Overall financial flows in 2002

The accelerated slide in share prices, high volatility on the financial markets and a halting cyclical trend last year further accentuated the tendencies in Germany's real economy and financing patterns which had already become apparent in 2001. Investment receded again across a broad front. This caused a mismatch between domestic borrowing requirements and the supply of savings as a result of which capital amounting to €50 billion, or just under 3% of aggregate disposable income, was exported on balance. Moreover, as the capital stock grew only marginally, the recourse to external financing sources and consequently the services of financial intermediaries was much weaker than it had been for many years. By contrast, households' savings and acquisition of financial assets increased further. Despite this, the stock of financial assets declined for the first time in 50 years in the wake of falling values. At the end of 2002, it amounted to around €3.6 trillion, or 2.6 times as much as households' disposable income. Other industrial countries, too, suffered perceptible asset losses. These were particularly severe in the Anglo-Saxon economies, where claims on the insurance sector were also strongly affected.

Aggregate investment

Steep decline in investment ...

The pronounced economic slowdown last year was markedly reflected in the fixed capital formation of the domestic sectors. The propensity to invest diminished significantly compared with the already moderate result recorded in 2001. The prices of capital goods remained stable. Net nominal capital formation amounted to only 3½% of the aggregate disposable income of the domestic sectors. This was by far the lowest value since German reunification when the investment ratio temporarily shot up to around 12%. But compared with the average value between 1991 and 2001 of almost 10%, too, it is evident that the associated weak momentum of economic development is not just a cyclical phenomenon but also indicates a persistent crisis of growth and confidence.

... in the public sector ...

This is also suggested by the fact that the decrease in investment, as in the previous year, was broadly based and more pronounced. Whereas enterprises and households recorded at least positive net investment in 2002, the amount invested by general government – despite a high budget deficit – in new non-financial assets did not even offset the consumption of fixed capital. Thus its gross capital formation amounting to €33½ billion fell short of the depreciation total of €34½ billion.

... and in the private sector

Another factor which substantially contributed to the downturn in investment was the reduction in firms' expenditure on machinery and equipment. This downward trend – which has been observed for quite a long time – has meanwhile created a position where the share of non-financial corporations in the aggregate acquisition of non-financial assets contracted in 2002 to a little more than one-quarter, whereas the bulk of investment (constituting over two-thirds) came from households. In the "dynamic" year 1991 production enterprises had accounted for more than half of all non-financial asset formation and households for only just over a third. Although households, too, invested less in 2002, the decline compared with 2001 of just over €10 billion was more moderate than that of enterprises (almost €20 billion). This decline was largely due to a further fall in house-building. In addition, expenditure by self-employed persons and sole proprietors on machinery and equipment likewise decreased, although this accounted for only around 15% of investment by the household sector.

Domestic saving

Higher overall saving

In contrast to investment, the aggregate saving of the various sectors increased significantly last year. It totalled over €110 billion, or 6½% of disposable income. On a long-term comparison, however, this is still a low level. Quite disparate developments were recorded in 2002. In view of the difficult situation of public finances, general government again registered a dissaving. This sector's expenditure on consumption exceeded its current revenue by just over €50 billion, which was €20 billion more than in 2001. Including net capital transfers to other sectors, the current account balance of general gov-

