Overall financial flows in 1999

In the following article the Deutsche Bundesbank comments on financial accounts data which, for the first time, have been compiled across all sectors in line with the European System of National and Regional Accounts (ESA '95) and which have been harmonised with the data of the Federal Statistical Office on capital formation and saving. The new concept results in several major changes, especially with regard to the definition of the sectors and the classification of financial instruments. One of the most significant revisions, in both quantitative and analytical terms, concerns the institutional demarcation between households and non-financial corporations. As a result, the household sector – and also notably households' saving ratio – is now defined more broadly, whereas enterprises are defined more narrowly. This has the advantage that real economic transactions and financial transactions which are inherently related to one another are now attributed to the same decision-maker. However, it has become harder to deduce the effects of capital formation on growth and employment from the investment behaviour of the corporate sector; these only become apparent once the relevant transactions of other investors, especially households' business and housing activities, are also taken into account.

Basic trends

The German economy's pattern of investment and financing last year showed a marked overall slackening – also measured on the basis of the new methodology and system of classification[1] – triggered by the financial market crises in a number of important emerging economies. The momentum of foreign trade, a mainstay of the German economy, weakened perceptibly in 1999 as a whole, and to some extent this acted as a brake on domestic economic activity, too. Net fixed asset formation by non-financial corporations[2] and entrepreneurial households expanded only moderately. By contrast, a stronger economic impetus was provided on balance by the persistently high level of stockbuilding, which thus had a stabilising effect on production. Moreover, the general government sector increased its investment budgets slightly following years of spending cuts, while the adjustment pressure on the housing construction sector eased.

Overall, domestic financing requirements for the acquisition of new fixed assets and inventories increased distinctly. This was accompanied, however, by lower domestic saving as the sluggish pace of business activity and higher costs led to a deterioration of enterprises' earnings while household saving continued to decrease in the context of high unemployment. This cancelled out the easing of the pressure on financial markets stemming, in particular, from the reduction of the government budget deficit. This divergence between the demand for domestic financing and the supply of savings again resulted last year in a wider national financing gap, which was closed unproblematically through funds from abroad – albeit at considerably higher capital market rates. Despite the changes in the interest rate environment, the prevailing terms of financing provided a favourable basis for the upturn in economic activity last year, particularly as the equity market played a larger role in the overall pattern of financing.

Domestic acquisition of fixed assets

Higher investment in machinery, equipment and software

In 1999 the resources required for the acquisition of fixed assets in Germany totalled DM 284 billion, which was around 7 % more than in 1998. A major factor in this was the increased net investment in machinery, equipment and operating software by non-financial corporations and quasi-corporations, whereas expenditure on industrial and commercial buildings, which is generally associated with business extensions, continued to decline – albeit at a considerably slower rate than in the previous years – in the light of relatively low capacity utilisation. Overall, enterprises' acquisition of fixed assets was therefore only slightly higher (in price-adjusted terms) than a year before. As in 1998, it amounted to around 3 % of the aggregate disposable income of all sectors. Consequently, the sectoral net capital formation ratio remained below the level achieved in 1993 (3 ½ %).

1 For further details, see the methodological annex to this article on page 31. See also Deutsche Bundesbank, Income, saving and capital formation in the nineties: results of the new ESA '95, Monthly Report, December 1999, page 49 ff.
2 Including so-called quasi-corporations but excluding self-employed persons and sole proprietors, who are now classified as belonging to the household sector.

National asset acquisition, saving and net lending/net borrowing

DM billion

Item	1992	1993	1994	1995	1996	1997 p	1998 p	1999 pe
Asset acquisition								
Acquisition of non-financial assets 1	300.4	245.4	284.7	277.5	241.3	245.7	265.3	284.2
Households 2	123.3	133.5	159.4	152.7	143.1	140.8	138.4	136.7
Non-financial corporations	133.2	74.0	92.2	101.9	81.6	94.2	121.6	137.7
Fixed assets	138.5	94.9	90.9	95.3	88.3	90.0	97.7	98.6
Inventories	– 5.3	– 20.9	1.3	6.7	– 6.8	4.2	23.9	39.1
Financial institutions	11.0	10.1	8.1	9.3	7.7	7.8	7.4	8.1
General government	33.0	27.8	25.0	13.6	8.9	2.8	– 2.1	1.7
Net lending to the rest of the world 3	– 24.0	– 18.8	– 43.1	– 30.4	– 13.6	0.2	– 5.0	– 31.8
Total	276.4	226.5	241.7	247.1	227.7	245.9	260.2	252.3
Memo item Acquisition of non-financial assets in % 4	11.2	9.0	10.0	9.4	8.0	8.0	8.4	8.8
Saving 5								
Households 2	277.8	275.2	260.8	263.7	263.8	263.7	271.5	269.2
Non-financial corporations 6	13.6	– 6.0	4.1	51.7	54.5	47.4	29.4	– 5.2
Financial institutions	30.6	33.0	35.3	28.6	21.7	28.5	26.0	27.5
General government 6	– 45.6	– 75.7	– 58.5	– 96.9	– 112.3	– 93.7	– 66.6	– 39.2
Total	276.4	226.5	241.7	247.1	227.7	245.9	260.2	252.3
Memo item Saving in % 4	10.3	8.3	8.5	8.4	7.6	8.0	8.3	7.8
Net lending/net borrowing								
Households 2	154.5	141.7	101.4	111.1	120.7	122.9	133.1	132.5
Non-financial corporations 6	– 119.6	– 80.0	– 88.1	– 50.3	– 27.1	– 46.8	– 92.2	– 142.8
Financial institutions	19.6	22.9	27.2	19.4	14.0	20.6	18.7	19.4
General government 6, 7	– 78.6	– 103.4	– 83.5	– 110.5	– 121.2	– 96.5	– 64.5	– 40.9
Total 8	– 24.0	– 18.8	– 43.1	– 30.4	– 13.6	0.2	– 5.0	– 31.8
Memo item Net lending/borrowing in % 4								
Households 2	5.7	5.2	3.6	3.8	4.0	4.0	4.2	4.1
Non-financial corporations 6	– 4.4	– 2.9	– 3.1	– 1.7	– 0.9	– 1.5	– 2.9	– 4.4
Financial institutions	0.7	0.8	1.0	0.7	0.5	0.7	0.6	0.6
General government 6, 7	– 2.9	– 3.8	– 2.9	– 3.7	– 4.0	– 3.1	– 2.0	– 1.3
Total	– 0.9	– 0.7	– 1.5	– 1.0	– 0.5	0.0	– 0.2	– 1.0

Sources: Official national accounts and Bundesbank estimates. — **1** Net capital formation in the form of fixed assets and inventories. — **2** Including non-profit institutions serving households. — **3** Difference between saving and the acquisition of non-financial assets in Germany. — **4** As % of aggregate disposable income. — **5** Including capital transfers (net). — **6** In 1995 after eliminating the assumption of the Treuhand agency's debt and part of the old debt of the east German housing enterprises by the Redemption Fund for Inherited Liabilities amounting to around DM 205 billion and DM 30 billion, respectively. — **7** Residents' concept of the national accounts. — **8** Corresponds to net lending to the rest of the world.

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Buoyant stockbuilding

Expenditure on inventories increased considerably in 1999. In addition to a speculative rise in the stockbuilding of raw materials and intermediate products, larger stocks of finished products are also likely to have accumulated owing to sales difficulties. According to the estimates of the Federal Statistical Office, total spending on inventories amounted to DM 47 billion in 1999. This represented a year-on-year increase of around 60 %. The resulting financing requirements amounted to about half the volume of funds which enterprises invested in fixed assets. These proportions clearly raise doubts as to whether firms' pattern of stockbuilding is correctly captured in the statistics.

Higher government investment ...

In addition to non-financial corporations and financial institutions, the general government sector, too, raised its investment expenditure slightly in 1999. This applies especially to the Federal Government, which substantially increased its expenditure on tangible fixed assets, evidently in connection with the transfer of the seat of government from Bonn to Berlin. The acquisition of assets by general government was additionally boosted by the improved fiscal situation of the local authorities in western Germany, which, following a lengthy period of investment restraint, stepped up their acquisition of tangible fixed assets.

... but lower acquisition of fixed assets by households

By contrast, households' investment activities, more than two-thirds of which relate to housing, slackened further. The growing preference in western Germany for purchasing owner-occupied houses was more than offset by the declining demand for apartments for letting. Moreover, self-employed persons and sole proprietors, who are now allocated in their entirety (i. e. including their entrepreneurial activities) to the household sector, were just as hesitant as the corporations with respect to business investment. As a result, the amount invested by households in 1999 in the acquisition of fixed assets, at just under DM 137 billion, again showed a year-on-year fall, thereby further lowering households' net capital formation ratio to around 4 % of the aggregate disposable income of all domestic sectors.

National supply of savings

Deterioration of corporate profitability

In contrast to the growing financing requirements for capital formation, the national supply of savings declined by 3 % last year to DM 252 billion. Much of this decrease was due to the deteriorating earnings of non-financial corporations, which either saw their turnover affected, directly or indirectly, by the worsening of the global economic climate or else, as in the case of the construction sector, had not yet completed their structural adjustment. But even in growth industries that were formerly subject to strict regulation, increased competition is likely to have led to marked falls in earnings. For example, the number of providers of telecommunication services increased by one-third in the course of 1999 to a total of around 1,700 firms. A similar trend was discernible in the case of enterprises that entered the market in high-tech sectors with a promising future but were not yet able to achieve a sufficient profit.

On the expenditure side, cost pressures increased because, on average, wage settle-

Negative retained earnings

ments exceeded labour productivity growth in real terms. In addition, higher interest and tax burdens diminished operating results. Finally, enterprises also faced higher purchase prices for raw materials and energy. As non-financial corporations had little room to raise their own prices, their profits declined by almost 6 % last year compared with 1998, although admittedly that year had been characterised by high corporate profitability. Measured in terms of output, the earnings ratio of 8 ½ % that was achieved in 1999 was still clearly above the average of the previous years. If the relatively high dividend payments and the transfers to provisions for company pensions are subtracted from this amount, retained profits (including net capital transfers received) were actually negative.

Further fall in households' contribution to national savings ...

At the same time, households' level of savings continued to decrease. Their investible funds, which comprise current savings plus grants awarded in connection with government saving promotion schemes, declined in 1999 to DM 269 billion. As a percentage of the aggregate disposable income of all sectors, households' supply of savings fell to 8 ¼ %, compared with 10 ½ % in 1991. By contrast, domestic saving was boosted by the improved operating results of financial institutions and, in particular, by the fact that the shortfall between the general government sector's current receipts and its expenditure on consumption and transfers (as defined in the national accounts) narrowed further. This was attributable not just to the fiscal consolidation policy but also to special factors. Tax revenue, for example, was more plentiful (despite weaker economic growth), *inter alia* owing to higher energy taxation and the expiry of tax depreciation allowances for investment in eastern Germany. Of the various levels of government, the Federal Government and the Länder Governments further reduced their negative savings contribution, while the social security funds recorded even higher surpluses than a year before.

