Trends in international capital links between enterprises from the end of 1995 to the end of 1997

Spurred by globalisation the pace of cross-border corporate mergers has accelerated in recent years. Amid other evidence the latest results of the stock survey on direct investment also confirm this trend. According to the survey, German investors increased their corporate assets abroad by more than a third from the end of 1995 to the end of 1997; given the inordinate size of the increase, however, allowance must be made for exchange rate movements during this period, especially with regard to the dollar. Altogether, German corporate assets rose very sharply, above all in the industrial countries outside the European Union. At the same time foreign shareholders substantially increased their participating interests in German enterprises. Even so, foreign investment in Germany has not, by any measure, risen as steeply as German direct investment abroad, owing to the considerably lower level of investment from which it began; here investors from European Union countries were especially prominent. The picture presented by foreign investment in Germany appears even less positive if primary and secondary direct investment are taken together.

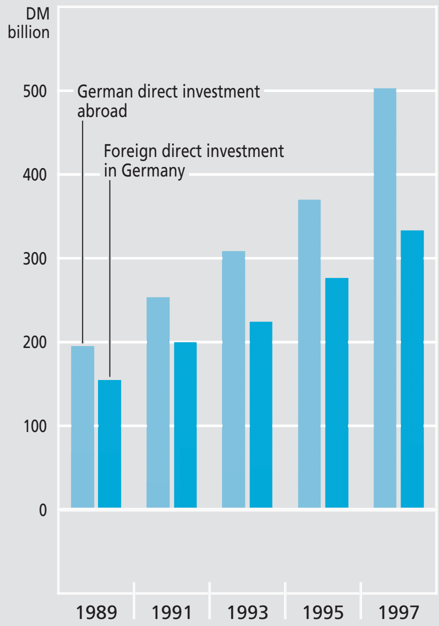
Overview of the trends from the end of 1995 to the end of 1997

The stock of primary German direct investment abroad, which consists of investment

German corporate assets abroad

capital, loans from German investors and additional intra-group loans from German enterprises, rose by DM 133 billion to DM 503 billion in the period under review (see the adjacent chart). However, this rise cannot be ascribed exclusively to heightened interest on the part of German investors; increases in the exchange rates of important currencies vis-à-vis the Deutsche Mark have also contributed, to a certain extent, to the rise by bringing about an upward revaluation of direct investment stocks (which are recorded in foreign currency). The British pound sterling (+ 35 %) and the US dollar (+ 25 %) – the currencies of two countries which account for approximately one-third of German corporate assets abroad – rose steeply and thus corrected the strong appreciation of the Deutsche Mark that had been the norm until the spring of 1995.

Primary direct investment stocks from the end of 1989 to the end of 1997



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Influence of exchange rates

Such dramatic exchange rate fluctuations not only result more or less automatically in a change in the value of direct investment stocks abroad, but they have increasingly provided internationally operating enterprises with an incentive to invest in countries whose currencies vary strongly vis-à-vis the Deutsche Mark. The parallel trends towards strong export growth and increased direct investment abroad continued during the period under review.

Foreign corporate assets in Germany

From the end of 1995 to the end of 1997 foreign direct investment in Germany also increased substantially, rising by DM 57 billion to DM 333 billion. Even so, it did not rise as steeply as did German corporate assets abroad but again lagged considerably behind. This might reflect the view of foreign investors who find Germany as a business location comparatively unattractive, relatively high production costs and heavy tax and social security burdens contributing, among other factors, to this view. However, institutional conditions such as the small number of listed corporations in Germany also play a role. In comparison with other countries, the opportunities in Germany for acquisitions, takeovers, and mergers are limited. The creation of the "new market" may offset this trend as it is intended to facilitate access to the stock exchange – especially in the case of young and innovative firms – and has been positively received.

The extensive purchase of enterprises by German investors as well as their new invest-

Comparison with balance of payments statistics

ments in already existing enterprises are also clearly reflected in the balance of payments (the balance of payments only records transactions, some of which have, in addition, been defined and assessed differently than in the statistics on direct investment stocks). For 1996 and 1997 the balance of payments posts net transactions relating to the acquisition of participating interests in enterprises at DM 77.5 billion altogether (see the table on page 62); this was approximately three-fifths of the total increase in German corporate assets abroad (DM 133 billion). The net acquisition of participating interests in the period under review was 10 % higher than in the preceding two years. A significant part of this asset growth came from reinvested earnings (+ DM 15 billion). The positive economic conditions in most countries – but probably also the successful restructuring measures of many enterprises – brought these enterprises large profits for the year. As a result, profits carried forward and retained income in 1996 and 1997 could be considerably increased despite profit distributions totalling DM 28 billion.

