

Germany's external assets and liabilities: methodological adjustments and recent figures

Germany's net external assets have shown a continuous decline since their all-time high in 1990. The assets which had been built up over many years have been eroded, above all, by the deficits on current account in the wake of German unification. Valuation adjustments have also reduced the country's external assets. These factors have become especially significant as a result of the new method of calculating external assets and liabilities which now bases figures as far as possible on market prices in accordance with international guidelines. Germany's external assets thus came to DM 144 billion at the end of 1996, compared with around DM 500 billion at the end of 1990 and just over DM 300 billion at the end of 1994. This article first examines the methodological adjustments and the modified presentation of external assets. It then comments in detail on the figures and traces the trend in Germany's external position up to the end of 1996.

Methodological adjustments to the external asset position

Background to the new method of calculation

In much the same way as the balance of payments, the external asset position is an important source of information for assessing Germany's economic relationships with the

Purpose of the external asset position

rest of the world. The external asset position is intended to reflect both the results of past external transactions and current market influences on the respective value of external financial assets and liabilities, especially the influences exerted by market prices and exchange rates. The inclusion of such holding gains is expressly called for in the current edition of the International Monetary Fund's Balance of Payments Manual, which sets the standard for calculating the net external assets and liabilities.¹

Importance of valuing investment positions at market prices

The Balance of Payments Manual thus takes its place alongside similar methodologies, such as those adopted by the UN Economic and Social Council (System of National Accounts (SNA)) and by the European Union (European System of Accounts (ESA)). All of these standards take account of the increased importance of financial assets and liabilities and of the corresponding price movements in the international financial markets by attempting to place greater emphasis than before on the connection between economic transactions, holding gains and stock changes. This is a welcome development from the user's point of view since asset variables are playing an ever greater role in economic analyses.

Germany's external asset position based on international standards

The way in which Germany's external asset position is presented has long been based on the broad classification of the Balance of Payments Manual and breaks down financial assets and liabilities functionally into direct investment, securities, loans and other assets as well as currency reserves. The sectoral classification under credit institutions, enterprises

and individuals, public sector and central bank also conforms to international standards.²

One key requirement of the Balance of Payments Manual and of the other guidelines mentioned, however, has been implemented to varying degrees hitherto. This concerns the valuation of all financial assets and liabilities at current market prices. Price movements in German and foreign stock exchanges were already included in the German external asset position (on an aggregate basis) for calculating the stock portfolio. Exchange rate fluctuations were likewise taken into account in all foreign currency positions. On the other hand, bonds and notes were not previously valued at market prices. This was mainly due to the fact that the primary statistical sources for determining the portfolios were either inadequate or lacking in many cases. It has been possible to overcome at least some of these problems using the new method of calculating the external asset position.

Method of valuing bonds and notes at market prices

Of the components of the external asset position, it is bonds and notes that require the most radical revision in their presentation. Since there is no direct way of determining the total portfolio amounts of foreign bonds and notes held by residents and of German

No original stock data on securities portfolios

¹ International Monetary Fund, Balance of Payments Manual, 5th ed., Washington D.C., 1993.

² See Deutsche Bundesbank, Changes in the methodology of the balance of payments, Monthly Report, March 1995, page 33 ff.

bonds and notes held by non-residents, an indirect method is generally used for drawing up Germany's external asset position. This aggregates the net turnover recorded in the balance of payments statistics since the founding of the Federal Republic of Germany.³

*Method of
determining
market values*

Capturing the asset gains or losses resulting from market price fluctuations during a reporting period has not been possible so far using this method, however. For that reason, the market prices of all German and foreign securities have been used in the new method of calculation in order, initially, to convert the recorded transactions to nominal values and then to aggregate these nominal values to nominal holdings and, finally, to show them as final levels valued at market prices. As before, exchange rate movements are also taken into account in the case of foreign currency bonds and foreign equities. However, the method described here can be applied only to the total holdings determined over all sectors; the credit institutions' holdings, which are shown as a sub-item, are determined on the basis of their balance sheet data and a special survey conducted by the Bundesbank.⁴

*Liabilities also
valued at
market prices*

From the point of view of debtors, there is no immediately obvious reason for valuing bonds and notes at market prices. Since debtors are generally obliged to repay the par value on maturity, valuation usually tends to be at par or repayment values. However, generally applying market prices as a yardstick of valuation makes it easier to compare the securities positions of the debtor and creditor country internationally; it is also a more

meaningful valuation in economic terms if one wishes to take into account the possibility of debt instruments being repurchased by the issuer. For that reason, these valuations are applied in the external asset position as well as in the financial accounts published by the Bundesbank.⁵

Expanded breakdown of direct investment relationships

Although the new method of calculation enables the portfolios of securities to be shown largely in accordance with the guidelines of the Balance of Payments Manual for earlier years, too, this possibility is restricted in the case of direct investment. A valuation of investment capital at market prices is hindered, firstly, by the fact that the database in Germany is not suitable for that purpose. The starting point for determining the levels of direct investment is enterprises' balance sheet data which, in many cases, are based on historical purchase prices. Secondly, the vast ma-

*No general
market valuation of direct
investment*

³ The globalisation of securities business has adversely affected the recording of the securities components in the balance of payments statistics over the past few years. Owing to the existing reporting system, transactions by private investors cannot always be determined with the desired degree of accuracy. Since the business transacted by residents abroad is not fully reported, the foreign securities (assets) held by residents, as shown, are probably too low. On the other hand, the holdings of German securities ascribed to non-residents (liabilities) has possibly been set too high during the past few years since foreign purchases also include orders placed by residents abroad. Estimates for closing these gaps are still subject to appreciable margins of uncertainty.

⁴ It is not possible to make a precise allocation of holding gains to credit institutions, enterprises and individuals since no specific information is available on the valuations used in the balance sheets. As a rule, this means that price fluctuations are most likely to be reflected statistically in the non-banking sector.

⁵ Deutsche Bundesbank, Financial accounts for Germany 1990 to 1996, Special Statistical Publication 4, June 1997, page 17.

majority of German enterprises are unincorporated and unlisted, which means that it is not possible to determine the market prices for many firms directly. For that reason, the German statistics – like those of most other countries – adhere to the existing method and show direct investment in the external asset position as book values, as they are surveyed in the international capital links statistics.⁶ Furthermore, it has not been possible so far to gear the basic statistical data to the internationally required 10% (previously 20%) participation limit; this is planned for 1999, however.

Nevertheless, it has been possible to extend and improve the data on direct investment in the external asset position in two respects:

Real property

– Real property which is held internationally is now likewise subsumed under the term “direct investment” in accordance with international standards and valued, whenever possible, at market prices. Owing to gaps in the available price data and to the aggregate method which must be used here, the figures are subject to certain margins of error, however.

Credit operations

– The credit operations between direct investors and their direct investment enterprises are additionally established by a separate calculation; a complete change-over to this expanded breakdown of direct investment in the external asset position is hindered by the lack of a detailed classification in the primary statistical sources (see Annex for details).

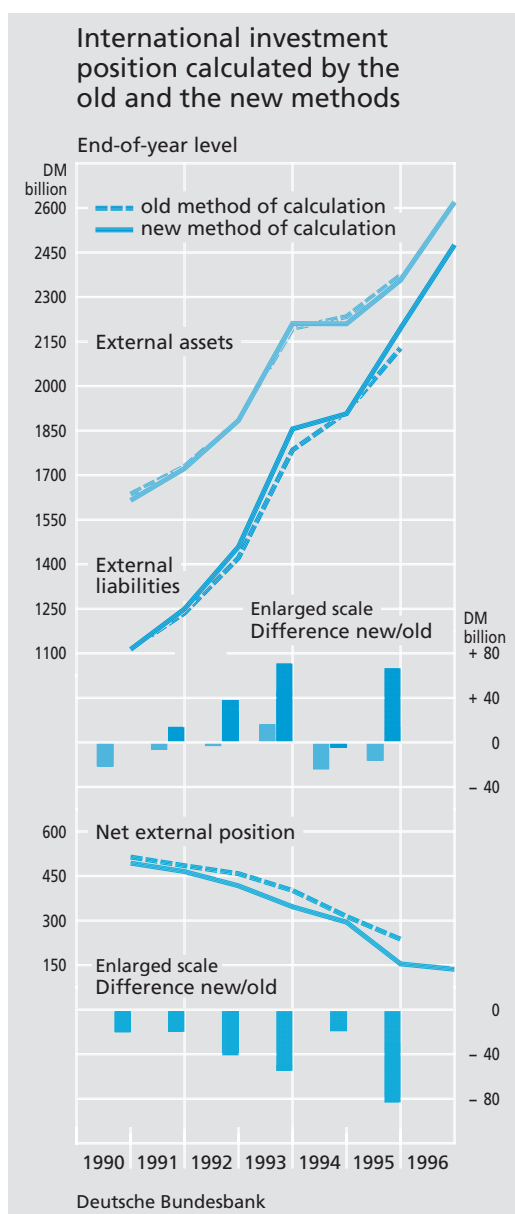
The results of the new method of calculation in detail

The adjustments in the methodology have had significant implications for Germany's external asset position.⁷ In particular, the liabilities to non-residents have been revised upwards appreciably in some cases. At the end of 1995 (the last year for which the external asset position was drawn up using the old methodology) the adjustments amounted to DM 67 billion. By far the greatest part of these concerned the values for German bonds and notes (DM 40 billion) held by non-residents; a second major adjustment item resulted from the market valuation of real property owned by non-residents in Germany (DM 9 billion). The methodological adjustments themselves did not have such a great impact on the overall result on the assets side. The main reason for this is that the percentage of securities now valued at their current market prices in the total external assets has considerably less weight than the securities on the liabilities side of Germany's international investment position. The inclusion of price movements in the bond market therefore merely led to a rise of DM 5 billion in Germany's external assets. This was almost entirely offset by the revaluation of German-owned real property abroad (minus DM 4 billion). Corrections due to additional reports and adjustments which mainly affected direct investment and financial credits

*Implications
of the new
method of
calculation*

⁶ Deutsche Bundesbank, International capital links, Special Statistical Publication 10, May 1997.