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

€ billion

Item	1991	1993	1995	1997	1999	2000	2001	2002
Acquisition of non-financial assets								
Net Investment [1]								
Households [2]	56.1	66.6	77.1	71.1	72.4	69.2	55.0	44.3
Non-financial corporations	80.4	38.0	51.4	44.8	55.1	66.8	35.3	17.2
Fixed assets	73.8	48.0	48.2	45.1	54.5	62.3	44.1	24.1
Inventories	6.7	– 9.9	3.2	– 0.3	0.6	4.5	– 8.8	– 6.9
Financial sectors	4.2	5.2	4.8	4.3	3.4	2.9	2.7	1.3
General government	13.9	15.4	8.3	3.0	4.8	2.8	1.9	– 0.7
Total	154.6	125.2	141.6	123.3	135.6	141.7	94.9	62.0
Memo item								
Net investment in % [3]	12.1	9.0	9.4	7.9	8.2	8.3	5.5	3.5
Acquisitions less disposals of non-financial non-produced assets								
Households [2]	0.6	0.7	0.9	1.0	1.4	1.0	0.9	0.9
Non-financial corporations	0.3	0.7	0.6	0.5	0.6	34.4	0.4	0.5
General government	– 0.9	– 1.4	– 1.5	– 1.5	– 1.9	– 52.2	– 1.3	– 1.4
Total	0.0	0.0	0.0	0.0	0.0	– 16.9	0.0	0.0
Saving [4]								
Households [2]	133.0	139.8	134.9	134.9	143.2	145.5	154.8	161.7
Non-financial corporations [5]	17.3	– 3.7	28.5	20.9	– 10.7	– 19.3	– 12.1	26.0
Financial sectors	17.6	16.7	14.4	15.2	13.7	19.6	11.5	3.1
General government [5]	– 31.3	– 37.4	– 52.7	– 49.5	– 26.9	– 26.7	– 57.0	– 78.3
Total	136.7	115.3	125.0	121.6	119.4	119.2	97.2	112.4
Memo item								
Saving in % [3,6]	10.9	8.3	8.4	7.8	7.2	7.1	5.7	6.4
Net lending/net borrowing								
Households [2]	76.4	72.5	56.8	62.8	69.4	75.4	99.0	116.5
Non-financial corporations [5]	– 63.4	– 42.4	– 23.5	– 24.4	– 66.3	– 120.6	– 47.8	8.3
Financial sectors	13.5	11.5	9.6	10.9	10.3	16.8	8.8	1.8
General government [5]	– 44.3	– 51.5	– 59.6	– 51.0	– 29.7	22.8	– 57.5	– 76.2
Total	– 17.8	– 9.9	– 16.6	– 1.7	– 16.2	– 5.6	2.4	50.4
Memo item								
Net lending/net borrowing in % [3]								
Households [2]	6.0	5.2	3.8	4.0	4.2	4.4	5.7	6.6
Non-financial corporations [5]	– 5.0	– 3.0	– 1.6	– 1.6	– 4.0	– 7.1	– 2.8	0.5
Financial sectors	1.1	0.8	0.6	0.7	0.6	1.0	0.5	0.1
General government [5]	– 3.5	– 3.7	– 3.9	– 3.3	– 1.8	1.3	– 3.3	– 4.3
Total	– 1.4	– 0.7	– 1.1	– 0.1	– 1.0	– 0.3	0.1	2.9

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 remission of the German railways' debt by the Federal Government amounting to €6.4 billion; 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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ernment showed an even larger deficit of just under €80 billion. For the first time in several years, saving by financial institutions, as shown in the national accounts, dipped noticeably to merely €3 billion. The main reason for this was the major earnings problems, with which the banks were confronted particularly strongly last year.

By contrast, the non-financial private sector increased its net saving by around €45 billion compared with 2001; the bulk of this increase was, remarkably, attributable to enterprises. Excluding net capital transfers, they once more recorded a small positive retained income total (€10 billion), after this figure had actually been negative during the preceding three years – according to the national accounts – as a result of tax-induced profit distributions. Investable funds, which include net capital transfers, amounted to €26 billion. Households expanded their net surplus again by almost €10 billion to just over €160 billion. On the one hand, the net capital transfers they received went up marginally year-on-year and, on the other, their savings volume expanded somewhat.

Financial balances and financial flows

Increasing export of capital

If the aforementioned investment in 2002 is compared with aggregate saving, the result for the economy as a whole – compared with 2001 – is a sharply increased financial surplus amounting to around €50 billion or almost 3% of disposable income. Consequently, net claims on the rest of the world made up almost half of overall asset formation. The volume and composition of the acquisition of assets partially reflect the German economy's good competitive position in the export markets as well as a significant improvement in the terms of trade in 2002; but they also mirror an overall weak level of non-financial asset formation in Germany and a smaller growth of the German economy by international standards.