... but lower government financing requirements

Basic pattern of the financial flows

Enterprises' high external financing requirements

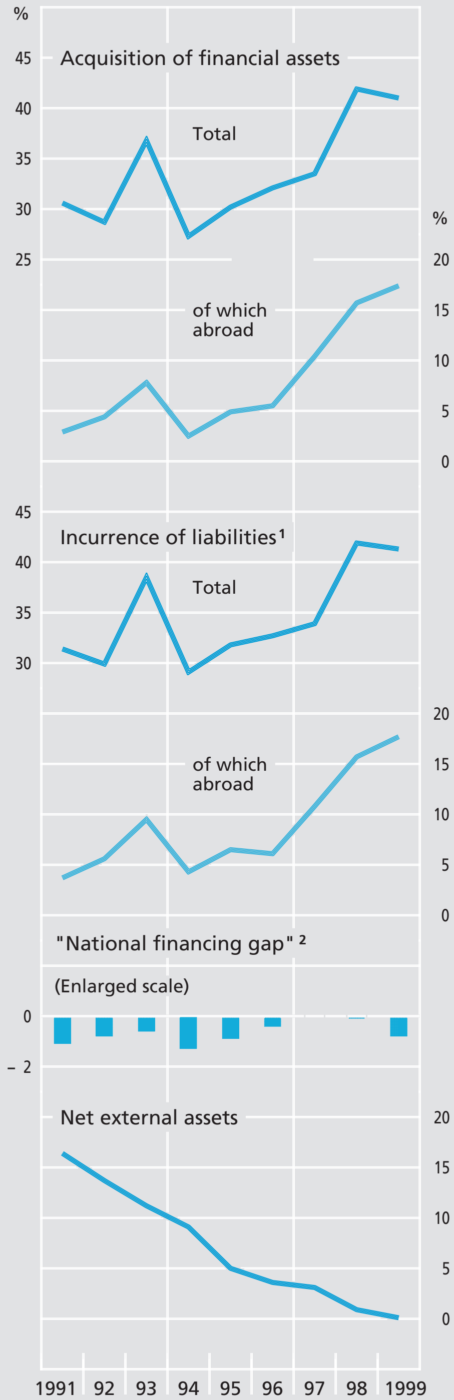
Comparing the acquisition of fixed assets and saving, it can be seen that the economy's overall pattern of investment and financing was characterised above all by a sharp increase in the external financing requirements of the corporate sector. The funding gap of non-financial corporations increased by about half last year to reach DM 143 billion. The consequence of this was their relatively heavy recourse to external resources amounting to 4 ½ % of the aggregate disposable income of all sectors, which, together with net government borrowing, exceeded the domestic supply of funds available from those sectors which had generated a surplus. Around four-fifths of the total external financing requirements of the business and government sectors were met by domestic sources of funds; one-fifth, or just over DM 30 billion, was obtained abroad.

Sharp increase in financial flows

As in 1998, the expansion of economic activity last year went hand in hand with intensive efforts by corporations to improve their profitability and market capitalisation in order to be able to hold their own in global competition. Financial flows were once more boosted

National financial flows and international links

as % of GDP



1 Including the issuance of equity capital. — 2 Change in net claims on the rest of the world resulting from transactions.

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considerably by financial transactions connected with the reorientation of firms' fields of business and the concentration on core competencies. This process was accelerated by takeovers, mergers and alliances (some of them cross-border) aimed not only at gaining access to new technologies, products and markets but also at achieving and concentrating synergy effects. As preliminary steps of such strategic moves, corporations frequently spun off business units into autonomous legal entities which were then listed on the stock exchange. This gave enterprises the chance to acquire an additional "acquisition currency" for a stronger global orientation. Other expansionary influences were exerted on the volume of financial flows in the German economy in 1999 by transactions relating to the treasury operations of globally active enterprises and by the fact that the introduction of the euro appears to have strengthened Germany's position as the euro area's financial hub. Such a large increase in financial investment and its concomitant financing – measured in terms of GDP – was last seen at the time of the boom triggered by German unification.

Preference for shares as an investment and financing instrument

Last year shares featured more prominently than before in the selection of investment and financing instruments even though yields on longer-term bonds increased distinctly and the German stock market for a long time lagged behind the worldwide surge in share prices. An estimated one-third of the financial assets newly acquired by the domestic non-financial sectors in 1999 were invested in shares, either directly or indirectly via mutual funds; if the acquisition of other equity is taken into account, the proportion rises to almost two-fifths, compared with around 30 % in 1998 and about 10 % at the beginning of the nineties. Most sought after were shares of companies active in the technology, media and telecommunications (TMT) sectors, which incorporate the possibilities presented by the digital revolution most graphically. Shares likewise gained further ground last year as financing instruments. In 1999 shares and other equity accounted for around one-eighth of the total external funding of the domestic non-financial sectors, twice as much as in 1991. If the loans granted by foreign firms to their German affiliates are included, equity financing accounted for an even greater weight. This increased investment in risk capital occurred chiefly at the expense of domestic banks, which had hitherto been at the centre of the financing cycle. In 1999 the domestic non-financial sectors augmented their bank balances by only one-third as much as they had done in 1998. Similarly, borrowing from domestic credit institutions likewise declined by around one-quarter in 1999 despite the higher overall demand for funds. Households, corporations and government met only around 40 % of their additional funding requirements via banks, compared with a share of more than half in 1998.

Households' saving and borrowing behaviour

Lower household saving

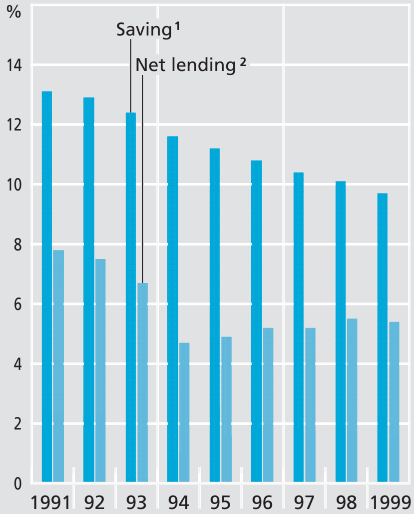
The overall downward trend in German households' saving evident since the beginning of the nineties continued in 1999. The volume of savings accumulated by households, which in line with ESA '95 now also includes savings accruing from the private rental of residential property and from the entrepreneurial activities of self-employed persons and sole proprietors, fell slightly below the 1998 level. Accordingly, the saving ratio as a percentage of households' disposable income also declined, dropping to just under 10 %, whereas in the year of German unification households had managed to save between one-seventh and one-eighth of their disposable income.

Households' borrowing

Current savings, which also include government transfers received in connection with saving promotion schemes, fund around two-thirds of households' asset acquisition and thus represent their main source of finance. Based on the new method of calculation, the remaining one-third – which in 1999 amounted to an estimated DM 144 billion – is accounted for by the incurrence of liabilities for financing the acquisition of residential property, business activities and other purposes. Despite problems of statistical recording, it can be assumed that the demand for private building loans, in particular, remained high in view of the sustained preference for a "home of one's own". Moreover, in the light of the upturn in automobile sales in the spring and summer of 1999, borrowing by households to finance car purchases presumably also rose last year. The "run" on shares was probably also partly financed via borrowing; this appears to have been the case, in particular, for shares bought through direct banks. By contrast, credit demand for the construction of flats for rental and for the ac-

Households' saving and net lending

as % of disposable income



1 Proportion of disposable income not used for consumption spending (including the increase in company pension commitments). — **2** Difference between saving (including net capital transfers) and net capital formation.

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quisition of fixed assets by self-employed persons appears to have been fairly moderate.

Acquisition of fixed assets

At a total of DM 413 billion, households mobilised less funds for the acquisition of fixed and financial assets in 1999 than a year earlier. However, this overall trend masks divergent developments in the individual components of asset acquisition. For example, the recovery of domestic business activity since mid-1999 appears to have motivated self-employed persons and sole proprietors to invest somewhat larger amounts in machinery, equipment and inventories, a trend which was reinforced by purchases of new software to avoid possible computer problems associated with the millennium date change. In nominal terms, gross capital formation in this field was 8½% higher in 1999 than a year earlier. The interest of west Germans in acquiring owner-occupied housing also remained strong. That is indicated, *inter alia,* by the higher amount of construction permits and completions of one and two-family houses, which were primarily acquired by households.[3] Part of this extra demand may have been due to the bringing-forward of purchase intentions, given rising interest rates and the lowering, at the start of 1999, of the income ceiling for qualifying for a government home-building grant. However, this was more than counterbalanced by the fact that the demand from households for other construction work continued to decline. Thus the construction of owner-occupied flats and apartments intended for rental decreased, owing to the saturation of the market in many regions, as did households' construction projects for business purposes. After taking account of the consumption of fixed capital, households spent DM 137 billion, or 5½% of their disposable income, on the acquisition of fixed assets last year, which was slightly less than in 1998.

Investor preferences

In 1999 households acquired financial assets to the amount of DM 277 billion. The choice of investment vehicles was chiefly determined by the expected rate of return, but uncertainty surrounding future interest rate and share price trends, fears in connection with the changeover to the year 2000 and low opportunity costs also led to an increased preference for liquidity. Shares and share-based

3 Last year 237,000 one and two-family homes were completed in Germany as a whole, 185,000 of which were constructed in western Germany. Similarly high figures were last recorded in the early eighties.

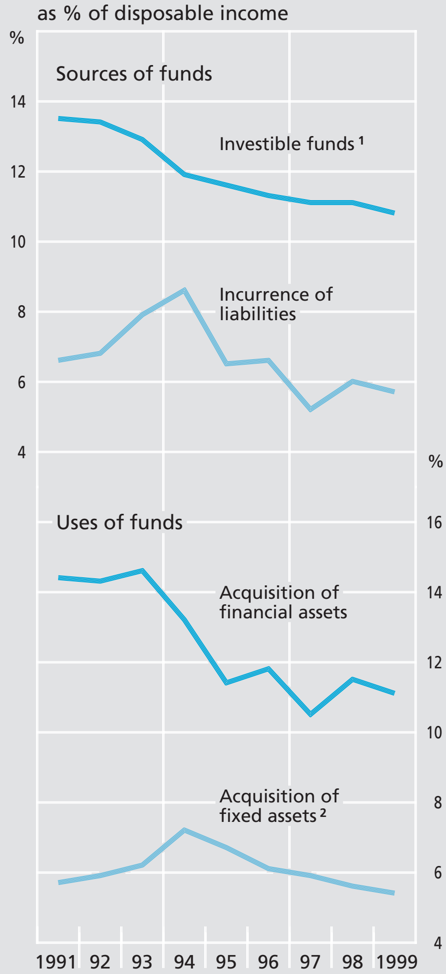
mutual funds were especially popular, although the German stock index DAX achieved a twelve-month increase in value of almost two-fifths only thanks to a remarkable end-of-year spurt, thereby distinctly surpassing the results recorded on some other international stock markets. The preference shown by investors for equities was further boosted by the sale of the second tranche of *Deutsche Telekom* shares and by the fact that a large number of young, innovative companies listed on the *Neuer Markt*. Moreover, merger rumours spurred investors' fantasies in many cases. The attractiveness of shares was additionally enhanced by government moves to improve benefits under the German Personal Asset Acquisition Act (introduced at the beginning of 1999) and, in particular, by the halving of the tax-free allowance for personal savings from January 1, 2000, in anticipation of which substantial portfolio shifts probably occurred.

Investment in shares

Households placed an estimated DM 86 billion in shares and share-based mutual funds last year. This was half as much again as in 1998 and accounted for more than 30 % of households' total acquisition of financial assets, compared with around one-fifth in 1998. They favoured equities of firms domiciled in the euro area and Europe in general, focusing on the pharmaceutical, media, telecommunications, biotechnology and information technology sectors. This sustained preference for investing in shares has meanwhile led to a steep increase in households' mutual funds holdings as well as to a perceptible shift in the profile of their holdings. Almost half of the assets held by households in such

Households' sources and uses of funds

as % of disposable income



1 Current saving including net capital transfers. — 2 Net capital formation in the form of tangible fixed assets and inventories.

