

Overall financial flows in 2001

The weak overall growth of the German economy also had a marked impact on financial flows last year. Investment in the real economy was reined back across a broad front. The supply of financing resources in the form of savings likewise declined, albeit not as sharply as the domestic demand for financing. In 2001 – for the first time since the reunification of Germany – there was no net inflow of funds from the rest of the world. The contraction of financial transactions was even more pronounced. Share purchases and equity financing, in particular, were well down on the preceding years, not least owing to the unfavourable stock market trend. Cross-border activities, which had increased continuously in the second half of the 1990s, likewise declined in 2001. Thanks largely to the net financial flows of the household sector, Germany was able last year to resume its traditional role of being a net capital exporter. A key reason for this was that households' borrowing declined significantly. Their liabilities had grown steeply during the 1990s, however. An international comparison shows that household indebtedness in some other industrial nations was much greater and also grew much faster than in Germany.

Domestic acquisition of non-financial assets

Lower investment ...

Net investment by the domestic sectors in fixed assets and inventories in 2001 totalled €100 billion or just under 6% of the national disposable income. This was around one-third less than in 2000, when investment had been at a comparatively high level. The size of the fall is underlined by the fact that last year's figure fell well short of the lowest totals reached during the 1990s in both absolute and relative terms.

... in the enterprise and household sectors ...

The sharp decline in investment was not concentrated on one sector but rather was recorded across the board. The investment restraint was particularly evident in the case of producing enterprises and households. Whereas such falls in investment habitually occur among non-financial corporations and quasi-corporations in response to a worsening of the underlying business climate, households had not shown such marked investment restraint since the early 1990s. Last year households invested almost one-fifth less than in 2000. This drop was due primarily to a significant contraction in housing construction. Households' share in overall fixed capital formation nevertheless increased in 2001 to over one-half as the fall in net investment by producing enterprises last year was even more pronounced than that of households. At not quite €40 billion, the creation of new capital stock was little more than half of the figure recorded in 2000. In nominal terms this was the lowest volume of fixed capital formation registered since 1993, a year marked by a very slack cyclical momentum.

The general government sector, too, contributed to the decline in overall investment last year. It invested €1½ billion or two-fifths less than in 2000. In net terms the public investment budget was only one-seventh of the levels seen in the first half of the 1990s, which had been substantially boosted by the renewal of the east German infrastructure in the wake of reunification.

... and by general government

National supply of savings

Domestic saving likewise slowed in 2001 compared with 2000. The level of savings amounted to around €110 billion or 6½% of national disposable income, which was the lowest level seen during the past ten years. In contrast to the investment trend, however, the saving trend presented a mixed picture. The low overall level of savings was primarily attributable to the general government sector. Its dissaving, excluding net capital transfers made, increased substantially by over €30 billion to €55 billion. This deterioration was due chiefly to the large revenue shortfalls ensuing from the first phase of the tax reform, although the less favourable economic development also played a role.

Savings also lower amid disparate individual trends

Although the enterprise sector, like general government, registered negative savings in 2001, it at least recorded a somewhat better result than in the previous year. For one thing, the net capital transfers received by non-financial corporations were higher than before at €15 billion; for another thing, retained profits (as defined in the national accounts) showed a slightly smaller deficit. The upshot

National acquisition of non-financial assets, saving and net lending/net borrowing

€ billion

Item	1991	1993	1995	1997	1998	1999	2000	2001
Acquisition of non-financial assets								
Net Investment ¹								
Households ²	56.1	66.6	77.1	71.1	72.3	73.0	70.5	58.1
Non-financial corporations	80.4	38.0	51.4	44.8	55.6	56.7	71.0	37.9
Fixed assets	73.8	48.0	48.2	45.1	48.4	53.8	60.1	42.8
Inventories	6.7	- 9.9	3.2	- 0.3	7.1	2.9	10.9	- 4.9
Financial sectors	4.2	5.2	4.8	4.3	4.3	3.8	2.5	2.3
General government	13.9	15.4	8.3	3.0	3.1	4.6	3.7	2.2
Total	154.6	125.2	141.6	123.3	135.3	138.0	147.7	100.4
<i>Memo item</i>								
Net investment in % ³	12.1	9.0	9.4	7.9	8.4	8.4	8.7	5.8
Acquisitions less disposals of non-financial non-produced assets								
Households ²	0.6	0.7	0.9	1.0	1.2	1.4	1.0	1.0
Non-financial corporations	0.3	0.7	0.6	0.5	0.6	0.6	34.4	0.4
General government	- 0.9	- 1.4	- 1.5	- 1.5	- 1.8	- 2.0	- 52.3	- 1.4
Total	0.0	0.0	0.0	0.0	0.0	0.0	- 16.9	0.0
Saving ⁴								
Households ²	133.0	139.8	134.9	134.9	141.6	143.8	146.9	158.0
Non-financial corporations ⁵	17.3	- 3.7	28.5	20.9	25.4	- 6.2	- 17.0	- 10.0
Financial sectors	17.6	16.7	14.4	15.2	4.3	12.8	21.7	17.9
General government ⁵	- 31.3	- 37.4	- 52.7	- 49.5	- 41.2	- 27.8	- 24.6	- 55.5
Total	136.7	115.3	125.0	121.6	130.1	122.6	126.9	110.4
<i>Memo item</i>								
Saving in % ^{3, 6}	10.9	8.3	8.4	7.8	8.0	7.4	7.6	6.5
Net lending/net borrowing								
Households ²	76.4	72.5	56.8	62.8	68.0	69.4	75.4	99.0
Non-financial corporations ⁵	- 63.4	- 42.4	- 23.5	- 24.4	- 30.7	- 63.4	- 122.4	- 48.3
Financial sectors	13.5	11.5	9.6	10.9	0.0	9.0	19.2	15.6
General government ⁵	- 44.3	- 51.5	- 59.6	- 51.0	- 42.5	- 30.5	23.9	- 56.3
Total	- 17.8	- 9.9	- 16.6	- 1.7	- 5.2	- 15.4	- 3.9	10.0
<i>Memo item</i>								
Net lending/net borrowing in % ³								
Households ²	6.0	5.2	3.8	4.0	4.2	4.2	4.4	5.7
Non-financial corporations ⁵	- 5.0	- 3.0	- 1.6	- 1.6	- 1.9	- 3.8	- 7.2	- 2.8
Financial sectors	1.1	0.8	0.6	0.7	0.0	0.5	1.1	0.9
General government ⁵	- 3.5	- 3.7	- 3.9	- 3.3	- 2.6	- 1.8	1.4	- 3.3
Total	- 1.4	- 0.7	- 1.1	- 0.1	- 0.3	- 0.9	- 0.2	0.6

Sources: National accounts and Bundesbank calculations. — ¹ Net capital formation in the form of fixed assets and changes in inventories. — ² Including non-profit institutions serving households. — ³ As of percentage of aggregate disposable income. — ⁴ Including capital transfers (net). — ⁵ In 1991 including partial forgiveness, amounting to €6.4 billion, of the German railways' debt by the Federal Government; 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 €105 billion and €15 billion respectively. — ⁶ Excluding capital transfers (net).

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of this was that the enterprise sector concluded last year with a negative savings account of -€10 billion. The household sector, by contrast, lifted its savings total year on year by approximately €10 billion. Inclusive of the net capital transfers received amounting to €20 billion, households generated a surplus supply of funds totalling almost €160 billion. This was the highest figure for many years.

Basic pattern of financial balances and flows

Germany reverts to being an exporter of capital

In the light of the investment and saving trends outlined above, Germany noticeably improved its financial position vis-à-vis the rest of the world last year. It recorded net lending of €10 billion or ½% of the disposable income of the domestic sectors. This was the first financial surplus generated since reunification. Prior to that, however, financial surpluses had been the norm.

Large financing needs of government and enterprises

At just short of €60 billion, the general government sector had the largest external financing requirement in 2001. In 2000 it had been a net lender to the other sectors thanks to the one-off proceeds from auctioning the UMTS licences. Non-financial corporations formed the second traditional group of net borrowers. In contrast to the general government sector, however, the enterprise sector recorded a much smaller deficit than in 2000. This was due not so much to the steep drop in the amount firms invested last year as to their massive borrowing requirement in 2000 associated with the purchase of the UMTS

licences. Between them, the general government and enterprise sectors registered a combined funding shortfall of over €100 billion or 6% of national disposable income. This higher financing requirement was covered almost completely by the record financial surplus accumulated by German households.

Given the subdued growth of the real economic net variables investment and saving, the financial flows likewise contracted considerably in 2001 compared with the preceding years. That applies to cross-border transactions, too. The volume of financial assets acquired by the non-financial sectors fell by more than one-third. External financing plummeted by as much as one-half to just 11% of national disposable income, the lowest percentage recorded since 1991. One major reason for this was the relatively low recourse of non-financial corporations to external resources. Firms' external funding needs were less than half as large as in 2000 (partly on account of baseline effects) and only marginally exceeded the 1998 figure. On the positive side, households progressed further in 2001. Unlike the enterprise and general government sectors, they managed to increase their acquisition of financial assets and hence their share of financial asset formation by all non-financial sectors. Even so, the largest share was once again held by the enterprise sector; it has been the main driver of financial asset formation since 1998 after sharply stepping up its external growth through equity acquisitions.

