

## Overall financial flows in 1997

Although exports were the main driving force behind economic growth in Germany in 1997, they did not impart vigorous stimuli to domestic economic activity. Financial flows were primarily influenced by the fact that enterprises' propensity to invest in production facilities in Germany remained subdued in many cases and by simultaneous heavy pressure to adjust in the housing sector. The burden was eased by the government sector which significantly reduced its deficit in 1997. Despite that, the financial requirements for the domestic acquisition of fixed assets increased owing to effects caused by the stock cycle. The supply of funds expanded even more sharply, however. While households, given contracting real incomes, were able to perform their traditional role as a financier only to a limited extent, there was an appreciable rise in the volume of retained profits in the economy. Net capital imports occasioned primarily by German unification therefore largely came to a standstill. The structure of the financial flows was caused in part, however, by restrained capital formation in Germany, the cost of which to the economy as a whole consisted in losses in growth and jobs.

### Domestic acquisition of fixed assets

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In 1997, around DM 320 billion, or roughly 10%, more funds were made available for

*Effects caused by the stock cycle*

the acquisition of fixed assets in Germany than a year before. The rise in net investment (gross capital formation after deducting consumption of fixed capital) was mainly due to producing enterprises<sup>1</sup> sharply building up their stocks. Export business, which remained good up to the end of the period under review, was still not generating any great investment momentum on a broad front, however. According to the estimates of the Federal Statistical Office, around DM 60 billion (or roughly two and a half times as many funds as in both of the two preceding years) was spent on stockbuilding alone; apart from the mixed economic outlook, price expectations are likely to have played a part in this, too. At present, it is not possible to say with certainty, however, whether the estimates for the increase in stocks correctly capture enterprises' behaviour. Experience shows that the relevant data on aggregate demand at the end of the statistical series are always subject to considerable uncertainties – a fact which should also be taken into account when interpreting the figures on the acquisition of fixed assets.

*Higher net fixed asset formation by producing enterprises*

Apart from investing in stocks, producing enterprises began to invest more in new fixed assets last year after having continuously reduced their relevant expenditure on a considerable scale – by nearly two-thirds – since the unification-induced boom. At around DM 60 billion, or 2 %, of aggregate disposable incomes, net fixed asset formation was scarcely higher than the stockbuilding recorded in the statistics, however. The corresponding capital formation ratio was thus not only lower than the comparatively high level at the beginning

of the nineties but also lower than it had been in the first half of the eighties (around 2½ %), when enterprises had responded to the sharp drop in earnings at that time by showing marked restraint in their fixed capital expenditure.

By contrast, the decrease in the acquisition of fixed assets continued in the other sectors of the economy. This was true, above all, of the housing sector; in eastern Germany, too, the demand for housing has progressively lost momentum since 1995 following the end of the housing construction boom in western Germany, which was primarily associated with immigration and influenced by government incentives.<sup>2</sup> The retarding factors stemmed mainly from apartment house construction since the excess supply of rented living accommodation in various regions and market segments made marketing more difficult and subdued investors' yield expectations. The cutback in improved depreciation facilities under the Promotional Area Act at the beginning of 1997 had a further dampening effect. In contrast to this, the propensity to acquire owner-occupied housing and the maintenance and renovation of existing buildings have shored up demand for construction.

*Continuing adjustment pressure in housing construction*

In addition, the constraint of "empty coffers" and the restrained budget management required by the fiscal Maastricht criteria compelled the central, regional and local author-

*Further cutback in public investment*

<sup>1</sup> Enterprises excluding the housing sector and excluding financial institutions.

<sup>2</sup> Even so, because of the extremely large need for redevelopment and modernisation, east German housing investment in 1997, at around DM 4,200 per capita, was almost twice as high as the comparable figure for western Germany.

## Overall asset acquisition, saving and financial balances

DM billion

Item	1991	1992	1993	1994	1995 p	1996 p	1997 pe
<b>Asset acquisition</b>							
Acquisition of fixed assets <sup>1</sup>	307.7	313.8	261.2	307.1	320.9	292.1	318.9
Enterprises	252.7	248.5	197.9	245.3	263.3	241.6	276.1
Producing enterprises	155.3	127.2	60.8	86.1	98.1	74.9	120.9
Plant and equipment	142.5	128.9	70.0	69.7	67.5	51.5	60.5
Stocks	12.8	- 1.7	- 9.2	16.4	30.6	23.3	60.3
Housing	88.0	108.0	118.7	144.2	151.0	147.7	143.0
Financial institutions	9.4	13.3	18.4	15.0	14.1	19.1	12.3
Government	55.0	65.3	63.3	61.9	57.6	50.4	42.8
Net lending to the rest of the world <sup>2</sup>	- 34.1	- 30.4	- 23.9	- 42.6	- 37.3	- 28.8	- 8.7
<b>Total</b>	<b>273.6</b>	<b>283.4</b>	<b>237.3</b>	<b>264.5</b>	<b>283.6</b>	<b>263.3</b>	<b>310.2</b>
<b>Memo item</b>							
Acquisition of fixed assets in % <sup>3</sup>	12.5	11.8	9.7	10.9	10.9	9.7	10.3
<b>Saving <sup>4</sup></b>							
Households	213.7	233.7	220.3	213.7	224.0	237.1	230.1
Enterprises	99.6	71.6	65.6	76.2	115.8	101.6	139.2
Producing enterprises <sup>5</sup>	31.9	14.5	26.3	25.2	61.0	45.4	74.3
Housing <sup>5</sup>	28.4	22.9	3.9	6.2	11.0	9.7	11.3
Financial institutions	39.3	34.3	35.4	44.9	43.7	46.5	53.6
Government <sup>5</sup>	- 39.7	- 21.9	- 48.5	- 25.4	- 56.2	- 75.4	- 59.1
<b>Total</b>	<b>273.6</b>	<b>283.4</b>	<b>237.3</b>	<b>264.5</b>	<b>283.6</b>	<b>263.3</b>	<b>310.2</b>
<b>Memo item</b>							
Saving in % <sup>3</sup>	11.1	10.7	8.8	9.4	9.7	8.8	10.0
<b>Financial balances</b>							
Households	213.7	233.7	220.3	213.7	224.0	237.1	230.1
Enterprises	- 153.1	- 176.8	- 132.4	- 169.0	- 147.5	- 140.0	- 137.0
Producing enterprises <sup>5</sup>	- 123.4	- 112.7	- 34.5	- 60.9	- 37.1	- 29.4	- 46.5
Housing <sup>5</sup>	- 59.7	- 85.2	- 114.8	- 138.0	- 140.0	- 138.0	- 131.7
Financial institutions	30.0	21.0	17.0	29.9	29.6	27.4	41.3
Government <sup>5, 6</sup>	- 94.7	- 87.2	- 111.8	- 87.3	- 113.8	- 125.9	- 101.9
<b>Total <sup>7</sup></b>	<b>- 34.1</b>	<b>- 30.4</b>	<b>- 23.9</b>	<b>- 42.6</b>	<b>- 37.3</b>	<b>- 28.8</b>	<b>- 8.7</b>
<b>Memo item</b>							
Financial balances in % <sup>3</sup>							
Households	8.7	8.8	8.2	7.6	7.6	7.9	7.5
Enterprises	- 6.2	- 6.7	- 4.9	- 6.0	- 5.0	- 4.7	- 4.4
Producing enterprises <sup>5</sup>	- 5.0	- 4.2	- 1.3	- 2.2	- 1.3	- 1.0	- 1.5
Housing <sup>5</sup>	- 2.4	- 3.2	- 4.3	- 4.9	- 4.8	- 4.6	- 4.3
Financial institutions	1.2	0.8	0.6	1.1	1.0	0.9	1.3
Government <sup>5, 6</sup>	- 3.8	- 3.3	- 4.2	- 3.1	- 3.9	- 4.2	- 3.3
<b>Total <sup>7</sup></b>	<b>- 1.4</b>	<b>- 1.1</b>	<b>- 0.9</b>	<b>- 1.5</b>	<b>- 1.3</b>	<b>- 1.0</b>	<b>- 0.3</b>

Sources: Official national accounts and Bundesbank estimates. — <sup>1</sup> Net acquisition of tangible fixed assets and stocks. — <sup>2</sup> Corresponds to the difference between saving and the acquisition of fixed assets in Germany. — <sup>3</sup> As % of total disposable income. — <sup>4</sup> Including capital transfers. — <sup>5</sup> In 1991 including partial remission of the Federal Railways' debt by the Federal Government amounting to DM

12.6 billion; in 1995 after eliminating the assumption of the Treuhand agency's debt and part of the old debt of east German housing enterprises by the Redemption Fund for Inherited Liabilities amounting to around DM 205 billion and DM 30 billion, respectively. — <sup>6</sup> Residents' concept of the national accounts. — <sup>7</sup> Corresponds to net lending to the rest of the world.

ities to make further cuts in their investment budgets. The fact that these have now become over one-third smaller since the start of German unification is due in part to sales of fixed assets. Another possible contributing factor is that genuine, or only formal, privatisations have resulted in the investment activities of many formerly public-sector enterprises no longer being counted towards the government sector. Likewise, the more widespread use of new forms of providing public goods with the participation of private enterprises has meant that the boundaries between the government and private sectors have shifted. Owing to the fact that investment activity differs between enterprises, on the one hand, and the housing sector and government sector, on the other, as well as among the enterprises themselves, the domestic acquisition of fixed assets was much lower than total savings.