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mutual funds are currently invested in share-based funds; this proportion has almost tripled since the beginning of the nineties.

Acquisition of mutual funds shares

Households also purchased more shares in real estate funds, bond-based funds and money market funds. Three times as much money was invested alone in domestic real estate funds open to the general public in 1999 as a year earlier, which contrasts sharply

Households' saving and asset acquisition *

DM billion

Item	1992	1993	1994	1995	1996	1997 p	1998 p	1999 pe
Sources of funds								
Disposable income	2,051.4	2,120.8	2,178.5	2,253.7	2,304.7	2,351.3	2,420.4	2,479.9
Household final consumption expenditure	1,786.0	1,857.5	1,925.1	2,001.6	2,055.4	2,106.8	2,174.7	2,238.8
Saving	265.4	263.3	253.4	252.1	249.3	244.6	245.7	241.2
Memo item								
Saving ratio 1	12.9	12.4	11.6	11.2	10.8	10.4	10.1	9.7
Net capital transfers received	12.5	11.9	7.4	11.6	14.6	19.1	25.8	28.0
Own investible funds	277.8	275.2	260.8	263.7	263.8	263.7	271.5	269.2
Incurrence of liabilities	141.7	169.3	188.8	148.3	154.2	125.6	147.0	144.1
Housing construction loans	74.5	106.3	128.0	105.3	103.5	91.1	93.0	91.0
Other loans 2	67.2	63.0	60.8	43.0	50.7	34.5	54.0	53.1
Total sources of funds	419.5	444.5	449.6	412.0	418.1	389.2	418.5	413.3
Uses of funds								
Net capital formation	123.3	133.5	159.4	152.7	143.1	140.8	138.4	136.7
Acquisition of financial assets								
with banks 3	133.5	193.2	8.2	67.4	102.0	56.0	89.6	18.0
Transferable deposits 4	49.4	45.2	13.6	25.8	46.8	21.3	55.6	59.4
Time deposits 5	56.4	66.8	– 83.9	– 72.4	– 47.8	– 15.3	6.1	– 13.7
Savings deposits 5	24.2	96.0	87.0	107.1	105.7	47.2	31.7	– 8.4
Savings certificates	3.6	– 14.8	– 8.4	6.9	– 2.6	2.8	– 3.8	– 19.3
with insurance corporations 6	72.6	86.9	97.2	103.6	112.6	118.1	122.9	128.0
in securities	71.2	20.7	172.5	72.8	44.9	58.9	52.0	115.3
Bonds 7	10.1	– 30.4	66.2	46.8	4.4	2.3	– 27.9	2.2
Shares	– 0.9	6.6	12.0	– 3.4	10.5	8.0	8.0	17.0
Other equity	8.0	8.4	10.7	8.7	7.8	6.6	8.8	5.7
Mutual funds shares	54.0	36.1	83.6	20.7	22.2	42.0	63.2	90.4
Claims arising from company pension commitments	18.9	10.2	12.3	15.4	15.5	15.5	15.5	15.3
Total	296.2	311.0	290.2	259.3	275.0	248.4	280.1	276.6
Memo item								
Total gross assets 8	12,380	13,259	13,930	14,686	15,337	15,967	16,600	17,315
Fixed assets	6,938	7,319	7,713	8,060	8,305	8,444	8,649	8,831
Dwellings 9	5,722	6,055	6,408	6,729	6,967	7,092	7,282	7,450
Other fixed assets 10	1,216	1,264	1,305	1,331	1,338	1,352	1,368	1,381
Financial assets	4,115	4,540	4,768	5,129	5,474	5,905	6,275	6,749
Stock of durables	1,327	1,399	1,449	1,497	1,558	1,618	1,675	1,735
Liabilities 8	1,720	1,888	2,073	2,217	2,371	2,496	2,637	2,763
Housing construction loans	1,000	1,109	1,241	1,353	1,460	1,556	1,648	1,744
Other loans 2	721	779	832	863	911	940	989	1,019
Net worth	10,659	11,371	11,857	12,469	12,966	13,471	13,963	14,552

* Including non-profit institutions serving households. — **1** Saving as a percentage of disposable income. — **2** Principally industrial and consumer credit. — **3** Domestic and foreign banks. — **4** Including currency. — **5** Up to 1998 deposits with savings and loan associations are included under savings deposits and from 1999 (in accordance with the banking statistics) under time deposits. — **6** Including private pension funds as well as occupational pension schemes and supplementary pension funds. — **7** Including money market paper. — **8** Estimated results pending the revision of the financial assets and liabilities accounts in accordance with ESA '95. — **9** Including residential property. — **10** Including commercial property, but excluding undeveloped land and land used for agriculture and forestry.

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with the saturated German housing market. Investment companies therefore increasingly had to seek lucrative properties abroad. As a result, households achieved an international diversification of their portfolios which was favourable both in terms of yields and tax savings.[4]

Funds placed with insurance corporations

Besides the acquisition of equities and mutual funds shares, households also placed more resources with insurance corporations. This can be attributed to a combination of various factors. The main insurance investment vehicle remained saving via life assurance schemes, which accounted for almost two-thirds. For some time now, the ongoing debate on the statutory pension insurance schemes has been highlighting the need for households to make supplementary private old-age pension provision. The tax debates also helped boost life assurance companies' new business, which expanded at double-digit rates in 1999. As in the past years, growth was fuelled by policies with one-time contributions by the policy holder, chiefly pension insurance schemes entailing the immediate start of annuity payments. Life assurance companies were thus, in part, able to "recuperate" payments disbursed on matured contracts or to attract funds from households' portfolio shifts.

Funds placed with banks

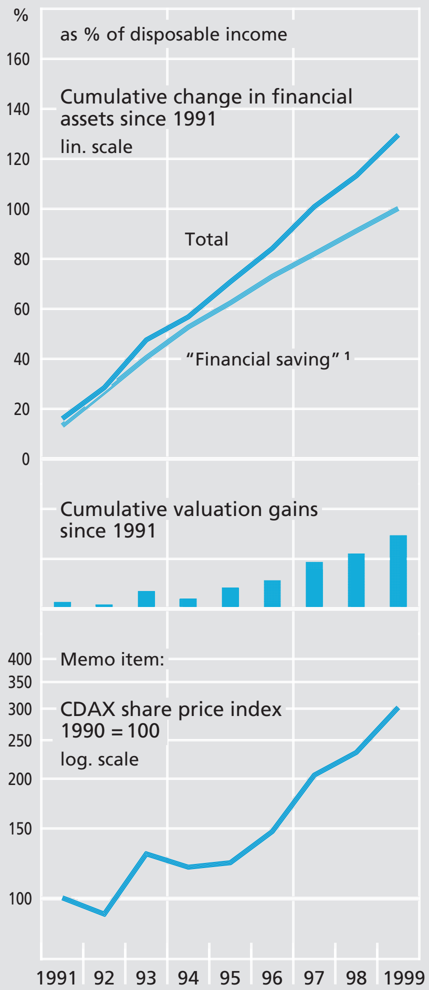
By contrast, a lower amount of funds was placed with banks and savings and loan associations. It totalled just under DM 20 billion last year, which was only one-quarter of the amount invested in 1998. Specifically, this development can be attributed to outflows of funds from time deposits and saving deposits as well as to the maturing of numerous savings certificates. At the same time, liquidity holdings expanded over twelve months to reach almost DM 60 billion, *inter alia* owing to the precautionary hoarding of cash on the eve of the millennium change. Households showed restraint in placing funds in the bond market, where new investment probably only slightly exceeded the redemptions and premature resales by means of which holders sought to forestall the danger of price losses on old bonds in the wake of the perceptible rise in interest rates.

Households' acquisition of financial assets

According to the new method of calculation, households' gross financial assets amounted to DM 6¾ trillion at the end of 1999, which was almost twice as much as in 1990. This corresponds to an average annual increase of 7½%. Around three-quarters of this increase was attributable to households' "financial saving", while slightly less than one-quarter was accounted for by upward revaluations (including errors and omissions in statistical recording), which amounted to a cumulative total of around DM 700 billion in absolute terms. The value gains accruing to financial assets were chiefly attributable to shares, as stock market quotations – measured by the broadly based CDAX index – have approximately tripled since 1990. Hence savers who invested their funds in shares were the main

4 By contrast, the curbing of tax depreciation allowances and loss-offsetting facilities – according to external estimates – led to a further decrease in households' investment in closed-end real estate funds in 1999. These investment vehicles, which in good years reputedly recorded annual inflows of funds of almost DM 20 billion, were hitherto not included in the financial accounts. The restraint shown by households towards tax-saving forms of asset acquisition may have benefited the open-end real estate funds.

Growth in households' financial assets



1 Corresponds to the acquisition of financial assets.

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beneficiaries of the accumulated holding gains, which, however, were probably distributed very unevenly among the individual households in view of the irregular dispersion of share ownership.

Share of holding gains in total financial assets

However, German households' holding gains remained distinctly lower than in other countries, where capital gains on financial assets accounted for up to four-fifths of the expansion of households' financial assets, as was the case in the United States. Understandably, savers may be greatly tempted in such cases to regard most of the value increases as being permanent and hence to consider them a substitute for "genuine saving", and this confidence may influence their spending behaviour. If – contrary to the usual practice in the national accounts – German households' holding gains are counted both towards their saving and towards their disposable income, this results in an average annual saving equivalent (in purely arithmetical terms) throughout the nineties of 3 % of their "broadly defined income". In other words, on balance the upward revaluation of securities portfolios more than offset the negative impact on asset growth of the decline in the saving ratio. In the United States, by comparison, households' average annual holding gains amounted to one-quarter of their adjusted income over the same period, while the saving ratio declined from 8 ¼ % in 1990 to 2 ¼ % in 1999.

Investment and financing behaviour of non-financial corporations

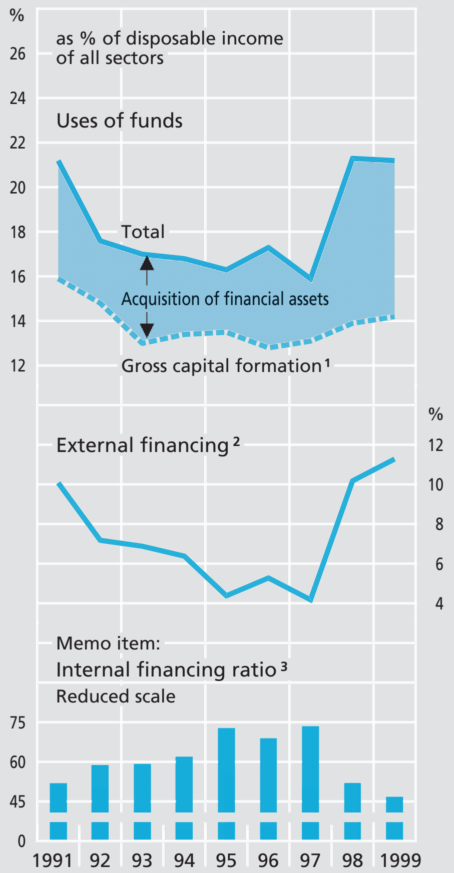
Gross fixed asset formation by firms

In 1999, non-financial corporations' capital formation was characterised by contrasting influences. On the one hand, perturbations in the global economic environment and the need for structural adjustment dampened the propensity to invest in the industries affected, while in other areas the upturn in economic activity stimulated capital formation. Accordingly, corporate investment showed a mixed picture. Capital formation again rose primarily in western Germany, especially in the innovative or less export-sensitive branches of the industrial and service sectors. In eastern Germany, by contrast, enterprises – with the exception of manufacturers of machinery and equipment and of motor vehicles – continued to curtail their investment budgets to a "normal level" in the medium term. The results of a survey by the *ifo institute* indicate that investment expenditure in the east German manufacturing sector declined by 7 % in 1999.[5] At the same time, housing associations in eastern Germany increasingly had to contend with a high number of unlet properties which dented earnings and inhibited investment. In Germany as a whole, the gross acquisition of fixed assets and inventories by corporations amounted to DM 468 billion in 1999, which was almost 6 % higher than a year earlier. The greater part of this increase – nearly 60 % – was used for additional stockbuilding.