The past year saw something of a change of trend compared with the preceding years.

Financial flows show a sharp fall ...

... and major shifts

Financial asset acquisition and external financing of the domestic non-financial sectors

€ billion

Item	1991	1993	1995	1997	1998	1999	2000	2001
Financial asset acquisition								
Longer-term								
with banks	15.1	8.8	16.5	- 1.4	- 9.4	- 17.0	12.0	- 9.7
with investment funds	16.5	20.7	9.9	38.3	39.8	52.8	59.1	43.6
with insurance corporations	27.0	37.2	43.0	50.5	53.1	58.2	55.3	53.3
in securities ¹	62.3	0.8	33.8	20.0	43.4	130.3	165.2	52.9
in other investment vehicles	13.9	14.0	20.9	3.4	14.2	16.6	20.9	13.9
Subtotal	134.8	81.5	124.1	110.9	141.1	240.9	312.6	154.0
Short-term								
with banks	51.8	128.5	32.2	9.7	84.0	35.9	7.0	27.0
with insurance corporations	6.4	7.0	10.8	9.8	8.5	4.7	1.5	8.4
in securities	3.8	1.6	- 0.5	2.8	2.7	- 2.8	13.2	25.8
in other investment vehicles	26.3	23.4	11.0	39.5	39.2	23.9	15.5	0.7
Subtotal	88.2	160.6	53.6	61.9	134.4	61.7	37.1	61.8
Total	223.0	242.1	177.7	172.8	275.6	302.6	349.8	215.8
<i>of which</i>								
Households	142.2	159.0	132.6	127.0	143.2	145.3	117.2	120.9
Enterprises	71.3	55.5	54.6	47.9	140.7	152.9	192.4	148.3
General government	9.6	27.6	- 9.5	- 2.2	- 8.3	4.3	40.2	- 53.5
<i>Memo item</i>								
As a percentage of disposable income	17.4	17.3	11.8	11.0	17.1	18.3	20.6	12.5
External financing								
Longer-term								
via banks	114.3	138.8	144.3	125.6	119.2	127.7	63.8	22.2
via securities ¹	61.4	132.5	37.2	50.3	88.2	84.8	161.4	90.7
via other financing vehicles	17.0	21.7	23.2	0.1	26.7	36.4	86.3	51.1
Subtotal	192.6	293.0	204.7	176.0	234.1	248.8	311.5	164.1
Short-term								
via banks	40.6	- 7.3	19.9	1.6	25.0	- 2.4	17.4	8.0
via securities	2.7	- 5.9	- 6.7	0.2	- 1.0	4.2	5.1	17.1
via other financing vehicles	12.8	0.8	- 1.4	14.3	17.0	58.2	73.3	5.1
Subtotal	56.1	- 12.4	11.8	16.1	40.9	60.0	95.8	30.2
Total	248.8	280.6	216.6	192.1	274.9	308.9	407.3	194.3
<i>of which</i>								
Households	65.7	86.6	75.8	64.2	75.2	75.9	41.8	22.0
Enterprises	129.1	115.0	- 29.2	79.1	165.6	198.1	349.2	169.4
General government	53.9	79.0	169.9	48.8	34.2	34.8	16.3	2.8
<i>Memo item</i>								
As a percentage of disposable income	19.4	20.1	14.4	12.3	17.1	18.7	24.0	11.3

¹ Including equities.

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Whereas between 1998 and 2000 there had been a marked trend in investment towards direct equity acquisitions and in financing towards the procurement of resources via the stock market (both featuring intensive international involvement), this process largely came to an end in 2001 in the context of the ongoing share price corrections and the greatly increased nervousness on the stock exchanges. Financial intermediaries, especially banks, did not lose any more ground on balance. This was closely associated with pronounced shifts in the maturity of financial flows. This effect was particularly marked in the case of financial asset formation. Whereas longer-term investments (especially in the form of equity) showed a much smaller increase than in 2000, short-term financial asset formation more than doubled in the wake of the rising preference for liquidity, albeit from a relatively low level. In particular, short-term investment with banks, a category which includes money market funds, was stepped up noticeably. Both short and longer-term external financing vehicles met with a far smaller demand in view of the general investment restraint, depletion of inventories and depressed turnover. Nevertheless, the German economy continued to show a bias towards long-term financing in 2001.

Firms' uses and sources of funds

Acquisition of both financial and non-financial assets reduced

Whereas in 2000 firms' demand for financial resources had been massively inflated by exceptional factors, in 2001 their combined acquisition of non-financial and financial assets declined steeply by almost one-quarter. As a

result, their asset formation was on a par with the level in 1998-99, although that had far surpassed the preceding multi-year average. The period from 1998 to 2000 had been characterised throughout by the very vigorous internal and external growth of companies on the back of the increasingly bullish mood of the stock markets. Against that background, the exceptionally high demand for capital in 2000 had resulted from the purchase of UMTS licences and, specifically, from the acquisition of the German subsidiary of a British enterprise in the wake of a cross-border take-over in the telecommunications sector. Hence the decline in 2001 may be seen to some extent as a return to normal, especially with regard to the financial component of the uses to which the funds were put.

Even gross capital formation by firms, which accounted for about three-fifths of all expenditure on non-financial and financial assets last year, fell by over one-tenth to not quite €220 billion. This decrease was caused principally by destocking, after inventories had been sharply increased in 2000. In addition, construction shrank perceptibly; on balance it declined by an even greater margin than the procurement of machinery and equipment.

In connection with the slackening international business momentum and the weak state of the stock markets, those financial asset items which had previously grown dynamically developed moderately in 2001. This was especially true of equity purchases and of lending to non-residents. Both activities, which also partly mirror a global corporate