Intra-group lending

Also worthy of note was the fact that loans from shareholders increased by DM 18 billion to DM 76.5 billion. Other intra-group loans from German enterprises to direct investment enterprises abroad rose by just under DM 9 billion to DM 28 billion. By contrast, net lending posted in the balance of payments statistics on direct investment at DM 59 billion also contains loans to enterprises abroad that have no direct capital links to German investors and which are thus omitted from the stock survey on direct investment.

Low net transfers for participating interests in Germany

The increase of foreign investment capital in German enterprises is reflected only inadequately in the balance of payments entries. In the period under review net transactions relating to the acquisition of participating interests were booked at DM 10 billion. This is in keeping with the balance of new investments in participating interests, which totalled DM 55 billion, and the liquidation of primary participating interests amounting to DM 45 billion. This decrease in primary participating interests in 1996 and 1997 shows up in the stock survey as a decline in investment capital of only DM 27 billion. Indeed these primary participating interests were often sold to foreign majority-owned holding companies in Germany; from that point on they continue to exist in Germany as secondary foreign participating interests. The purchasing price, which had to be paid to the parent company, often exceeded the reported value of the participating interest.

High dividend payments

On the whole, the earnings position of German enterprises in 1996 and 1997 had again improved, especially that of the large enterprises; as a result, dividends amounting to DM 26.5 billion were distributed among foreign shareholders. These extraordinarily high dividend payments may also be explained by pointing out that prior to 1998 it was possible to release retained income that had hitherto been taxed in a way that minimised the tax burden. In addition, the widely accepted notion of shareholder value in the US has become more and more important for German corporate policy as well; consequently, the distribution of dividends is increasingly being given preference over the retention of profits.

Trend in the stock of and flows in primary direct investment from end-1995 to end-1997

DM billion

Type of capital, capital flows	Primary German direct investment abroad		Primary foreign direct investment in Germany	
Direct investment stocks at the end of 1995				
Investment capital	292.5		137.0	
Loans from shareholders	58.2		64.8	
Loans from other affiliated enterprises	19.4		74.7	
Direct investment stocks, total		370.0		276.5
Payments for participating interests, according to the balance of payments statistics				
New investment in participating interests	+ 116.3		+ 54.9	
Liquidation of participating interests	– 38.8		– 45.1	
Balance		+ 77.5		+ 9.8
Changes in the value of stocks as a result of exchange rate fluctuations pe		+ 25.5		–
Changes in stocks as a result of the retained profits and losses of enterprises in which the participating interests are held (Reinvested earnings) pe		+ 15.4		– 7.6
Changes in the loans from shareholders	+ 18.3		+ 5.3	
Changes in the loans from other affiliated enterprises	+ 8.7		+ 20.2	
Memo item				
Loans shown in the balance of payments	(+ 59.2)		(+ 29.1)	
Balance		+ 27.0		+ 25.5
Discrepancies between flows values and the book values of participating interests, as shown in the balance sheets, and other factors		– 12.2		+ 29.1
Direct investment stocks at the end of 1997		503.2		333.3
Investment capital	398.6		168.2	
Loans from shareholders	76.5		70.1	
Loans from other affiliated enterprises	28.1		94.9	

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In themselves, the large dividend distributions – but also the losses of some enterprises for the financial year – led to a decrease in the investment capital in Germany held by foreign investors that amounted to just under DM 8 billion.

Foreign shareholders extended DM 5 billion in additional loans for direct investment enterprises in Germany. The increase in loans from other affiliated enterprises abroad was quite substantial in comparison, amounting to DM 20 billion. By the end of 1997 these outstanding loans, totalling DM 95 billion, made up almost 30 % of foreign primary direct investment stock in Germany.