### Overall supply of savings

*Great improvement in the earnings position*

In 1997, it was, above all, the more favourable financial statements of enterprises which had the effect of increasing savings despite considerable differences between economic sectors, enterprise size categories and regions. There was a further marked improvement in the earnings position of firms which are heavily involved in exports; they raised their profitability as a result of exchange rate relationships returning to a more normal path, and by streamlining corporate structures, implementing process and product innovations and by organising work in a more flexible manner. This trend was mainly bol-

stered by a continuation of pay-rate policy characterised by moderate wage settlements and a greater use of scope for operational flexibility. Eloquent testimony to the joint success of these efforts is provided by the appreciable rise in the foreign trade surplus. By contrast, the slump in construction, which was accompanied by a considerable reduction in the number of jobs, as well as the sluggish trend in business in consumption-related branches of industry and of services adversely affected the earnings position in this sector of the economy in both western and eastern Germany.

Despite the large yield differential among the producing enterprises, their incomes – taken overall – are likely to have risen quite sharply last year; even following higher dividend payouts in some cases, this also allowed more retained income to be ploughed back into the enterprises. At 2 ½ %, measured in terms of total disposable incomes in 1997, this was on a scale last recorded in the second half of the eighties following the sharp fall in oil prices.

*More profits reinvested*

A trend towards a higher level of own funds in the housing sector was the effect, firstly, of the shifts of emphasis in the housing sector. These meant that construction generally associated with a higher self-financing ratio, such as the acquisition of owner-occupied housing or the maintenance and renovation of existing buildings, achieved greater prominence. Secondly, there were more redemption payments for existing mortgages. Given the buoyant take-up of interim and bridging loans from building and loan associations, it is

*Own funds of the housing sector*

likely that these influences were partially concealed by the fact that a large number of private construction projects were started with a smaller proportion of own funds than is usually the case. Favourable credit terms on a broad front are likely to have given further encouragement to this behaviour.

*Progress in consolidation in the government sector...*

One fundamentally positive factor to be noted is that the central, regional and local authorities were able to reduce their deficits<sup>3</sup> to a significant extent, mainly as a result of imposing stricter economising measures; in the area of the social security funds – also as a result of raising contribution levels – there was even a surplus. This contrasted, admittedly, with a fall in households' savings. Of significance in this context were growing unemployment, moderate rises in negotiated pay rates and a sluggish trend in property income. The resulting negative effects on the private saving ratio were alleviated – but not offset – by the comparatively high level of savings from the sharply expanding incomes of self-employed persons.

*... with declining private savings*

Despite the minor contribution made by households, total domestic savings rose by roughly one-sixth in 1997, and were thus no more than around DM 9 billion (or roughly ¼ % of aggregate disposable incomes) lower than the domestic financial resources needed for investment purposes.<sup>4</sup> The aggregate shortfall in saving has thus fallen to around one-fifth of its peak level of 1994.

## Basic structure of the financial flows

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Notwithstanding the decline in households' savings and the associated cutback in funds provided by this traditional surplus sector, there were no tensions in the funding structure of the economy as a whole in 1997. On the contrary, cyclical events were characterised by favourable conditions; long-term interest rates reached all-time lows and exchange rates moved very little overall with an increasing tendency to return to a normal path and stabilise. Enterprises' lower external financing requirement also played a part in this overall context, however, since it was affected to a considerable extent by a propensity to invest that was still restrained. Once investment picks up again – which is to be hoped – higher domestic saving for financing would also be desirable. In some cases, additional funds will be provided "automatically" through higher income from employment and cyclical easing of the burdens on government sector budgets. But, above and beyond that, the government sector must press on with the remaining tasks of consolidation – not least in order to help to create scope for a comprehensive tax reform.

*Favourable terms of financing*

Given the enterprises' overall rather moderate propensity to invest and the accompanying measures to consolidate and improve their financial stability, the liabilities and fi-

*Different preferences regarding lock-in periods*

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<sup>3</sup> As defined in the national accounts, including the balance of the capital transfers made and received.

<sup>4</sup> The balance of payments adjustments (including accrued interest and net interest income from growth funds), which the Federal Statistical Office has not incorporated into the national accounts hitherto for methodological reasons, have been added to the net external financial balance.

financial assets of the domestic non-financial sectors grew almost one-fifth less sharply in 1997 on account of transactions than in each of the two preceding years. In view of the fact that interest rates continued to fall at the longer end of the capital market, which was accompanied by a firming of short-term interest rates from the middle of last year, it is not surprising that there continued to be marked differences between borrowers' and investors' preferences regarding interest rate lock-in periods. Long-term financing tended to gain in importance within overall borrowing, for example. This was due, firstly, to enterprises' consolidation efforts and, secondly, to government debt management having greater recourse to the bond market. Over the longer term, this policy of issuing bonds to widen the investor base for the public sector borrowing requirement has considerably enhanced the importance of the bond market. At the end of 1997, around DM 1,450 billion, or 16%, of external financing taken up by the non-financial sector came from this source, compared with a share of 11% in 1990 and 6% ten years previously. The expansion of bond market debt was due mainly to a shift away from direct lending by banks, which at the end of 1997 provided no more than just over one-half of total financial resources (DM 4,780 billion) compared with 62% in 1980.

*Investment  
structure*

By contrast, short-term investment continued to play a major role in terms of financial asset formation. In 1997, short-term investment accounted for roughly one-half of the financial assets additionally formed by the government sector and households. Nevertheless,

this was a much lower share than in 1996 (65%), when there had been a sharp bloating of short-term financial interlacing. Instead, portfolio investment achieved further prominence in 1997. This was primarily due to sizeable purchases of investment fund certificates, which more than doubled within the space of one year. Evidently, investment in certificates was particularly valued by households and enterprises not only because of their balanced spread of risks and their comparatively attractive yield or price prospects but also on account of their high liquidity.

Over the longer term, total holdings of bonds, investment fund certificates and shares by the domestic non-financial sectors have continually gained ground. At an estimated DM 3 trillion, roughly one-third of domestic financial assets were invested in securitised form at the end of 1997, compared with around 25% in 1990 and 18% ten years earlier. Especially in the last ten years, securities holdings have thus attained a scale which more or less corresponds to that of the deposits which the sectors concerned hold with domestic and foreign banks – a development boosted by the upsurge in prices on the stock exchanges. As a corollary of the growing importance of the securities markets, banks have lost one-fifth of their significance as reservoirs of capital (around 50%) since 1980.

*Securities  
holdings*

## Financial assets and liabilities \* of domestic non-financial sectors

DM billion

Item	End-of-year level				Changes	
	1980 1	1990	1996 e	1997 e	1996 p	1997 pe
<b>Financial assets</b>						
Longer-term						
with banks 2	439.1	707.3	780.9	766.1	- 8.0	- 10.4
with other institutional investors in the securities market 3	325.7	695.1	1,092.5	1,179.4	82.8	86.9
other investments	454.5	1,358.3	2,527.3	2,800.8	32.5	57.1
	230.3	526.7	649.6	687.2	29.0	27.2
Subtotal	1,449.7	3,287.3	5,050.4	5,433.6	136.3	160.8
Short-term						
with banks 2	805.0	1,651.1	2,492.2	2,583.2	185.3	96.2
other investments 4	211.9	493.8	676.2	743.3	63.1	61.7
Subtotal	1,017.0	2,144.9	3,168.4	3,326.5	248.4	158.0
<b>Grand total</b>	<b>2,466.6</b>	<b>5,432.2</b>	<b>8,218.8</b>	<b>8,760.1</b>	<b>384.6</b>	<b>318.8</b>
of which						
Households	1,483.5	3,198.3	4,955.0	5,343.8	245.2	243.2
Enterprises 5	661.9	1,630.6	2,661.8	2,799.2	136.7	79.0
Government	321.2	603.3	602.0	617.1	2.7	- 3.4
<b>Memo item</b>						
Financial assets as % of GDP	167.0	203.4	233.8	242.5	10.9	8.8
<b>Liabilities and shares outstanding</b>						
Longer-term						
to banks 2	1,197.9	2,252.4	3,687.5	3,918.5	262.6	235.2
to other institutional investors in the securities market 6	236.1	358.7	466.8	483.9	10.3	5.2
to other lenders	371.4	1,164.1	2,573.5	2,893.1	73.2	76.1
	219.7	502.6	559.8	571.8	10.3	9.8
Subtotal	2,025.1	4,277.8	7,287.7	7,867.3	356.3	326.3
Short-term						
to banks 2	335.2	617.1	817.5	859.7	42.7	31.6
to other lenders 4	110.8	222.5	306.4	323.5	51.3	13.4
Subtotal	446.0	839.6	1,123.8	1,183.2	93.9	44.9
<b>Grand total</b>	<b>2,471.1</b>	<b>5,117.5</b>	<b>8,411.5</b>	<b>9,050.5</b>	<b>450.3</b>	<b>371.3</b>
of which						
Households	143.2	274.3	387.6	394.8	8.1	13.1
Enterprises 5	1,869.9	3,794.1	5,804.6	6,352.5	313.7	259.8
Government	458.0	1,049.1	2,219.2	2,303.2	128.5	98.4
<b>Memo item</b>						
Liabilities as % of GDP	167.3	191.7	239.3	250.6	12.8	10.3

\* Including shares outstanding. — 1 Western Germany. —  
2 In Germany and abroad. — 3 Stocks of bonds, investment  
fund certificates and shares. — 4 Including money market

paper. — 5 Including housing. — 6 Liabilities arising from  
bonds and shares outstanding.