⁷ This comparison of the old and new calculations reflects not only the adjustments in methodology but also the corrections of previously published figures that have become necessary; the latter played a somewhat greater role only in the case of external assets, however.



were also a negative factor. On balance, the external assets shown for the end of 1995 are thus around DM 16 billion lower than those determined by the old methodology. In the net calculation, this results in a decline of DM 83 billion.

Overall, the adjustments have accelerated the downward trend observable in the net external position since the beginning of the nine-

ties. In 1995, the year under review, the discrepancy was particularly large, however; in earlier years the difference was consistently much less marked. Above all, the term structure of interest rates at the end of 1995 (with a much lower interest rate level than in 1990, particularly in Germany) reduced Germany's net external assets more than in other years. Price effects of this kind – which are temporary in some cases – are to be taken into account in future when interpreting Germany's net external asset position.

The trend in Germany's external asset position since the end of 1994

The described decline in the net position took place against a backdrop of sharply rising gross holdings. This general trend in cross-border assets and liabilities also persisted in the reporting period from the end of 1994 to the end of 1996. Nevertheless, marked individual differences could be observed which will be discussed in greater detail below.⁸

External assets

Germany's external assets at the end of 1996 amounted to DM 2,628 billion, just under 19% more than two years previously. They therefore grew at roughly the same pace as total domestic financial assets. The trend towards an international diversification of assets by domestic investors, which has been

Sharp rise in external assets continues

⁸ The comments on the recent trend in the German external asset position follow on from earlier articles. See, most recently, Deutsche Bundesbank, Recent trends in Germany's net external assets and investment income, Monthly Report, January 1996, page 29 ff.

*External assets
of enterprises
and individuals*

apparent for some time, has evidently continued.

That also applies to the investment behaviour of enterprises and individuals; at DM 1,422 billion, enterprises and individuals hold more than one-half of Germany's external assets. In 1995 and 1996, the stock of foreign securities in the portfolios of this group of investors rose by around one-quarter to DM 505 billion, the rates of increase being most striking in the case of equity holdings (+ 65 %); besides a perceptible revival of interest in foreign equities this rise mainly reflects the price increases in major stock exchanges abroad.

In the area of direct investment (in which investment capital continues to be recorded at book values and rising market prices can therefore be included in the calculation only through new investment) it was "genuine" transactions, by contrast, that were the main reason for German firms' foreign investment expanding to DM 324 billion (+ 28 %). If intra-group credit operations – which, in Germany's net asset position, are booked together with other credits of the corporate sector rather than under direct investment – are included, German enterprises increased their funds to their foreign subsidiaries by as much as DM 60 billion.⁹

In contrast to the sharp expansion in these areas, the trend in the unsecuritised external assets of German enterprises and individuals was quite moderate. The main reason for this was the reduction in short-term balances with foreign banks, which had grown sharply in earlier years. Given the fact that short-term

interest rates were low, it is probable that interest-rate-related shifts into other forms of investment played a part in this, particularly as short-term time deposits held at German banks were also run down at the same time. Over and above that, the lowering of the minimum reserve ratios probably also contributed to the decline since this meant that Euro-market deposits became less attractive than corresponding time deposits with German banks. Together with the financial credits to foreign non-banks and other assets, the unsecuritised external financial assets of German enterprises and individuals amounted to DM 412 billion at the end of 1996; this was only 3 % more than at the end of 1994. There was likewise only moderate growth in the external assets of German enterprises arising from trade credits between the end of 1994 and the end of 1996. At the end of 1996, they amounted to DM 181 billion, i.e. 6 % more than two years previously.

With an increase of 25 %, the external assets of the credit institutions rose more sharply than those of enterprises and individuals; they amounted to DM 991 billion at the end of the period under review and thus accounted for 38 % of Germany's external assets. As a result of their efforts to strengthen their presence in international financial business, German banks mainly stepped up their foreign securities portfolios and cross-border equity holdings sharply without the predominance of advances being curtailed to any great extent. At DM 803 billion, unsecuritised

Credit institutions' external assets

⁹ See also Deutsche Bundesbank, Problems of international comparisons of direct investment flows, Monthly Report, May 1997, page 77 ff.

Germany's external assets and liabilities by sector

Item	Assets				Liabilities			
	End-1994		End-1996		End-1994		End-1996	
	DM billion	% of total	DM billion	% of total	DM billion	% of total	DM billion	% of total
Credit institutions	789.8	35.6	991.0	37.7	782.5	40.9	1,073.9	43.2
Direct investment	38.3	1.7	52.6	2.0	12.0	0.6	13.2	0.5
Portfolio investment	90.2	4.1	135.4	5.2	181.6	9.5	294.0	11.8
of which								
Bonds and notes	82.5	3.7	120.2	4.6	155.7	8.1	262.6	10.6
Financial credits ¹	661.3	29.8	803.0	30.5	588.9	30.7	766.6	30.9
Short-term	345.5	15.6	448.2	17.1	330.5	17.3	408.7	16.5
Long-term ¹	315.8	14.2	354.9	13.5	258.4	13.5	358.0	14.4
Enterprises and individuals	1,231.2	55.5	1,421.9	54.1	611.2	31.9	719.4	29.0
Direct investment	253.3	11.4	323.8	12.3	120.7	6.3	128.3	5.2
Memo item								
Direct investment extended ²	298.8	13.5	383.9	14.6	235.1	12.3	248.2	10.0
Portfolio investment	405.8	18.3	504.9	19.2	147.8	7.7	210.0	8.5
Equities	89.8	4.0	147.8	5.6	112.3	5.9	180.1	7.2
Investment fund certificates	128.9	5.8	132.9	5.1	17.2	0.9	14.0	0.6
Bonds and notes ³	187.0	8.4	224.2	8.5	18.2	1.0	15.8	0.6
Financial credits ¹	400.1	18.0	411.8	15.7	232.7	12.2	265.3	10.7
Short-term	346.2	15.6	349.2	13.3	128.0	6.7	159.8	6.4
Long-term ¹	53.9	2.4	62.6	2.4	104.6	5.5	105.6	4.3
Trade credits	171.9	7.8	181.4	6.9	110.0	5.7	115.8	4.7
Public sector	81.1	3.7	94.6	3.6	482.6	25.2	656.5	26.4
of which								
Portfolio investment	–	–	–	–	430.7	22.5	586.0	23.6
Financial credits	61.7	2.8	72.2	2.7	51.6	2.7	70.0	2.8
Short-term	24.1	1.1	30.7	1.2	8.5	0.4	11.6	0.5
Long-term	37.6	1.7	41.6	1.6	43.1	2.3	58.5	2.4
Deutsche Bundesbank	116.0	5.2	121.0	4.6	24.2	1.3	15.6	0.6
Other external liabilities	–	–	–	–	14.7	0.8	19.0	0.8
Total	2,218.0	100	2,628.5	100	1,915.2	100	2,484.4	100

¹ Including other investment. — ² Investment capital, direct credits from shareholders, other direct credits from affiliated enterprises, less direct credits to the shareholders,

plus real property. Figures for 1996 are estimated. — ³ Including money market paper.

lending (including other assets) still accounted for more than 80 % of banks' external assets. Short-term loans continued to gain in importance in the process.

*External assets
of the public
sector*

The external assets of the public sector are only of minor importance compared with those of the private sector. At DM 95 billion, the public sector held less than 4 % of Germany's external assets. This included, firstly, German participations in international organisations (DM 22 billion) and unsecuritised external assets such as deposits with foreign banks. Calculated by means of the new methodology, public sector loans and advances to non-residents are nearly DM 50 billion lower than indicated by earlier figures since certain assets of credit institutions with special functions are now assigned to the banking sector instead of the public sector.