Holding companies and secondary participating interests

Holding companies at the top of group structure increasingly more important

Globalisation has led to the creation of new group structures in the corporate world. The organisation, administration and intra-group financing of different business areas in various countries is now being conducted almost exclusively at group headquarters, which is usually domiciled in the form of a legally independent holding company in a country with favourable tax laws. At the end of 1997 DM 142 billion or just under 30 % of primary German direct investment was in foreign holding companies. At DM 180 billion, even more than one-half of foreign direct investment in Germany was concentrated in German holding companies. In order to be able to break down the results for direct investment by country and by economic sector, it is necessary to include the secondary participating interests that lie behind the holding companies in the analysis.[1] The following remarks are based on this consolidated analysis.

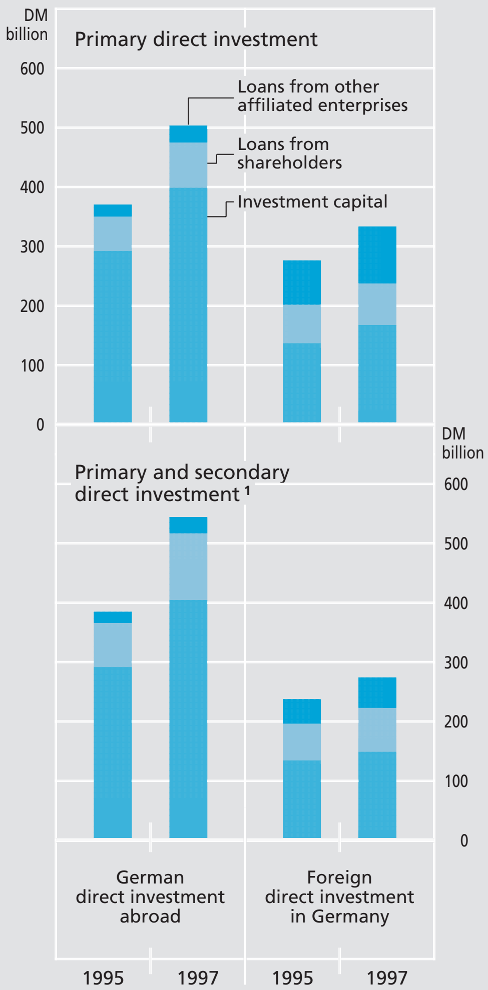
Thanks to this consolidation the size and structure of direct investment stocks have altered considerably (see chart on page 64). Whereas German investors at the end of 1997 made 93 % of their direct investment available to their dependent holding companies abroad in the form of investment capital, the share of direct investment stock that is taken up by investment capital held by foreign investors in German holding companies was only 55 %. More than one-quarter of direct investment stocks was made available to these enterprises in the form of loans from other affiliated enterprises abroad.

Primary and secondary direct investment

The consolidation of primary and secondary direct investment increased German corporate assets abroad by DM 41 billion to DM 544 billion, since the holding companies abroad secured additional financing and channelled these funds to their investment targets. In the case of foreign direct investment in Germany, consolidation causes direct investment stocks to decrease by DM 59 billion to slightly more than DM 274 billion. This is largely attributable to the fact that the balance sheet values of secondary direct investment enterprises are considerably smaller than the participating interests shown in the balance sheets of the holding companies, owing to undisclosed reserves.

1 To avoid duplication, primary participating interests in dependent holding companies are not included in consolidation.

Structure of direct investment stocks



1 Excluding primary direct investment in dependent holding companies.

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Regional distribution

German direct investment abroad

German direct investment ...