Investment aimed at fostering external growth

In the case of enterprises faced with global challenges, expenditure on fixed assets at locations in Germany mirrors only one side of their multifaceted investment strategy. The risks connected with the planning and approval of new plants, the development of improved processes and innovative products and their political and social acceptance in the domestic market are all reasons why enterprises often opt for external growth by acquiring existing companies or participating interests instead of establishing or expanding their own production plants. This is the fastest way for globally active enterprises to achieve a broadly based, solid position in the global market and hence to become a global player. In 1999 non-financial corporations spent DM 134 billion on this strategy, a large proportion of which was accounted for by direct investment in the European telecommunications market. If the additional financial and trade credits to branches and partner

Non-financial corporations' sources and uses of funds



1 Gross capital formation in the form of tangible fixed assets and inventories. — **2** Incurrence of liabilities including the issuance of equity capital. — **3** Retained earnings, net capital transfers and depreciation allowances as a percentage of the total use of funds; in 1995, adjusted for the effects of the Treuhand agency.

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5 Fixed capital formation per employee in the east German manufacturing sector exceeded the comparable west German figure by more than one-third in 1999, although it should be remembered that east German industry has witnessed drastic job losses since reunification.

firms abroad are also taken into account, the figure rises to DM 205 billion; that was distinctly higher than the already appreciable sum which German firms invested in 1998. In this way non-financial corporations channelled more than four-fifths of their newly acquired financial assets in 1999 into such "global investments". The corresponding figure for the nineties as a whole is DM 650 billion, or just over half of firms' financial asset acquisition over the same period.

Rise in liquidity holdings

In addition, non-financial corporations substantially built up their liquid reserves last year. This occurred primarily via the acquisition of short-term bank debt securities,[6] whose yield advantage over comparable time deposits increased throughout the year. Moreover, domestic liquid deposits were also built up, possibly in connection with the more attractive interest rate conditions offered by domestic banks now that minimum reserves earn the same remuneration throughout the euro area. On the other hand, enterprises perceptibly reduced their balances with foreign banks and their portfolios of money market instruments and money market funds. It is likely that the extra resources held as liquidities were primarily funds accruing from the sale of companies or participating interests in the wake of strategic restructuring measures, which often yielded substantial extraordinary income.

Lower rate of internal financing

Non-financial corporations' total investments in non-financial and financial assets amounted to DM 704 billion in 1999. As a result, their financing requirements were 4½% higher than in 1998, when they had already been sizeable. Corporations' internally generated resources from retained profits, depreciation allowances and government investment grants concurrently declined by around 7% last year. This amount sufficed to finance less than half of the increase in total assets, compared with 52% in 1998 and a ratio of almost two-thirds in the years 1994-7, when enterprises had generally exercised great restraint in their expenditure on tangible fixed assets despite improved profitability. Non-financial corporations' external financing requirements thus rose substantially last year.

Procurement of additional risk capital

In order to secure a sufficiently broad financial base to cope with the risks on the growth markets and to carry out their strategic reorientations, enterprises increasingly sought to procure additional equity capital. Although the data concerning domestic share sales in the financial accounts for 1998 were inflated by a merger between a German and a foreign enterprise in the car industry, the volume of equity issues remained quite high last year despite the rather muted development of share prices until autumn and the uncertainty with respect to the plans for economic policy reforms. Around one-third of all newly issued shares were initial public offerings (IPOs). Firms also raised considerable amounts of funds in the form of other equity and credits

6 Owing to distortions in the base statistics that may have occurred in connection with the changeover of statistical concepts on account of the introduction of the euro or simply owing to reporting errors, the financial accounts figures for 1999 are subject to some statistical uncertainty which currently cannot be eliminated satisfactorily. This particularly concerns the sale and distribution of bonds. The sharp decline in enterprises' other claims on residents should thus probably be regarded as an adjustment counterpart to their excessively high acquisition of securities.

Non-financial corporations' asset acquisition and its financing

DM billion

Item	1992	1993	1994	1995	1996	1997 p	1998 p	1999 pe
Asset acquisition								
Gross capital formation	399.7	356.6	384.1	402.1	387.8	405.8	442.1	467.7
Fixed assets	405.0	377.6	382.8	395.4	394.6	401.6	418.2	428.6
Inventories	– 5.3	– 20.9	1.3	6.7	– 6.8	4.2	23.9	39.1
Acquisition of financial assets	76.3	111.2	95.0	81.3	136.0	84.0	231.1	236.6
Funds placed with banks [1]	25.2	48.8	33.9	20.5	55.1	– 29.0	21.8	– 7.1
Short-term	27.8	54.0	35.6	10.0	47.3	– 32.9	19.9	– 13.9
Longer-term	– 2.6	– 5.1	– 1.8	10.5	7.8	3.8	1.9	6.8
Securities [2]	17.4	8.0	50.0	– 7.7	– 5.8	15.2	40.4	87.3
Participating interests [3]	26.1	10.7	17.2	25.1	21.0	28.7	121.9	133.7
in Germany	– 0.4	– 11.3	– 9.8	– 24.8	– 26.3	– 19.8	– 1.5	– 0.1
abroad	26.5	21.9	27.0	49.9	47.3	48.5	123.4	133.8
Credit	3.8	40.5	– 9.1	38.3	61.6	64.4	43.8	20.1
to residents [4]	33.8	35.5	– 31.6	15.9	17.8	25.7	– 1.8	– 50.8
to non-residents	– 30.0	5.0	22.4	22.4	43.8	38.7	45.6	70.8
Funds placed with insurance corporations	3.7	3.2	3.0	5.1	4.1	4.7	3.1	2.8
Total	475.9	467.8	479.1	483.4	523.8	489.8	673.2	704.3
Financing								
Internal resources	280.1	276.7	296.0	351.8	360.7	359.1	349.9	324.9
Net retained income [4, 5]	13.6	– 6.0	4.1	51.7	54.5	47.4	29.4	– 5.2
Depreciation allowances	266.5	282.6	291.9	300.1	306.3	311.6	320.5	330.1
Memo item								
Internal financing ratio [4, 6]	58.9	59.1	61.8	72.8	68.9	73.3	52.0	46.1
External financing [7]	211.2	225.2	199.8	158.5	171.0	146.4	317.3	357.9
from banks	97.1	72.3	35.4	89.7	98.6	86.0	130.9	119.5
Short-term	4.0	– 20.0	2.9	37.6	25.3	15.2	39.3	16.9
in Germany [4]	6.4	– 15.4	6.8	32.2	24.0	9.3	37.4	– 9.2
abroad	– 2.4	– 4.6	– 3.9	5.3	1.3	5.9	1.9	26.1
Longer-term [4]	93.2	92.3	32.5	52.1	73.3	70.8	91.6	102.6
in the securities market [4, 8]	41.8	91.8	90.5	– 6.4	– 8.6	– 5.8	– 7.3	2.9
in the form of participating interests [3]	27.2	32.2	33.0	24.6	39.1	15.1	104.8	67.3
in Germany	35.4	35.4	28.5	19.6	40.7	9.3	101.6	26.0
abroad	– 8.1	– 3.3	4.5	4.9	– 1.6	5.9	3.2	41.3
from other lenders	28.5	20.6	30.2	36.7	28.0	37.1	75.0	154.2
in Germany	15.4	12.1	9.8	14.7	– 3.5	5.6	25.6	43.9
abroad	13.0	8.5	20.4	22.1	31.5	31.5	49.5	110.4
Short-term	3.4	1.5	16.9	11.8	27.7	24.4	13.8	71.9
Longer-term	9.7	7.0	3.5	10.3	3.8	7.2	35.7	38.5
Pension fund provisions	16.5	8.3	10.6	13.9	13.9	13.9	13.9	13.9
Total	491.3	501.9	495.7	510.3	531.8	505.5	667.2	682.7
Net acquisition of financial assets	– 134.9	– 114.0	– 104.8	– 77.2	– 35.0	– 62.4	– 86.2	– 121.2
Statistical discrepancy [9]	– 15.4	– 34.1	– 16.7	– 26.9	– 7.9	– 15.7	6.0	21.6
Net borrowing [10]	– 119.6	– 80.0	– 88.1	– 50.3	– 27.1	– 46.8	– 92.2	– 142.8

1 In Germany and abroad. — **2** Money market paper, bonds (including financial derivatives) and mutual funds shares. — **3** Shares and other equity. — **4** In 1995 after the elimination of transactions associated with the transfer of the Treuhand agency's debt to the Redemption Fund for Inherited Liabilities. — **5** Including net capital transfers received. — **6** Internal resources as % of total asset formation. — **7** Including the procurement of equity capital. — **8** Through the sale of money market paper and bonds. — **9** Corresponds to the balancing item in the financial account with the rest of the world owing to unclassifiable payment transactions with non-residents. — **10** Internal resources less gross capital formation.

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from foreign subsidiaries, in which a merger in the chemical industry played an important role. Overall, non-financial corporations financed DM 430 billion of their acquisition of non-financial and financial assets last year through internally generated resources plus own funds raised via the market; this equals a ratio of just over 60 %, which was actually less than in 1998.

Increased borrowing

Besides the relatively high level of external funding through equity, direct borrowing by firms also increased perceptibly. They showed a predilection for foreign banks, as the elimination of exchange rate risk and the convergence of the interest rate level apparently boosted borrowing in other euro area countries. Moreover, part of new borrowing abroad was presumably linked to cross-border mergers and other capital links. Corporations took up more loans from domestic banks, too, especially longer-term loans which are typically used for financing capital formation and the acquisition of participating interests. Among the principal borrowers were sectors with longer-term investment and modernisation programmes (e.g. transport and housing enterprises) and firms in growth areas – or their financial backers. By contrast, short-term bank liabilities declined, especially in manufacturing and trade, which at first sight appears to contradict the marked rise in inventories. The enterprises procured the funds they needed for their stockbuilding activities by extending their payment periods to foreign suppliers, via the money market and also, in part, out of their own liquid reserves.

Need to improve corporate profitability

Thanks to the abundant supply of funds in the domestic and foreign financial markets, non-financial corporations were able to meet their financing requirements in 1999 relatively easily and on reasonable terms. However, tensions could arise within the current macroeconomic constellation if households' propensity to save remains low and government fails to pursue its course of fiscal consolidation rigorously and lastingly. Improving the profitability of the business sector remains a key requirement. The planned tax relief measures benefiting enterprises are a step in the right direction. The evident progress that has been made on the labour market and the wage settlements for 2000 and 2001, together with the persistently temperate price climate, have created favourable conditions for a harmonious balance in the German economy – and one that is conducive to growth – between investment needs and available financing.

The methodological annex and the tables accompanying this article appear on the following pages.

Revision of the financial accounts in line with the new European System of Accounts (ESA '95) *

The financial accounts drawn up by the Deutsche Bundesbank, which are an integral part of Germany's system of national accounts, have now also been revised in line with ESA '95, which is binding on all EU member states. [1] The adoption of this new definitional framework not only ensures consistency with the national accounts relating to the real economy but also improves the international comparability of the results, in particular regarding the investment and lending or borrowing behaviour of the different sectors of the economy. The changes vis-à-vis the former national system mainly concern the breakdown and definition of the different sectors and instruments.