*The
Bundesbank's
external assets*

The Bundesbank's external assets amounted to DM 121 billion at the end of 1996; they were thus somewhat greater than at the end of 1994 (DM 116 billion). As in the past, the monetary reserves (especially US dollar assets) made up the most significant part of this.

External liabilities

*External
liabilities rise
even more
sharply*

Germany's external liabilities have risen sharply since the early nineties – much more so than external assets so far. At the end of 1996 Germany's external liabilities amounted to DM 2,484 billion, corresponding to a rise of 30 % over the level at the end of 1994. This substantial growth reflects not only deficits on current account, as already mentioned, but also the increases in the value of

securitised external liabilities which are of particular significance.

This is reflected most clearly by the trend in the external liabilities of the credit institutions which – in gross terms – are by far the largest group with liabilities vis-à-vis non-residents (DM 1,074 billion). In particular, the liabilities of German banks resulting from the sale of bank bonds to non-residents increased sharply in 1995 and 1996. The revaluation at current market prices of issues outstanding and the increased interest of foreign investors in these products which are issued by German institutions and some of which are marketed worldwide were integral parts of that development. Moreover, the banks sharply stepped up their unsecuritised borrowing from non-residents. At the long end of the market this probably consisted largely of loans from institutions abroad to their parent companies in Germany; such loans have greatly increased in significance during the nineties. At the short end of the market, on the other hand, general interbank credits resulting from German credit institutions' involvement in worldwide liquidity adjustment among the national banking systems continued to predominate.

*Credit institu-
tions' external
liabilities*

Much the same as in the case of bank bonds in the external liabilities of the German banking sector, foreign investors' keen interest in public bonds and their higher valuations due to price advances were the main reasons why the external liabilities of the public sector rose by a total of 36 % to DM 657 billion in 1995 and 1996. Public bonds thus accounted for almost one-quarter of Germany's total exter-

*External
liabilities of the
public sector*

nal liabilities. According to these figures, the external indebtedness of the public sector resulting from securities issues grew by more than DM 150 billion to DM 586 billion in the period under review.¹⁰ A large part of this is due to the fact that the valuations are now higher; from the point of view of the issuer of the securities, these would be realised only in the event of a premature redemption on the reporting day. Normally, in the case of redemption as stipulated, redemption is at the lower par values.

External liabilities of enterprises and individuals

A similar problem concerns the greater part of external liabilities of enterprises and individuals; these amounted to a total of DM 719 billion at the end of 1996, i.e. they were just under 18% greater than two years before. Neither the foreign direct investment in Germany contained in this item nor the sharp rise in the value of equities held by non-residents, mainly as a result of price advances, actually constitute liability relationships. From the point of view of foreign investors, however, these are nonetheless an integral part of their assets and are therefore shown, in accordance with international practice, as liabilities in Germany's international investment position.

A comparison of direct investment by non-residents in Germany and German direct investment abroad reveals a considerable gap between the two – a gap, moreover, which has grown sharply during the past few years (to nearly DM 200 billion).¹¹ This reflects German enterprises' high level of investment abroad which has not been counterbalanced – at least recently – by a similar interest

Changes in Germany's net external assets as a result of transactions and valuation adjustments

DM billion			
Item	1995	1996	Total
Change in the net external assets	- 140.5	- 18.2	- 158.7
of which			
Transaction-related ¹	- 54.5	- 29.7	- 84.2
Valuation-related ^{pe, 2}	- 74.4	+ 19.3	- 55.1
of which			
Exchange rates	- 39.3	+ 32.4	- 6.9
Market prices	- 34.6	- 13.7	- 48.3
Equities	+ 8.7	- 20.9	- 12.2
Bonds and notes	- 43.3	+ 7.2	- 36.1

¹ Balance of the current account, capital transfers and "unclassifiable transactions" in the balance of payments. — ² Including effects of price changes in the case of land.

Deutsche Bundesbank

on the part of foreign investors in acquiring participating interests in Germany. About one-third of this gap, however, is due to the differing ways of funding subsidiaries, as the expanded breakdown of direct investment shows (see the table on page 91). Whereas German enterprises largely provide their foreign subsidiaries with investment capital, foreign firms – probably for tax reasons – place a comparatively large amount of loans at the disposal of their subsidiaries in Germany. As already mentioned, these loans are booked in the foreign investment position as financial credits between enterprises and not as direct investment. Moreover, the value of real prop-

¹⁰ Reference has already been made elsewhere to the recording problems which are likely to be of particular significance in this item; see footnote 3.

¹¹ If direct investment by credit institutions is included, the gap amounts to as much as DM 235 billion.

erty held by Germans abroad, which is now shown under direct investment as far as it is recorded in the statistics, is much higher than the corresponding asset position of non-residents in Germany. This is not always corporate investment, however: ownership of holiday apartments abroad accounts for much of it. Apart from this, the problems associated with differing valuations are particularly important in the field of direct investment. This does not alter the basic fact that German enterprises have a comparatively high level of investment abroad – something which is clear from other statistical sources, too.

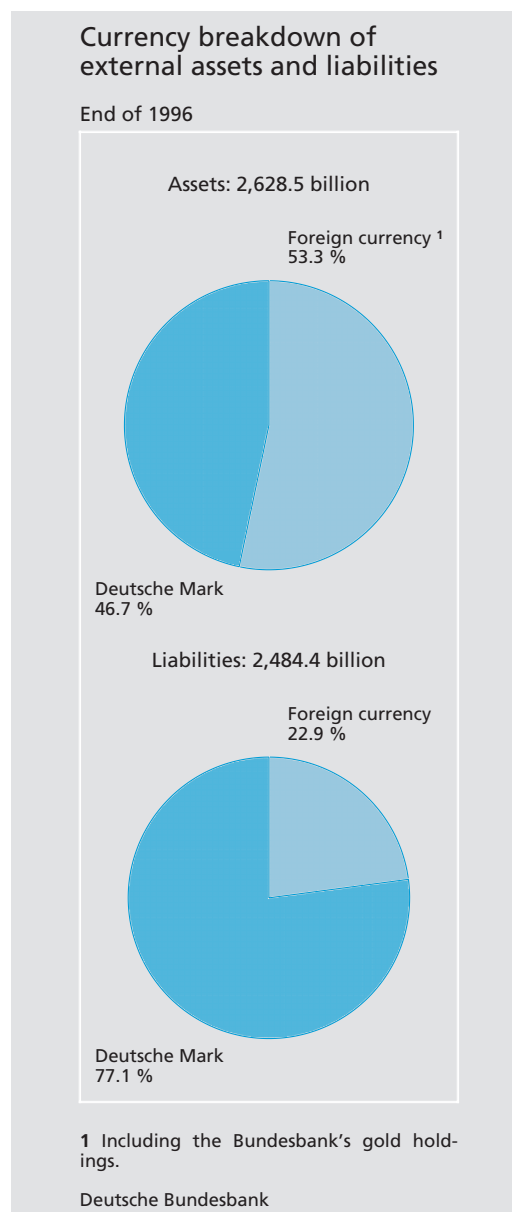
External liabilities of the Bundesbank

In contrast to the external liabilities of the other sectors, the external liabilities of the Bundesbank showed a marked decline in comparison with the end of 1994. At the end of 1996, they came to just under DM 16 billion, compared with DM 24 billion two years previously. The fact that the Bundesbank terminated issues of Bundesbank Treasury discount paper (*Liquiditäts-U-Schätze*) was a crucial factor in this.

**Net external position:
trend and conclusion**

Net external position declines

A comparison of both sides of the balance sheet still shows a net external asset position for Germany at the end of 1996. At DM 144 billion, however, this was less than half as much as two years previously and roughly corresponded to the situation in the mid-eighties. Following a steep rise in the five years preceding German unification, which was due at the time to the very large surpluses on current account, the decline in Ger-



many's net external position has been just as marked since the end of 1990 due to the reversal in the current account and valuation-related influences.

More than one-half of the decline in the German net external asset position in 1995 and 1996 can be ascribed to the deficits of DM 84 billion on current account (including the negative balance of unclassifiable trans-

actions¹²). On balance, valuation-related changes amounted to around DM 55 billion during that period. These were due almost exclusively to price advances in the equity and bond markets; these rises had a negative impact on the net result since securities have a greater weight in Germany's external assets than in Germany's external liabilities. By contrast, exchange rate effects were, on balance, of comparatively minor significance. (These were already included in the "old calculation" and affect assets more than liabilities on account of the higher percentage of foreign currency on the assets side of Germany's international investment position.) The reason for this is that the two-way valuation adjustments resulting from the weakness of the US dollar in 1995 and the comparative strength of the US dollar in 1996 largely cancelled each other out. Taking both years individually, however, the exchange-rate-related changes in the net external asset position – at DM 39 billion and DM 32 billion, respectively – had

an appreciable impact in terms of their absolute amount.