Deutsche Bundesbank

## Financing pattern of producing enterprises

*Increased  
stockbuilding*

The producing enterprises benefited from the brightening of the cyclical situation in quite different ways in 1997. Investment was stepped up mainly in export-oriented manufacturing. Overall, gross investment in tangible fixed assets and stocks, at DM 442 billion, was just over 13 % higher than in 1996. The major part of the increased amount – just over two-thirds, according to the estimates available so far – was spent on building up stocks. As mentioned above, however, these figures are subject to major uncertainties.

*Higher fixed  
capital  
formation*

One-third of additional gross capital formation was spent on machinery and equipment, mainly on projects to lower costs and enhance competitiveness. It is mainly globally operating industrial enterprises which are subject to the requirements of modernisation and rationalisation. Producing enterprises have shown marked restraint hitherto in spending on industrial and commercial buildings, which are often associated with capacity extensions. Firstly, the flow of production can be managed much more flexibly nowadays by means of appropriate organisational measures. Secondly, extensive additional capacity was installed in the first few years of German unification which – despite the recovery that has occurred in the interim – has no doubt still not been fully utilised. Moreover, the miniaturisation of machinery and equipment as well as the implementation of rationalised strategies for using space have likewise tended to reduce expenditure on buildings.

Fixed capital formation admittedly reflects only the domestic side of investment decisions in a broader sense. Additionally, enterprises can always invest funds in their diverse activities abroad. This is done either by establishing or expanding subsidiaries or by acquiring foreign firms or participating interests which fit in with their own overall business strategy. The funds provided for projects of this kind are not counted as domestic fixed capital expenditure, however, but as external financial fixed assets within the category of financial asset formation.

In 1997, the growing international integration of production facilities and product markets was reflected not only in a sharp expansion of international trade flows but also in an increase in direct investment abroad. Producing enterprises' expenditure on the latter amounted to around DM 40 billion. Since the beginning of the nineties, the cumulative amount of such investment has risen to roughly DM 270 billion or just under one-tenth of domestic fixed capital formation. Furthermore, producing enterprises again placed considerable funds with their partners abroad in the form of additional trade and financial credits. Overall, the amount of funds tied up in protecting foreign business came to just under DM 80 billion in 1997, which was almost just as much as in 1996 in absolute terms.

Increased (domestic) investment in tangible fixed assets and stocks as well as external investment were funded not only from the ongoing inflow of own funds and through the financial markets but also, to a consider-

*Investment in  
different  
production  
centres*

*Direct  
investment  
abroad*

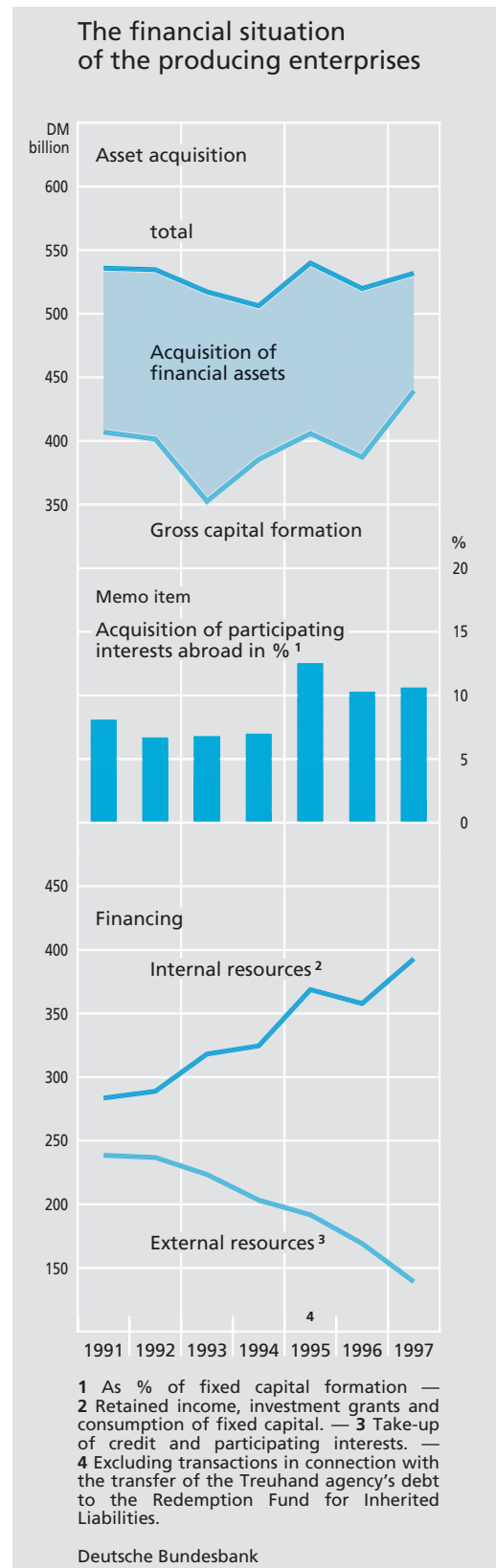
*Recourse to  
domestic  
financial assets*



able extent, by recourse to financial reserves, especially as the gap in yields between fixed and financial assets grew wider. In 1997, producing enterprises' total acquisition of financial assets, at DM 92 billion, was thus almost one-third lower than in 1996. This mainly affected deposits with banks; additions to such deposits roughly halved despite the fact that the cash flow was more plentiful. Once again, there was a preponderance of outflows on the Euro-accounts, which might be due to major debt repayments intended to lower interest costs and improve future operating results. Additionally, maturing bond market investments – as in 1996 – were not renewed in most cases, leading to a reduction of the portfolios concerned. Enterprises which had to make financial provision for investment projects at home contrasted with others that had cash flow resources which they did not immediately require for fixed capital formation and which they temporarily placed in attractive forms of investment. The most popular of these included certificates of special investment funds (which invest the majority, or at least quite a large share, of resources in shares) and short-dated bonds.

*Increasing self-financing ratio*

Enterprises invested a total of around DM 534 billion in financial and tangible fixed assets in 1997; the total resources utilised were thus 2½% higher than in 1996. An increasing share of this was funded from own resources since the amount of consumption of fixed capital, retained profits and subsidies towards investment increased by a total of one-tenth last year. In respect of the sum of gross capital and financial asset formation, this gave a self-financing ratio of 74%,



which has thus progressively improved by two-fifths during the nineties. To a considerable extent this reflects the fact that fixed capital formation was comparatively weak, but it is also evident that there has been a perceptible general improvement in the earnings and self-financing opportunities of enterprises in Germany owing to accelerated rationalisation and progress in transforming the east German economy.

*Declining  
external  
financing  
requirement*

As a result of the extended scope for self-financing, the producing enterprises required far fewer external resources in 1997; at DM 141 billion, the take-up of additional credits and of risk capital was just under one-fifth lower than in 1996. There was principally less recourse to short-term financial credits, especially from banks and partner enterprises abroad. Firstly, some of the greater requirement for inventory and sales financing was evidently met by mobilising own liquid reserves. Nevertheless, the sharp expansion in recourse to credit terms in the case of foreign suppliers indicates that conditions with regard to meeting short-term refinancing requirements likewise varied quite considerably. Secondly, the low interest-rate level caused the producing enterprises to consolidate further in order to secure favourable credit terms on a sustained basis. On balance, longer-term borrowing from banks remained quite high; at DM 74 billion it accounted for 52 % of the additionally utilised external resources – a much higher percentage than in the preceding years following German unification.

By contrast, in the domestic equity market, in which a new segment for procuring venture

capital for new and innovative enterprises was opened in March 1997, there was much less issuing activity than in the preceding year. In total, around DM 10 billion came from this source, or one-third of the (admittedly) extremely high volume in 1996. The picture remains the same even taking into account the fact that direct foreign investment in German enterprises was comparatively low. The main reason why the inflow of investment capital was not as large despite the generally favourable stock exchange climate was that the public launching of Deutsche Telekom in 1996 had drawn on the equity market on an extremely large scale in order to procure funds for its future investments and the redemption of its securities debts. Once again, as in 1996, almost DM 10 billion of these debts were redeemed – and taken away from the financial reserves – whereas other enterprises called on the bond market only to a limited extent.

*Recourse to the  
securities  
markets*

Overall, producing enterprises benefited from a comparatively favourable financial situation. Rising entrepreneurial income led to a marked slowdown in the growth of borrowing, making possible a further reduction in debt-income ratios. Much the same applies to the interest burden ratio where lower interest rates, on an annual average, additionally had a positive effect. The provision of liquidity remained quite abundant overall despite the mobilisation of financial reserves; together with the improved profitability of fixed capital, this represents a sound platform for future investment.