As explained in the main article, the reclassification of the domestic non-financial sectors represents a focal point of the revision. The new sector non-financial corporations now solely comprises genuine corporations and so-called quasi-corporations (principally partnerships such as general partnerships (*Offene Handelsgesellschaft – OHG*) and limited partnerships (*Kommanditgesellschaft – KG*)). By contrast, sole proprietors and self-employed persons, whose entrepreneurial activities are legally indistinguishable from the transactions of private individuals, are classified as belonging to the household sector. The same applies to purchasers of private residential property, the strongest group of investors within the housing sector, which in the past was treated as a sub-sector of non-financial enterprises. As a consequence of the broadening of the household concept, the sector's saving ratio is now lower than before the reclassification. This is due, above all, to depreciation of households' fixed assets to take account of losses of value caused by wear and tear. This tendency is reinforced by the relatively high degree of external financing of business investments. The institutional classification in the household sector results in a balance sheet extension in the financial accounts. Households' financial asset acquisition now includes the commercial deposits of self-employed persons. In addition to consumer credit, household liabilities now also embrace housing loans and loans taken up by self-employed persons and sole proprietors to finance the acquisition of fixed assets.

By contrast, the general government sector is now defined somewhat more narrowly than before because the supplementary pension funds for government employees are no longer included under the sub-sector social security funds but instead – like the legally autonomous pension funds of private-sector employers – under the sector insurance corporations and pension funds. As a result, households' acquisition of financial assets with insurance corporations now tends to be higher.

The new classification of the banking sector accords with the ECB's definition of "monetary financial institutions" (MFIs), which comprise the Deutsche Bundesbank, the domestic credit institutions (including savings and loan associations) and money market funds. The sector other financial intermediaries currently only comprises other open-end mutual funds (securities-based funds, open-end real estate funds and dedicated pension funds) as statistics on other financial institutions such as closed-end real estate funds are not available at present.

In the financing matrix, the definitions of financial instruments are generally independent of the creditor or debtor sectors involved. Therefore, the different categories of deposits now also comprise the balances of domestic sectors with foreign banks (especially transferable deposits and time deposits). Moreover, the item loans includes not only bank loans but also non-securitised lending by other sectors (e. g. mortgages and other loans granted by insurance corporations or general government). In addition, the list of financial instruments has been extended in two important respects to enable the separate recording of financial derivatives and of other equity (other than shares).

Financial derivatives are financial instruments based on or derived from another instrument which allow special risks to be traded separately from the underlying instrument. The underlying instrument can be, for example, another financial asset (e. g. options on securities), an index (e. g. DAX futures) or a commodity (e. g. commodity futures). At present, only the balance of payments statistics provide data on cross-border net payments in connection with options and other financial derivatives, although these data provide no details on the domestic counterparties involved in these transactions. No data are available on such transactions between domestic counterparties.

In line with ESA '95, the item shares and other equity in the financial accounts comprises not only shares but also participating interests in other corporations (particularly private limited companies (*GmbHs*)) and partnerships. Although such enterprises account for a substantial amount of equity capital in Germany, it was previously impossible, for statistical reasons, to record such other equity in the financial accounts. [2] Using data derived from the corporate balance sheet statistics compiled by the Deutsche Bundesbank plus additional data from the banking and balance of payments statistics, a first attempt has been made to estimate the own funds raised by enterprises other than public limited companies. The results are very tentative and merely provide a somewhat more comprehensive picture of the overall level of equity financing in Germany.

Claims on insurance corporations comprise (contingent) claims of policy holders which are mirrored in the balance sheets of insurance corporations and pension funds by corresponding insurance technical reserves. The item claims arising from company pension commitments comprises company-based direct pension commitments, which are widespread in Germany (according to ESA '95 these are likewise to be classified as claims arising from insurance technical reserves).

The item other accounts receivable/payable comprises claims and liabilities that tend to be counterparts of other business activities, e. g. early or late payments for goods and services. This item includes enterprises' trade credits and prepayments/accrued income as well as government tax claims and payment arrears (e. g. in connection with invoice settlement for public buildings).

***** See the publication of the Statistical Office of the European Communities "European System of Accounts, ESA 1995", Luxembourg, 1996. — **1** In a second step the Bundesbank will reclassify its financial assets and liabilities accounts, the results of which are to be submitted to the Statistical Office of the European Communities together with the financial flows figures by September 2000. — **2** The nominal capital of private limited companies (*GmbHs*) was last compiled for Germany as a whole in the corporation stock statistics in 1992. See: Federal Statistical Office, Subject-Matter Series 2, Series 2.2. No representative data are available on the capital base of partnerships.

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Capital and financial accounts of the sectors in 1999 pe

DM billion

Item	Domestic non-financial sectors: Households and non-profit institutions serving households	Non-financial corporations	General government: Total	General government: Central, state and local government	General government: Social security funds	Total
Acquisition of fixed assets and saving						
Net capital formation	136.72	137.65	1.69	1.60	0.09	276.06
Gross capital formation	301.15	467.70	67.07	65.85	1.22	835.92
Consumption of fixed capital	164.43	330.05	65.38	64.25	1.13	559.86
Saving and capital transfers	269.21	– 5.17	– 39.17	– 55.02	15.85	224.87
Saving	241.18	– 22.11	– 5.34	– 21.32	15.98	213.73
Capital transfers (net)	28.03	16.94	– 33.83	– 33.70	– 0.13	11.14
Net lending / net borrowing 3	132.49	– 142.82	– 40.86	– 56.62	15.76	– 51.19
Statistical discrepancy 4	.	21.62	.	.	.	21.62
Acquisition of financial assets						
Monetary gold and special drawing rights (SDRs)	.	.	.	.	.	.
Currency and deposits	17.99	– 7.15	33.02	26.29	6.73	43.86
Currency and transferable deposits	59.41	3.31	– 0.41	– 1.33	0.91	62.31
Time deposits 5	– 13.67	– 10.04	35.80	26.89	8.91	12.09
Savings deposits	– 8.43	– 0.47	– 0.02	0.62	– 0.64	– 8.93
Savings certificates	– 19.31	0.06	– 2.35	0.11	– 2.46	– 21.61
Money market paper	– 0.77	– 12.66	– 0.07	– 0.07	.	– 13.49
Bonds	2.94	85.20	– 9.03	– 3.03	– 6.00	79.11
Financial derivatives	.	– 1.88	.	.	.	– 1.88
Shares	17.00	99.29	– 13.45	– 13.45	–	102.84
Other equity	5.74	34.38	– 3.96	– 3.96	.	36.16
Mutual funds shares	90.40	16.62	3.51	.	3.51	110.53
Loans	.	57.26	o 2.10	2.10	– 0.26	59.36
Short-term loans	.	49.57	– 23.40	– 23.40	.	26.17
Longer-term loans	.	7.69	o 25.50	25.50	– 0.26	33.19
Claims on insurance corporations 2	121.88	2.77	0.26	0.26	.	124.91
Short-term claims	12.51	2.77	0.26	0.26	.	15.54
Long-term claims	109.37	.	.	.	.	109.37
Claims arising from company pension commitments	15.29	.	.	.	.	15.29
Other claims	6.09	– 37.18	13.42	0.48	12.94	– 17.68
Total	276.56	236.65	o 25.80	8.62	16.92	539.00
External financing						
Currency and deposits	.	.	.	.	.	.
Currency and transferable deposits	.	.	.	.	.	.
Time deposits 5	.	.	.	.	.	.
Savings deposits	.	.	.	.	.	.
Savings certificates	.	.	.	.	.	.
Money market paper	.	9.07	– 0.84	– 0.84	.	8.22
Bonds	.	– 6.18	87.68	87.68	.	81.50
Financial derivatives	.	.	.	.	.	.
Shares	.	56.31	.	.	.	56.31
Other equity	.	11.00	– 0.01	– 0.01	.	10.99
Mutual funds shares	.	.	.	.	.	.
Loans	141.72	248.63	o – 20.17	– 21.59	1.16	370.18
Short-term loans	– 2.10	77.02	– 0.06	– 1.10	1.04	74.87
Longer-term loans	143.82	171.61	o – 20.11	– 20.49	0.12	295.32
Claims on insurance corporations 2	.	.	.	.	.	.
Short-term claims	.	.	.	.	.	.
Long-term claims	.	.	.	.	.	.
Claims arising from company pension commitments	.	13.91	.	.	.	13.91
Other liabilities	2.34	25.12	.	.	.	27.46
Total	144.07	357.85	o 66.66	65.24	1.16	568.58
Net acquisition of financial assets 6	132.49	– 121.21	– 40.86	– 56.62	15.76	– 29.58

1 Credit institutions including the Deutsche Bundesbank, savings and loan associations and money market funds. — **2** Including private pension funds as well as occupational pension schemes and supplementary pension funds. — **3** Saving and capital transfers (net) less net

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Domestic financial sectors						
Banks [1]	Other financial intermediaries	Insurance corporations [2]	Total	Rest of the world	All sectors	Item
						Acquisition of fixed assets and saving
5.96	0.06	2.07	8.09	.	284.15	Net capital formation
16.37	0.18	6.39	22.94	.	858.86	Gross capital formation
10.41	0.12	4.32	14.85	.	574.71	Consumption of fixed capital
29.36	–	– 1.89	27.47	31.81	284.15	Saving and capital transfers
29.36	–	9.72	39.08	31.34	284.15	Saving
–	–	– 11.61	– 11.61	0.47	–	Capital transfers (net)
23.40	– 0.06	– 3.96	19.38	31.81	–	Net lending / net borrowing [3]
.	.	.	.	– 21.62	–	Statistical discrepancy [4]
						Acquisition of financial assets
– 3.64	.	.	– 3.64	3.64	–	Monetary gold and special drawing rights (SDRs)
7.26	– 1.22	60.67	66.71	188.50	299.08	Currency and deposits
2.45	5.52	5.21	13.17	– 7.63	67.85	Currency and transferable deposits
4.81	– 6.41	52.74	51.14	193.92	257.15	Time deposits [5]
.	0.03	0.14	0.17	0.10	– 8.66	Savings deposits
.	– 0.35	2.59	2.24	2.11	– 17.26	Savings certificates
33.12	– 0.33	.	32.78	91.12	110.41	Money market paper
137.27	124.17	– 15.07	246.38	185.41	510.89	Bonds
– 1.88	.	.	– 1.88	.	– 3.76	Financial derivatives
56.70	47.27	13.93	117.90	102.03	322.77	Shares
19.44	14.42	7.11	40.97	– 7.29	69.84	Other equity
38.85	2.71	54.00	95.56	11.17	217.25	Mutual funds shares
413.25	3.73	2.61	419.59	107.99	586.94	Loans
100.27	.	.	100.27	79.78	206.21	Short-term loans
312.98	3.73	2.61	319.33	28.21	380.73	Longer-term loans
.	.	.	.	10.11	135.02	Claims on insurance corporations [2]
.	.	.	.	10.10	25.64	Short-term claims
.	.	.	.	0.01	109.39	Long-term claims
.	.	.	.	.	15.29	Claims arising from company pension commitments
46.43	– 0.06	8.05	54.42	4.19	40.93	Other claims
746.80	190.69	131.30	1,068.79	696.85	2,304.65	Total
						External financing
329.56	.	.	329.56	– 30.48	299.08	Currency and deposits
65.40	.	.	65.40	2.45	67.85	Currency and transferable deposits
290.08	.	.	290.08	– 32.93	257.15	Time deposits [5]
– 8.66	.	.	– 8.66	.	– 8.66	Savings deposits
– 17.26	.	.	– 17.26	.	– 17.26	Savings certificates
96.38	.	.	96.38	5.81	110.41	Money market paper
266.39	.	0.00	266.39	163.00	510.89	Bonds
.	.	.	.	– 3.76	– 3.76	Financial derivatives
15.31	.	2.76	18.07	248.38	322.77	Shares
6.09	.	.	6.09	52.76	69.84	Other equity
6.55	183.55	.	190.10	27.15	217.25	Mutual funds shares
.	7.20	0.79	7.99	208.76	586.94	Loans
.	2.57	– 0.16	2.41	128.94	206.21	Short-term loans
.	4.63	0.95	5.58	79.83	380.73	Longer-term loans
.	.	135.03	135.03	– 0.01	135.02	Claims on insurance corporations [2]
.	.	25.64	25.64	.	25.64	Short-term claims
.	.	109.40	109.40	– 0.01	109.39	Long-term claims
1.05	.	0.33	1.38	.	15.29	Claims arising from company pension commitments
2.07	.	– 3.65	– 1.58	15.05	40.93	Other liabilities
723.40	190.75	135.26	1,049.41	686.66	2,304.65	Total
23.40	– 0.06	– 3.96	19.38	10.19	–	Net acquisition of financial assets [6]

capital formation. — **4** Net acquisition of financial assets less net lending. — **5** Including deposits with savings and loan associations. — **6** Acquisition of financial assets less external financing. — **o** Sum-totals do not include intra-sectoral flows.