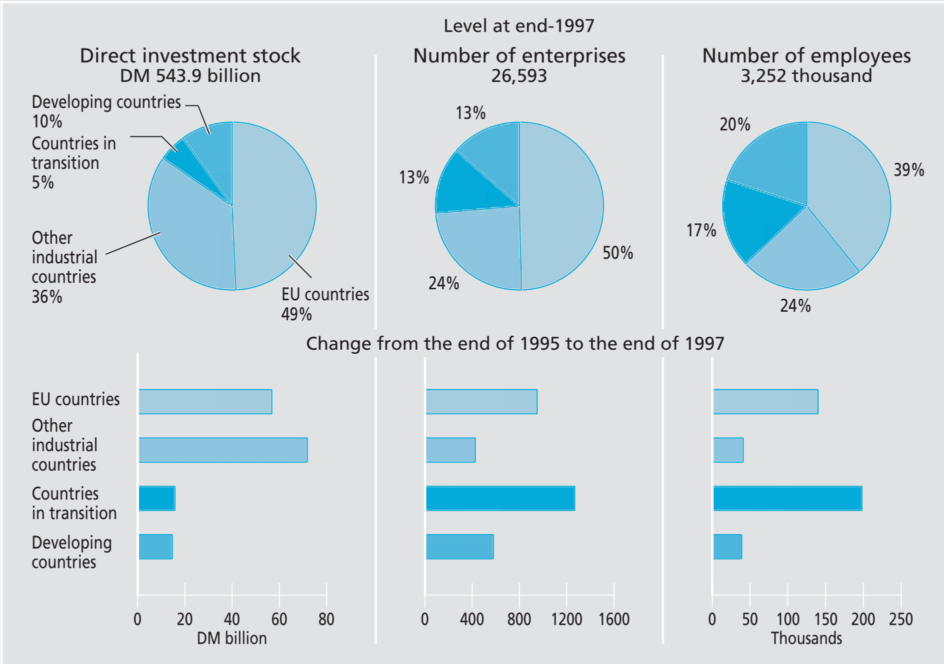
As is the case with foreign trade, international links in the area of direct investment tend to centre on industrial countries. This is also true of Germany. From the end of 1995 to the end of 1997 the industrial countries accounted for four-fifths of the growth in German direct investment abroad. The remaining 20 % led in almost equal measure to an increase in direct investment stocks in the countries in transition and in the developing countries (see the chart on page 65).

... in European Union countries

Direct investment stocks in the European Union countries increased by just under DM 57 billion to DM 268 billion in the period under review. It was a below-average increase (see the table on page 66). This trend suggests that in the period under review direct investment, after having reached extraordinary proportions in the preceding years in response to the completion of the single European market, returned to its normal level. However, the number of reported new direct investment enterprises in this economic area rose considerably – by 950 (to around 13,200). The reason may be that medium-sized enterprises are now increasingly investing across borders, as well.

Among the EU countries, the United Kingdom posted, with DM 21 billion, the largest growth in direct investment stocks in the period under review – albeit partially owing to exchange rate changes. German investors have participating interests in more than 200 additional investment projects there, a fact which speaks in favour of the attractiveness of the UK as a business location. German direct investment stocks in Italy increased by DM 7 billion to DM 23 billion, which mainly benefited the manufacturing industry as well as distribution outlets. German direct investment in Luxembourg increased by DM 6 billion, about half of which consisted of a single major transaction. At DM 5 billion, the

Primary and secondary German direct investment abroad



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amount invested in Belgium was of comparable proportions. At the end of 1997, the stock of German direct investment in Belgium was, at DM 33 billion, only slightly less than Germany's direct investment in France, their larger common neighbour. More than half of German direct investment in Belgium is in financial institutions, which large enterprises have established in response to tax benefits in order to coordinate their financial flows.

... in the US

From the end of 1995 to the end of 1997, German direct investment stocks increased in non-EU industrial countries by DM 72 billion to DM 192 billion. Direct investment in the USA accounted for over four-fifths (DM 60 billion) of that amount. The consistently positive economic situation in that country is mainly responsible for this result, but also the rise in the dollar's exchange rate in the period under review, which resulted in the already high level of German direct investment in the US becoming even higher. German corporate assets increased primarily in the financial intermediation sector (+ DM 42 billion) as well as in the manufacturing industry (+ DM 16.5 billion). Non-EU industrial countries accounted for 307 of the direct investment enterprises making up new investment and thus three-quarters of all investment projects.

... in countries in transition

Prior to the nineties, direct investment in countries in transition was almost impossible for private Western investors. Starting from an extraordinarily low level, investment has grown very rapidly in the last few years. From the end of 1995 to the end of 1997 dir-

Primary and secondary direct investment stocks, by major country and branch of economic activity of the investment enterprises, at end-1995 and end-1997