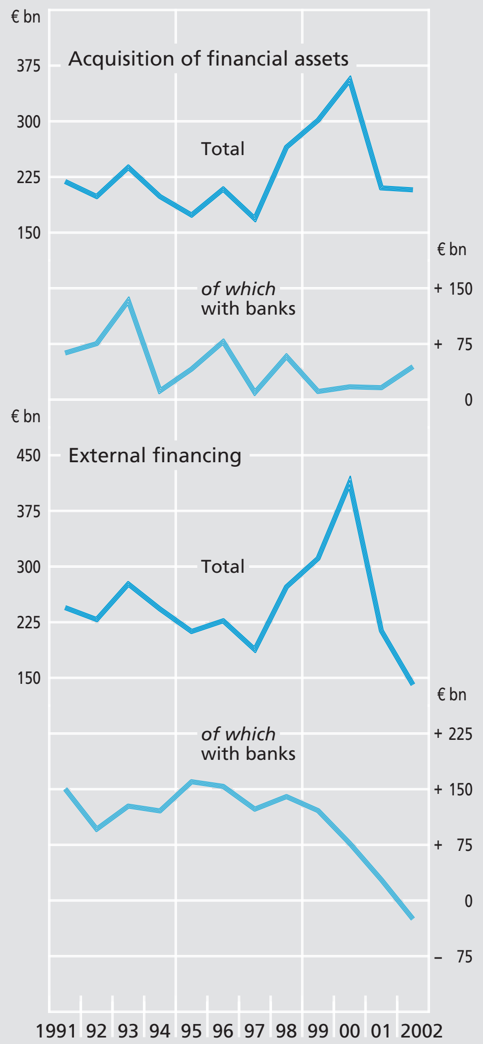
Firms show financing surplus for the first time

On balance, it was primarily the non-financial corporations which contributed to the high export of capital last year. Whereas this sector is usually dependant on an inflow of funds from other sectors, it actually recorded a surplus of almost €10 billion in 2002. In 2001 it had recorded a financial gap of almost €50 billion. This outcome, which is historically unprecedented, resulted from the simultaneous combination of lower investment and higher saving. Households also contributed to the increase in the macroeconomic surplus. They raised their net accumulation of capital to a record level of almost €120 billion or 6½% of disposable income. All three sectors in surplus together generated funds totalling just under €130 billion in 2002. Around two-thirds of these resources were absorbed by general government. Its financing shortfall amounted to just over €75 billion or 3.6% of GDP; this was significantly more than in the first half of the 1990s, when the additional burdens related to reunification had to be borne.

Further fall in financial flows

In conjunction with the weak real economic activities of the non-financial sectors, the associated financial transactions also declined. However, the various categories were affected in very different ways. Whereas the acquisition of financial assets was only marginally smaller than in 2001, the demand for external resources was significantly lower than in the previous year and, in terms of the amount, was actually lower than in any year since reunification. At the same time, cross-border flows went down sharply for the second time in a row since 2000, which was an exceptional year in respect of financial flows. In terms of volume they roughly matched the level of 1997. It was mainly the production enterprises which contributed to this; they have considerably scaled back their financial activities since 2001. Thus their financial asset formation, which previously had been characterised not least by cross-border credit business among affiliates, amounted to only €90 billion, which was less than half the amount recorded in 2000. In 2002 the external financing of enterprises, in which foreign sources likewise play an important role, declined to just over €60 billion or just under one-sixth of the resources required in 2000.

Overall financial flows *



* Domestic non-financial sectors.

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Bias towards short-term investment, but financing still longer term

In the light of the persistent bear market and the historically low interest rates on the capital market, the financial asset acquisition of the non-financial sectors continued to show a bias towards shorter-term investment. As a result, short-term financial asset formation was almost twice as high as the corresponding longer-term investment. Whereas in the case of the latter, notably equities and bonds were shunned, in the short-term range, money market instruments and traditional bank deposits gained in favour. The latter made up almost half of all short-term investment. On the financing side, by contrast, the dominance of longer-term borrowing persisted. Securitised lending actually gained ground compared with 2001. This was mainly driven by the high deficit of general government, which drew heavily on the capital market last year, whereas it redeemed bank loans on balance. This was the principal reason why longer-term net borrowing from banks by all non-financial sectors amounted to less than €1 billion last year. This contrasted with a total longer-term borrowing requirement of €150 billion.