Slump in firms' equity purchases and lending

Non-financial corporations' investment and financing

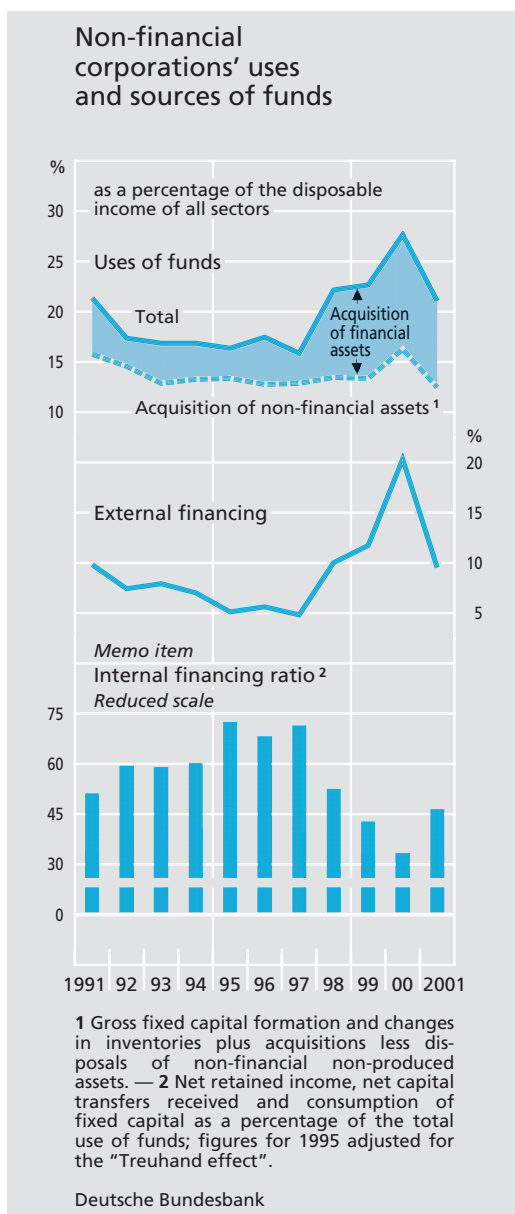
€ billion

Item	1991	1993	1995	1997	1998	1999	2000	2001
Investment								
Gross capital formation	204.3	182.4	204.8	204.5	219.6	224.4	245.8	218.5
Gross fixed capital formation	197.6	192.4	201.6	204.8	212.5	221.5	234.9	223.5
Changes in inventories	6.7	- 9.9	3.2	- 0.3	7.1	2.9	10.9	- 4.9
Acquisitions less disposals of non-financial non-produced assets	0.3	0.7	0.6	0.5	0.6	0.6	34.4	0.4
Acquisition of financial assets	71.3	55.5	45.4	47.9	140.7	152.9	192.4	148.3
with banks ¹	8.2	24.0	10.6	- 15.7	19.7	- 4.9	5.0	18.8
Short-term	8.9	26.6	5.2	- 17.6	19.2	- 7.7	6.2	18.9
Longer-term	- 0.8	- 2.6	5.4	1.9	0.5	2.8	- 1.2	- 0.1
in securities ²	16.4	4.5	- 4.2	4.4	15.7	43.5	55.7	90.1
in equities ³	19.3	3.2	17.0	23.6	64.5	90.4	99.4	25.9
in Germany	0.7	- 8.1	- 8.5	- 2.2	3.7	14.4	64.5	- 35.0
abroad	18.6	11.2	25.5	25.7	60.8	76.0	34.9	60.9
Loans ⁴	26.0	22.2	19.4	33.2	39.1	22.7	31.9	10.5
to residents ⁵	20.4	19.7	7.9	13.4	15.9	- 16.1	- 20.4	10.5
to non-residents	5.7	2.5	11.5	19.8	23.2	38.8	52.3	- 0.0
Short-term	4.7	2.2	9.4	16.5	16.9	31.4	42.5	- 3.2
Longer-term	1.0	0.3	2.1	3.3	6.4	7.4	9.8	3.2
with insurance corporations	1.4	1.6	2.6	2.4	1.6	1.2	0.4	2.9
Total	275.9	238.6	250.7	252.9	360.8	377.8	472.5	367.2
Financing								
Internal financing	141.2	140.7	181.9	180.6	189.4	161.6	157.7	170.7
Retained profit ^{5, 6}	17.3	- 3.7	28.5	20.9	25.4	- 6.2	- 17.0	- 10.0
Consumption of fixed capital	123.9	144.4	153.4	159.7	164.0	167.7	174.8	180.7
<i>Memo item</i>								
Internal financing ratio ^{5, 7}	51.2	59.0	72.5	71.4	52.5	42.8	33.4	46.5
External financing	129.1	115.0	81.5	79.1	165.6	198.1	349.2	169.4
via banks	90.1	37.0	57.9	44.0	68.9	71.1	43.3	40.3
Short-term	34.3	- 10.5	19.0	7.4	19.9	10.8	11.4	2.7
in Germany ⁵	27.7	- 7.9	16.5	4.7	19.1	- 4.7	17.1	5.2
abroad	6.6	- 2.7	2.5	2.7	0.8	15.5	- 5.7	- 2.5
Longer-term	55.8	47.5	38.9	36.6	49.1	60.3	32.0	37.6
in Germany ⁵	55.5	45.3	39.1	36.1	47.3	57.5	30.5	25.8
abroad	0.3	2.2	- 0.2	0.5	1.7	2.7	1.4	11.8
via other lenders ⁴	11.6	12.7	3.3	17.8	35.2	78.0	164.1	38.3
in Germany	0.1	8.3	- 8.0	1.4	6.7	13.0	8.2	1.6
Short-term	0.1	0.6	- 0.2	0.3	- 1.1	1.7	5.9	2.0
Longer-term	0.0	7.7	- 7.8	1.1	7.8	11.3	2.3	- 0.4
abroad	11.4	4.4	11.3	16.4	28.5	65.0	155.9	36.8
Short-term	7.4	0.8	6.0	12.5	7.0	39.7	82.5	10.1
Longer-term	4.0	3.6	5.2	3.9	21.5	25.4	73.4	26.6
in the securities market ^{5, 8}	3.8	46.9	- 3.3	- 3.0	- 3.8	1.5	8.4	20.5
in the form of equities ³	16.5	14.2	16.5	16.7	60.7	43.1	128.8	65.7
in Germany	14.2	15.8	14.0	12.7	58.0	23.7	20.1	38.4
abroad	2.3	- 1.7	2.5	4.0	2.7	19.3	108.7	27.3
Pension fund provisions	7.2	4.2	7.1	3.6	4.5	4.5	4.5	4.5
Total	270.3	255.7	263.4	259.6	355.0	359.7	506.9	340.1
Net acquisition of financial assets	- 57.8	- 59.5	- 36.2	- 31.2	- 24.9	- 45.3	- 156.8	- 21.1
Statistical discrepancy ⁹	5.6	- 17.1	- 12.7	- 6.8	5.8	18.1	- 34.4	27.1
Net borrowing ¹⁰	- 63.4	- 42.4	- 23.5	- 24.4	- 30.7	- 63.4	- 122.4	- 48.3

1 In Germany and abroad. — 2 Money market paper, bonds (including financial derivatives) and mutual funds shares. — 3 Shares and other equity. — 4 Including other claims or liabilities. — 5 In 1995 after the elimination of transactions associated with the transfer of the Treuhand agency's debt to the Redemption Fund for Inherited Liabilities. — 6 Including net capital transfers received. — 7 Internal financing as a percentage of total asset forma-

tion. — 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 financing less gross capital formation and acquisitions less disposals of non-financial non-produced assets.

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strategy, plummeted last year. Thus net lending to foreign enterprises plunged to zero after reaching a multi-year record level of over €50 billion in 2000. Such a minuscule level of cross-border lending and borrowing was last seen in the recession of 1992-93. Firms' willingness to acquire equity stakes in other enterprises also abated drastically last year; in fact, the year-on-year fall in equity acquisitions was even greater than in the case

of lending. This holds even if the average of 1998 to 2000 is taken as the reference period rather than the year 2000 with its abnormally inflated development. The acquisition of corporate shareholdings in 2001 amounted to barely one-third of the average recorded during that three-year period.

Alongside these contractions, some financial asset items showed an expansionary tendency, if only on a small scale. For example, the loans granted by enterprises to other domestic sectors expanded slightly after showing a sharp downturn in the two preceding years. Time deposits also increased – for the first time since 1998. The same aim of temporarily parking liquid resources presumably also motivated the sizeable purchases of money market paper.

Rise in short-term investment

Last year enterprises substantially raised their share of internal financing in relation to their overall use of funds to just short of 50%, after the ratio had fallen in 2000 to one-third, the lowest level since the early 1990s. Besides a smaller financing requirement, three factors contributed to this optically favourable development. Firstly, firms' consumption of fixed capital increased further owing to their extensive capital formation in the preceding years. Secondly, their internally generated financial resources were boosted by increased capital transfers. Thirdly, the negative total of retained profits was not as large as the deficit in 2000, despite relatively large current losses. This is presumably due primarily to the fact that in 2000, for tax reasons, retained income had been released on a large scale ready for disbursement in 2001.

Increase in internal financing

*External
financing*

By contrast, the amount of external resources raised fell by about half in 2001 to the level of 1998. Two of the financing sources which remained strong were the markets for bonds and money market paper (although they are only of minor importance for firms in Germany) and bank lending. Although credit procurement through banks receded slightly, it nonetheless made up almost one-quarter of all external financing last year compared with little more than one-tenth in 2000. Moreover, bank credit exceeded borrowing from other sources for the first time since 1998.

*Little call for
loans from
non-banks ...*

Borrowing from non-banks declined substantially compared with 2000. This applies especially to foreign non-bank lenders; in 2000 they had provided financial loans and trade credits to German firms totalling almost €160 billion, whereas last year they supplied only about one-quarter of that figure. This additionally highlights the extent to which the financial flows of globally active enterprises were affected by the worldwide slowdown on the goods and financial markets. The same can be said of equity financing. It fell by half compared with 2000, although it was still greater than it had been in the preceding years. Nearly two-thirds – a greater share than in the previous two years – was accounted for by share issues, a development which at first appears surprising given the lacklustre state of the stock market last year. This increase was fuelled, in particular, by the acquisition of a US telecommunications company by a German group. The foreign shareholders received payment in the form of domestic securities and the transaction was booked as an export of capital. If this exceptional factor is

*... and equity
financing also
subdued*

disregarded, the level of share sales would have been much lower.

Households' investment and borrowing behaviour

As in the case of the non-financial corporations, the volume of resources raised and used by households decreased in 2001 although it by no means slumped, as it did in the enterprise sector; at 5%, the decrease was actually far smaller than in 2000. Furthermore, two key aggregates, namely saving and financial asset formation, expanded. By contrast, households' acquisition of non-financial assets and their borrowing requirements, which are closely connected with the former, declined.

*Positive and
negative
tendencies*

As stated above, households' total amount of available funds fell only marginally in 2001 to €180 billion, although this was more than one-fifth less than the previous highest total recorded in 1994. This marked decline is due to the sharp fall in households' demand for credit. Last year borrowing from banks and insurance corporations was barely one-quarter of the corresponding total in 1994, when their incurrence of liabilities had reached a peak. Despite the relatively favourable interest rate level, new borrowing by households in 2001 slumped to only half the volume recorded in 2000, when household borrowing had already dropped below its multi-year average. One reason why private citizens took up fewer loans last year, however, was that their own investable funds were far higher than in the mid-1990s. They

*Marginal fall
in available
funds...*

*... but sharp
drop in
borrowing*

amounted to €160 billion, which was a rise of nearly 20% compared with 1994. This was partly attributable to the large net capital transfers received which, at €20 billion, were five times as high as in 1994. A significant fraction of the transfers was made up of the home buyers' grant, which was introduced in 1996 in place of the previous tax-deductible allowance. In addition, household savings last year totalled almost €140 billion, which was the highest absolute figure recorded since the beginning of the 1990s.

*Saving ratio
rose for first
time since 1991*

The saving ratio of 10.2% of households' disposable income was still considerably lower than it had been in the early 1990s, however. Nevertheless, it increased in 2001 for the first time in a long while. This can be explained partly by the tax reforms introduced on 1 January 2001 and partly by the waning consumer confidence as the year progressed. It is also possible that the intensive public debate about the need for greater private old-age provision may have prompted families and individuals to set aside more funds for this purpose.