*Favourable  
underlying  
conditions for  
investment*

## Producing enterprises' asset acquisition and its financing

DM billion

Item	1991	1992	1993	1994	1995 p	1996 p	1997 pe
Asset acquisition							
Gross capital formation	409.2	403.8	354.9	387.7	408.1	389.5	441.7
Tangible fixed assets	396.4	405.5	364.1	371.3	377.5	366.2	381.4
Stocks	12.8	- 1.7	- 9.2	16.4	30.6	23.3	60.3
Acquisition of financial assets	128.9	133.1	164.6	120.8	134.0	132.6	92.4
Funds placed with banks <sup>1</sup>	49.7	104.0	98.4	- 16.9	51.3	87.1	43.7
Short-term	48.8	106.1	104.1	- 12.6	40.6	80.4	40.8
Longer-term	0.9	- 2.1	- 5.7	- 4.3	10.7	6.7	2.9
Securities <sup>2</sup> of which	29.5	22.4	8.6	68.0	11.7	- 26.1	- 10.1
investment fund certificates	4.7	4.5	3.5	30.2	5.3	10.8	20.2
Participating interests <sup>3</sup>	38.2	32.5	38.2	30.0	44.7	31.3	15.5
in Germany	6.0	5.3	13.4	4.1	- 2.5	- 6.3	- 24.8
abroad	32.3	27.2	24.9	25.9	47.2	37.6	40.3
Other claims	11.5	- 25.7	19.4	39.7	26.3	40.3	43.3
on residents <sup>4, 5</sup>	1.4	3.5	8.5	9.3	- 0.8	- 7.4	4.4
on non-residents	10.1	- 29.2	10.9	30.4	27.1	47.7	38.9
Total	538.1	536.9	519.5	508.5	542.1	522.1	534.1
Financing							
Internal resources	285.8	291.1	320.4	326.8	371.0	360.1	395.2
Net retained income <sup>5, 6</sup>	31.9	14.5	26.3	25.2	61.0	45.4	74.3
Depreciation allowances	253.9	276.6	294.1	301.6	310.0	314.7	320.9
Memo item							
Internal financing ratio <sup>5, 7</sup>	53.1	54.2	61.7	64.3	68.4	69.0	74.0
Incurrence of liabilities <sup>8</sup>	240.8	239.1	225.7	205.6	194.0	171.5	141.4
with banks <sup>1, 5</sup>	172.8	137.8	97.6	50.9	143.2	102.0	98.5
Short-term	81.6	20.8	- 18.5	13.0	70.3	30.2	24.4
Longer-term	91.2	117.0	116.1	37.9	72.9	71.9	74.1
in the securities market <sup>5, 9</sup>	7.5	41.8	91.8	90.5	- 6.4	- 8.6	- 5.8
in the form of participating interests <sup>3</sup>	11.4	14.6	15.9	28.7	40.1	38.4	16.6
with other lenders	49.0	45.0	20.5	35.4	16.9	39.7	32.1
in Germany	26.5	29.3	5.5	5.2	- 6.3	10.9	8.2
abroad	22.5	15.7	15.0	30.2	23.2	28.8	23.9
Total	526.6	530.3	546.1	532.3	564.9	531.7	536.5
Net acquisition of financial assets	- 111.9	- 106.0	- 61.2	- 84.7	- 59.9	- 38.9	- 49.0
Statistical discrepancy <sup>10</sup>	11.5	6.7	- 26.6	- 23.8	- 22.9	- 9.5	- 2.4
Financial balance <sup>11</sup>	- 123.4	- 112.7	- 34.5	- 60.9	- 37.1	- 29.4	- 46.5

<sup>1</sup> In Germany and abroad. — <sup>2</sup> Money market paper, bonds and investment fund certificates. — <sup>3</sup> Shares and other participatory instruments abroad. — <sup>4</sup> Including claims on property insurance enterprises. — <sup>5</sup> In 1995 after the elimination of transactions associated with the transfer of the Treuhand agency's debt to the Redemption Fund for Inherited Liabilities. — <sup>6</sup> Including capital transfers re-

ceived (net). — <sup>7</sup> Internal resources as % of total asset formation. — <sup>8</sup> Including the procurement of investment capital. — <sup>9</sup> Through the sale of money market paper and bonds. — <sup>10</sup> Corresponds to the balancing item in the financial account with the rest of the world owing to unclassifiable payment transactions with non-residents. — <sup>11</sup> Internal resources less gross capital formation.

Deutsche Bundesbank

## Households' saving and investment behaviour

*Further decline  
in private  
savings*

Although the decline in the private saving ratio since the beginning of the nineties initially came to halt in 1994, there was a further fall in households' savings in 1997. At around 12 %, saving's share in disposable income at the end of the period under review was 2 percentage points lower than in the year of German unification. At the same time, the volume of savings also fell in absolute terms by around 2 % to DM 288 billion.

*Preference for  
fixed asset  
formation*

Improved assistance for saving for building purposes and the conversion of income-tax incentives for owner-occupied dwellings to the progression-independent allowance system, which is primarily intended to make it easier for "threshold households" to have access to owner-occupied housing, were probably the main reasons why investible funds (which were scarcer overall) tended to flow more into the acquisition of fixed assets.<sup>5</sup> Other factors which influenced this were low interest rates, price stability in the property markets, slight falls in prices for construction work and probably continuing uncertainties about the future statutory pension system. Thus, in 1997, around 7 % more capital resources were provided for the acquisition or modernisation of dwellings through building and loan associations alone. However, this gives only an incomplete picture of the major importance of the private acquisition of fixed assets, which is also being stimulated by the privatisation of the east German housing stock; additional resources from income or other financial assets were often used for

these purposes, without it being possible to take these into account in determining the private saving ratio.

The greater preference for a "home of one's own" left less scope for financial asset formation, in which households are guided by their individual income circumstances and different reasons for saving. It was probably yield aspects which led to a particular demand for forms of saving offering a comparatively favourable rate of interest or the prospect of price advances. Evidently, the public launching of Deutsche Telekom in November 1996 and the boom in the world equity markets up to the autumn of last year encouraged many private investors – especially those from the middle and higher income brackets – to buy risk paper, thus imparting additional stimuli to the upsurge.

A major part of the increased interest in shares was expressed through the investment market, in which mainly certificates in internationally based domestic funds and foreign certificates were in demand. In total, households invested DM 50 billion, or two and a half times as many funds, in certificates than a year before. Given growing turnover, new investment in the equity market was probably likewise considerably higher than liquidations, with foreign shares – as in the investment market – being one of the preferred forms of investment. The intermittent stock exchange turbulence emanating from the Far

*Yield aspects*

*Heavier  
investment in  
certificates and  
shares*

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<sup>5</sup> In 1997, for the second year in succession, the number of authorised dwellings in single-family houses increased by around 10 % to a total of 165,000 units. At the same time, 145,000 of such dwellings – 14 % more than in 1996 – were completed.

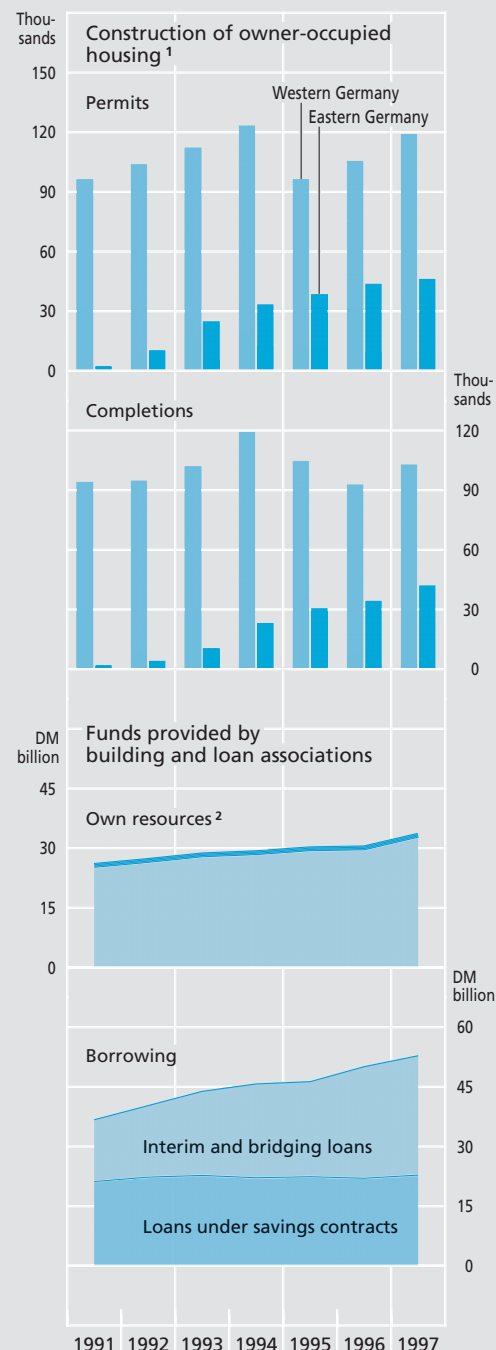
East did not significantly affect these preferences. Overall, direct private purchases of shares may therefore have almost equalled the 1996 record; together with the certificates they thus absorbed one-quarter of private financial asset acquisition.

*Shifts in private  
financial  
investment*

The preference for shares was boosted by major shifts in assets away – inter alia – from the acquisition of bonds; above all, mainly public debt instruments and other domestic bonds were sold with price advances being realised or maturing investments not being renewed, whereas an increased number of foreign-based bonds were purchased with a view to interest and exchange rates. Financial investments with banks lost a great deal of ground; in 1997 households placed only half as many funds with them as in the year before. This was reflected mainly by the considerably reduced inflows to cash reserves and to the “liquid” savings deposits which probably largely carry special terms. In parallel with this, a large amount of funds was again withdrawn on balance from time accounts and long-term savings accounts, whereas – despite falling interest rates – new investment in savings bonds slightly exceeded the amount which concurrently matured. In some cases, the significant shifts of emphasis away from bank saving and towards the equity markets are likely also to reflect the increasing differences in income and saving capacity among the individual socio-economic groups of households.