The expanded evaluation of assets at current market prices has undoubtedly improved the informative value of Germany's international investment position. It is now easier to state the current value of external assets and liabilities on the balance sheet date. However, in the case of cyclical price movements – such as interest rates and therefore market prices for bonds – transitory price effects can occur more often. Consequently, greater demands are placed on the interpretation of changes in stocks and on commenting on the respective "price and quantity component". The years 1995 and 1996 with their sharp valuation-related fluctuations are a vivid example of this.

Conclusion

¹² The ("unclassifiable") transactions which cannot be broken down statistically may be due to both gaps in recording current account components and to capital exports being shown too low.

Annex

Methodological notes on selected items of the international investment position

Securities

Securities as defined here include bonds, shares, notes and similar paper with an originally agreed maturity of more than one year. Paper with a fixed coupon as well as paper with variable rates are included. The stock data are calculated by converting the recorded balance of payments turnover at transaction values into nominal values and aggregating them to form nominal stocks on both the assets and the liabilities side. Using the matching market prices and exchange rates, these nominal stocks are converted to market values. In all cases, the calculation is made separately by country of issuer.

gating them to form nominal stocks on both the assets and the liabilities side. Using the matching market prices and exchange rates, these nominal stocks are converted to market values. In all cases, the calculation is made separately by country of issuer.

Short-term bonds, i.e. all paper with a maturity of up to one year, are recorded as money market paper. This includes mainly short-term public issues (such as *Bubills*) as well as commercial paper and certificates of deposit. They are recorded, both on the assets and the liabilities side, as stocks by aggregating the net transactions shown in the bal-

Money market paper

Bonds and notes

ance of payments. Paper denominated in foreign currency is valued at the current exchange rates. In the case of foreign money market paper, the stocks which have been determined in this way can be checked against the data from the balance sheets of banks, special investment funds and enterprises.

*Investment
fund
certificates*

The stock of investment fund certificates of foreign and domestic investment companies comprises shares of money market, securities and open-end real estate funds, and is calculated by aggregating the transactions. Stocks denominated in foreign currency are valued on the basis of the exchange rates. It is not possible to include market price-related valuation adjustments using the present statistical methods.

Equities

Holdings of equities shown under portfolio investment are still calculated by aggregating the transactions. As the trend in assets held in the form of equities is determined in particular by market prices, the prices in the domestic and foreign stock exchanges were already included on an aggregate basis under the old system when calculating holdings of equities as part of the international investment position. In the case of foreign equities, the change in the exchange rates was additionally included in the calculation. The previous method of statement has been extended in that the equities issued by German incorporated enterprises are now shown separately as equities of banks and as equities of other enterprises, which means that the sectoral presentation is more precise.

*Financial
derivatives*

Owing to the great importance of financial derivatives, these instruments should really be shown separately both in the flow calculation of the balance of payments and under the stocks of the international investment position. Although it is

possible to capture the transactions as genuine payments relatively well using the current reporting system, there is still no primary statistical recording of the stocks. Neither the banking statistics nor other corporate statistics provide any information on asset or liability positions corresponding to a valuation at market prices. Previous surveys often did not differentiate the market players in terms of their country of residence, which is an important criterion for the international investment position.¹³ For that reason, showing market values for financial derivatives is not possible for the time being. Capturing them statistically in future will be made more difficult by the fact that the present accounting rules for banks and enterprises do not provide for a statement of this kind in the balance sheets.

Direct investment

As before, investment capital is entered in the international investment position as book values in line with the statistics on German enterprises' international capital links. Owing to the fact that it makes comparison easier, this is done even in cases where participating interests have been traded on stock exchanges and market prices would therefore be available.

As a matter of principle, credits in connection with direct investment relationships are shown together with the loans between unaffiliated enterprises, i.e. they are not shown under the heading "Direct investment". One particular difficulty in showing the credit ties between affiliated enterprises is caused by the allocational principle required by the Balance of Payments Manual. This calls for all

*Investment
capital*

Loans

¹³ See Bank for International Settlements, Central Bank Survey of Foreign Exchange and Derivatives Market Activities, Basle, May 1996.

cross-border financial relationships between direct investors (e.g. parent companies) and direct investment enterprises (e.g. subsidiaries) to be shown on the assets side in the case of the direct investor and on the liabilities side in the case of the direct investment enterprise ("directional principle"). Borrowing by a domestic parent company from its subsidiary abroad (reverse investment) would therefore have to be shown as a reduction of the domestic enterprise's external assets position and not as a domestic liability.¹⁴

The Bundesbank's statistics on international capital links come very close to the model provided by the directional principle. On the basis of the balance sheet data, these cover the investment capital which German direct investors hold in foreign direct investment enterprises; the same applies to loans granted by German shareholders and other affiliated enterprises in Germany to the foreign investment enterprises. Finally, the loans which are granted by foreign investment enterprises to the German shareholders and which are to be booked as the liquidation of German external assets are surveyed.¹⁵ Both investment capital and the credit relationships between foreign direct investors and domestic investment target enterprises are shown, in principle, in the same way; there are still differences regarding the depth in which indirect participations are recorded, however.

Nevertheless, the way in which credit relationships are shown in the statistics on international capital links does not provide any information on the

¹⁴ See OECD, Benchmark Definition of Foreign Direct Investment, Paris, 1996.

¹⁵ However, the loans granted by foreign investment enterprises to German enterprises which are tied to the German parent company by group relationships but which do not have participatory relationships with the foreign investment enterprise cannot be shown separately.

Expanded breakdown of corporate direct investment

End-of-year level; DM billion

Item	1994	1995	1996 e
German residents' direct investment abroad			
Investment capital	223.6	243.7	282.9
Loans from German shareholders	53.3	56.1	69.0
Loans from other affiliated enterprises in Germany	16.0	18.7	21.0
less			
Loans from enterprises abroad with German participating interests to the German shareholders	23.9	24.7	30.0
Real property	29.8	33.1	41.0
Total	298.8	326.9	383.9
Non-residents' direct investment in Germany			
Investment capital	110.2	121.3	119.1
Loans from foreign shareholders	61.2	62.3	61.0
Loans from other affiliated enterprises abroad	64.5	73.3	72.0
less			
Loans from enterprises in Germany with foreign participating interests to the shareholders abroad	11.3	12.6	13.0
Real property	10.5	10.0	9.1
Total	235.1	254.3	248.2

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types of loan (trade or financial credits); nor does it make a distinction in terms of maturity. The statistics on enterprises' external assets and liabilities are therefore still used in the international investment position; these provide information on the type and maturity of the loans and are, additionally, more comprehensive. They do not, however, allow a corresponding extraction of direct investment loans corresponding to the directional principle.

Even so, as an additional piece of information, the data from the statistics on international capital links are shown as a memorandum item as allocated in accordance with the directional principle; estimated values for the level at the end of 1996 going beyond the latest position of these statistics have been calculated on the basis of the statistics on assets and liabilities.

Real property

According to the guidelines contained in the Balance of Payments Manual, claims arising from the acquisition of real property abroad are not to be shown as material assets but as financial assets instead. Accordingly, real property held by non-residents is regarded not just as domestic real capital assets but as assets which, at the same time, are accompanied by domestic liabilities to the foreign investor. In accordance with international agreements, both private and commercial real property are shown under direct investment. Real property has been adjusted more closely to market values in the new method of calculation.

Credits

Essentially, asset-liability relationships which are neither securitised in fungible securities nor shares of own funds are booked as credits. They are shown at par values since they are usually not traded on market terms. Although there has been no change in the valuation principle from earlier publications, assets and liabilities are now classified strictly by institution. This has led to credits of specialised credit institutions granted as part of development aid programmes for the account of the public sector and by the order of the credit institution concerned being recorded as bank credits. In this respect, the international investment position has been brought into line with the booking methods of the banking statistics and the financial accounts.

Bundesbank position

On the assets side, the external position of the Bundesbank comprises the monetary reserves and the other external credits and assets. On the liabilities side, it essentially includes deposits of foreign central banks and liabilities arising from the sale of money market paper to non-residents. In order to prevent differences between the Bundesbank's Weekly Return and balance sheet, on the one hand, and the international investment position, on the other, the securitised external assets and the gold holdings are still entered in the international investment position at current balance sheet prices rather than at market values.