*Investment
down*

Households' weak demand for credit in 2001 was closely connected with the decline in their acquisition of non-financial assets, which was nearly one-fifth lower than in 2000. As a result, households' net investment ratio fell to a record low of 4½% of their disposable income; in the first half of the 1990s it had averaged 6½%. This decrease was caused first and foremost by reduced interest in purchasing dwellings, which accounted for some four-fifths of the sector's aggregate investment. The decrease in construction activ-

ity was even more pronounced than in 2000. Purchases of machinery and equipment by self-employed persons and sole proprietors likewise declined; such purchases had risen appreciably in the preceding years. They last fell during the recession of 1992-93.

By contrast, the volume of financial assets acquired by households expanded a little last year; but, at €120 billion, it was still distinctly below the average figure in the 1990s. Owing to the sluggish momentum on the stock market, some forms of investment experienced a reversal of their previous multi-year trend. In particular, the demand for traditional bank products climbed steeply again or at least no longer contracted, whereas higher-risk investments proved significantly less attractive.

*More financial
assets acquired*

For example, households' willingness to buy equities directly or indirectly or to keep them in their portfolios decreased substantially in 2001. Whereas in the two years prior to that households had made direct share purchases worth more than €30 billion, they sold shares in roughly the same amount on balance in 2001. This was the first time that they had offloaded equities on such a scale. Indirect share purchases, too, slumped substantially last year. Measured by the sales volume of share-based mutual funds, indirect share purchases amounted to only one-eighth of the corresponding total in 2000. Purchases of shares of money market funds and open-end real estate funds constituted something of a counterweight, however, with the result that households bought investment fund certificates worth over €50 billion net, which was

*Shares and
mutual funds*

Households' saving and asset acquisition *

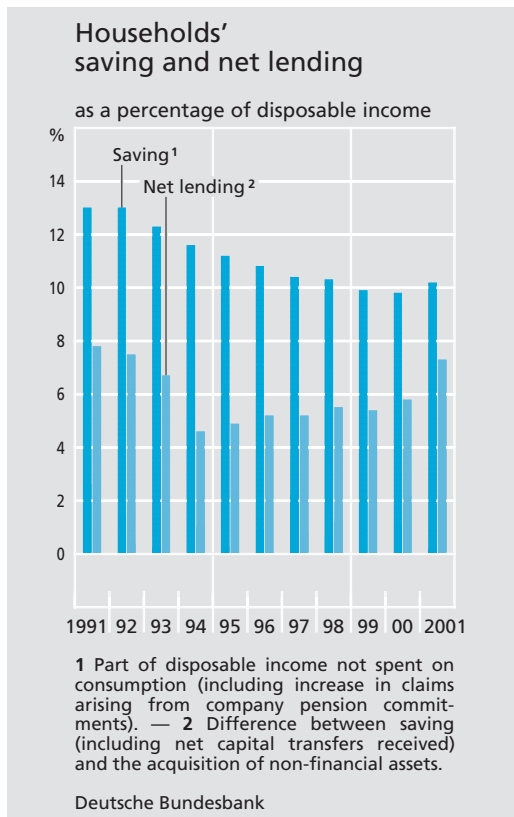
€ billion

Item	1991	1993	1995	1997	1998	1999	2000	2001
Sources of funds								
Disposable income	980.4	1,084.2	1,153.7	1,204.9	1,238.7	1,275.3	1,310.7	1,356.3
Household final consumption expenditure	852.5	950.7	1,024.8	1,079.8	1,111.0	1,149.6	1,182.8	1,218.1
Saving	127.9	133.6	128.9	125.1	127.7	125.7	127.9	138.2
<i>Memo item</i>								
Saving ratio ¹	13.0	12.3	11.2	10.4	10.3	9.9	9.8	10.2
Net capital transfers received	5.2	6.2	6.0	9.9	13.9	18.0	19.0	19.8
Own investable funds	133.0	139.8	134.9	134.9	141.6	143.8	146.9	158.0
Incurrence of liabilities ²	65.7	86.6	75.8	64.2	75.2	75.9	41.8	22.0
Total sources of funds	198.8	226.3	210.7	199.2	216.7	219.7	188.7	180.0
Uses of funds								
Net capital formation ³	56.1	66.6	77.1	71.1	72.3	73.0	70.5	58.1
Acquisitions less disposals of non-financial non-produced assets	0.6	0.7	0.9	1.0	1.2	1.4	1.0	1.0
Acquisition of financial assets	142.2	159.0	132.6	127.0	143.2	145.3	117.2	120.9
with banks ⁴	57.8	98.8	34.5	28.6	45.8	10.7	- 31.1	26.7
Transferable deposits ⁵	9.9	23.1	13.2	10.9	28.4	30.4	2.2	8.4
Time deposits ⁶	38.9	34.1	- 37.0	- 7.8	3.1	- 5.5	8.8	17.3
Savings deposits ⁶	4.7	49.1	54.8	24.1	16.2	- 4.3	- 39.7	2.5
Savings certificates	4.4	- 7.6	3.5	1.4	- 1.9	- 9.9	- 2.4	- 1.4
with insurance corporations ⁷	33.3	44.4	53.0	60.4	62.9	68.2	57.9	62.5
in securities	42.8	10.6	37.2	33.8	29.2	61.0	85.0	26.3
Bonds ⁸	24.4	- 15.5	23.8	6.0	- 11.5	1.5	9.5	1.6
Shares	0.3	3.4	- 1.7	4.1	4.1	13.8	18.4	- 28.7
Other equity	4.4	4.3	4.4	3.4	4.5	1.8	2.7	2.3
Mutual funds shares	13.8	18.5	10.7	20.3	32.1	44.0	54.4	51.2
Claims arising from company pension commitments	8.2	5.2	7.9	4.2	5.3	5.4	5.4	5.3
Total uses of funds	198.8	226.3	210.7	199.2	216.7	219.7	188.7	180.0

* Including non-profit institutions serving households. — ¹ As a percentage of disposable income. — ² Including other liabilities. — ³ Including acquisitions less disposals of valuables. — ⁴ Domestic and foreign banks. — ⁵ Including currency. — ⁶ 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. — ⁷ Including private pension funds, occupational pension schemes, supplementary pension funds and other claims. — ⁸ Including money market paper.

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only a little less than in 2000. Thanks to their ability to offer investors a choice of investment vehicles with different risk profiles, mutual funds have proved a fairly stable investment segment on the whole. They accounted for around two-fifths of households' total acquisition of financial assets in 2001; this was twice as much as the average during the 1990s.

*Investment
with insurance
corporations ...*

Owing to tax incentives and the relatively high degree of security provided, German households have for many years invested a significant part of their investable funds in insurance corporations, which then reinvest these inflowing funds in various "instruments". To the extent that insurance companies place their collected premiums in shares or share-based funds, however, the

part of profit-sharing attributed to insurees is also subject to a certain risk, even though insurance corporations overall still have considerable hidden reserves which they can mobilise in order to offset short-term fluctuations in their income. In 2001 households topped up their investments held with insurance corporations by not quite €60 billion following a year-on-year fall in 2000. One explanation of that fall was that people were waiting until the details of the imminent introduction of private pension plans (PPP) had been settled. That uncertainty has since been allayed as certified PPP products eligible for government subsidies have been available since 2002.

The poor performance of shares gave a particular fillip to saving with banks. While it is quite normal for the amount of short-term investments placed with banks to fluctuate substantially, the injection of nearly €30 billion in 2001, coming after the withdrawal of a similar amount in 2000, was unusual. This big swing was attributable above all to savings deposits, the volume of which stabilised following their large-scale liquidation a year earlier. In addition, households increased their time deposits by the very large amount of almost €20 billion. It is likely that households chose to place their surplus funds in time deposits as a temporary interest-earning investment vehicle with a view to switching quickly to equities as soon as share prices pick up.

*... and with
banks*

Households' financial assets and indebtedness

Stagnating level of financial asset acquisition

The weak share price trend in 2001 also severely influenced households' financial assets development. Whereas *per se* transactions added €120 billion to stocks, the latter, measured at market prices, stagnated on account of the lower valuation of households' equity portfolios. One direct consequence of this was that bank deposits reached about the same level last year as equity, bonds and mutual fund shares combined. In the preceding couple of years much more money had been invested in securities than in conventional bank products. If 2000 and 2001 are taken together, the acquisition of financial assets amounted to €240 billion, whereas the stock of financial assets grew by less than €80 billion. This equals a valuation-induced "wealth reduction" of €160 billion, or almost 70% of financial asset acquisition, in the space of just two years. This unfavourable development is also reflected in the fact that over the same period the ratio of financial assets to disposable income fell by as much as 10 percentage points.

Development of indebtedness

The decline in households' net financial assets was smaller, however, since their liabilities grew only moderately, as described in an earlier section of this article. The expansion of their financial debt by little more than €20 billion in 2001 was the lowest increase in a long time; consequently, the ratio of their outstanding debt to disposable income narrowed to just over 110%. Despite this recent deceleration, however, indebtedness grew quite fast between 1991 and 2001 as a whole.

