. The available data are confined to revenue from contributions, the majority of pension expenditure and the change in reserves. Revenue from contributions was 15½% up on the year. The crucial factor behind this was that, in January, not only the contributions on the remuneration paid at the end of December were received but also – owing to the shortened deadlines for transferring social security contributions – a large part of the contributions on wages and salaries paid at the end of January. Nevertheless, receipts from contributions in January 2006 were “only” just under 30% up on the year since enterprises evidently made use of the option to spread contributions due at the end of January over the following six months. Mainly as a result of the unchanged pension level, pension expenditure is likely to have shown hardly any increase. The total amount of liquid funds was €3¾ billion higher than at the beginning of the year.

A large surplus may be expected for the year as a whole. This will lead to reserves going back up above the statutory minimum of 0.2 month's expenditure. As there will be no one-off increased pension receipts in 2007 and the contribution payments for unemployment benefit II are to be halved, a marked rise in contribution rates will probably be needed to comply with the minimum level of reserves at the end of 2007 as well. The Federal Government expects an increase from 19.5% to 19.9%.

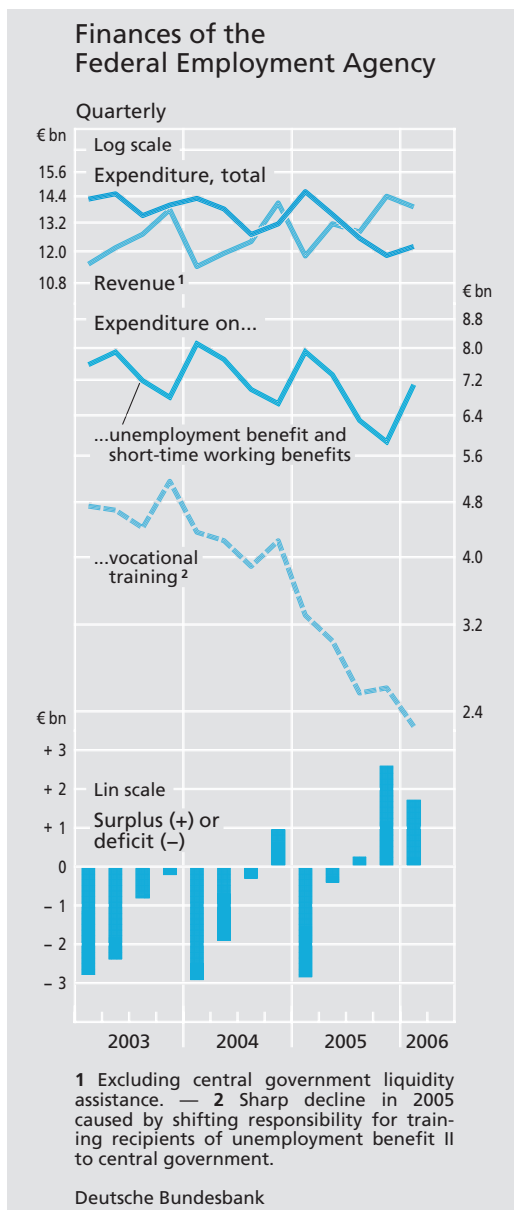
Rise in contributions necessary in 2007

Federal Employment Agency

The Federal Employment Agency posted a surplus of more than €1½ billion in the first quarter after recording a deficit of not quite €3 billion in the same period of last year. As in the case of statutory pension insurance, additional receipts owing to the earlier transfer of employers' contributions had a major impact. Total revenue increased by just under 18%. The growth rates will become noticeably smaller again as the year progresses, however. Spending in the first quarter was down by a total of 16½% on the year. Besides a 10% fall in unemployment benefit, there was a further marked reduction in expenditure on active labour market policy. Both of these reflect the shift – linked to the lengthening duration of unemployment – from benefit-related outlays of the Federal Employment Agency to unemployment benefit II, which is financed by taxes, and to assistance measures provided by central govern-

Non-recurring increase in contribution receipts and marked falls in expenditure

¹³ The development of local government finances is analysed in greater detail in the short articles in the Bundesbank Monthly Report of April 2006.



ment. An additional factor was that the amount which the Federal Employment Agency has to pay to compensate for central government assuming responsibility for financing payments was more than €½ billion lower than the (admittedly, extremely large) initial payment in the same quarter of last year.

The Federal Employment Agency's budget projects a surplus of €1.8 billion for the year as a whole. At present, however, a markedly higher contribution is to be expected. In 2007, the surplus is intended to help cope with a reduction in the contribution rate from 6.5% to 4.5%. Added to this will be additional Federal resources roughly equivalent to 1 percentage point of the increase in the standard rate of value added tax as well as savings in unemployment benefit I owing to the financial impact of the maximum period of entitlement to benefit being shortened, generally, to 12 months (or 18 months for recipients over 55 years of age). This will lead to further cost savings in the ensuing years.

Lower contribution rates planned for 2007

Statutory health insurance scheme¹⁴

The statutory health insurance scheme posted a surplus of just under €2 billion in 2005, which was roughly half that of the previous year. In the current year, financial pressure is likely to be limited owing to a further increase in central government grants and the measures to contain spending on pharmaceuticals. As 2007 will see a marked reduction in the Federal grant and the VAT increase will lead to additional expenditure, there is a risk of substantial increases in contributions if further measures are not taken.

Surplus of statutory health insurance scheme halved in 2005

¹⁴ A more detailed account of finances in the statutory health insurance and long-term care insurance schemes may be found in the short articles in the Bundesbank Monthly Report of March 2006.