Germany's external assets and liabilities *

1. General survey

DM billion; end-of-year level

Item	Assets			Liabilities			Balance		
	1994	1995	1996	1994	1995	1996	1994	1995	1996
I. Credit institutions	789.8	872.7	991.0	782.5	938.2	1,073.9	7.3	- 65.4	- 82.9
1. Direct investment	38.3	43.5	52.6	12.0	14.1	13.2	26.3	29.4	39.3
Equity capital ¹	38.1	43.2	52.3	12.0	14.1	13.2	26.0	29.1	39.1
Real property	0.3	0.3	0.3	-	-	-	0.3	0.3	0.3
2. Portfolio investment	90.2	105.4	135.4	181.6	228.8	294.0	- 91.4	- 123.5	- 158.6
Equities	2.6	2.2	2.8	24.6	24.6	27.6	- 22.0	- 22.4	- 24.9
Investment fund certificates	4.5	4.7	7.3	-	-	-	4.5	4.7	7.3
Bonds and notes	82.5	96.7	120.2	155.7	203.2	262.6	- 73.3	- 106.4	- 142.4
Money market paper	0.7	1.8	5.1	1.3	1.1	3.7	- 0.6	0.7	1.4
3. Financial credits ²	660.5	723.1	802.2	588.1	694.4	765.8	72.4	28.7	36.3
Short-term	345.5	394.3	448.2	330.5	382.2	408.7	14.9	12.1	39.5
Long-term	315.0	328.8	354.0	257.6	312.2	357.2	57.5	16.6	- 3.1
4. Other	0.8	0.8	0.8	0.8	0.8	0.8	- 0.0	- 0.0	0.1
II. Enterprises and individuals	1,231.2	1,277.5	1,421.9	611.2	633.1	719.4	620.0	644.4	702.5
1. Direct investment	253.3	276.7	323.8	120.7	131.3	128.3	132.6	145.5	195.6
Investment capital ¹	223.6	243.7	282.9	110.2	121.3	119.1	113.3	122.4	163.8
Real property	29.8	33.1	41.0	10.5	10.0	9.1	19.3	23.1	31.8
Memo item Direct investment extended ⁵	298.8	326.9	383.9	235.1	254.3	248.2	63.7	72.6	135.7
2. Portfolio investment	405.8	441.1	504.9	147.8	152.0	210.0	258.0	289.1	294.9
Equities	89.8	101.7	147.8	112.3	118.7	180.1	- 22.4	- 17.0	- 32.3
Investment fund certificates	128.9	129.4	132.9	17.2	16.4	14.0	111.6	113.0	118.9
Bonds and notes ³	177.6	202.6	219.0	12.2	14.9	15.2	165.4	187.7	203.9
Money market paper	9.4	7.4	5.2	6.1	2.1	0.7	3.4	5.3	4.5
3. Financial credits	371.8	357.0	378.7	230.2	236.5	263.6	141.5	120.5	115.1
Short-term	346.2	328.3	349.2	128.0	135.1	159.8	218.2	193.2	189.4
Long-term	25.6	28.7	29.6	102.2	101.4	103.8	- 76.6	- 72.7	- 74.3
4. Trade credits	171.9	172.0	181.4	110.0	111.7	115.8	61.9	60.3	65.6
5. Other	28.3	30.6	33.0	2.4	1.6	1.7	25.9	29.0	31.3
III. Public sector	81.1	91.7	94.6	482.6	597.5	656.5	- 401.5	- 505.8	- 561.9
1. Participating interests in international organisations	18.9	19.7	21.9	-	-	-	18.9	19.7	21.9
2. Portfolio investment	-	-	-	430.7	531.4	586.0	- 430.7	- 531.4	- 586.0
Domestic securities	-	-	-	430.1	530.8	571.6	- 430.1	- 530.8	- 571.6
Money market paper	-	-	-	0.5	0.6	14.4	- 0.5	- 0.6	- 14.4
3. Financial credits ⁴	61.7	71.5	72.2	51.6	65.8	70.0	10.1	5.7	2.2
Short-term	24.1	31.4	30.7	8.5	9.5	11.6	15.6	21.9	19.1
Long-term	37.6	40.1	41.6	43.1	56.3	58.5	- 5.4	- 16.2	- 16.9
4. Other	0.5	0.5	0.6	0.3	0.3	0.5	0.2	0.2	0.1
IV. Deutsche Bundesbank	116.0	123.3	121.0	24.2	16.4	15.6	91.8	106.9	105.4
V. Other external liabilities	-	-	-	14.7	17.7	19.0	- 14.7	- 17.7	- 19.0
Grand total (I. to V.)	2,218.0	2,365.2	2,628.5	1,915.2	2,202.9	2,484.4	302.8	162.3	144.1

For footnotes see page 101.

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Germany's external assets and liabilities *

2. Currencies

(a) Assets and liabilities denominated in Deutsche Mark

DM billion; end-of-year level

Item	Assets			Liabilities			Balance		
	1994	1995	1996	1994	1995	1996	1994	1995	1996
I. Credit institutions	410.6	461.8	538.7	476.0	542.1	614.4	- 65.5	- 80.3	- 75.7
1. Direct investment	-	-	-	12.0	14.1	13.2	- 12.0	- 14.1	- 13.2
Equity capital ¹	-	-	-	12.0	14.1	13.2	- 12.0	- 14.1	- 13.2
Real property	-	-	-	-	-	-	-	-	-
2. Portfolio investment	51.5	55.9	66.1	138.1	155.2	178.6	- 86.6	- 99.3	- 112.5
Equities	-	-	-	24.6	24.6	27.6	- 24.6	- 24.6	- 27.6
Investment fund certificates	4.3	4.6	5.7	-	-	-	4.3	4.6	5.7
Bonds and notes	47.1	50.8	60.2	112.2	129.6	147.2	- 65.1	- 78.8	- 87.0
Money market paper	0.0	0.6	0.3	1.3	1.1	3.7	- 1.2	- 0.5	- 3.5
3. Financial credits ²	359.1	405.9	472.6	325.1	371.9	421.8	34.1	34.0	50.8
Short-term	163.3	196.5	265.1	164.8	177.5	205.2	- 1.5	19.0	59.9
Long-term	195.9	209.4	207.5	160.3	194.4	216.6	35.6	15.0	- 9.1
4. Other	-	-	-	0.8	0.8	0.8	- 0.8	- 0.8	- 0.8
II. Enterprises and individuals	634.9	622.7	611.8	542.9	550.0	612.8	92.0	72.8	- 1.0
1. Direct investment	-	-	-	120.7	131.3	128.3	- 120.7	- 131.3	- 128.3
Investment capital ¹	-	-	-	110.2	121.3	119.1	- 110.2	- 121.3	- 119.1
Real property	-	-	-	10.5	10.0	9.1	- 10.5	- 10.0	- 9.1
2. Portfolio investment	195.9	210.4	208.9	147.5	151.8	208.9	48.4	58.6	0.0
Equities	-	-	-	112.3	118.7	180.1	- 112.3	- 118.7	- 180.1
Investment fund certificates	125.1	122.1	122.6	17.2	16.4	14.0	107.9	105.7	108.6
Bonds and notes ³	67.3	80.9	81.2	11.9	14.6	14.1	55.4	66.3	67.0
Money market paper	3.5	7.3	5.2	6.1	2.1	0.7	- 2.6	5.3	4.5
3. Financial credits	324.6	301.9	289.7	194.7	192.9	200.9	130.0	109.1	88.8
Short-term	311.3	288.4	274.7	107.1	109.4	115.4	204.2	179.0	159.2
Long-term	13.3	13.5	15.0	87.5	83.5	85.5	- 74.2	- 70.0	- 70.4
4. Trade credits	114.3	110.4	113.1	77.6	72.4	73.0	36.7	38.0	40.1
5. Other	-	-	-	2.4	1.6	1.7	- 2.4	- 1.6	- 1.7
III. Public sector	61.6	74.9	75.7	482.3	597.2	656.0	- 420.7	- 522.3	- 580.3
1. Participating interests in international organisations	1.4	5.3	5.6	-	-	-	1.4	5.3	5.6
2. Portfolio investment	-	-	-	430.7	531.4	586.0	- 430.7	- 531.4	- 586.0
Domestic securities	-	-	-	430.1	530.8	571.6	- 430.1	- 530.8	- 571.6
Money market paper	-	-	-	0.5	0.6	14.4	- 0.5	- 0.6	- 14.4
3. Financial credits ⁴	60.2	69.6	70.1	51.4	65.6	69.9	8.8	4.0	0.2
Short-term	23.0	29.9	28.9	8.5	9.5	11.6	14.6	20.4	17.4
Long-term	37.2	39.7	41.2	42.9	56.2	58.3	- 5.8	- 16.5	- 17.1
4. Other	-	-	-	0.2	0.1	0.1	- 0.2	- 0.1	- 0.1
IV. Deutsche Bundesbank	2.2	1.8	1.3	24.2	16.4	15.6	- 22.0	- 14.6	- 14.3
V. Other external liabilities	-	-	-	12.0	15.1	16.3	- 12.1	- 15.1	- 16.3
Grand total (I. to V.)	1,109.2	1,161.1	1,227.4	1,537.4	1,720.7	1,915.1	- 428.2	- 559.6	- 687.7

For footnotes see page 101.