Households' debt virtually doubled during that period, increasing at an annual average rate of 6½% and thereby easily outpacing the growth of disposable income. This has recently been interpreted as constituting a handicap for private consumption and hence for real growth in Germany. Whether macroeconomic problems can be deduced solely from the level and rate of increase in households' debt is questionable, however. A more differentiated assessment of their liabilities is required. In particular, the maturity pattern of household loans and their purpose need to be taken into account before possible negative macroeconomic implications can be identified. Furthermore, it is useful to compare German households with their counterparts in other countries so as to place domestic developments in an international context.

Regarding the maturity pattern of liabilities, which plays a major role not least in connection with changes in central bank interest rates, the debt of German households was predominantly longer-term throughout the ten-year period under review. In 2001 less than one-tenth of all liabilities incurred by households had a maturity of less than one year. At the beginning of the 1990s the percentage had been a little higher. Outstanding short-term credit – consisting mainly of bank loans – grew by one-fifth from 1991 to 2001, ie far more slowly than aggregate borrowing. This means that the expansion of overall credit was driven by longer-term loans with interest rates locked in for longer periods. These increased by over 90%.

Longer maturities and ...

*... housing
loans
predominate
in Germany*

If household borrowing is broken down by purpose, it emerges – notwithstanding all the current statistical shortcomings – that housing loans clearly predominate. As in the past, consumer loans used for purchasing durable consumer goods are of far less significance. In 2001 they accounted for little more than one-tenth of all borrowing. They grew by around 50% over the period under review, which was far less than the rate of expansion of household liabilities as a whole. This is equally true of the third component, namely loans to sole proprietors. Their significance within overall household borrowing is much greater than that of consumer loans, however. This mirrors the major importance of self-employed entrepreneurs and small businesses within Germany's corporate landscape: it is estimated that they account for around two-thirds of all German enterprises and for roughly one-sixth of corporate turnover.

The liabilities incurred by households in connection with housebuilding in 2001 made up almost two-thirds of their total outstanding debt. Thus for many families and individuals housing construction is the decisive motive for resorting to external finance. Following reunification there was a residential construction boom in eastern Germany which was particularly marked in the early 1990s, although the level of construction activity remained high until the end of that decade. It is therefore not surprising that housing loans, which in the vast majority of cases are longer-term loans, recorded high average growth throughout the period under review. It was not until 2000 that the construction of

owner-occupied housing began to decelerate noticeably, and this was also reflected in the incurrence of liabilities. On the whole, housing loans doubled between 1991 and 2001.

The national financial accounts data, which have to be reported each year to Eurostat, and are compiled according to ESA '95, can be used to make an international comparison of household indebtedness in the EU member states. This ensures that the household sector is more or less uniformly defined. Unfortunately, the corresponding time series are only available for the period 1995 to 2000; this means that the data for 2001 have to be calculated from national sources. Using the standard international practice of measuring household liabilities in relation to a country's national output, Germany was far from having the highest debt ratio within the EU last year. Four countries (Denmark, the Netherlands, Portugal and the United Kingdom) displayed a distinctly higher degree of indebtedness. Italy and Finland had by far the smallest debt ratios at around 30% of GDP. This spread may be due to country-specific factors, such as cultural differences in the preference for home ownership, the amount of equity which banks require from borrowers as a down payment, the respective levels of construction costs and property prices as well as tax-related factors.

Again, with regard to the evolution of household indebtedness over the period from 1995 to 2001, Germany is in the middle of the league table, with an increase of 10 percentage points in the national debt ratio. The largest rise was recorded by Portugal, where in-

*Comparison
with other EU
states and ...*

Households' financial assets and liabilities *

Item	1991	1993	1995	1997	1998	1999	2000	2001
	in € billion							
Financial assets								
with banks ¹	926	1,089	1,128	1,210	1,256	1,266	1,235	1,262
Short-term	617	760	782	877	931	963	921	957
Longer-term	309	329	346	333	325	303	314	305
with insurance corporations ^{2, 3}	401	479	573	684	741	805	868	930
in securities	570	714	849	1,020	1,107	1,316	1,350	1,266
Bonds ⁴	276	307	365	361	356	364	370	358
Shares	131	172	187	294	339	461	433	337
Other equity	80	99	106	122	122	124	136	138
Mutual funds shares	84	136	190	244	290	368	411	433
arising from company pension commitments	123	138	152	168	176	184	190	195
Total	2,020	2,420	2,701	3,082	3,281	3,571	3,642	3,653
Liabilities								
Loans	815	970	1,138	1,275	1,351	1,442	1,487	1,508
Short-term	91	99	104	103	109	110	113	109
Longer-term	724	871	1,034	1,172	1,241	1,332	1,374	1,399
Other liabilities	9	10	12	12	12	12	13	14
Total	824	980	1,150	1,287	1,362	1,454	1,500	1,522
<i>of which</i>								
Consumer loans	131	154	165	178	188	188	194	193
Mortgage loans	492	580	697	803	841	913	947	978
Entrepreneurial loans	191	236	275	294	321	341	346	338
Net financial assets	1,196	1,440	1,552	1,795	1,918	2,116	2,142	2,131
<i>Memo item</i>	in € per household							
Financial assets	57,300	66,800	73,100	82,300	87,400	94,500	95,500	95,100
Liabilities	23,400	27,000	31,100	34,400	36,300	38,500	39,400	39,600
	as a percentage of disposable income							
Financial assets	206.0	223.2	234.2	255.8	264.9	280.0	277.9	269.3
Liabilities	84.0	90.3	99.7	106.8	110.0	114.0	114.5	112.2
Net financial assets	122.0	132.8	134.5	149.0	154.9	166.0	163.4	157.1
	as a percentage of GDP							
Financial assets	134.5	146.3	150.0	164.7	170.0	180.9	179.8	177.1
Liabilities	54.8	59.2	63.8	68.8	70.6	73.7	74.1	73.8
Net financial assets	79.6	87.1	86.1	95.9	99.4	107.2	105.8	103.3

* 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. — 3 Including other claims. — 4 Including money market paper.

International comparison of households' liabilities

as a percentage of nominal GDP

Country	1995	2001
Belgium	41	44
Denmark	87	101
Germany	64	74
Spain	44	62
France	43	46
Italy	23	30
Netherlands	62	84
Austria	36	41
Portugal	43	81
Finland	37	32
Sweden	53	57
United Kingdom	74	80
United States 1	90	108

Source: Eurostat, Board of Governors of the Federal Reserve System and other national statistics as well as Bundesbank calculations (figures rounded). — 1 Households defined as "personal sector", ie including liabilities of partnerships.

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debtedness more than doubled in absolute terms; the corresponding debt-to-GDP ratio surged by almost 40 percentage points. Spain and the Netherlands come some way behind, although the rise in their debt ratio was also well above average. The available information suggests that in most EU partner states, as in Germany, the rise in household borrowing was largely related to housing construction. In the United Kingdom, by contrast, consumer credit accelerated disproportionately of late. Aggregate liabilities of UK households expanded by half between 1995 and 2001. However, the concurrent rise of just over 5 percentage points in the country's debt-to-GDP ratio was rather moderate, partly as a result of relatively high nominal GDP growth.

Bilateral comparisons of German and US indebtedness, which have frequently been made during the past few months, are confronted with the statistical problem that the household sector is defined differently in the two countries. Thus the definition of "households" used in the United States does not include sole proprietorships as in Germany and therefore understates the level of liabilities in comparison with the European sectoral classification. Conversely, the alternative US concept of the "personal sector" overstates borrowing since it includes not only sole proprietors but also partnerships. According to ESA '95, the latter are assignable to the group of non-financial corporations. Between 1995 and 2001 the United States witnessed a marked rise in indebtedness which was more pronounced than in Germany – irrespective of the method of computation. If the broader US definition ("personal sector") is compared with German households using the customarily defined figures, or if the incurrence of liabilities by German households is adjusted for loans to sole proprietors (in line with the narrow US definition of "households"), the debt-to-GDP ratio of US households was distinctly higher than that of German households.