DM billion

Country/Branch of economic activity	German direct investment abroad			Foreign direct investment in Germany		
	End-year level			End-year level		
	1995	1997	Change	1995	1997	Change
Total direct investment	384.8	543.9	159.1	237.8	274.4	36.6
by investment/investor country						
EU countries	211.2	268.0	56.8	119.3	141.7	22.4
of which						
Belgium	27.7	32.6	4.9	4.0	5.7	1.7
France	31.4	34.8	3.4	22.1	27.8	5.7
Italy	15.7	22.8	7.1	4.2	4.4	0.2
Luxembourg	16.1	21.9	5.8	4.3	5.0	0.7
Netherlands	25.7	28.9	3.2	48.7	56.9	8.2
United Kingdom	37.1	58.1	21.0	15.2	18.0	2.8
Other industrial countries	120.4	192.2	71.8	107.8	121.3	13.5
of which						
Canada	6.0	8.5	2.5	3.2	1.3	– 1.9
Japan	7.7	9.3	1.6	15.5	15.3	– 0.2
Switzerland	16.2	20.4	4.2	27.3	33.5	6.2
United States	83.4	143.8	60.4	58.4	68.0	9.6
Countries in transition	13.6	29.4	15.8	3.0	2.8	– 0.2
of which						
China (excluding Hong Kong)	1.6	5.1	3.5	0.1	0.2	0.1
Czech Republic	4.2	6.7	2.5	0.2	0.1	– 0.1
Hungary	3.5	7.4	3.9	0.1	0.0	– 0.1
Poland	2.0	5.6	3.6	0.3	0.2	– 0.1
Developing countries	39.6	54.3	14.7	7.8	8.5	0.7
of which						
in America	24.6	35.0	10.4	2.4	2.1	– 0.3
of which						
Argentina	2.1	3.7	1.6	0.4	0.1	– 0.3
Brazil	12.4	15.9	3.5	0.2	0.2	0.0
Mexico	3.0	6.5	3.5	0.0	0.0	0.0
in Asia and Oceania	10.6	14.2	3.6	5.1	6.3	1.2
by economic sector activity of the investment enterprises						
Manufacturing sector	150.7	205.7	55.0	103.5	113.1	9.6
of which						
Chemical industry	51.5	66.0	14.5	21.7	28.0	6.3
Mechanical engineering	15.1	20.5	5.4	11.2	13.1	1.9
Manufacture of electrical machinery and apparatus	15.0	21.7	6.7	4.6	4.1	– 0.5
Manufacture of radio, television and communication equipment and apparatus	2.3	4.3	2.0	4.0	6.2	2.2
Manufacture of motor vehicles	23.8	37.2	13.4	9.4	7.7	– 1.7
Trade and repair	60.9	84.6	23.7	48.8	55.4	6.6
Financial intermediation	115.0	178.8	63.8	27.9	33.6	5.7
of which						
Credit institutions	38.1	53.0	14.9	19.9	18.4	– 1.5
Other financial institutions	54.2	92.0	37.8	1.2	7.4	6.2
Insurance companies	21.7	32.5	10.8	6.7	7.6	0.9
Real estate renting and business activities	44.9	51.6	6.7	47.5	61.2	13.7
of which						
Holding companies	21.0	35.1	14.1	32.3	42.3	10.0
Other economic sectors	13.3	23.2	9.9	10.1	11.1	1.0

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ect investment stocks more than doubled (+ DM 16 billion to DM 29 billion). Now enterprises are also increasingly being purchased in connection with the privatisation of state-owned enterprises. Direct investment is of considerable importance for these countries since economic change is promoted by the transfer of technology associated with it, trust in the reform process is created, and at the same time foreign indebtedness is avoided. Whereas at first the central and eastern European countries were, owing to their geographical proximity to Germany, almost exclusively regarded as subcontractor and production locations, they have now also become interesting as sales markets. New production ideas continue to enhance the attractiveness of countries with a well-trained workforce, a developed infrastructure, and a sufficiently stable political environment.