As is often the case in periods when saving is weak, saving schemes outside the banking sector gained ground. The boost which im-

Indicators of  
households' acquisition  
of fixed assets



1 Number of dwellings in new buildings with one house unit — 2 Outpayments of balances with building and loan associations after allocation of contracts.

Deutsche Bundesbank

## Households' saving, acquisition of financial assets and incurrence of liabilities

DM billion

Item	1991	1992	1993	1994	1995 p	1996 p	1997 pe
<b>Income and saving</b>							
Disposable income	1,892.2	2,038.0	2,101.2	2,173.4	2,252.7	2,333.3	2,371.5
Private consumption	1,630.3	1,755.5	1,829.3	1,906.0	1,973.9	2,040.0	2,084.0
Private saving	261.9	282.5	272.0	267.4	278.9	293.3	287.5
<b>Memo item</b>							
Saving ratio in % <sup>1</sup>	13.8	13.9	12.9	12.3	12.4	12.6	12.1
Capital transfers (net) <sup>2</sup>	- 1.5	- 2.0	- 2.0	- 2.4	- 2.8	- 3.0	- 0.4
Investable funds	260.4	280.6	270.0	264.9	276.1	290.3	287.1
Acquisition of housing <sup>3</sup>	46.6	46.9	49.7	51.3	52.1	53.2	57.0
<b>Acquisition of financial assets</b>							
Funds placed with banks <sup>4</sup>	79.8	109.3	151.0	26.5	77.5	85.9	46.0
Currency and sight deposits	14.2	41.7	35.1	15.7	23.6	33.5	19.3
Time deposits	55.9	47.5	47.4	- 56.6	- 54.0	- 38.4	- 12.7
Savings bonds	7.9	3.1	- 20.4	- 13.2	4.8	- 4.4	1.8
Savings deposits	1.8	16.9	88.9	80.6	103.1	95.3	37.5
Funds placed with building and loan associations	6.4	6.6	6.8	6.2	3.4	9.5	9.3
Funds placed with insurance enterprises	52.0	60.3	69.6	74.6	86.0	87.1	94.8
Acquisition of securities	94.1	62.7	- 2.3	110.3	54.4	47.0	77.4
Bonds <sup>5</sup>	66.6	12.6	- 25.0	38.6	37.1	15.4	19.6
Investment fund certificates	27.0	54.0	36.1	69.7	20.7	21.1	49.8
Shares	0.5	- 3.9	- 13.4	2.0	- 3.4	10.5	8.0
Other assets <sup>6</sup>	15.9	18.9	10.2	12.3	15.8	15.8	15.8
<b>Total</b>	<b>248.1</b>	<b>257.8</b>	<b>235.3</b>	<b>229.8</b>	<b>237.2</b>	<b>245.2</b>	<b>243.2</b>
Incurrence of liabilities <sup>7</sup>	34.4	24.2	15.0	16.1	13.2	8.1	13.1
<b>Memo items</b>						e	e
Total financial assets <sup>8, 9</sup>	3,485.9	3,716.4	4,092.2	4,312.0	4,652.3	4,955.0	5,343.8
Total liabilities <sup>8</sup>	1,181.5	1,260.6	1,372.3	1,496.3	1,604.3	1,720.8	1,821.5
Consumer credit	314.0	338.5	353.6	365.2	372.1	387.6	394.8
Building loans <sup>10</sup>	867.5	922.1	1,018.7	1,131.1	1,232.2	1,333.2	1,426.7
Net financial assets	2,304.4	2,455.8	2,719.9	2,815.7	3,048.0	3,234.2	3,522.3
do. in % <sup>11</sup>							
Total financial assets	184	182	195	198	207	212	225
Total liabilities	63	62	65	69	71	79	77
Consumer credit	17	17	17	17	17	18	17
Building loans	46	45	48	52	55	61	60

<sup>1</sup> Private saving as % of disposable income. — <sup>2</sup> Premiums and bonuses in connection with government saving promotion schemes less inheritance tax. — <sup>3</sup> Outpayments of balances with building and loan associations after allocation of contracts, and repayments of building and loan association loans, which are recorded as capital transfers to

housing. — <sup>4</sup> In Germany and abroad. — <sup>5</sup> Including money market paper. — <sup>6</sup> Mainly claims under company pension commitments. — <sup>7</sup> For consumption purposes. — <sup>8</sup> End-of-year levels. — <sup>9</sup> Securities at market prices. — <sup>10</sup> For new buildings and modernisations. — <sup>11</sup> As % of disposable income.

Deutsche Bundesbank

*Funds placed  
with building  
and loan  
associations  
and with  
insurance  
enterprises*

proved government incentives had given to saving with building and loan associations was still making itself felt in 1997 despite there being less new business and higher outpayments. Funds placed with insurance enterprises also developed comparatively steadily last year, even though outpayments continued to grow sharply and new business was depressed by the weak income trend and uncertainties on the labour market. This mostly affected the traditional area of capital-sum life insurance. By contrast, newly concluded pension insurance contracts proved to be a mainstay; these are likely to be a reflection of the growing percentage of one-person households and households without children that do not require provision for surviving dependants. Some of these are types of insurance with a one-off contribution which in many cases provide for the immediate start of pension payments.

*Take-up of  
consumer  
credit*

The differences in households' borrowing patterns were just as marked as they were in the acquisition of financial assets. In connection with the generally more restrained demand for consumer durables such as motor vehicles or household furnishings and appliances, households had less recourse to longer-term instruments of consumption financing in 1997 than they did in the previous year. By contrast, it is likely that more shorter-term funds were required. But this picture is not free of distortions since fairly sizeable interim funding of mortgage loans may be contained in the short-term consumer credits.

Saving preferences in 1997 gave additional impetus to the shifts of emphasis in private forms of saving which have been under way for some time. Simultaneously, the investment structures of private financial assets have continued to converge in both parts of Germany, even if it has not been possible to smooth out all the historically evolved differences in the comparatively short space of time since German unification. Since the end of 1990 banks have become much less important as reservoirs of private funds; however, with a ratio of two-thirds in eastern Germany, they still manage a share of private financial assets which is twice as high as in western Germany. This is mainly due to the more extensive holding of private liquid funds in sight and time accounts because of the higher risks. Funds placed with building and loan associations have a greater weight owing to the special housing situation in the new Länder. Convergence appears to have progressed furthest with regard to the importance of securities holdings, especially in the form of investment fund certificates. By contrast, there is still comparatively little provision through life insurance schemes in eastern Germany. In part, this reflects conditions in the former GDR with no more than minor supplementary private provision; furthermore, building up a new capital stock requires a long process of saving with contribution payments at a level which currently exceeds the financial capacity of many east German households.

*Converging  
investment  
patterns in  
western and  
eastern  
Germany*

The tables accompanying this article appear on the following pages.

## Capital finance account for 1997 <sup>pe</sup>

DM billion

Item	Households	Enterprises			Government <sup>1</sup>	All domestic non-financial sectors
		Total	Producing enterprises	Housing		
<b>Acquisition of fixed assets and saving</b>						
Net capital formation	.	263.87	120.86	143.01	42.75	306.62
Gross capital formation	.	698.61	441.71	256.90	69.47	768.08
Consumption of fixed capital	.	434.74	320.85	113.89	26.72	461.46
Saving and capital transfers	230.13	85.60	74.32	11.28	- 59.10	256.63
Saving	287.48	- 0.81	48.46	- 49.27	- 28.72	257.95
Capital transfers (net)	- 57.35	86.41	25.86	60.55	- 30.38	- 1.32
Financial surplus or deficit <sup>3</sup>	230.13	- 178.27	- 46.54	- 131.73	- 101.85	- 49.99
Statistical discrepancy <sup>4</sup>	.	- 2.45	- 2.45	.	.	- 2.45
<b>Acquisition of financial assets</b>						
Funds placed with banks	47.66	41.61	50.11	- 8.50	3.72	92.98
Currency and sight deposits	19.32	52.13	60.63	- 8.50	- 4.85	66.61
Time deposits	- 9.17	- 11.25	- 11.25	.	8.09	- 12.34
Savings deposits	37.51	0.73	0.73	.	0.48	38.71
Funds placed with building and loan associations	9.34	0.21	0.21	.	0.02	9.57
Funds placed with insurance enterprises	94.77	9.57	9.57	.	0.90	105.24
Purchases of money market paper	- 1.05	5.34	5.34	.	0.11	4.40
Purchases of bonds	20.65	- 35.60	- 35.60	.	- 2.73	- 17.67
Purchases of investment fund certificates	49.76	20.19	20.19	.	2.59	72.54
Purchases of shares	8.00	4.66	4.66	.	- 10.40	2.26
External position of the Bundesbank	.	.	.	.	.	.
Bank loans	.	.	.	.	.	.
Short-term bank loans	.	.	.	.	.	.
Longer-term bank loans	.	.	.	.	.	.
Building and loan association loans	.	.	.	.	.	.
Insurance enterprise loans	.	.	.	.	.	.
Other claims	14.06	33.07	37.90	.	2.39	49.52
<b>Total</b>	<b>243.19</b>	<b>79.04</b>	<b>92.37</b>	<b>- 8.50</b>	<b>- 3.40</b>	<b>318.82</b>
<b>Incurrence of liabilities and sales of shares</b>						
Funds placed with banks	.	.	.	.	.	.
Currency and sight deposits	.	.	.	.	.	.
Time deposits	.	.	.	.	.	.
Savings deposits	.	.	.	.	.	.
Funds placed with building and loan associations	.	.	.	.	.	.
Funds placed with insurance enterprises	.	.	.	.	.	.
Sales of money market paper	.	2.13	2.13	.	- 1.81	0.33
Sales of bonds	.	- 7.93	- 7.93	.	73.70	65.78
Sales of investment fund certificates	.	.	.	.	.	.
Sales of shares	.	10.36	10.31	0.05	.	10.36
External position of the Bundesbank	.	.	.	.	.	.
Bank loans	12.90	198.14	90.92	107.21	53.12	264.16
Short-term bank loans	4.05	21.10	18.29	2.81	- 0.39	24.75
Longer-term bank loans	8.85	177.04	72.64	104.40	53.52	239.41
Building and loan association loans	.	6.49	- 0.81	7.30	- 0.16	6.33
Insurance enterprise loans	0.07	1.96	- 1.94	3.90	- 3.18	- 1.15
Other liabilities	0.09	48.59	48.66	4.77	- 23.22	25.46
<b>Total</b>	<b>13.06</b>	<b>259.76</b>	<b>141.36</b>	<b>123.23</b>	<b>98.45</b>	<b>371.26</b>