Capital and financial accounts of the sectors in 1998 p

DM billion

Item	Domestic non-financial sectors					
	Households and non-profit institutions serving households	Non-financial corporations	General government			Total
			Total	Central, state and local government	Social security funds	
Acquisition of fixed assets and saving						
Net capital formation	138.39	121.59	– 2.11	– 2.27	0.16	257.87
Gross capital formation	299.34	442.08	63.16	61.91	1.25	804.58
Consumption of fixed capital	160.95	320.49	65.27	64.18	1.09	546.71
Saving and capital transfers	271.46	29.39	– 66.64	– 74.60	7.96	234.21
Saving	245.66	6.31	– 29.31	– 37.37	8.06	222.66
Capital transfers (net)	25.80	23.08	– 37.33	– 37.23	– 0.10	11.55
Net lending/net borrowing 3	133.07	– 92.20	– 64.53	– 72.33	7.80	– 23.66
Statistical discrepancy 4	.	6.01	.	.	.	6.01
Acquisition of financial assets						
Monetary gold and special drawing rights (SDRs)	.	.	.	.	.	.
Currency and deposits	89.64	21.84	7.02	3.90	3.12	118.50
Currency and transferable deposits	55.60	29.86	5.09	6.53	– 1.44	90.55
Time deposits	6.13	– 10.00	1.41	– 3.04	4.45	– 2.46
Savings deposits 5	31.70	1.16	0.42	0.24	0.19	33.28
Savings certificates	– 3.78	0.81	0.10	0.18	– 0.08	– 2.87
Money market paper	– 0.36	0.95	– 0.07	– 0.07	.	0.53
Bonds	– 27.59	16.47	– 2.03	– 0.03	– 2.00	– 13.15
Financial derivatives	.	5.91	.	.	.	5.91
Shares	8.00	84.60	– 19.79	– 19.71	– 0.08	72.80
Other equity	8.76	37.32	– 14.52	– 14.52	.	31.57
Mutual funds shares	63.23	17.10	2.81	.	2.81	83.14
Loans	.	46.42	o 4.06	4.06	– 0.48	50.48
Short-term loans	.	34.31	1.01	1.01	.	35.32
Longer-term loans	.	12.12	o 3.05	3.05	– 0.48	15.17
Claims on insurance corporations 2	117.10	3.11	0.30	0.30	.	120.50
Short-term claims	13.23	3.11	0.30	0.30	.	16.63
Long-term claims	103.87	.	.	.	.	103.87
Claims arising from company pension commitments	15.45	.	.	.	.	15.45
Other claims	5.83	– 2.60	24.58	19.42	5.16	27.81
Total	280.07	231.11	o 2.37	– 6.65	8.53	513.54
External financing						
Currency and deposits	.	.	.	.	.	.
Currency and transferable deposits	.	.	.	.	.	.
Time deposits	.	.	.	.	.	.
Savings deposits 5	.	.	.	.	.	.
Savings certificates	.	.	.	.	.	.
Money market paper	.	– 1.29	– 0.74	– 0.74	.	– 2.04
Bonds	.	– 6.06	59.89	59.89	.	53.83
Financial derivatives	.	.	.	.	.	.
Shares	.	88.78	.	.	.	88.78
Other equity	.	16.01	0.00	0.00	.	16.01
Mutual funds shares	.	.	.	.	.	.
Loans	144.70	183.19	o 7.75	6.53	0.73	335.64
Short-term loans	13.13	50.70	4.26	3.74	0.52	68.09
Longer-term loans	131.57	132.48	o 3.49	2.80	0.21	267.55
Claims on insurance corporations 2	.	.	.	.	.	.
Short-term claims	.	.	.	.	.	.
Long-term claims	.	.	.	.	.	.
Claims arising from company pension commitments	.	13.91	.	.	.	13.91
Other liabilities	2.29	22.76	.	.	.	25.05
Total	147.00	317.30	o 66.90	65.68	0.73	531.19
Net acquisition of financial assets 6	133.07	– 86.19	– 64.53	– 72.33	7.80	– 17.65

1 Credit institutions including the Deutsche Bundesbank, savings and loan associations and money market funds. — **2** Including private pension funds as well as occupational pension schemes and supplementary pension funds. — **3** Saving and capital transfers (net)

Deutsche Bundesbank

Domestic financial sectors						
Banks [1]	Other financial intermediaries	Insurance corporations [2]	Total	Rest of the world	All sectors	Item
						Acquisition of fixed assets and saving
5.12	0.06	2.20	7.38	.	265.25	Net capital formation
15.52	0.18	6.51	22.21	.	826.79	Gross capital formation
10.40	0.12	4.31	14.83	.	561.54	Consumption of fixed capital
32.57	–	– 6.54	26.03	5.01	265.25	Saving and capital transfers
32.57	–	3.66	36.23	6.36	265.25	Saving
–	–	– 10.20	– 10.20	– 1.35	–	Capital transfers (net)
27.45	– 0.06	– 8.74	18.65	5.01	–	Net lending/net borrowing [3]
.	.	.	.	– 6.01	–	Statistical discrepancy [4]
						Acquisition of financial assets
3.42	.	.	3.42	– 3.42	–	Monetary gold and special drawing rights (SDRs)
70.73	22.40	30.47	123.60	284.10	526.20	Currency and deposits
– 2.45	3.93	0.31	1.79	101.72	194.06	Currency and transferable deposits
73.18	18.47	28.33	119.97	180.66	298.18	Time deposits
.	.	0.28	0.28	0.35	33.92	Savings deposits [5]
.	.	1.55	1.55	1.36	0.04	Savings certificates
17.00	– 0.19	.	16.81	12.28	29.61	Money market paper
230.39	55.04	0.14	285.57	144.66	417.08	Bonds
5.91	.	.	5.91	.	11.81	Financial derivatives
19.78	84.67	27.45	131.90	102.16	306.86	Shares
19.07	7.46	7.01	33.54	6.35	71.45	Other equity
44.19	0.05	62.93	107.17	– 3.09	187.21	Mutual funds shares
330.87	– 0.03	4.77	335.60	54.64	440.73	Loans
42.74	.	.	42.74	23.44	101.50	Short-term loans
288.13	– 0.03	4.77	292.86	31.20	339.22	Longer-term loans
.	.	.	.	11.20	131.70	Claims on insurance corporations [2]
.	.	.	.	11.24	27.87	Short-term claims
.	.	.	.	– 0.04	103.83	Long-term claims
.	.	.	.	.	15.45	Claims arising from company pension commitments
32.25	– 0.06	8.83	41.02	– 2.89	65.94	Other claims
773.59	169.34	141.60	1,084.52	605.98	2,204.03	Total
						External financing
451.41	.	.	451.41	74.79	526.20	Currency and deposits
196.51	.	.	196.51	– 2.45	194.06	Currency and transferable deposits
220.94	.	.	220.94	77.24	298.18	Time deposits
33.92	.	.	33.92	.	33.92	Savings deposits [5]
0.04	.	.	0.04	.	0.04	Savings certificates
23.98	.	.	23.98	7.67	29.61	Money market paper
230.52	.	0.00	230.52	132.72	417.08	Bonds
.	.	.	.	11.81	11.81	Financial derivatives
12.00	.	6.49	18.49	199.59	306.86	Shares
8.38	.	.	8.38	47.06	71.45	Other equity
5.77	163.98	.	169.75	17.47	187.21	Mutual funds shares
.	5.42	– 0.74	4.68	100.41	440.73	Loans
.	4.16	– 0.70	3.46	29.95	101.50	Short-term loans
.	1.26	– 0.04	1.22	70.46	339.22	Longer-term loans
.	.	131.69	131.69	0.01	131.70	Claims on insurance corporations [2]
.	.	27.87	27.87	.	27.87	Short-term claims
.	.	103.82	103.82	0.01	103.83	Long-term claims
1.09	.	0.45	1.54	.	15.45	Claims arising from company pension commitments
13.00	.	12.44	25.44	15.45	65.94	Other liabilities
746.14	169.40	150.34	1,065.87	606.98	2,204.03	Total
27.45	– 0.06	– 8.74	18.65	– 1.00	–	Net acquisition of financial assets [6]

less net capital formation. — **4** Net acquisition of financial assets less net lending. — **5** Including deposits with savings and loan associations. — **6** Acquisition of financial assets less external financing. — **o** Sum-totals do not include intra-sectoral flows.