If the analysis is confined to the euro area, the aggregate debt ratio of households rose by not quite 10 percentage points during the period from 1995 to 2001. Most of this rise occurred in the second half of the 1990s, since which time the rate of debt growth has slowed in nearly all euro-area countries, in some cases quite perceptibly. The increase in indebtedness was attributable above all to a

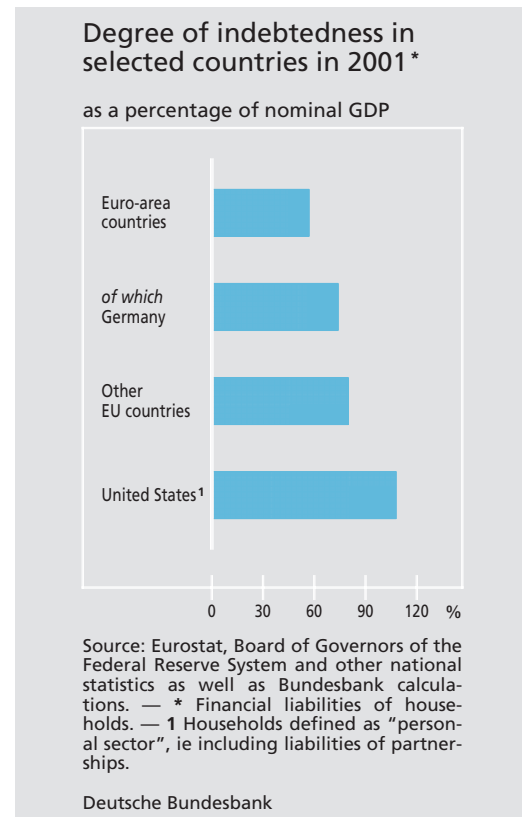
... with the USA

Indebtedness in the euro area, importance of longer-term financing ...

greater demand for housing loans; for the most part these were loans with a fairly long maturity and fixed rates of interest. This means that long-term interest rates, not short-term rates, constitute the principal cost component. In recent years long-term interest rates have been much lower on average than they were in the first half of the 1990s, and this, in turn, has played a crucial role in keeping households' interest burden manageable despite a rising level of indebtedness. This owed much to the convergence of interest rates in the wake of the Maastricht process and, subsequently, the monetary policy pursued by the Eurosystem. A stability-oriented-monetary policy can keep down inflation expectations and so make an autonomous contribution to positively influencing the interest rate level, which is ultimately determined in the capital market. This also benefits households when they come to build a home.

*...and of
housing loans
for monetary
policy*

Moreover, an increase in borrowing for the purpose of housing construction is to be assessed quite differently from a rise in consumer credit. For example, the mortgage interest payments are offset at least in part by the rent expense that is saved by an owner-occupier or the rent income that accrues to the letter of a purchased dwelling. A rising interest payment ratio for households resulting from growing asset acquisition in the form of dwellings by no means implies a corresponding contraction of their scope for spending. Furthermore, the acquisition of an



asset with an enduring value constitutes tangible collateral for the lender should the debt-or default. This holds, however, only as long as house prices do not rise excessively as this, in turn, will have an expansionary effect on the demand for credit. No such excessive property price increases are evident for the euro area as a whole. Although asset prices are not a focal point of monetary policy, a consistent stability orientation can contribute to at least dampening such asset price inflation and thus to preventing potential distortions for households and banks alike as well as for the economy as a whole.

The tables accompanying this article are printed on the following pages.

Capital and financial accounts of the sectors in 2001

€ 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 non-financial assets and saving						
Net capital formation	58.07	37.88	2.21	2.02	0.19	98.16
Gross capital formation	147.58	218.54	36.09	35.18	0.91	402.21
Consumption of fixed capital	89.51	180.66	33.88	33.16	0.72	304.05
Acquisitions less disposals of non-financial non-produced assets	0.96	0.42	- 1.38	- 1.38	-	-
Saving and capital transfers	157.98	- 9.96	- 55.46	- 53.38	- 2.08	92.56
Saving	138.22	- 24.83	- 29.44	- 28.07	- 1.37	83.95
Capital transfers (net)	19.76	14.87	- 26.02	- 25.31	- 0.71	8.61
Net lending / net borrowing ³	98.95	- 48.26	- 56.29	- 54.02	- 2.27	- 5.60
Statistical discrepancy ⁴	.	27.11	.	.	.	27.11
Acquisition of financial assets						
Monetary gold and special drawing rights (SDRs)	.	.	.	.	.	.
Currency and deposits	26.74	18.82	- 40.96	- 38.61	- 2.35	4.60
Currency and transferable deposits	8.36	10.80	- 0.51	- 0.72	0.21	18.65
Time deposits ⁵	17.32	9.06	- 40.01	- 37.49	- 2.52	- 13.64
Savings deposits	2.45	- 0.57	- 0.47	- 0.40	- 0.06	1.42
Savings certificates	- 1.38	- 0.47	0.02	- 0.00	0.02	- 1.83
Money market paper	- 0.07	28.93	0.29	0.29	.	29.15
Bonds	1.64	61.01	- 1.40	0.12	- 1.52	61.25
Financial derivatives	.	- 3.35	.	.	.	- 3.35
Shares	- 28.70	26.41	0.00	0.00	.	- 2.29
Other equity	2.26	- 0.49	- 7.79	- 7.79	.	- 6.02
Mutual funds shares	51.20	3.54	1.48	.	1.48	56.21
Loans	.	6.66	0.81	0.81	- 0.02	7.47
Short-term loans	.	- 0.63	- 0.44	- 0.44	.	- 1.07
Longer-term loans	.	7.29	1.25	1.25	- 0.02	8.54
Claims on insurance corporations ²	58.72	2.91	0.05	0.05	.	61.68
Short-term claims	5.44	2.91	0.05	0.05	.	8.40
Longer-term claims	53.28	.	.	.	.	53.28
Claims arising from company pension commitments	5.34	.	.	.	.	5.34
Other claims	3.81	3.85	- 5.91	- 6.46	0.56	1.74
Total	120.93	148.28	0 - 53.45	- 51.62	- 1.85	215.76
External financing						
Currency and deposits	.	.	.	.	.	.
Currency and transferable deposits	.	.	.	.	.	.
Time deposits ⁵	.	.	.	.	.	.
Savings deposits	.	.	.	.	.	.
Savings certificates	.	.	.	.	.	.
Money market paper	.	5.75	11.38	11.38	.	17.13
Bonds	.	14.78	10.21	10.21	.	24.99
Financial derivatives	.	.	.	.	.	.
Shares	.	40.90	.	.	.	40.90
Other equity	.	24.85	.	.	.	24.85
Mutual funds shares	.	.	.	.	.	.
Loans	21.35	78.37	0 - 18.75	- 19.18	0.42	80.97
Short-term loans	- 3.32	8.63	6.83	6.39	0.44	12.14
Longer-term loans	24.68	69.74	0 - 25.58	- 25.57	- 0.02	68.84
Claims on insurance corporations ²	.	.	.	.	.	.
Short-term claims	.	.	.	.	.	.
Longer-term claims	.	.	.	.	.	.
Claims arising from company pension commitments	.	4.50	.	.	.	4.50
Other liabilities	0.63	0.29	.	.	.	0.92
Total	21.98	169.43	0 2.84	2.41	0.42	194.25
Net acquisition of financial assets ⁶	98.95	- 21.15	- 56.29	- 54.02	- 2.27	21.51

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 supplement-

ary pension funds. — 3 Saving and capital transfers (net) less net capital formation and acquisitions less disposals of non-financial non-

Domestic financial sectors				Rest of the world	All sectors	Item
Monetary financial institutions (MFIs) ¹	Other financial intermediaries	Insurance corporations ²	Total			
1.78	0.04	0.45	2.27	.	100.43	Acquisition of non-financial assets and saving
7.49	0.09	2.85	10.43	.	412.64	Net capital formation
5.71	0.05	2.40	8.16	.	312.21	Gross investment
-	-	-	-	-	-	Consumption of fixed capital
23.72	-	- 5.86	17.86	- 9.99	100.43	Acquisitions less disposals of non-financial non-produced assets
23.72	-	- 3.54	27.26	- 10.78	100.43	Saving and capital transfers
-	-	- 9.40	- 9.40	0.79	-	Saving
						Capital transfers (net)
21.94	- 0.04	- 6.31	15.59	- 9.99	-	Net lending / net borrowing ³
.	.	.	.	- 27.11	-	Statistical discrepancy ⁴
						Acquisition of financial assets
0.08	.	.	0.08	- 0.08	-	Monetary gold and special drawing rights (SDRs)
78.78	8.03	17.45	104.26	52.08	160.94	Currency and deposits
25.30	6.45	2.71	34.46	- 26.73	26.38	Currency and transferable deposits
53.47	1.47	15.87	70.82	78.55	135.73	Time deposits ⁵
.	- 0.00	- 0.36	- 0.36	0.26	1.32	Savings deposits
.	0.11	- 0.78	- 0.67	0.01	- 2.50	Savings certificates
- 20.26	0.24	.	- 20.02	- 31.97	- 22.85	Money market paper
60.95	19.78	4.91	85.64	54.88	201.77	Bonds
- 3.35	.	.	- 3.35	.	- 6.70	Financial derivatives
- 9.75	28.61	15.35	34.21	86.19	118.10	Shares
7.68	9.37	2.90	19.94	30.89	44.81	Other equity
10.25	1.45	26.91	38.61	1.12	95.94	Mutual funds shares
63.48	- 0.39	9.45	72.54	41.35	121.36	Loans
14.98	.	1.29	16.26	2.80	17.99	Short-term loans
48.51	- 0.39	8.17	56.28	38.55	103.38	Longer-term loans
.	.	.	.	3.37	65.05	Claims on insurance corporations ²
.	.	.	.	3.36	11.76	Short-term claims
.	.	.	.	0.01	53.29	Longer-term claims
.	.	.	.	.	5.34	Claims arising from company pension commitments
- 3.77	- 0.04	4.22	0.41	11.07	13.22	Other claims
184.09	67.04	81.18	332.31	248.90	796.97	Total
						External financing
87.51	.	.	87.51	73.43	160.94	Currency and deposits
1.08	.	.	1.08	25.30	26.38	Currency and transferable deposits
87.61	.	.	87.61	48.13	135.73	Time deposits ⁵
1.32	.	.	1.32	.	1.32	Savings deposits
- 2.50	.	.	- 2.50	.	- 2.50	Savings certificates
- 39.01	.	.	- 39.01	- 0.97	- 22.85	Money market paper
88.37	.	0.10	88.47	88.31	201.77	Bonds
.	.	.	.	- 6.70	- 6.70	Financial derivatives
6.59	.	7.74	14.33	62.88	118.10	Shares
1.93	.	.	1.93	18.03	44.81	Other equity
12.91	63.90	.	76.81	19.13	95.94	Mutual funds shares
.	3.18	1.45	4.63	35.76	121.36	Loans
.	1.01	1.38	2.40	3.45	17.99	Short-term loans
.	2.16	0.07	2.23	32.31	103.38	Longer-term loans
.	.	65.02	65.02	0.03	65.05	Claims on insurance corporations ²
.	.	11.76	11.76	.	11.76	Short-term claims
.	.	53.26	53.26	0.03	53.29	Longer-term claims
.	.	.	.	.	5.34	Claims arising from company pension commitments
0.58	.	0.26	0.84	.	13.22	Other liabilities
3.27	.	12.92	16.19	- 3.89		
162.15	67.08	87.49	316.72	286.00	796.97	Total
21.94	- 0.04	- 6.31	15.59	- 37.10	-	Net acquisition of financial assets ⁶