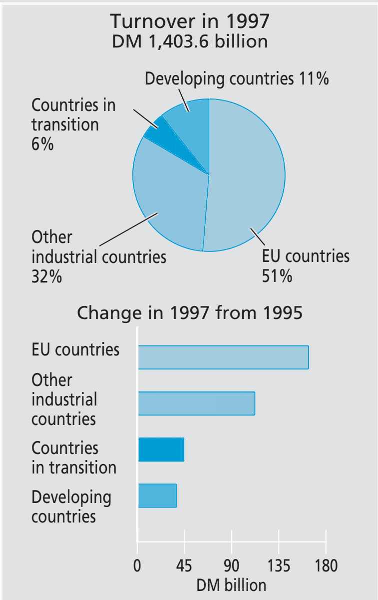
As a result, the bulk of German direct investment was limited in the period under review to a few recipient countries: Hungary (+ DM 3.9 billion), Poland (+ DM 3.6 billion) and the Czech Republic (+ DM 2.5 billion). In the Czech Republic the rise in direct investment to just under DM 7 billion was significantly less than in the other countries mentioned. The reasons for this presumably lie in the special form of privatisation practised, the weaker economic growth and the monetary crisis in the spring of 1997. The stock of German direct investment in China (excluding Hong Kong), one of the most rapidly growing economies in the world, rose to DM 5 billion and so more than trebled in the period under review.

If the number of new direct investment enterprises abroad is taken as a criterion, then the countries in transition rank very high in the hierarchy of German investment priorities. German investors participated in 3,200 additional capital projects during the period under review, countries in transition accounting for 40 % of that figure. On the whole, the number of employees in foreign enterprises with German participating interests increased by around 420,000; almost half of these jobs were in countries in transition. The turnover of enterprises with German participating interests more than doubled during the two years under review (see the chart on page 68).

... in developing countries

Geographical distance, cultural differences and a relatively low level of professional qualification, along with low labour productivity, have traditionally combined to ensure that only a minor share of German direct investment went towards the developing countries. In many countries these problems were compounded by political uncertainties. As a rule, these disadvantages outweighed the benefits of low wage costs; at the same time the sales incentive for direct investment in these countries was often only of secondary importance given the limitations of the home market in many of these countries. German corporate assets in the developing countries have up to the present time remained exceptionally low (DM 40 billion). From the point of view of German investors, however, the investment environment seems, in the period under review, to have improved in some developing countries. At all events, the direct investment figures up to the end of 1997, which increased by DM 15 billion relative to 1995, ap-

Turnover of enterprises abroad with German participating interests



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pear to confirm this assessment. The rise is also noteworthy in the light of the fact that German foreign assets were partly devalued following the economic and financial crises in Asia. Although German direct investment stocks in the emerging and developing markets of this region continued to rise sharply in 1996, they actually fell in absolute terms the next year, owing to losses in individual countries.

As a result, a few developing and emerging markets in Central and South America, which in the period under review were marked by political and economic stability, accounted for more than two-thirds of total new investment. German corporate assets more than doubled to DM 6.5 billion in Mexico, which has signed a free trade agreement with the United States and a political and economic partnership agreement with the European Union and is also seeking a free trade agreement with the EU. Similarly, German investment in Argentina increased significantly. Until the end of 1997, fairly stable economic conditions also prevailed in South America's most populous country, Brazil. The increase in German direct investment there, which in the period under review amounted to DM 3.5 billion, is to be seen in this context; at the close of the period, German assets in Brazil had grown to DM 16 billion. Still, the most recent events in Brazil are not reflected in these figures, which extend only as far as 1997.

Foreign direct investment in Germany

Foreign direct investment in Germany

Once again, in the period under review, foreign investors were demonstrably less interested in Germany than German investors in opportunities abroad. From the end of 1995 to the end of 1997 foreign enterprises increased their primary and secondary corporate assets in Germany by just under DM 37 billion to slightly over DM 274 billion; the comparable direct investment stock of German enterprises in other countries rose by DM 159 billion to DM 544 billion – albeit partially owing to exchange rate changes.

Investors from the European Union

Investors from EU countries provided slightly more than 60 % of the additional foreign direct investment. At the end of 1997 they accounted for about half of foreign direct investment stocks in Germany or DM 142 billion. Investors from the Netherlands increased their direct investment stocks by DM 8 billion to DM 57 billion with a decided focus on the chemical industry and on distribution. However, this figure must be understood to reflect the fact that the Netherlands – not least for tax reasons – are a popular domicile for the holding companies of internationally operating groups. Thus a breakdown according to country of the parent company or ultimate beneficial owner reveals that approximately DM 25 billion of the corporate assets in Germany are to be attributed not to investors from the Netherlands but from other countries, for example, from the United Kingdom (DM 7 billion), the USA (DM 3 billion) and France (DM 2 billion).