Domestic non-financial sectors

DM billion

Item	1992	1993	1994	1995	1996	1997 p	1998 p	1999 pe
Acquisition of fixed assets and saving								
Net capital formation	289.45	235.23	276.63	268.20	233.54	237.82	257.87	276.06
Gross capital formation	730.18	706.27	766.82	776.17	752.22	769.89	804.58	835.92
Consumption of fixed capital	440.73	471.04	490.19	507.97	518.68	532.07	546.71	559.86
Saving and capital transfers	245.85	193.56	206.39	218.47	205.99	217.41	234.21	224.87
Saving	245.92	191.79	208.98	217.76	201.88	207.80	222.66	213.73
Capital transfers (net)	– 0.07	1.77	– 2.59	0.71	4.11	9.61	11.55	11.14
Net lending/net borrowing 1	– 43.60	– 41.67	– 70.24	– 49.73	– 27.55	– 20.41	– 23.66	– 51.19
Statistical discrepancy 2	– 15.39	– 34.08	– 16.66	– 26.90	– 7.94	– 15.66	6.01	21.62
Acquisition of financial assets								
Monetary gold and special drawing rights (SDRs)	.	.	.	.	.	.	.	.
Currency and deposits	152.76	257.34	41.53	83.69	159.39	27.39	118.50	43.86
Currency and transferable deposits	35.63	77.26	15.41	56.10	101.26	8.25	90.55	62.31
Time deposits 3	89.52	99.46	– 53.56	– 91.92	– 49.11	– 34.98	– 2.46	12.09
Savings deposits 3	23.73	95.75	87.62	109.63	107.12	48.66	33.28	– 8.93
Savings certificates	3.89	– 15.12	– 7.94	9.89	0.13	5.45	– 2.87	– 21.61
Money market paper	16.87	2.63	– 11.93	– 1.37	– 6.74	– 1.72	0.53	– 13.49
Bonds	5.93	– 28.16	115.72	34.80	– 12.10	– 6.97	– 13.15	79.11
Financial derivatives	0.23	0.56	– 0.75	0.41	4.37	7.69	5.91	– 1.88
Shares	14.45	10.01	26.08	34.49	31.95	24.23	72.80	102.84
Other equity	26.61	24.15	15.47	– 10.90	10.37	4.36	31.57	36.16
Mutual funds shares	57.41	39.77	99.43	26.92	31.74	63.45	83.14	110.53
Loans	15.29	24.61	36.15	40.68	25.09	22.20	50.48	59.36
Short-term loans	5.53	20.45	– 2.39	19.81	29.36	19.15	35.32	26.17
Longer-term loans	9.75	4.17	38.54	20.88	– 4.27	3.04	15.17	33.19
Claims on insurance corporations 4	73.33	86.34	95.92	105.24	111.58	118.02	120.50	124.91
Short-term claims	14.71	13.68	22.77	21.11	20.13	19.16	16.63	15.54
Long-term claims	58.62	72.66	73.15	84.13	91.45	98.86	103.87	109.37
Claims arising from company pension commitments	18.90	10.19	12.29	15.43	15.45	15.45	15.45	15.29
Other claims	19.05	45.92	– 42.25	40.16	42.41	57.31	27.81	– 17.68
Total	400.82	473.36	387.66	369.54	413.52	331.40	513.54	539.00
External financing								
Currency and deposits	.	.	.	.	.	.	.	.
Currency and transferable deposits	.	.	.	.	.	.	.	.
Time deposits 3	.	.	.	.	.	.	.	.
Savings deposits 3	.	.	.	.	.	.	.	.
Savings certificates	.	.	.	.	.	.	.	.
Money market paper	9.82	– 11.50	– 17.44	– 13.10	19.78	0.33	– 2.04	8.22
Bonds	177.26	231.49	156.89	40.46	42.18	65.78	53.83	81.50
Financial derivatives	.	.	.	.	.	.	.	.
Shares	10.17	11.12	20.03	23.14	31.01	4.58	88.78	56.31
Other equity	17.07	21.05	12.98	1.38	8.05	10.51	16.01	10.99
Mutual funds shares	.	.	.	.	.	.	.	.
Loans	219.00	279.57	299.18	363.66	336.61	257.69	335.64	370.18
Short-term loans	28.80	– 13.01	22.12	54.34	64.10	14.61	68.09	74.87
Longer-term loans	190.19	292.58	277.06	309.32	272.51	243.08	267.55	295.32
Claims on insurance corporations 4	.	.	.	.	.	.	.	.
Short-term claims	.	.	.	.	.	.	.	.
Long-term claims	.	.	.	.	.	.	.	.
Claims arising from company pension commitments	16.54	8.25	10.61	13.91	13.91	13.91	13.91	13.91
Other liabilities	9.97	9.14	– 7.70	16.72	– 2.53	14.68	25.05	27.46
Total	459.81	549.12	474.55	446.16	449.01	367.47	531.19	568.58
Net acquisition of financial assets 5	– 58.99	– 75.75	– 86.89	– 76.62	– 35.49	– 36.07	– 17.65	– 29.58

1 Saving and capital transfers (net) less net capital formation. — **2** Net acquisition of financial assets less net lending. — **3** Up to 1998 deposits with savings and loan associations are included under savings deposits and from 1999 (in accordance with the banking statistics) under time deposits. — **4** Including private pension funds as well as occupational pension schemes and supplementary pension funds. — **5** Acquisition of financial assets less external financing.

Deutsche Bundesbank

Domestic financial sectors

DM billion

Item	1992	1993	1994	1995	1996	1997 p	1998 p	1999 pe
Acquisition of fixed assets and saving								
Net capital formation	10.95	10.12	8.08	9.27	7.72	7.83	7.38	8.09
Gross capital formation	21.33	21.63	20.31	22.45	21.59	22.18	22.21	22.94
Consumption of fixed capital	10.38	11.51	12.23	13.18	13.87	14.35	14.83	14.85
Saving and capital transfers	30.58	32.98	35.26	28.64	21.67	28.46	26.03	27.47
Saving	32.29	36.53	35.16	33.38	29.00	37.91	36.23	39.08
Capital transfers (net)	– 1.71	– 3.55	0.10	– 4.74	– 7.33	– 9.45	– 10.20	– 11.61
Net lending/net borrowing 1	19.63	22.86	27.18	19.37	13.95	20.63	18.65	19.38
Statistical discrepancy 2	.	.	.	.	.	.	.	.
Acquisition of financial assets								
Monetary gold and special drawing rights (SDRs)	– 1.61	0.12	0.20	1.30	– 0.03	0.02	3.42	– 3.64
Currency and deposits	19.34	174.22	34.93	119.93	90.25	129.04	123.60	66.71
Currency and transferable deposits	21.68	23.98	– 1.15	9.67	5.07	13.26	1.79	13.17
Time deposits 3	– 5.07	145.23	34.27	106.13	81.56	112.96	119.97	51.14
Savings deposits 3	0.01	– 0.01	0.17	0.26	0.60	0.34	0.28	0.17
Savings certificates	2.73	5.02	1.64	3.88	3.01	2.48	1.55	2.24
Money market paper	– 6.86	2.42	– 2.25	– 0.68	4.34	– 2.69	16.81	32.78
Bonds	195.42	178.52	163.85	111.50	175.09	215.57	285.57	246.38
Financial derivatives	0.23	0.56	– 0.75	0.41	4.37	7.69	5.91	– 1.88
Shares	32.62	27.39	40.45	34.27	42.06	88.16	131.90	117.90
Other equity	14.13	17.50	16.49	26.63	22.39	22.95	33.54	40.97
Mutual funds shares	24.10	36.49	26.51	29.38	53.97	86.53	107.17	95.56
Loans	216.51	279.59	252.93	344.53	348.42	330.48	335.60	419.59
Short-term loans	25.59	– 7.86	4.52	46.86	54.06	37.93	42.74	100.27
Longer-term loans	190.92	287.44	248.40	297.68	294.36	292.56	292.86	319.33
Claims on insurance corporations 4	.	.	.	.	.	.	.	.
Short-term claims	.	.	.	.	.	.	.	.
Long-term claims	.	.	.	.	.	.	.	.
Claims arising from company pension commitments	.	.	.	.	.	.	.	.
Other claims	19.72	9.77	18.30	37.71	7.11	27.98	41.02	54.42
Total	513.61	726.57	550.67	704.98	747.96	905.73	1,084.52	1,068.79
External financing								
Currency and deposits	199.69	320.20	191.54	290.72	293.83	308.94	451.41	329.56
Currency and transferable deposits	34.53	92.87	50.30	65.87	144.77	83.09	196.51	65.40
Time deposits 3	130.34	137.12	58.32	98.30	36.46	167.70	220.94	290.08
Savings deposits 3	27.27	99.24	89.06	112.08	109.54	49.29	33.92	– 8.66
Savings certificates	7.55	– 9.03	– 6.14	14.47	3.07	8.86	0.04	– 17.26
Money market paper	0.16	31.59	– 16.32	0.89	– 1.95	6.56	23.98	96.38
Bonds	102.88	143.48	116.88	158.04	197.51	189.88	230.52	266.39
Financial derivatives	.	.	.	.	.	.	.	.
Shares	12.11	13.78	19.28	16.83	9.52	26.61	18.49	18.07
Other equity	4.24	0.82	7.54	– 5.81	1.33	6.26	8.38	6.09
Mutual funds shares	20.47	61.67	108.91	54.07	79.11	138.95	169.75	190.10
Loans	– 0.00	1.96	0.91	0.81	4.70	5.46	4.68	7.99
Short-term loans	0.14	1.42	0.73	– 0.43	1.95	2.41	3.46	2.41
Longer-term loans	– 0.14	0.54	0.19	1.24	2.75	3.06	1.22	5.58
Claims on insurance corporations 4	77.50	93.13	102.12	112.34	112.21	131.41	131.69	135.03
Short-term claims	18.98	20.54	28.96	28.19	20.74	32.57	27.87	25.64
Long-term claims	58.52	72.59	73.17	84.15	91.47	98.84	103.82	109.40
Claims arising from company pension commitments	2.36	1.94	1.68	1.52	1.54	1.54	1.54	1.38
Other liabilities	74.58	35.15	– 9.07	56.21	36.21	69.49	25.44	– 1.58
Total	493.98	703.71	523.49	685.61	734.01	885.10	1,065.87	1,049.41
Net acquisition of financial assets 5	19.63	22.86	27.18	19.37	13.95	20.63	18.65	19.38

1 Saving and capital transfers (net) less net capital formation. — **2** Net acquisition of financial assets less net lending. — **3** Up to 1998 deposits with savings and loan associations are included under savings deposits and from 1999 (in accordance with the banking statistics) under time deposits. — **4** Including private pension funds as well as occupational pension schemes and supplementary pension funds. — **5** Acquisition of financial assets less external financing.

Deutsche Bundesbank

Sales and purchases of bonds

Item	1992	1993	1994	1995	1996	1997 p	1998 p	1999 pe
Issuers	DM billion							
Non-financial corporations 1	34.31	96.94	96.30	−161.70	− 8.70	− 7.93	− 6.06	− 6.18
General government 1	142.95	134.55	60.59	202.16	50.88	73.70	59.89	87.68
Domestic non-financial sectors	177.26	231.49	156.89	40.46	42.18	65.78	53.83	81.50
Financial sectors	102.88	143.48	116.88	158.04	197.51	189.88	230.52	266.39
Rest of the world	42.16	− 13.23	28.39	33.82	25.44	75.46	132.72	163.00
Total	322.29	361.74	302.17	232.32	265.13	331.12	417.08	510.89
Purchasers								
Households 2	7.00	− 29.47	71.16	50.48	4.71	3.33	− 27.59	2.94
Non-financial corporations	− 0.52	1.03	41.30	− 16.41	− 12.90	− 10.49	16.47	85.20
General government	− 0.56	0.28	3.25	0.73	− 3.90	0.19	− 2.03	− 9.03
Domestic non-financial sectors	5.93	− 28.16	115.72	34.80	− 12.10	− 6.97	− 13.15	79.11
Banks	170.35	137.60	114.26	80.43	122.38	135.41	230.39	137.27
Other financial intermediaries	− 0.35	31.19	46.97	24.08	57.08	78.51	55.04	124.17
Insurance corporations	25.41	9.73	2.62	6.99	− 4.36	1.64	0.14	− 15.07
Financial sectors	195.42	178.52	163.85	111.50	175.09	215.57	285.57	246.38
Rest of the world	120.95	211.38	22.60	86.03	102.13	122.52	144.66	185.41
Total	322.29	361.74	302.17	232.32	265.13	331.12	417.08	510.89
Issuers	Percentage share							
Non-financial corporations 1	10.6	26.8	31.9	− 69.6	− 3.3	− 2.4	− 1.5	− 1.2
General government 1	44.4	37.2	20.1	87.0	19.2	22.3	14.4	17.2
Domestic non-financial sectors	55.0	64.0	51.9	17.4	15.9	19.9	12.9	16.0
Financial sectors	31.9	39.7	38.7	68.0	74.5	57.3	55.3	52.1
Rest of the world	13.1	− 3.7	9.4	14.6	9.6	22.8	31.8	31.9
Total	100	100	100	100	100	100	100	100
Purchasers								
Households 2	2.2	− 8.1	23.6	21.7	1.8	1.0	− 6.6	0.6
Non-financial corporations	− 0.2	0.3	13.7	− 7.1	− 4.9	− 3.2	3.9	16.7
General government	− 0.2	0.1	1.1	0.3	− 1.5	0.1	− 0.5	− 1.8
Domestic non-financial sectors	1.8	− 7.8	38.3	15.0	− 4.6	− 2.1	− 3.2	15.5
Banks	52.9	38.0	37.8	34.6	46.2	40.9	55.2	26.9
Other financial intermediaries	− 0.1	8.6	15.5	10.4	21.5	23.7	13.2	24.3
Insurance corporations	7.9	2.7	0.9	3.0	− 1.6	0.5	0.0	− 3.0
Financial sectors	60.6	49.4	54.2	48.0	66.0	65.1	68.5	48.2
Rest of the world	37.5	58.4	7.5	37.0	38.5	37.0	34.7	36.3
Total	100	100	100	100	100	100	100	100

1 In 1995 including the assumption of the Treuhand agency's securitised debt by the Redemption Fund for Inherited Liabilities (DM 155.5 billion). — **2** Including non-profit institutions serving households.