<sup>1</sup> Including social security funds and special funds. — <sup>2</sup> Credit institutions including the Bundesbank. — <sup>3</sup> Saving and capital transfers (net) less net capital formation. — <sup>4</sup> Corresponds to the balancing item in

the financial account with the rest of the world owing to unclassifiable payment transactions with non-residents.

Deutsche Bundesbank



Financial sectors					Rest of the world	All sectors	Item
Total	Banks <sup>2</sup>	Building and loan associations	Insurance enterprises	Investment funds			
Acquisition of fixed assets and saving							
12.27	3.14	0.05	1.05	8.04	.	318.89	Net capital formation
23.35	11.11	0.25	3.96	8.04	.	791.43	Gross capital formation
11.08	7.97	0.20	2.91	-	.	472.54	Consumption of fixed capital
53.58	35.38	0.20	18.00	-	8.68	318.89	Saving and capital transfers
53.48	35.38	0.20	17.90	-	7.46	318.89	Saving
0.10	-	-	0.10	-	1.22	-	Capital transfers (net)
41.31	32.25	0.15	16.95	- 8.04	8.68	-	Financial surplus or deficit <sup>3</sup>
.	.	.	.	.	2.45	-	Statistical discrepancy <sup>4</sup>
Acquisition of financial assets							
63.61	.	7.04	41.51	15.06	208.42	365.02	Funds placed with banks
1.82	.	0.02	0.27	1.53	73.01	141.44	Currency and sight deposits
61.45	.	7.02	40.89	13.53	135.23	184.33	Time deposits
0.35	.	.	0.35	.	0.19	39.24	Savings deposits
0.43	0.43	.	.	.	0.13	10.12	Funds placed with building and loan associations
.	.	.	.	.	0.49	105.73	Funds placed with insurance enterprises
- 2.69	- 2.25	0.07	-	- 0.51	12.48	14.19	Purchases of money market paper
223.49	142.47	- 1.33	4.19	78.16	121.84	327.66	Purchases of bonds
84.87	33.34	2.58	48.94	.	- 4.17	153.24	Purchases of investment fund certificates
88.60	13.83	0.12	32.77	41.88	22.15	113.01	Purchases of shares
- 7.14	- 7.14	.	.	.	- 0.64	- 7.78	External position of the Bundesbank
429.21	429.21	.	.	.	.	429.21	Bank loans
121.46	121.46	.	.	.	.	121.46	Short-term bank loans
307.75	307.75	.	.	.	.	307.75	Longer-term bank loans
6.29	.	6.29	.	.	.	6.29	Building and loan association loans
- 0.54	.	.	- 0.54	.	.	- 0.54	Insurance enterprise loans
- 0.86	.	.	.	- 0.86	24.62	73.28	Other claims
885.27	609.89	14.78	126.87	133.73	385.32	1,589.41	Total
Incurrence of liabilities and sales of shares							
365.02	365.02	.	.	.	.	365.02	Funds placed with banks
141.44	141.44	.	.	.	.	141.44	Currency and sight deposits
184.33	184.33	.	.	.	.	184.33	Time deposits
39.24	39.24	.	.	.	.	39.24	Savings deposits
10.12	.	10.12	.	.	.	10.12	Funds placed with building and loan associations
105.73	.	.	105.73	.	.	105.73	Funds placed with insurance enterprises
7.51	7.51	.	.	.	6.35	14.19	Sales of money market paper
184.91	184.77	0.14	.	.	76.97	327.66	Sales of bonds
138.95	.	.	.	138.95	14.29	153.24	Sales of investment fund certificates
20.82	19.71	0.02	1.10	.	81.82	113.01	Sales of shares
- 0.64	- 0.64	.	.	.	- 7.14	- 7.78	External position of the Bundesbank
9.72	.	4.25	2.64	2.83	155.34	429.21	Bank loans
2.40	.	- 0.01	1.28	1.13	94.31	121.46	Short-term bank loans
7.32	.	4.26	1.36	1.70	61.03	307.75	Longer-term bank loans
- 0.07	- 0.07	.	- 0.00	.	0.03	6.29	Building and loan association loans
0.10	.	0.10	.	.	0.51	- 0.54	Insurance enterprise loans
1.80	1.35	.	0.45	.	46.02	73.28	Other liabilities
843.96	577.64	14.62	109.92	141.77	374.19	1,589.41	Total

## Capital finance account for 1996 <sup>P</sup>

DM billion

Item	Households	Enterprises			Government <sup>1</sup>	All domestic non-financial sectors
		Total	Producing enterprises	Housing		
<b>Acquisition of fixed assets and saving</b>						
Net capital formation	.	222.54	74.86	147.68	50.43	272.97
Gross capital formation	.	646.89	389.54	257.35	76.68	723.57
Consumption of fixed capital	.	424.35	314.68	109.67	26.25	450.60
Saving and capital transfers	237.12	55.13	45.44	9.69	- 75.42	216.83
Saving	293.30	- 30.49	16.51	- 47.00	- 44.03	218.78
Capital transfers (net)	- 56.18	85.62	28.93	56.69	- 31.39	- 1.95
Financial surplus or deficit <sup>3</sup>	237.12	- 167.41	- 29.42	- 137.99	- 125.85	- 56.14
Statistical discrepancy <sup>4</sup>	.	- 9.52	- 9.52	.	.	- 9.52
<b>Acquisition of financial assets</b>						
Funds placed with banks	88.37	90.05	86.05	4.00	2.46	180.88
Currency and sight deposits	33.50	88.68	84.68	4.00	5.41	127.59
Time deposits	- 40.39	0.44	0.44	.	- 3.06	- 43.00
Savings deposits	95.25	0.92	0.92	.	0.11	96.28
Funds placed with building and loan associations	9.48	0.32	0.32	.	0.15	9.95
Funds placed with insurance enterprises	87.05	6.79	6.79	.	0.11	93.94
Purchases of money market paper	- 0.34	- 3.75	- 3.75	.	0.01	- 4.08
Purchases of bonds	15.73	- 33.15	- 33.15	.	- 2.53	- 19.94
Purchases of investment fund certificates	21.11	10.84	10.84	.	0.46	32.41
Purchases of shares	10.50	9.29	9.29	.	0.22	20.02
External position of the Bundesbank	.	.	.	.	.	.
Bank loans	.	.	.	.	.	.
Short-term bank loans	.	.	.	.	.	.
Longer-term bank loans	.	.	.	.	.	.
Building and loan association loans	.	.	.	.	.	.
Insurance enterprise loans	.	.	.	.	.	.
Other claims	13.33	56.34	56.22	.	1.77	71.44
<b>Total</b>	<b>245.22</b>	<b>136.73</b>	<b>132.61</b>	<b>4.00</b>	<b>2.66</b>	<b>384.62</b>
<b>Incurrence of liabilities and sales of shares</b>						
Funds placed with banks	.	.	.	.	.	.
Currency and sight deposits	.	.	.	.	.	.
Time deposits	.	.	.	.	.	.
Savings deposits	.	.	.	.	.	.
Funds placed with building and loan associations	.	.	.	.	.	.
Funds placed with insurance enterprises	.	.	.	.	.	.
Sales of money market paper	.	0.11	0.11	.	19.66	19.78
Sales of bonds	.	- 8.70	- 8.70	.	50.88	42.18
Sales of investment fund certificates	.	.	.	.	.	.
Sales of shares	.	31.00	30.97	0.03	.	31.00
External position of the Bundesbank	.	.	.	.	.	.
Bank loans	8.18	232.09	101.71	130.38	66.68	306.95
Short-term bank loans	- 2.25	38.00	29.65	8.35	7.54	43.29
Longer-term bank loans	10.43	194.09	72.06	122.03	59.14	263.66
Building and loan association loans	.	6.48	- 1.38	7.86	0.03	6.51
Insurance enterprise loans	- 0.08	2.60	- 1.26	3.85	1.28	3.79
Other liabilities	0.01	50.09	50.09	- 0.13	- 10.02	40.08
<b>Total</b>	<b>8.10</b>	<b>313.66</b>	<b>171.55</b>	<b>141.99</b>	<b>128.51</b>	<b>450.28</b>

<sup>1</sup> Including social security funds and special funds. — <sup>2</sup> Credit institutions including the Bundesbank. — <sup>3</sup> Saving and capital transfers (net) less net capital formation. — <sup>4</sup> Corresponds to the balancing item in

the financial account with the rest of the world owing to unclassifiable payment transactions with non-residents.

