

COMMITTEE OF GOVERNORS OF THE CENTRAL BANKS  
OF THE MEMBER STATES  
OF THE EUROPEAN ECONOMIC COMMUNITY

SECRETARIAT

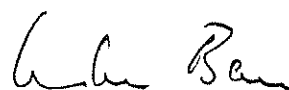
29th September 1993

**To the Members of the Monetary Policy Sub-Committee**

Please find enclosed a questionnaire prepared by the Economic Unit on the impact of changes in interest rates and exchange rates on net interest payments and budget deficits of the general government in Community countries.

I would be grateful if your reply to the questionnaire, which should be addressed to Dr. Hans-Joachim Klöckers, could reach the Secretariat by **13th October 1993**.

With kind regards,



Gunter D. Baer

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Economic Unit

TO THE MEMBERS OF THE MONETARY POLICY SUB-COMMITTEE

QUESTIONNAIRE

THE IMPACT OF CHANGES IN INTEREST AND EXCHANGE RATES  
ON NET INTEREST PAYMENTS AND  
BUDGET DEFICITS OF THE GENERAL GOVERNMENT

In the framework of the analysis of the transmission process of monetary policy, the work of the Economic Unit has so far focused on the direct impact on private demand via the interest rate channel.<sup>1</sup> Two further projects in this area are now planned. The first one will deal with the impact of monetary policy on private demand via the exchange rate channel; the second one will study the effects of both interest and exchange rate changes on net interest payments and budget deficits of the general government. With respect to the second project, the Economic Unit would appreciate very much if central banks answer this questionnaire:

1. Do you have at your disposal any calculations about the effect of a one percentage point rise in domestic short-term interest rates (*ceteris paribus*) on net interest payments of the general government within the period of one year? What would be the corresponding effects of a one percentage point rise in medium- and long-term rates (*ceteris paribus*)?
2. Do you have at your disposal any calculations about the effect of a one per cent appreciation of the domestic currency vis-à-vis all foreign currencies (*ceteris paribus*) on net interest payments on positions denominated in foreign currency of the general government within the period of one year? What is the estimate for the effect of capital gains (stemming from repayment of foreign positions) on the public budget within one year in the case of a one per cent appreciation of the domestic currency (*ceteris paribus*)?
3. Central banks are kindly requested to fill in the attached table (or to provide the Economic Unit with material that contains the information required to fill in the table). In case some data is not available, we would be grateful if central banks could provide qualitative information.

We would like to ask central banks to provide their answers by **13th October 1993**. Should you have any queries, please contact Hans-Joachim Klöckers (ext. 9832).

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<sup>1</sup> See the paper by the Economic Unit "The Impact of Changes in Official Rates on Private Domestic Expenditure in EC Countries: Some Evidence", 1st June 1993.

## General government

end-of-year data

Item	domestic currency units				Years		
	total	long-term (original maturity more than five years)		medium-term (original maturity between one and five years)		short-term (original maturity less than one year)	Average residual maturity of positions at fixed rates at market conditions (or at rates linked to market conditions) long-term medium-term
		total	at fixed rates	of which: index-linked	at fixed rates		
<b>I. Financial Liabilities</b>							
A. denominated in domestic currency							
1981							
1992							
B. denominated in foreign currency (incl. private ECU)							
1981							
1992							
<b>II. Financial Assets</b>							
A. denominated in domestic currency							
1981							
1992							
B. denominated in foreign currency (incl. private ECU)							
1981							
1992							