produced assets. — 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 2000

€ 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 non-financial assets and saving						
Net capital formation	70.52	70.99	3.70	3.56	0.14	145.21
Gross capital formation	157.17	245.76	37.01	36.17	0.84	439.94
Consumption of fixed capital	86.65	174.77	33.31	32.61	0.70	294.73
Acquisitions less disposals of non-financial non-produced assets ³	1.03	34.37	- 52.28	- 52.28	-	- 16.88
Saving and capital transfers	146.92	- 17.03	- 24.64	- 25.44	0.80	105.25
Saving	127.89	- 28.67	- 2.22	- 3.79	1.57	97.00
Capital transfers (net)	19.03	11.64	- 22.42	- 21.65	- 0.77	8.25
Net lending / net borrowing ⁴	75.37	- 122.39	23.94	23.28	0.66	- 23.08
Statistical discrepancy ⁵	.	- 34.41	.	.	.	- 34.41
Acquisition of financial assets						
Monetary gold and special drawing rights (SDRs)	.	.	.	.	.	.
Currency and deposits	- 31.12	4.97	47.46	46.43	1.03	21.31
Currency and transferable deposits	2.21	9.95	1.91	2.20	- 0.28	14.07
Time deposits ⁶	8.82	- 4.89	45.95	44.41	1.54	49.89
Savings deposits	- 39.70	- 0.30	- 0.52	- 0.31	- 0.21	- 40.52
Savings certificates	- 2.45	0.21	0.11	0.13	- 0.02	- 2.13
Money market paper	0.12	10.69	0.26	0.26	.	11.08
Bonds	9.35	39.78	1.67	0.00	1.67	50.81
Financial derivatives	.	2.11	.	.	.	2.11
Shares	18.41	62.64	- 3.58	- 3.58	-	77.47
Other equity	2.69	36.75	- 2.48	- 2.48	-	36.97
Mutual funds shares	54.42	3.13	- 0.70	.	- 0.70	56.85
Loans	.	37.73	0	5.97	- 0.07	43.70
Short-term loans	.	31.87	- 3.74	- 3.74	.	28.13
Longer-term loans	.	5.86	0	9.71	- 0.07	15.57
Claims on insurance corporations ²	56.42	0.38	0.01	0.01	.	56.80
Short-term claims	1.08	0.38	0.01	0.01	.	1.47
Longer-term claims	55.33	.	.	.	.	55.33
Claims arising from company pension commitments	5.35	.	.	.	.	5.35
Other claims	1.52	- 5.79	- 8.39	- 6.84	- 1.55	- 12.66
Total	117.16	192.39	0	40.22	39.78	349.77
External financing						
Currency and deposits	.	.	.	.	.	.
Currency and transferable deposits	.	.	.	.	.	.
Time deposits ⁶	.	.	.	.	.	.
Savings deposits	.	.	.	.	.	.
Savings certificates	.	.	.	.	.	.
Money market paper	.	5.28	- 0.23	- 0.23	.	5.06
Bonds	.	3.11	29.44	29.44	.	32.56
Financial derivatives	.	.	.	.	.	.
Shares	.	19.55	.	.	.	19.55
Other equity	.	109.28	.	.	.	109.28
Mutual funds shares	.	.	.	.	.	.
Loans	43.14	202.67	0	- 12.94	- 0.29	232.87
Short-term loans	2.66	86.64	- 2.04	- 1.81	- 0.23	87.26
Longer-term loans	40.48	116.03	0	- 10.90	- 0.05	145.62
Claims on insurance corporations ²	.	.	.	.	.	.
Short-term claims	.	.	.	.	.	.
Longer-term claims	.	.	.	.	.	.
Claims arising from company pension commitments	.	4.50	.	.	.	4.50
Other liabilities	- 1.35	4.79	.	.	.	3.44
Total	41.79	349.19	0	16.28	16.50	407.26
Net acquisition of financial assets ⁷	75.37	- 156.80	23.94	23.28	0.66	- 57.49

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 supplement-

ary pension funds. — 3 Including net acquisition of UMTS licenses. — 4 Saving and capital transfers (net) less net capital formation and acquisitions less disposals of non-financial non-produced assets. —

Deutsche Bundesbank

Domestic financial sectors				Rest of the world	All sectors	Item
Monetary financial institutions (MFIs) ¹	Other financial intermediaries	Insurance corporations ²	Total			
1.99	0.02	0.48	2.49	.	147.70	Acquisition of non-financial assets and saving
7.48	0.09	2.72	10.29	.	450.23	Net capital formation
5.49	0.07	2.24	7.80	.	302.53	Gross capital formation
						Consumption of fixed capital
-	-	-	-	16.88	-	Acquisitions less disposals of non-financial non-produced assets ³
25.60	-	- 3.95	21.65	20.80	147.70	Saving and capital transfers
25.60	-	- 5.85	31.45	19.25	147.70	Saving
-	-	- 9.80	- 9.80	1.55	-	Capital transfers (net)
23.61	- 0.02	- 4.43	19.16	3.92	-	Net lending / net borrowing ⁴
.	.	.	.	34.41	-	Statistical discrepancy ⁵
						Acquisition of financial assets
- 0.14	.	.	- 0.14	0.14	-	Monetary gold and special drawing rights (SDRs)
52.03	9.45	20.22	81.70	113.75	216.76	Currency and deposits
15.18	7.15	0.65	22.98	58.54	95.59	Currency and transferable deposits
36.85	2.32	19.27	58.44	54.24	162.57	Time deposits ⁶
.	- 0.00	0.05	0.05	- 0.19	- 40.67	Savings deposits
.	- 0.01	0.25	0.24	1.15	- 0.73	Savings certificates
4.54	- 0.29	.	4.24	3.48	18.80	Money market paper
88.05	14.07	- 11.51	90.61	69.16	210.58	Bonds
2.11	.	.	2.11	.	4.21	Financial derivatives
24.29	55.63	8.23	88.15	- 20.02	145.61	Shares
8.14	6.95	4.35	19.44	96.01	152.41	Other equity
14.45	2.75	32.70	49.90	10.94	117.69	Mutual funds shares
85.56	- 1.56	5.40	89.40	140.10	273.20	Loans
- 9.25	.	4.50	- 4.75	65.31	88.69	Short-term loans
94.80	- 1.56	0.90	94.14	74.80	184.51	Longer-term loans
.	.	.	.	4.57	61.37	Claims on insurance corporations ²
.	.	.	.	4.57	6.04	Short-term claims
.	.	.	.	- 0.00	55.33	Longer-term claims
.	.	.	.	.	5.35	Claims arising from company pension commitments
38.72	- 0.02	3.56	42.26	15.14	44.73	Other claims
317.74	86.98	62.95	467.66	433.27	1,250.70	Total
						External financing
154.34	.	.	154.34	62.42	216.76	Currency and deposits
80.40	.	.	80.40	15.18	95.59	Currency and transferable deposits
115.33	.	.	115.33	47.24	162.57	Time deposits ⁶
- 40.67	.	.	- 40.67	.	- 40.67	Savings deposits
- 0.73	.	.	- 0.73	.	- 0.73	Savings certificates
15.32	.	.	15.32	- 1.58	18.80	Money market paper
105.67	.	0.86	106.53	71.49	210.58	Bonds
.	.	.	.	4.21	4.21	Financial derivatives
5.27	.	0.24	5.51	120.54	145.61	Shares
- 0.32	.	.	- 0.32	43.45	152.41	Other equity
- 2.22	87.37	.	85.16	32.53	117.69	Mutual funds shares
.	- 0.38	- 0.30	- 0.68	41.00	273.20	Loans
.	- 1.80	- 0.13	- 1.67	3.10	88.69	Short-term loans
.	1.43	- 0.43	0.99	37.90	184.51	Longer-term loans
.	.	61.39	61.39	- 0.01	61.37	Claims on insurance corporations ²
.	.	6.04	6.04	.	6.04	Short-term claims
.	.	55.35	55.35	- 0.01	55.33	Longer-term claims
.	.	.	.	.	5.35	Claims arising from company pension commitments
0.59	.	0.26	0.85	.	44.73	Other liabilities
15.47	.	4.93	20.40	20.89		
294.13	87.00	67.38	448.50	394.94	1,250.70	Total
23.61	- 0.02	- 4.43	19.16	38.33	-	Net acquisition of financial assets ⁷

⁵ Net acquisition of financial assets less net lending. — ⁶ Including deposits with savings and loan associations. — ⁷ Acquisition of

financial assets less external financing. — ⁸ Sum-totals do not include intra-sectoral flows.