French investors increased their direct investment stocks by almost DM 6 billion to DM 28 billion, investors from the United Kingdom by DM 3 billion to DM 18 billion. In 1996 and 1997 Belgium and Luxembourg, in particular, enlarged their presence in Germany significantly, as measured in terms of new participating interests.

Investors from the US

Among the investors from other industrial countries, those from the US once again played a significant role, increasing their corporate assets in Germany by almost DM 10 billion to DM 68 billion. The exchange rate for the Deutsche Mark, which was low vis-à-vis the dollar, offered US investors a special incentive. Holding companies in Germany accounted for almost half of the increase.

Direct investment stocks by economic sector

German direct investment abroad

Manufacturing industry

German direct investment abroad is concentrated to a large extent on the manufacturing industry. This is true in a two-fold sense: German industrial enterprises are more strongly represented abroad than are firms from other sectors of the German economy, and the foreign assets of German enterprises are to be found predominantly in the manufacturing sectors of the recipient countries. Nothing happened in the period under review to change this situation appreciably (see the chart on page 70).

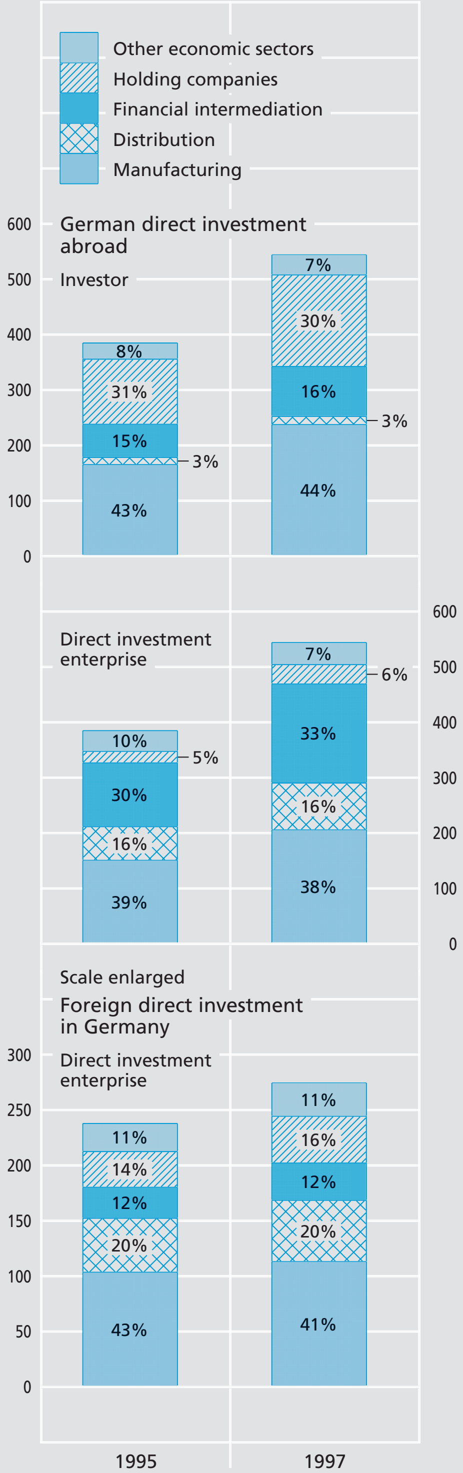
Concentration in the hands of a few investors

The German manufacturing industry increased its direct investment stocks abroad by DM 72 billion to DM 237 billion; at the end of 1997 its share in total German corporate assets abroad amounted to 44 % (as compared with 43 % at the end of 1995). The ten largest investors from the domestic manufacturing industry (according to the 1997 balance sheet total) accounted for more than one-fifth of that figure (the total number of investors from all economic sectors amounting to over 8,000). At the end of 1997, these enterprises alone had participating interests in over 1,200 establishments abroad.

Direct investment abroad by German industrial firms is not confined to manufacturing industries abroad but also involves other economic sectors. This is evidenced by the fact that the share of these enterprises in total corporate assets abroad (44 % at the end of

Direct investment stocks by economic sector

DM billion



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1997, as mentioned) is larger than the share of direct investment capital tied up in the manufacturing industries of other countries (38 %). In the period under review the latter increased by DM 55 billion (to just under DM 206 billion). The chemical and the vehicle manufacturing industries were major beneficiaries of this development, followed by the electrical and mechanical engineering industries.