Deutsche Bundesbank

Financial sectors					Rest of the world	All sectors	Item
Total	Banks <sup>2</sup>	Building and loan associations	Insurance enterprises	Investment funds			
Acquisition of fixed assets and saving							
19.08	6.77	0.03	1.09	11.19	.	292.05	Net capital formation
30.05	14.63	0.23	4.00	11.19	.	753.62	Gross capital formation
10.97	7.86	0.20	2.91	-	.	461.57	Consumption of fixed capital
46.45	31.17	0.20	15.08	-	28.77	292.05	Saving and capital transfers
46.31	31.17	0.20	14.94	-	26.96	292.05	Saving
0.14	-	-	0.14	-	1.81	-	Capital transfers (net)
27.38	24.40	0.17	13.99	- 11.19	28.77	-	Financial surplus or deficit <sup>3</sup>
.	.	.	.	.	9.52	-	Statistical discrepancy <sup>4</sup>
Acquisition of financial assets							
78.21	.	6.42	63.31	8.48	56.14	315.22	Funds placed with banks
5.67	.	0.02	2.38	3.31	39.98	173.24	Currency and sight deposits
71.94	.	6.44	60.33	5.18	14.45	43.39	Time deposits
0.60	.	.	0.60	.	1.72	98.60	Savings deposits
0.84	0.84	.	.	.	0.08	10.87	Funds placed with building and loan associations
.	.	.	.	.	0.27	94.21	Funds placed with insurance enterprises
4.34	6.86	-	-	- 2.52	19.50	19.76	Purchases of money market paper
172.91	112.29	- 0.39	1.65	59.35	102.41	255.37	Purchases of bonds
52.25	18.05	1.88	32.32	.	- 2.31	82.35	Purchases of investment fund certificates
40.48	18.18	0.01	9.93	12.36	17.02	77.51	Purchases of shares
- 2.40	- 2.40	.	.	.	- 1.77	- 4.17	External position of the Bundesbank
383.88	383.88	.	.	.	.	383.88	Bank loans
93.52	93.52	.	.	.	.	93.52	Short-term bank loans
290.37	290.37	.	.	.	.	290.37	Longer-term bank loans
5.72	.	5.72	.	.	.	5.72	Building and loan association loans
3.84	.	.	3.84	.	.	3.84	Insurance enterprise loans
- 6.21	.	.	.	- 6.21	40.64	105.87	Other claims
733.85	537.70	13.65	111.05	71.46	231.96	1,350.43	Total
Incurrence of liabilities and sales of shares							
315.22	315.22	.	.	.	.	315.22	Funds placed with banks
173.24	173.24	.	.	.	.	173.24	Currency and sight deposits
43.39	43.39	.	.	.	.	43.39	Time deposits
98.60	98.60	.	.	.	.	98.60	Savings deposits
10.87	.	10.87	.	.	.	10.87	Funds placed with building and loan associations
94.21	.	.	94.21	.	.	94.21	Funds placed with insurance enterprises
- 1.23	- 1.23	.	.	.	1.21	19.76	Sales of money market paper
191.34	191.64	- 0.30	.	.	21.85	255.37	Sales of bonds
79.11	.	.	.	79.11	3.24	82.35	Sales of investment fund certificates
9.54	8.21	0.02	1.31	.	36.98	77.51	Sales of shares
- 1.77	- 1.77	.	.	.	- 2.40	- 4.17	External position of the Bundesbank
7.35	.	2.74	1.08	3.54	69.58	383.88	Bank loans
2.24	.	0.37	0.59	1.29	47.99	93.52	Short-term bank loans
5.12	.	2.37	0.50	2.25	21.59	290.37	Longer-term bank loans
- 0.12	- 0.13	.	0.01	.	- 0.67	5.72	Building and loan association loans
0.15	.	0.15	.	.	- 0.11	3.84	Insurance enterprise loans
1.80	1.35	.	0.45	.	63.99	105.87	Other liabilities
706.47	513.29	13.48	97.06	82.64	193.68	1,350.43	Total

## Financial assets and liabilities in 1997 <sup>e</sup>

End-of-year level; DM billion

Item	Households	Enterprises			Govern- ment <sup>1</sup>	All domestic non- financial sectors
		Total	Producing enterprises	Housing		
<b>Financial assets</b>						
Funds placed with banks	1,990.9	908.5	881.3	27.2	305.0	3,204.4
Currency and sight deposits	461.0	684.8	657.7	27.2	33.0	1,178.8
Time deposits	363.4	215.7	215.7	.	266.2	845.3
Savings deposits	1,166.5	7.9	7.9	.	5.9	1,180.3
Funds placed with building and loan associations	173.9	3.1	3.1	.	1.3	178.3
Funds placed with insurance enterprises	1,163.0	106.2	106.2	.	3.8	1,273.0
Assets in the form of money market paper	2.8	23.2	23.2	.	0.4	26.3
Assets in the form of bonds	757.8	72.5	72.5	.	25.5	855.8
Assets in the form of investment fund certificates	468.3	130.8	130.8	.	14.6	613.7
Assets in the form of shares	443.0	811.9	811.9	.	76.4	1,331.3
External position of the Bundesbank	.	.	.	.	.	.
Bank loans	.	.	.	.	.	.
Short-term bank loans	.	.	.	.	.	.
Longer-term bank loans	.	.	.	.	.	.
Building and loan association loans	.	.	.	.	.	.
Insurance enterprise loans	.	.	.	.	.	.
Other claims	344.1	743.1	752.2	.	190.1	1,277.2
<b>Total</b>	<b>5,343.8</b>	<b>2,799.2</b>	<b>2,781.2</b>	<b>27.2</b>	<b>617.1</b>	<b>8,760.1</b>
<b>Liabilities and shares outstanding</b>						
Funds placed with banks	.	.	.	.	.	.
Currency and sight deposits	.	.	.	.	.	.
Time deposits	.	.	.	.	.	.
Savings deposits	.	.	.	.	.	.
Funds placed with building and loan associations	.	.	.	.	.	.
Funds placed with insurance enterprises	.	.	.	.	.	.
Liabilities arising from money market paper	.	8.0	8.0	.	26.6	34.5
Liabilities arising from bonds	.	86.6	86.6	.	1,329.9	1,416.6
Investment fund certificates outstanding	.	.	.	.	.	.
Shares outstanding	.	1,476.5	1,468.7	7.8	.	1,476.5
External position of the Bundesbank	.	.	.	.	.	.
Bank loans	368.2	3,449.8	1,969.7	1,480.1	851.8	4,669.8
Short-term bank loans	82.1	662.8	617.9	44.9	57.2	802.1
Longer-term bank loans	286.1	2,787.1	1,351.9	1,435.2	794.6	3,867.8
Building and loan association loans	.	189.3	0.0	189.3	2.9	192.2
Insurance enterprise loans	19.7	237.7	119.6	118.1	34.3	291.7
Other liabilities	6.9	904.6	884.2	29.5	57.6	969.1
<b>Total</b>	<b>394.8</b>	<b>6,352.5</b>	<b>4,536.9</b>	<b>1,824.7</b>	<b>2,303.2</b>	<b>9,050.5</b>
<b>Memo item</b>						
Net financial assets <sup>3</sup>	4,948.9	-3,553.3	-1,755.7	-1,797.5	-1,686.1	-290.5

<sup>1</sup> Including social security funds and special funds. — <sup>2</sup> Credit institutions including the Bundesbank. — <sup>3</sup> Financial assets less liabilities and shares outstanding.