Capital and financial accounts of the sectors in 1999

€ 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 non-financial assets and saving						
Net capital formation	72.95	56.67	4.58	4.46	0.12	134.20
Gross capital formation	156.54	224.38	37.32	36.52	0.80	418.24
Consumption of fixed capital	83.59	167.71	32.74	32.06	0.68	284.04
Acquisitions less disposals of non-financial non-produced assets	1.38	0.57	- 1.95	- 1.95	-	-
Saving and capital transfers	143.77	- 6.15	- 27.84	- 33.47	5.63	109.78
Saving	125.73	- 16.98	- 8.81	- 15.07	6.26	99.94
Capital transfers (net)	18.04	10.83	- 19.03	- 18.40	- 0.63	9.84
Net lending / net borrowing ³	69.44	- 63.39	- 30.47	- 35.98	5.51	- 24.42
Statistical discrepancy ⁴	.	18.13	.	.	.	18.13
Acquisition of financial assets						
Monetary gold and special drawing rights (SDRs)	.	.	.	.	.	.
Currency and deposits	10.72	- 4.93	9.24	5.80	3.44	15.03
Currency and transferable deposits	30.38	1.68	- 0.21	- 0.68	0.47	31.84
Time deposits ⁵	- 5.48	- 6.40	10.67	6.11	4.56	- 1.21
Savings deposits	- 4.31	- 0.24	- 0.01	0.32	- 0.33	- 4.57
Savings certificates	- 9.87	0.03	- 1.20	0.06	- 1.26	- 11.05
Money market paper	- 0.39	- 3.55	0.23	0.23	.	- 3.71
Bonds	1.85	35.30	- 0.91	0.73	- 1.64	36.25
Financial derivatives	.	0.87	.	.	.	0.87
Shares	13.81	46.43	- 6.88	- 6.88	.	53.36
Other equity	1.81	43.98	- 5.06	- 5.06	.	40.72
Mutual funds shares	43.97	10.85	1.82	.	1.82	56.63
Loans	.	31.49	1.16	1.16	- 0.00	32.66
Short-term loans	.	25.74	- 4.21	- 4.21	.	21.52
Longer-term loans	.	5.76	5.38	5.38	- 0.00	11.14
Claims on insurance corporations ²	61.68	1.23	0.02	0.02	.	62.93
Short-term claims	3.46	1.23	0.02	0.02	.	4.71
Longer-term claims	58.22	.	.	.	.	58.22
Claims arising from company pension commitments	5.43	.	.	.	.	5.43
Other claims	6.47	- 8.79	4.71	2.23	2.48	2.40
Total	145.34	152.89	4.34	- 1.76	6.10	302.57
External financing						
Currency and deposits	.	.	.	.	.	.
Currency and transferable deposits	.	.	.	.	.	.
Time deposits ⁵	.	.	.	.	.	.
Savings deposits	.	.	.	.	.	.
Savings certificates	.	.	.	.	.	.
Money market paper	.	4.64	- 0.43	- 0.43	.	4.21
Bonds	.	- 3.16	44.83	44.83	.	41.67
Financial derivatives	.	.	.	.	.	.
Shares	.	28.79	.	.	.	28.79
Other equity	.	14.30	.	.	.	14.30
Mutual funds shares	.	.	.	.	.	.
Loans	74.38	138.39	9.58	10.18	0.59	203.19
Short-term loans	- 1.07	46.16	1.49	2.02	0.53	43.60
Longer-term loans	75.45	92.22	8.09	8.16	0.06	159.58
Claims on insurance corporations ²	.	.	.	.	.	.
Short-term claims	.	.	.	.	.	.
Longer-term claims	.	.	.	.	.	.
Claims arising from company pension commitments	.	4.50	.	.	.	4.50
Other liabilities	1.52	10.70	.	.	.	12.21
Total	75.90	198.15	34.81	34.22	0.59	308.86
Net acquisition of financial assets ⁶	69.44	- 45.26	- 30.47	- 35.98	5.51	- 6.29

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 supplement-

ary pension funds. — 3 Saving and capital transfers (net) less net capital formation and acquisitions less disposals of non-financial non-

Deutsche Bundesbank

Domestic financial sectors				Rest of the world	All sectors	Item
Monetary financial institutions (MFIs) ¹	Other financial intermediaries	Insurance corporations ²	Total			
3.02	0.05	0.71	3.78	.	137.98	Acquisition of non-financial assets and saving
8.30	0.09	2.90	11.29	.	429.53	Net capital formation
5.28	0.04	2.19	7.51	.	291.55	Gross capital formation
–	–	–	–	–	–	Consumption of fixed capital
16.93	–	– 4.12	12.81	15.39	137.98	Acquisitions less disposals of non-financial non-produced assets
16.93	–	– 5.83	22.76	15.28	137.98	Saving and capital transfers
–	–	– 9.95	– 9.95	0.11	–	Saving
						Capital transfers (net)
13.91	– 0.05	– 4.83	9.03	15.39	–	Net lending / net borrowing ³
.	.	.	.	– 18.13	–	Statistical discrepancy ⁴
						Acquisition of financial assets
– 1.86	.	.	– 1.86	1.86	–	Monetary gold and special drawing rights (SDRs)
3.82	– 0.63	30.96	34.16	96.38	145.56	Currency and deposits
1.36	2.82	2.68	6.86	– 3.90	34.80	Currency and transferable deposits
2.46	– 3.28	26.89	26.07	99.15	124.01	Time deposits ⁵
.	0.01	0.08	0.09	0.05	– 4.43	Savings deposits
.	– 0.18	1.32	1.14	1.08	– 8.82	Savings certificates
16.93	– 0.17	.	16.76	41.31	54.36	Money market paper
70.19	63.49	– 14.84	118.83	107.84	262.92	Bonds
0.88	.	.	0.88	.	1.75	Financial derivatives
28.99	24.17	13.15	66.31	45.16	164.83	Shares
9.94	7.37	– 0.13	17.19	– 4.23	53.68	Other equity
19.86	1.39	27.62	48.86	5.76	111.25	Mutual funds shares
217.43	1.91	7.50	226.84	64.50	323.99	Loans
51.27	.	1.73	53.00	44.38	118.90	Short-term loans
166.16	1.91	5.77	173.84	20.12	205.09	Longer-term loans
.	.	.	.	2.77	65.70	Claims on insurance corporations ²
.	.	.	.	2.76	7.47	Short-term claims
.	.	.	.	0.01	58.23	Longer-term claims
.	.	.	.	.	5.43	Claims arising from company pension commitments
21.90	– 0.05	6.58	28.44	3.01	33.84	Other claims
388.08	97.48	70.84	556.40	364.35	1,223.32	Total
						External financing
168.51	.	.	168.51	– 22.94	145.56	Currency and deposits
33.44	.	.	33.44	1.36	34.80	Currency and transferable deposits
148.32	.	.	148.32	– 24.31	124.01	Time deposits ⁵
– 4.43	.	.	– 4.43	.	– 4.43	Savings deposits
– 8.82	.	.	– 8.82	.	– 8.82	Savings certificates
49.48	.	.	49.48	0.68	54.36	Money market paper
136.01	.	0.05	136.06	85.19	262.92	Bonds
.	.	.	.	1.75	1.75	Financial derivatives
7.83	.	1.41	9.24	126.80	164.83	Shares
0.30	.	.	0.30	39.09	53.68	Other equity
3.35	93.85	.	97.20	14.06	111.25	Mutual funds shares
.	3.68	0.41	4.09	116.72	323.99	Loans
.	1.32	– 0.08	1.24	74.06	118.90	Short-term loans
.	2.37	0.49	2.85	42.66	205.09	Longer-term loans
.	.	65.70	65.70	0.00	65.70	Claims on insurance corporations ²
.	.	7.47	7.47	.	7.47	Short-term claims
.	.	58.23	58.23	0.00	58.23	Longer-term claims
.	.	.	.	.	5.43	Claims arising from company pension commitments
0.68	.	0.25	0.93	.	33.84	Other liabilities
8.02	.	7.85	15.88	5.76		
374.17	97.53	75.67	547.37	367.09	1,223.32	Total
13.91	– 0.05	– 4.83	9.03	– 2.74	–	Net acquisition of financial assets ⁶

produced assets. — 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.