Deutsche Bundesbank

Sales and purchases of mutual funds shares

Item	1992	1993	1994	1995	1996	1997 p	1998 p	1999 pe
Issuers	DM billion							
Domestic funds	20.47	61.67	108.91	54.07	79.11	138.95	169.75	190.10
Funds open to the general public	– 3.10	20.79	63.26	16.78	16.52	31.50	39.00	73.70
Money market funds	–	–	31.18	6.15	– 4.71	– 5.00	5.77	6.55
Securities-based funds	– 9.19	6.07	24.39	3.71	7.27	30.07	27.81	45.51
Real-estate funds	6.09	14.72	7.70	6.92	13.95	6.44	4.69	14.46
Other funds 1	0.00	0.00	0.00	– 0.00	0.00	0.00	0.72	7.18
Specialised funds	23.58	40.88	45.65	37.29	62.59	107.45	130.75	116.40
Foreign funds	61.04	18.59	22.08	1.18	4.27	6.86	17.47	27.15
Total	81.51	80.26	131.00	55.25	83.38	145.81	187.21	217.25
Purchasers								
Households 2	54.00	36.13	83.58	20.72	22.16	42.01	63.23	90.40
Non-financial corporations	4.41	2.66	16.07	5.88	9.12	18.82	17.10	16.62
General government	– 1.00	0.98	– 0.21	0.31	0.46	2.62	2.81	3.51
Domestic non-financial sectors	57.41	39.77	99.43	26.92	31.74	63.45	83.14	110.53
Banks	10.50	16.98	9.85	12.17	19.92	35.92	44.19	38.85
Other financial intermediaries	–	–	–	–	–	–	0.05	2.71
Insurance corporations	13.61	19.51	16.66	17.21	34.04	50.60	62.93	54.00
Financial sectors	24.10	36.49	26.51	29.38	53.97	86.53	107.17	95.56
Rest of the world	– 0.00	4.00	5.05	– 1.05	– 2.32	– 4.17	– 3.09	11.17
Total	81.51	80.26	131.00	55.25	83.38	145.81	187.21	217.25
Issuers	Percentage share							
Domestic funds	25.1	76.8	83.1	97.9	94.9	95.3	90.7	87.5
Funds open to the general public	– 3.8	25.9	48.3	30.4	19.8	21.6	20.8	33.9
Money market funds	–	–	23.8	11.1	– 5.6	– 3.4	3.1	3.0
Securities-based funds	– 11.3	7.6	18.6	6.7	8.7	20.6	14.9	20.9
Real-estate funds	7.5	18.3	5.9	12.5	16.7	4.4	2.5	6.7
Other funds 1	0.0	0.0	0.0	0.0	0.0	0.0	0.4	3.3
Specialised funds	28.9	50.9	34.8	67.5	75.1	73.7	69.8	53.6
Foreign funds	74.9	23.2	16.9	2.1	5.1	4.7	9.3	12.5
Total	100	100	100	100	100	100	100	100
Purchasers								
Households 2	66.2	45.0	63.8	37.5	26.6	28.8	33.8	41.6
Non-financial corporations	5.4	3.3	12.3	10.7	10.9	12.9	9.1	7.7
General government	– 1.2	1.2	– 0.2	0.6	0.6	1.8	1.5	1.6
Domestic non-financial sectors	70.4	49.5	75.9	48.7	38.1	43.5	44.4	50.9
Banks	12.9	21.2	7.5	22.0	23.9	24.6	23.6	17.9
Other financial intermediaries	–	–	–	–	–	–	0.0	1.2
Insurance corporations	16.7	24.3	12.7	31.1	40.8	34.7	33.6	24.9
Financial sectors	29.6	45.5	20.2	53.2	64.7	59.3	57.2	44.0
Rest of the world	– 0.0	5.0	3.9	– 1.9	– 2.8	– 2.9	– 1.7	5.1
Total	100	100	100	100	100	100	100	100

1 Including dedicated pension funds and equity participation funds. — **2** Including non-profit institutions serving households.

Deutsche Bundesbank

Sales and purchases of shares

Item	1992	1993	1994	1995	1996	1997 p	1998 p	1999 pe
Issuers	DM billion							
Non-financial corporations	10.17	11.12	20.03	23.14	31.01	4.58	88.78	56.31
Banks	9.07	10.66	14.30	9.05	8.23	19.72	12.00	15.31
Insurance corporations	3.04	3.11	4.98	7.78	1.29	6.89	6.49	2.76
Financial sectors	12.11	13.78	19.28	16.83	9.52	26.61	18.49	18.07
Rest of the world	16.38	21.24	27.97	25.53	45.22	100.71	199.59	248.39
Total	38.65	46.13	67.28	65.50	85.75	131.90	306.86	322.77
Purchasers								
Households 1	– 0.93	6.61	12.00	– 3.40	10.50	8.00	8.00	17.00
Non-financial corporations	14.91	2.27	8.18	27.08	21.23	26.63	84.60	99.29
General government	0.47	1.13	5.91	10.81	0.22	– 10.40	– 19.79	– 13.45
Domestic non-financial sectors	14.45	10.01	26.08	34.49	31.95	24.23	72.80	102.84
Banks	8.53	12.30	8.85	13.94	18.06	13.99	19.78	56.70
Other financial intermediaries	16.39	8.81	23.40	14.99	12.36	41.88	84.67	47.27
Insurance corporations	7.70	6.28	8.21	5.34	11.64	32.28	27.45	13.93
Financial sectors	32.62	27.39	40.45	34.27	42.06	88.16	131.90	117.90
Rest of the world	– 8.41	8.74	0.74	– 3.26	11.74	19.51	102.16	102.03
Total	38.65	46.13	67.28	65.50	85.75	131.90	306.86	322.77
Issuers	Percentage share							
Non-financial corporations	26.3	24.1	29.8	35.3	36.2	3.5	28.9	17.4
Banks	23.5	23.1	21.3	13.8	9.6	15.0	3.9	4.7
Insurance corporations	7.9	6.7	7.4	11.9	1.5	5.2	2.1	0.9
Financial sectors	31.3	29.9	28.7	25.7	11.1	20.2	6.0	5.6
Rest of the world	42.4	46.0	41.6	39.0	52.7	76.4	65.0	77.0
Total	100	100	100	100	100	100	100	100
Purchasers								
Households 1	– 2.4	14.3	17.8	– 5.2	12.2	6.1	2.6	5.3
Non-financial corporations	38.6	4.9	12.2	41.3	24.8	20.2	27.6	30.8
General government	1.2	2.4	8.8	16.5	0.3	– 7.9	– 6.5	– 4.2
Domestic non-financial sectors	37.4	21.7	38.8	52.7	37.3	18.4	23.7	31.9
Banks	22.1	26.7	13.1	21.3	21.1	10.6	6.4	17.6
Other financial intermediaries	42.4	19.1	34.8	22.9	14.4	31.8	27.6	14.6
Insurance corporations	19.9	13.6	12.2	8.1	13.6	24.5	8.9	4.3
Financial sectors	84.4	59.4	60.1	52.3	49.0	66.8	43.0	36.5
Rest of the world	– 21.8	18.9	1.1	– 5.0	13.7	14.8	33.3	31.6
Total	100	100	100	100	100	100	100	100

1 Including non-profit institutions serving households.

Deutsche Bundesbank

Households' financial assets and liabilities * +

Item	1992	1993	1994	1995	1996	1997	1998	1999
	in DM billion							
Financial assets								
with banks [1]	1,775	1,949	1,963	2,030	2,122	2,170	2,253	2,272
Short-term	1,291	1,455	1,459	1,512	1,628	1,697	1,799	1,861
Long-term	484	494	504	518	494	474	454	411
with savings and loan associations	143	150	156	160	170	179	184	184
with insurance corporations [2]	847	929	1,016	1,112	1,216	1,324	1,441	1,570
in securities	1,091	1,242	1,351	1,530	1,653	1,902	2,053	2,367
Bonds	555	581	623	729	746	777	765	722
Shares	181	238	235	261	317	443	492	635
Other equity	142	157	170	185	197	212	230	250
Mutual funds shares	213	266	323	354	394	469	566	760
arising from company pension commitments	260	270	282	298	313	329	345	356
Total	4,115	4,540	4,768	5,129	5,474	5,905	6,275	6,749
Liabilities								
to banks [1]	1,465	1,619	1,785	1,914	2,056	2,170	2,305	2,437
Short-term	174	176	178	185	190	186	197	202
Long-term	1,291	1,443	1,606	1,729	1,866	1,985	2,108	2,235
to savings and loan associations	147	157	165	173	181	188	195	186
to insurance corporations	109	113	123	130	133	137	137	139
Total	1,720	1,888	2,073	2,217	2,371	2,496	2,637	2,763
Net financial assets	2,394	2,652	2,695	2,912	3,103	3,409	3,639	3,986
of which								
Non-profit institutions								
Financial assets								
with banks	72	82	87	77	76	75	79	80
in securities	67	77	86	91	99	109	123	142
Bonds	42	46	51	53	55	55	55	56
Shares	9	10	12	12	13	16	21	26
Mutual funds shares	15	21	23	26	30	38	47	59
Total	139	159	172	167	175	183	202	221
Liabilities	27	30	30	27	27	29	29	30
Net financial assets	112	129	142	141	147	155	173	191
Memo item	in DM per household							
Financial assets	115,300	125,300	129,900	138,900	146,800	157,600	167,200	179,000
Liabilities	48,200	52,100	56,500	60,000	63,600	66,600	70,300	73,300
	as % of disposable income							
Financial assets								
with banks	86.5	91.9	90.1	90.1	92.1	92.3	93.1	91.6
with savings and loan associations	7.0	7.1	7.2	7.1	7.4	7.6	7.6	7.4
with insurance corporations	41.3	43.8	46.6	49.3	52.7	56.3	59.5	63.3
in securities	53.2	58.6	62.0	67.9	71.7	80.9	84.8	95.4
arising from company pension commitments	12.7	12.7	12.9	13.2	13.6	14.0	14.2	14.4
Total	200.6	214.1	218.9	227.6	237.5	251.1	259.3	272.2
Liabilities	83.9	89.0	95.2	98.4	102.9	106.1	108.9	111.4
Net financial assets	116.7	125.1	123.7	129.2	134.6	145.0	150.3	160.7

* Estimated figures pending the revision of the financial assets and liabilities account in accordance with ESA '95. — + Including non-profit institutions serving households. — **1** In Germany and abroad. — **2** Including private pension funds as well as occupational pension schemes and supplementary pension funds.

Deutsche Bundesbank