Financial intermediation

Between the end of 1995 and the end of 1997 investors involved in German financial intermediation increased their foreign corporate assets by DM 30 billion to DM 90 billion. A major factor presumably contributing to this increase was European economic and monetary union, already foreseeable during the period under review. In addition the liberalisation of the European insurance market likely played a role in the increase.

Conversely, German investment in the financial intermediation sectors of foreign economies increased by DM 64 billion to DM 179 billion in the period under review. It ultimately attained a share of total German direct investment stocks abroad equivalent to 33 % (as opposed to only 30 % at the end of 1995). Part of this gain may undoubtedly be attributed to the fact that a major enterprise shifted the focus of its business activities and was assigned to another economic sector. However, a comparative study of these shares that breaks down foreign direct investment enterprises into individual sectors and according to investor origin reveals that – apparently unlike manufacturing firms – German enterprises not obviously belonging to the same economic sector hold considerable corporate assets in financial intermediation abroad for the purpose of financing their global activities.

Distribution

A similar situation exists with respect to investment in distribution abroad. Direct investment by German distribution enterprises increased in the period under review by DM 2 billion to DM 15 billion, corresponding at the end of 1997 to a share in total German corporate assets abroad of about 3 %. At the same time trade and repair accounted for nearly 16 % of the entire German investment abroad. One of the reasons for this discrepancy is to be found in the fact that German firms not directly belonging to the same economic sector – including those in the manufacturing industry – have trading establishments in other countries. Here, too, as in the case of financial intermediation, the role played by holding companies (that cannot be assigned to any sector of the German economy) must be recognised: at the end of 1997 they had considerable corporate assets tied up in various sectors of foreign economies, amounting to DM 165 billion and thus a solid 30 % share.

Foreign direct investment in Germany

Foreign investor interest in the German manufacturing industry ...

From the end of 1995 to the end of 1997, foreign investors undertook just under DM 10 billion in additional investments in the domestic manufacturing industry, which is arguably the area of the German economy most directly exposed to international competition. Industrial corporate assets held by non-residents in Germany amounted to DM 113 billion and made up 41 % of total direct investment stocks of investors from abroad (compared with as much as 43 % at the end of 1995). However, German investment in manufacturing firms abroad was considerably higher, amounting to DM 206 billion, as already noted. The decline in the share of foreign direct investment in German industrial firms must be seen in conjunction with the fact that non-residents have continued to increase their participating interests in German holding companies. Foreign ownership of this type of corporate asset simultaneously rose in the period under review by DM 10 billion to DM 42 billion (in 472 enterprises). Partly in the wake of restructuring attempts by German enterprises, whole chains of participating interests were built up, and real investor interest was directed towards the "third-tier subsidiaries" of foreign shareholders (which are no longer subject to reporting requirements). Finally, it should be noted in connection with direct investment by non-residents in German industry that some of the investment ultimately targeted for the manufacturing industry is not assigned to this industrial sector at all, but, for example, to bought-in services.

Within the manufacturing industry, foreign investors were mainly interested in the chemical industry (+ DM 6.3 billion), followed at some remove by the manufacture of radio, television and communication equipment and apparatus (+ DM 2.2 billion) and mechanical engineering (+ DM 1.9 billion). At the end of 1997 one-quarter of industrial corporate assets held by non-residents (DM 28 billion) was concentrated in the German chemical industry.

... and in the financial intermediation sector

At 12 %, the share of direct investment by non-residents in German financial intermediation amounted to somewhat more than one-third of the corresponding German corporate assets abroad at the end of 1997. The stock rose by a mere DM 6 billion to just under DM 34 billion. Whereas the foreign investment capital in credit institutions in Germany even decreased in the period under review by DM 1.5 billion, direct investment in other financial institutions increased six-fold to DM 7.4 billion, primarily through loans.

Note

A new edition of the Special Statistical Publication 10, International capital links, will appear in a few days; however, only the headings and explanatory notes for the data contained in the German originals are available in English. It contains more detailed statistical information broken down by type of capital link, asset and liability position, operating variable, country and economic sector as well as methodological notes. The special publication will be enclosed with the Statistical Supplement to the Monthly Report 3, Balance of payments statistics, June 1999.