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Germany's external assets and liabilities *

2. Currencies

(b) Assets and liabilities denominated in foreign currency

DM billion; end-of-year level

Item	Assets			Liabilities			Balance		
	1994	1995	1996	1994	1995	1996	1994	1995	1996
I. Credit institutions	379.2	411.0	452.3	306.5	396.1	459.5	72.7	14.8	- 7.1
1. Direct investment	38.3	43.5	52.6	-	-	-	38.3	43.5	52.6
Equity capital ¹	38.1	43.2	52.3	-	-	-	38.1	43.2	52.3
Real property	0.3	0.3	0.3	-	-	-	0.3	0.3	0.3
2. Portfolio investment	38.7	49.5	69.3	43.5	73.6	115.4	- 4.8	- 24.1	- 46.1
Equities	2.6	2.2	2.8	-	-	-	2.6	2.2	2.8
Investment fund certificates	0.2	0.1	1.6	-	-	-	0.2	0.1	1.6
Bonds and notes	35.3	46.0	60.0	43.5	73.6	115.4	- 8.2	- 27.6	- 55.4
Money market paper	0.6	1.2	4.9	-	-	-	0.6	1.2	4.9
3. Financial credits ²	301.3	317.2	329.6	263.0	322.5	344.0	38.3	- 5.3	- 14.4
Short-term	182.2	197.7	183.1	165.7	204.7	203.4	16.4	- 7.0	- 20.4
Long-term	119.2	119.4	146.5	97.3	117.8	140.6	21.9	1.6	5.9
4. Other	0.8	0.8	0.8	-	-	-	0.8	0.8	0.8
II. Enterprises and individuals	596.3	654.8	810.1	68.3	83.1	106.6	528.0	571.6	703.5
1. Direct investment	253.3	276.7	323.8	-	-	-	253.3	276.7	323.8
Investment capital ¹	223.6	243.7	282.9	-	-	-	223.6	243.7	282.9
Real property	29.8	33.1	41.0	-	-	-	29.8	33.1	41.0
2. Portfolio investment	209.8	230.8	296.0	0.3	0.3	1.1	209.6	230.5	294.9
Equities	89.8	101.7	147.8	-	-	-	89.8	101.7	147.8
Investment fund certificates	3.8	7.3	10.3	-	-	-	3.8	7.3	10.3
Bonds and notes ³	110.3	121.7	137.9	0.3	0.3	1.1	110.0	121.4	136.8
Money market paper	6.0	0.0	0.0	-	-	-	6.0	0.0	0.0
3. Financial credits	47.2	55.1	89.0	35.6	43.6	62.7	11.6	11.5	26.3
Short-term	34.9	39.9	74.5	20.9	25.7	44.3	14.0	14.2	30.2
Long-term	12.3	15.2	14.5	14.7	17.9	18.4	- 2.4	- 2.8	- 3.8
4. Trade credits	57.6	61.6	68.2	32.4	39.2	42.8	25.2	22.3	25.4
5. Other	28.3	30.6	33.0	-	-	-	28.3	30.6	33.0
III. Public sector	19.5	16.8	19.0	0.3	0.3	0.6	19.2	16.5	18.4
1. Participating interests in international organisations	17.5	14.4	16.3	-	-	-	17.5	14.4	16.3
2. Portfolio investment	-	-	-	-	-	-	-	-	-
Domestic securities	-	-	-	-	-	-	-	-	-
Money market paper	-	-	-	-	-	-	-	-	-
3. Financial credits ⁴	1.5	1.9	2.1	0.1	0.2	0.2	1.3	1.8	2.0
Short-term	1.0	1.5	1.7	0.0	0.0	0.0	1.0	1.5	1.7
Long-term	0.5	0.4	0.4	0.1	0.1	0.1	0.3	0.3	0.2
4. Other	0.5	0.5	0.6	0.2	0.2	0.4	0.3	0.3	0.1
IV. Deutsche Bundesbank	113.8	121.5	119.7	0.0	0.0	0.0	113.8	121.5	119.7
V. Other external liabilities	-	-	-	2.7	2.6	2.7	- 2.7	- 2.6	- 2.7
Grand total (I. to V.)	1,108.8	1,204.1	1,401.1	377.8	482.2	569.3	731.0	721.9	831.8

For footnotes see page 101.

Deutsche Bundesbank

Germany's external assets and liabilities *

3. Groups of countries

(a) Industrialised countries

DM billion; end-of-year level

Item	Assets			Liabilities			Balance		
	1994	1995	1996	1994	1995	1996	1994	1995	1996
I. Credit institutions	566.4	635.2	725.8	684.2	835.1	960.1	- 117.8	- 199.9	- 234.3
1. Direct investment	33.5	37.4	45.7	10.8	12.7	11.8	22.7	24.8	33.9
Equity capital ¹	33.2	37.2	45.4	10.8	12.7	11.8	22.4	24.6	33.7
Real property	0.2	0.2	0.2	-	-	-	0.2	0.2	0.2
2. Portfolio investment	74.4	88.6	114.5	173.3	220.6	285.9	- 99.0	- 132.1	- 171.4
Equities	2.4	1.9	2.6	23.2	23.4	26.0	- 20.8	- 21.4	- 23.4
Investment fund certificates	4.1	4.2	6.8	-	-	-	4.1	4.2	6.8
Bonds and notes	67.2	80.7	100.0	148.9	196.4	256.2	- 81.7	- 115.7	- 156.2
Money market paper	0.7	1.8	5.1	1.2	0.9	3.7	- 0.6	0.9	1.4
3. Financial credits ²	457.9	508.6	565.0	499.2	601.0	661.6	- 41.3	- 92.4	- 96.7
Short-term	299.5	338.6	380.0	263.1	310.3	324.8	36.4	28.2	55.2
Long-term	158.4	170.0	185.0	236.1	290.7	336.8	- 77.7	- 120.6	- 151.8
4. Other	0.6	0.6	0.6	0.8	0.8	0.8	- 0.2	- 0.2	- 0.1
II. Enterprises and individuals	1,096.5	1,123.2	1,243.6	536.4	555.9	636.2	560.0	567.3	607.4
1. Direct investment	223.0	243.4	281.3	117.5	127.8	124.7	105.5	115.7	156.7
Investment capital ¹	195.3	212.7	243.1	107.1	117.9	115.6	88.1	94.7	127.4
Real property	27.7	30.8	38.2	10.4	9.8	9.0	17.4	20.9	29.2
2. Portfolio investment	370.6	398.0	454.7	124.2	131.6	186.9	246.4	266.4	267.9
Equities	86.6	97.3	137.9	97.0	104.3	162.6	- 10.4	- 7.0	- 24.7
Investment fund certificates	128.8	129.4	132.9	14.3	13.4	11.0	114.5	116.1	121.9
Bonds and notes ³	146.2	164.8	179.7	10.5	12.8	13.0	135.7	152.0	166.7
Money market paper	9.0	6.4	4.3	2.4	1.1	0.3	6.6	5.3	4.0
3. Financial credits	350.0	335.1	355.3	215.9	218.2	242.4	134.1	117.0	112.9
Short-term	329.4	311.6	331.6	120.7	126.8	149.2	208.7	184.8	182.3
Long-term	20.6	23.5	23.7	95.2	91.4	93.1	- 74.6	- 67.8	- 69.5
4. Trade credits	127.9	119.8	123.7	76.4	76.9	80.7	51.5	43.0	43.1
5. Other	24.9	26.8	28.6	2.3	1.5	1.7	22.6	25.3	27.0
III. Public sector	26.4	33.9	33.3	414.6	519.1	568.5	- 388.2	- 485.1	- 535.2
1. Participating interests in international organisations	1.4	1.7	1.8	-	-	-	1.4	1.7	1.8
2. Portfolio investment	-	-	-	365.4	455.5	501.8	- 365.4	- 455.5	- 501.8
Domestic securities	-	-	-	365.3	455.4	491.2	- 365.3	- 455.4	- 491.2
Money market paper	-	-	-	0.1	0.1	10.6	- 0.1	- 0.1	- 10.6
3. Financial credits ⁴	24.5	31.8	31.0	49.2	63.5	66.7	- 24.6	- 31.7	- 35.7
Short-term	24.0	31.3	30.6	8.4	9.4	11.5	15.6	21.9	19.0
Long-term	0.5	0.5	0.5	40.7	54.1	55.2	- 40.2	- 53.6	- 54.7
4. Other	0.4	0.4	0.4	0.0	0.0	0.0	0.4	0.4	0.4
IV. Deutsche Bundesbank	89.2	95.7	93.0	20.1	15.9	15.3	69.1	79.8	77.8
V. Other external liabilities	-	-	-	12.0	15.1	16.3	- 12.0	- 15.1	- 16.3
Grand total (I. to V.)	1,778.4	1,888.0	2,095.8	1,667.2	1,941.1	2,196.3	111.2	- 53.1	- 100.6

For footnotes see page 101.