Deutsche Bundesbank

Financial sectors					Rest of the world	All sectors	Item
Total	Banks <sup>2</sup>	Building and loan associations	Insurance enterprises	Investment funds			
Financial assets							
680.8	.	27.7	598.6	54.5	1,028.5	4,913.7	Funds placed with banks
32.3	.	3.1	13.6	15.7	285.8	1,496.9	Currency and sight deposits
646.7	.	24.7	583.2	38.8	719.8	2,211.8	Time deposits
1.8	.	.	1.8	.	22.9	1,205.0	Savings deposits
2.7	2.7	.	.	.	1.1	182.1	Funds placed with building and loan associations
.	.	.	.	.	5.6	1,278.6	Funds placed with insurance enterprises
17.5	12.7	–	–	4.8	37.2	81.0	Assets in the form of money market paper
2,021.4	1,332.9	23.7	200.6	464.2	971.6	3,848.8	Assets in the form of bonds
436.1	136.1	10.4	289.6	.	9.3	1,059.1	Assets in the form of investment fund certificates
979.3	291.0	0.5	386.8	300.9	319.6	2,630.1	Assets in the form of shares
116.8	116.8	.	.	.	15.4	132.2	External position of the Bundesbank
5,730.6	5,730.6	.	.	.	.	5,730.6	Bank loans
1,373.4	1,373.4	.	.	.	.	1,373.4	Short-term bank loans
4,357.2	4,357.2	.	.	.	.	4,357.2	Longer-term bank loans
194.6	.	194.6	.	.	.	194.6	Building and loan association loans
313.7	.	.	313.7	.	.	313.7	Insurance enterprise loans
26.3	.	.	.	26.3	580.6	1,884.1	Other claims
10,519.6	7,622.7	256.9	1,789.3	850.7	2,968.9	22,248.6	Total
Liabilities and shares outstanding							
4,913.7	4,913.7	.	.	.	.	4,913.7	Funds placed with banks
1,496.9	1,496.9	.	.	.	.	1,496.9	Currency and sight deposits
2,211.8	2,211.8	.	.	.	.	2,211.8	Time deposits
1,205.0	1,205.0	.	.	.	.	1,205.0	Savings deposits
182.1	.	182.1	.	.	.	182.1	Funds placed with building and loan associations
1,278.6	.	.	1,278.6	.	.	1,278.6	Funds placed with insurance enterprises
29.5	29.5	.	.	.	16.9	81.0	Liabilities arising from money market paper
2,016.1	2,012.9	3.2	.	.	416.2	3,848.8	Liabilities arising from bonds
900.3	.	.	.	900.3	158.8	1,059.1	Investment fund certificates outstanding
690.3	306.9	6.0	377.4	.	463.3	2,630.1	Shares outstanding
15.4	15.4	.	.	.	116.8	132.2	External position of the Bundesbank
60.8	.	43.2	7.3	10.3	999.9	5,730.6	Bank loans
15.6	.	7.6	3.3	4.7	555.7	1,373.4	Short-term bank loans
45.2	.	35.6	4.0	5.6	444.3	4,357.2	Longer-term bank loans
0.5	0.5	.	0.0	.	1.8	194.6	Building and loan association loans
1.5	.	1.5	.	.	20.5	313.7	Insurance enterprise loans
40.6	26.8	.	13.9	.	874.3	1,884.1	Other liabilities
10,129.5	7,305.8	236.0	1,677.1	910.6	3,068.5	22,248.6	Total
Memo item							
390.1	316.9	20.9	112.2	–59.9	–99.7	–	Net financial assets <sup>3</sup>

## Financial assets and liabilities in 1996 <sup>e</sup>

End-of-year level; DM billion

Item	Households	Enterprises			Govern- ment <sup>1</sup>	All domestic non- financial sectors
		Total	Producing enterprises	Housing		
<b>Financial assets</b>						
Funds placed with banks	1,942.7	870.2	834.5	35.7	302.6	3,115.5
Currency and sight deposits	441.3	635.7	600.1	35.7	37.8	1,114.8
Time deposits	372.5	227.2	227.2	.	259.4	859.1
Savings deposits	1,129.0	7.2	7.2	.	5.4	1,141.6
Funds placed with building and loan associations	164.6	2.9	2.9	.	1.2	168.7
Funds placed with insurance enterprises	1,066.7	92.9	92.9	.	3.4	1,162.9
Assets in the form of money market paper	3.8	17.8	17.8	.	0.3	21.8
Assets in the form of bonds	741.6	100.5	100.5	.	25.5	867.6
Assets in the form of investment fund certificates	392.5	103.7	103.7	.	11.0	507.2
Assets in the form of shares	315.5	763.0	763.0	.	74.0	1,152.5
External position of the Bundesbank	.	.	.	.	.	.
Bank loans	.	.	.	.	.	.
Short-term bank loans	.	.	.	.	.	.
Longer-term bank loans	.	.	.	.	.	.
Building and loan association loans	.	.	.	.	.	.
Insurance enterprise loans	.	.	.	.	.	.
Other claims	327.6	710.9	715.2	.	184.1	1,222.6
<b>Total</b>	<b>4,955.0</b>	<b>2,661.8</b>	<b>2,630.4</b>	<b>35.7</b>	<b>602.0</b>	<b>8,218.8</b>
<b>Liabilities and shares outstanding</b>						
Funds placed with banks	.	.	.	.	.	.
Currency and sight deposits	.	.	.	.	.	.
Time deposits	.	.	.	.	.	.
Savings deposits	.	.	.	.	.	.
Funds placed with building and loan associations	.	.	.	.	.	.
Funds placed with insurance enterprises	.	.	.	.	.	.
Liabilities arising from money market paper	.	5.8	5.8	.	28.4	34.2
Liabilities arising from bonds	.	95.7	95.7	.	1,262.8	1,358.5
Investment fund certificates outstanding	.	.	.	.	.	.
Shares outstanding	.	1,215.0	1,207.9	7.1	.	1,215.0
External position of the Bundesbank	.	.	.	.	.	.
Bank loans	361.0	3,229.0	1,858.0	1,370.9	808.6	4,398.6
Short-term bank loans	82.6	626.3	584.5	41.7	57.6	766.4
Longer-term bank loans	278.4	2,602.7	1,273.5	1,329.2	751.0	3,632.1
Building and loan association loans	.	182.0	0.0	182.0	3.1	185.1
Insurance enterprise loans	19.6	224.6	110.1	114.5	37.5	281.7
Other liabilities	7.0	852.5	832.1	24.7	78.9	938.4
<b>Total</b>	<b>387.6</b>	<b>5,804.6</b>	<b>4,109.6</b>	<b>1,699.3</b>	<b>2,219.2</b>	<b>8,411.5</b>
<b>Memo item</b>						
Net financial assets <sup>3</sup>	4,567.4	-3,142.9	-1,479.2	-1,663.6	-1,617.2	-192.7

<sup>1</sup> Including social security funds and special funds. — <sup>2</sup> Credit institutions including the Bundesbank. — <sup>3</sup> Financial assets less liabilities and shares outstanding.

Deutsche Bundesbank

Financial sectors					Rest of the world	All sectors	Item
Total	Banks <sup>2</sup>	Building and loan associations	Insurance enterprises	Investment funds			
Financial assets							
616.9	.	20.7	556.7	39.5	784.9	4,517.2	Funds placed with banks
30.5	.	3.0	13.3	14.1	197.7	1,343.0	Currency and sight deposits
584.9	.	17.6	542.0	25.3	564.5	2,008.4	Time deposits
1.4	.	.	1.4	.	22.8	1,165.8	Savings deposits
2.3	2.3	.	.	.	1.0	172.0	Funds placed with building and loan associations
.	.	.	.	.	3.9	1,166.8	Funds placed with insurance enterprises
19.8	14.4	–	–	5.3	24.7	66.3	Assets in the form of money market paper
1,816.5	1,195.4	24.9	204.3	391.8	849.4	3,533.5	Assets in the form of bonds
307.8	91.9	7.0	208.9	.	13.5	828.5	Assets in the form of investment fund certificates
607.3	217.6	0.3	212.8	176.6	208.1	1,967.9	Assets in the form of shares
121.0	121.0	.	.	.	15.9	136.9	External position of the Bundesbank
5,270.2	5,270.2	.	.	.	.	5,270.2	Bank loans
1,229.5	1,229.5	.	.	.	.	1,229.5	Short-term bank loans
4,040.8	4,040.8	.	.	.	.	4,040.8	Longer-term bank loans
187.5	.	187.5	.	.	.	187.5	Building and loan association loans
300.5	.	.	300.5	.	.	300.5	Insurance enterprise loans
27.1	.	.	.	27.1	552.5	1,802.2	Other claims
9,276.9	6,912.9	240.5	1,483.3	640.3	2,453.9	19,949.6	Total
Liabilities and shares outstanding							
4,517.2	4,517.2	.	.	.	.	4,517.2	Funds placed with banks
1,343.0	1,343.0	.	.	.	.	1,343.0	Currency and sight deposits
2,008.4	2,008.4	.	.	.	.	2,008.4	Time deposits
1,165.8	1,165.8	.	.	.	.	1,165.8	Savings deposits
172.0	.	172.0	.	.	.	172.0	Funds placed with building and loan associations
1,166.8	.	.	1,166.8	.	.	1,166.8	Funds placed with insurance enterprises
21.8	21.8	.	.	.	10.3	66.3	Liabilities arising from money market paper
1,835.7	1,832.6	3.2	.	.	339.3	3,533.5	Liabilities arising from bonds
684.0	.	.	.	684.0	144.5	828.5	Investment fund certificates outstanding
406.6	184.0	5.6	217.0	.	346.3	1,967.9	Shares outstanding
15.9	15.9	.	.	.	121.0	136.9	External position of the Bundesbank
51.1	.	39.0	4.6	7.4	820.6	5,270.2	Bank loans
13.2	.	7.6	2.0	3.5	449.8	1,229.5	Short-term bank loans
37.8	.	31.3	2.6	3.9	370.8	4,040.8	Longer-term bank loans
0.6	0.6	.	0.0	.	1.8	187.5	Building and loan association loans
1.4	.	1.4	.	.	17.3	300.5	Insurance enterprise loans
38.8	25.4	.	13.4	.	825.0	1,802.2	Other liabilities
8,911.9	6,597.5	221.1	1,401.9	691.5	2,626.1	19,949.6	Total
Memo item							
365.0	315.4	19.4	81.4	– 51.2	– 172.2	–	Net financial assets <sup>3</sup>