Deutsche Bundesbank

Germany's external assets and liabilities *
3. Groups of countries
(b) EU countries including EU organisations

DM billion; end-of-year level

Item	Assets			Liabilities			Balance		
	1994	1995	1996	1994	1995	1996	1994	1995	1996
I. Credit institutions	462.2	507.7	569.7	549.0	671.7	769.4	- 86.7	- 164.0	- 199.7
1. Direct investment	27.6	30.4	35.3	4.8	6.2	6.1	22.8	24.2	29.2
Equity capital ¹	27.5	30.3	35.2	4.8	6.2	6.1	22.7	24.1	29.1
Real property	0.1	0.1	0.1	-	-	-	0.1	0.1	0.1
2. Portfolio investment	59.2	71.4	92.8	146.6	187.6	241.5	- 87.4	- 116.2	- 148.7
Equities	2.1	1.7	2.3	13.5	13.7	15.2	- 11.4	- 12.0	- 12.9
Investment fund certificates	3.6	3.6	6.1	-	-	-	3.6	3.6	6.1
Bonds and notes	53.3	66.1	84.4	131.9	173.0	222.6	- 78.5	- 106.9	- 138.2
Money market paper	0.1	0.1	0.1	1.2	0.9	3.7	- 1.1	- 0.8	- 3.6
3. Financial credits ²	375.3	405.6	441.4	397.2	477.5	521.5	- 22.0	- 71.9	- 80.1
Short-term	250.1	273.9	302.6	210.0	243.9	249.0	40.1	30.0	53.7
Long-term	125.2	131.8	138.8	187.2	233.7	272.5	- 62.1	- 101.9	- 133.7
4. Other	0.2	0.2	0.2	0.4	0.4	0.3	- 0.2	- 0.1	- 0.1
II. Enterprises and individuals	769.5	809.4	877.6	346.4	356.9	402.7	423.0	452.4	474.9
1. Direct investment	140.0	158.5	184.0	59.7	64.0	61.8	80.2	94.6	122.3
Investment capital ¹	121.5	137.4	156.8	55.3	60.0	58.3	66.2	77.4	98.5
Real property	18.4	21.2	27.3	4.4	4.0	3.4	14.1	17.2	23.8
2. Portfolio investment	258.1	272.3	299.0	81.0	85.6	117.8	177.1	186.7	181.2
Equities	32.0	35.2	55.3	61.5	65.1	101.6	- 29.5	- 29.9	- 46.3
Investment fund certificates	128.3	128.9	131.4	10.9	10.3	7.6	117.4	118.7	123.8
Bonds and notes ³	90.7	101.3	107.1	7.2	9.5	8.4	83.5	91.9	98.7
Money market paper	7.1	6.8	5.3	1.5	0.8	0.2	5.6	6.0	5.1
3. Financial credits	265.6	274.1	288.1	153.5	156.2	170.4	112.1	118.0	117.7
Short-term	254.2	260.5	272.2	88.3	92.9	105.9	165.9	167.6	166.3
Long-term	11.4	13.7	15.9	65.2	63.3	64.5	- 53.8	- 49.6	- 48.6
4. Trade credits	91.1	88.2	89.4	50.6	50.5	52.0	40.5	37.7	37.5
5. Other	14.7	16.2	17.0	1.5	0.7	0.8	13.2	15.5	16.2
III. Public sector	25.0	31.7	31.0	298.9	358.0	404.4	- 273.9	- 326.3	- 373.4
1. Participating interests in international organisations	1.4	1.7	1.8	-	-	-	1.4	1.7	1.8
2. Portfolio investment	-	-	-	250.8	299.6	342.1	- 250.8	- 299.6	- 342.1
Domestic securities	-	-	-	250.7	299.5	334.3	- 250.7	- 299.5	- 334.3
Money market paper	-	-	-	0.1	0.1	7.8	- 0.1	- 0.1	- 7.8
3. Financial credits ⁴	23.3	29.7	28.8	48.1	58.4	62.2	- 24.8	- 28.7	- 33.4
Short-term	23.0	29.5	28.6	8.3	9.4	11.4	14.7	20.1	17.2
Long-term	0.2	0.2	0.2	39.8	49.1	50.8	- 39.5	- 48.8	- 50.6
4. Other	0.3	0.3	0.4	0.0	0.0	0.0	0.3	0.3	0.4
IV. Deutsche Bundesbank	31.9	29.0	22.2	3.7	0.2	0.2	28.2	28.8	22.0
V. Other external liabilities	-	-	-	10.9	10.9	10.9	- 10.9	- 10.9	- 10.9
Grand total (I. to V.)	1,288.6	1,377.8	1,500.5	1,208.9	1,397.8	1,587.6	79.7	- 20.0	- 87.1

For footnotes see page 101.

Deutsche Bundesbank

Germany's external assets and liabilities *

3. Groups of countries

(c) Countries in transition

DM billion; end-of-year level

Item	Assets			Liabilities			Balance		
	1994	1995	1996	1994	1995	1996	1994	1995	1996
I. Credit institutions	71.6	71.9	80.9	13.4	14.5	17.1	58.2	57.4	63.8
1. Direct investment	0.6	0.9	1.1	0.5	0.5	0.5	0.1	0.4	0.6
Equity capital ¹	0.5	0.8	1.0	0.5	0.5	0.5	0.1	0.3	0.5
Real property	0.0	0.0	0.0	–	–	–	0.0	0.0	0.0
2. Portfolio investment	3.6	2.6	2.6	0.8	1.0	1.1	2.8	1.7	1.5
Equities	0.0	0.0	0.0	–	–	–	0.0	0.0	0.0
Investment fund certificates	0.0	0.1	0.0	–	–	–	0.0	0.1	0.0
Bonds and notes	3.6	2.5	2.6	0.8	1.0	1.1	2.8	1.5	1.5
Money market paper	–	0.0	0.0	0.0	0.0	–	–	0.0	0.0
3. Financial credits ²	67.4	68.4	77.2	12.2	13.0	15.4	55.2	55.3	61.8
Short-term	5.0	5.9	10.1	11.7	12.5	14.9	–	6.6	–
Long-term	62.4	62.5	67.0	0.5	0.5	0.5	61.9	62.0	66.5
4. Other	–	–	–	0.0	0.0	0.0	–	0.0	–
II. Enterprises and individuals	27.7	35.6	43.6	12.4	12.2	10.8	15.4	23.4	32.8
1. Direct investment	6.4	8.8	13.7	0.5	0.5	0.3	5.9	8.2	13.4
Investment capital ¹	6.1	8.3	13.1	0.5	0.5	0.3	5.6	7.8	12.8
Real property	0.3	0.5	0.6	0.0	0.0	0.0	0.3	0.4	0.6
2. Portfolio investment	6.1	7.1	5.5	1.5	1.0	0.5	4.6	6.2	5.0
Equities	0.4	1.0	1.4	0.0	0.1	0.1	0.3	1.0	1.4
Investment fund certificates	–	–	–	0.1	0.1	0.2	–	0.1	–
Bonds and notes ³	5.7	6.1	4.0	0.3	0.4	0.2	5.4	5.7	3.8
Money market paper	0.0	0.0	0.0	1.1	0.4	0.1	–	0.4	–
3. Financial credits	3.6	4.4	6.1	1.2	1.1	1.3	2.4	3.3	4.8
Short-term	2.3	2.8	3.6	1.1	1.0	1.2	1.2	1.8	2.4
Long-term	1.3	1.6	2.5	0.1	0.1	0.1	1.2	1.5	2.4
4. Trade credits	11.2	14.9	17.8	9.1	9.6	8.7	2.1	5.3	9.1
5. Other	0.4	0.4	0.5	0.0	0.0	0.0	0.3	0.4	0.5
III. Public sector	16.9	19.2	20.8	5.3	10.3	14.7	11.6	8.9	6.1
1. Participating interests in international organisations	–	–	–	–	–	–	–	–	–
2. Portfolio investment	–	–	–	5.3	10.3	14.7	–	5.3	–
Domestic securities	–	–	–	5.2	10.2	12.8	–	5.2	–
Money market paper	–	–	–	0.1	0.1	1.9	–	0.1	–
3. Financial credits ⁴	16.9	19.1	20.8	0.0	0.0	–	16.9	19.1	20.8
Short-term	–	–	0.0	–	–	–	–	–	0.0
Long-term	16.9	19.1	20.8	0.0	0.0	–	16.9	19.1	20.8
4. Other	0.1	0.1	0.1	–	–	–	0.1	0.1	0.1
IV. Deutsche Bundesbank	–	–	–	2.1	0.0	0.1	–	2.1	–
V. Other external liabilities	–	–	–	–	–	–	–	–	–
Grand total (I. to V.)	116.2	126.7	145.3	33.2	37.1	42.6	83.1	89.6	102.7

For footnotes see page 101.

Deutsche Bundesbank

Germany's external assets and liabilities *

3. Groups of countries

(d) Developing countries

DM billion; end-of-year level

Item	Assets			Liabilities			Balance		
	1994	1995	1996	1994	1995	1996	1994	1995	1996
I. Credit institutions	147.5	161.4	178.2	69.1	78.2	85.9	78.4	83.3	92.3
1. Direct investment	4.3	5.2	5.8	0.8	0.9	1.0	3.5	4.2	4.9
Equity capital ¹	4.3	5.2	5.8	0.8	0.9	1.0	3.5	4.2	4.9
Real property	0.0	0.0	0.0	-	-	-	0.0	0.0	0.0
2. Portfolio investment	9.4	11.4	14.2	7.5	7.1	6.6	1.9	4.3	7.6
Equities	0.2	0.2	0.2	1.4	1.2	1.7	- 1.2	- 1.0	- 1.5
Investment fund certificates	0.3	0.3	0.5	-	-	-	0.3	0.3	0.5
Bonds and notes	8.9	10.9	13.5	6.1	5.9	4.9	2.9	5.0	8.6
Money market paper	0.0	-	0.0	0.0	0.0	0.0	- 0.0	- 0.0	0.0
3. Financial credits ²	133.6	144.6	158.0	60.8	70.1	78.4	72.8	74.5	79.6
Short-term	40.7	49.6	57.6	40.8	50.7	59.6	- 0.2	- 1.1	- 2.0
Long-term	92.9	95.0	100.4	20.0	19.4	18.8	72.9	75.7	81.6
4. Other	0.2	0.2	0.2	0.0	0.0	0.0	0.2	0.2	0.2
II. Enterprises and individuals	96.8	107.4	124.1	62.1	64.6	71.8	34.7	42.8	52.3
1. Direct investment	23.9	24.6	28.8	2.7	3.0	3.3	21.2	21.6	25.5
Investment capital ¹	22.2	22.7	26.7	2.6	2.9	3.2	19.6	19.8	23.5
Real property	1.7	1.8	2.1	0.1	0.1	0.1	1.6	1.7	2.0
2. Portfolio investment	18.9	24.7	34.1	21.8	19.1	22.1	- 2.9	5.6	12.1
Equities	2.9	3.3	8.4	15.2	14.3	17.4	- 12.3	- 10.9	- 9.0
Investment fund certificates	0.1	-	-	2.8	2.9	2.9	- 2.8	- 2.9	- 2.9
Bonds and notes ³	15.5	20.4	24.9	1.1	1.3	1.5	14.4	19.0	23.5
Money market paper	0.5	1.0	0.7	2.6	0.6	0.3	- 2.2	0.4	0.4
3. Financial credits	18.1	17.5	17.4	13.1	17.2	19.9	5.0	0.3	- 2.5
Short-term	14.4	13.9	14.0	6.2	7.3	9.3	8.3	6.7	4.6
Long-term	3.7	3.6	3.4	7.0	10.0	10.6	- 3.3	- 6.4	- 7.2
4. Trade credits	32.9	37.3	39.8	24.4	25.2	26.5	8.4	12.1	13.4
5. Other	3.1	3.4	3.9	0.1	0.1	0.1	3.0	3.3	3.8
III. Public sector	20.3	20.6	20.4	60.0	67.7	72.6	- 39.7	- 47.1	- 52.1
1. Participating interests in international organisations	-	-	-	-	-	-	-	-	-
2. Portfolio investment	-	-	-	57.6	65.5	69.2	- 57.6	- 65.5	- 69.2
Domestic securities	-	-	-	57.3	65.2	67.3	- 57.3	- 65.2	- 67.3
Money market paper	-	-	-	0.3	0.3	1.9	- 0.3	- 0.3	- 1.9
3. Financial credits ⁴	20.3	20.5	20.4	2.4	2.2	3.3	17.9	18.4	17.0
Short-term	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Long-term	20.2	20.5	20.3	2.3	2.1	3.3	17.9	18.3	17.0
4. Other	0.1	0.1	0.1	-	-	-	0.1	0.1	0.1
IV. Deutsche Bundesbank	0.2	0.2	0.2	1.9	0.4	0.3	- 1.7	- 0.2	- 0.1
V. Other external liabilities	-	-	-	-	-	-	-	-	-
Grand total (I. to V.)	264.8	289.6	322.9	193.1	210.9	230.6	71.7	78.7	92.3

For footnotes see page 101.

Deutsche Bundesbank

Germany's external assets and liabilities *

3. Groups of countries

(e) International organisations (excluding EU organisations)

DM billion; end-of-year level

Item	Assets			Liabilities			Balance		
	1994	1995	1996	1994	1995	1996	1994	1995	1996
I. Credit institutions	4.4	4.2	6.1	15.9	10.4	10.8	- 11.5	- 6.2	- 4.7
1. Direct investment	-	-	-	-	-	-	-	-	-
Equity capital ¹	-	-	-	-	-	-	-	-	-
Real property	-	-	-	-	-	-	-	-	-
2. Portfolio investment	2.9	2.7	4.1	0.0	0.2	0.4	2.9	2.6	3.7
Equities	0.0	0.0	0.0	-	-	-	0.0	0.0	0.0
Investment fund certificates	0.1	0.1	0.0	-	-	-	0.1	0.1	0.0
Bonds and notes	2.8	2.6	4.1	0.0	0.0	0.4	2.8	2.6	3.7
Money market paper	-	-	-	0.0	0.2	-	- 0.0	- 0.2	-
3. Financial credits ²	1.5	1.5	2.0	15.9	10.3	10.4	- 14.4	- 8.8	- 8.4
Short-term	0.3	0.2	0.4	14.9	8.6	9.4	- 14.6	- 8.4	- 8.9
Long-term	1.2	1.3	1.6	1.0	1.6	1.0	0.2	- 0.4	0.6
4. Other	-	-	-	-	-	-	-	-	-
II. Enterprises and individuals	10.2	11.4	10.6	0.3	0.4	0.6	9.9	11.0	10.0
1. Direct investment	-	-	-	-	-	-	-	-	-
Investment capital ¹	-	-	-	-	-	-	-	-	-
Real property	-	-	-	-	-	-	-	-	-
2. Portfolio investment	10.2	11.4	10.6	0.3	0.4	0.6	9.9	11.0	10.0
Equities	-	-	0.0	0.0	0.0	0.0	- 0.0	- 0.0	- 0.0
Investment fund certificates	-	-	-	-	-	-	-	-	-
Bonds and notes ³	10.2	11.4	10.4	0.3	0.4	0.5	9.9	11.0	9.9
Money market paper	-	-	0.1	-	-	-	-	-	0.1
3. Financial credits	-	-	-	0.0	0.0	0.0	- 0.0	- 0.0	- 0.0
Short-term	-	-	-	-	-	-	-	-	-
Long-term	-	-	-	0.0	0.0	0.0	- 0.0	- 0.0	- 0.0
4. Trade credits	-	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-	-
III. Public sector	17.5	18.0	20.1	2.7	0.4	0.8	14.7	17.6	19.3
1. Participating interests in international organisations	17.4	18.0	20.1	-	-	-	17.4	18.0	20.1
2. Portfolio investment	-	-	-	2.4	0.1	0.3	- 2.4	- 0.1	- 0.3
Domestic securities	-	-	-	2.4	-	0.3	- 2.4	-	- 0.3
Money market paper	-	-	-	0.0	0.1	-	- 0.0	- 0.1	-
3. Financial credits ⁴	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	-	-	-	0.0	0.0	0.0	- 0.0	- 0.0	- 0.0
Long-term	0.0	0.0	0.0	-	-	-	0.0	0.0	0.0
4. Other	-	-	-	0.3	0.3	0.5	- 0.3	- 0.3	- 0.5
IV. Deutsche Bundesbank	12.9	13.7	14.1	0.1	0.0	0.0	12.7	13.6	14.1
V. Other external liabilities	-	-	-	2.7	2.6	2.7	- 2.7	- 2.6	- 2.7
Grand total (I. to V.)	44.9	47.3	50.9	21.8	13.8	14.9	23.1	33.5	36.0

For footnotes see page 101.

Deutsche Bundesbank

Footnotes to the tables in the Annex

* The asset position is shown as a general survey (from 1949), and classified by country (foreign currency/Deutsche Mark, from 1984) and by group of countries (countries included according to the current definition, from 1984). The valuations are based on market prices; in the case of portfolio items, these are mainly the stock exchange prices on the given reporting day, and, in the case of assets and liabilities denominated in foreign currency, the appropriate exchange rates. The figures for direct investment are largely based on the balance sheets of investment enterprises. The external position of the Deutsche Bundesbank is based on the values given in the Weekly Return; it includes the stock of gold reserves (DM 13,688 million latterly), which cannot be broken down by region.

1 Shares in the capital of foreign or domestic enterprises of currently more than 20%, including branches and permanent establishments, provided the balance sheet total currently amounts in each case to more than DM 1 million, excluding indirect participating interests and loans by share-

holders; the latter are shown under "Credits". Showing the direct investment credits of enterprises separately, as planned, is still not possible in all cases.

2 Advances, borrowers' note loans, bank balances, and assets acquired through assignment and the like.

3 Liabilities: including bond issues of the Federal Post Office and until 1993 of the former Federal Railways, which since 1994 have been included in the Federal debt.

4 Liabilities: borrowers' note loans.

5 The extended figures for direct investment comprise investment capital as well as shareholders' credits and credits of other affiliated enterprises to the investment enterprises but net of those investment enterprises' credits to the shareholders; including commercial and private real property. The figures for 1996 are estimated.