Firms' uses and sources of funds

Further fall in the uses of funds ...

The overall volume of funds used by non-financial corporations, ie their acquisition of both financial and non-financial assets, showed a further marked contraction last year. In 2002 the balance sheet growth of just under €300 billion was around the same as the average of 1997/98 and approached the average value for the years 1991 to 1997. By contrast, the period between 1998 and 2000 had been characterised by an unprecedented rate of expansion attributable mainly to financial assets.

... mainly as a result of weak financial asset formation ...

Financial asset formation was likewise the principal factor behind the subsequent "return to normal". It amounted to €90 billion during the reporting period; this was around one-third lower than in 2001 and amounted – as mentioned – to less than half of the value recorded in the extraordinary year 2000. Its share in the use of funds amounted last year to barely one-third, compared with two-fifths in 2000. However, there were noticeable shifts within individual financial asset positions. Thus in contrast to 2001 enterprises increased their acquisition of money market paper, whereas they offloaded notes and bonds on balance. The increase in participating interests in domestic firms was only marginally higher than in 2001; by contrast, foreign investment remained at the relatively high level seen in the previous period. Cross-border lending by German enterprises, by contrast, contracted sharply again. Foreign subsidiaries actually repaid almost €30 billion net; during the record year 2000 such lending to affiliates had amounted to just over €50 billion. Bank deposits were affected to an even greater extent. Whereas in 2001 German credit institutions had seen their stocks of transferable deposits and time deposits increase, they lost almost half of these positions in 2002 on balance. Such strong portfolio shifts in the enterprise sector, mainly within the short-term area, were, however, not unusual in the 1990s either.

... and subdued acquisition of non-financial assets

In 2002 gross investment decreased by around 7% to a nominal value of €200 billion; this was roughly on a par with the long-term average. On the one hand, inventories were run down again and machinery and equipment were reduced by one-tenth vis-à-vis the previous year. On the other hand, companies sharply cut their budgets for industrial construction projects (-4½%), which accounted for just over one-third of all corporate investment.

Shifts in the financing mix

Looking at the sources of funds, a noticeable shift occurred last year. Internal financing, which dominated the first half of the 1990s and which had lost much ground in the wake of the subsequent stock market boom, has resumed its traditional position. With just under 72%, it reached a share that was almost as large as in 1995, which was when the highest value was recorded. This figure was 30 percentage points above the average level for the period between 1998 and 2000. The main reason for this was the reversed trends in saving and retained income, which

Non-financial corporations' investment and financing

€ billion

Item	1991	1993	1995	1997	1999	2000	2001	2002
Investment								
Gross capital formation	204.3	182.4	204.8	204.5	222.1	240.2	214.9	200.3
Gross fixed capital formation	197.6	192.4	201.6	204.8	221.6	235.7	223.7	207.1
Changes in inventories	6.7	– 9.9	3.2	– 0.3	0.6	4.5	– 8.8	– 6.9
Acquisitions less disposals of non-financial non-produced assets	0.3	0.7	0.6	0.5	0.6	34.4	0.4	0.5
Acquisition of financial assets	71.3	55.5	45.4	47.8	155.2	208.1	140.1	91.1
with banks 1	8.2	24.0	10.6	– 15.7	– 4.9	5.0	33.8	– 14.4
Short-term	8.9	26.6	5.2	– 17.6	– 7.7	6.2	33.9	– 13.4
Longer-term	– 0.8	– 2.6	5.4	1.9	2.8	– 1.2	– 0.1	– 1.0
in securities 2	16.4	4.5	– 3.9	3.9	44.7	57.6	29.4	13.7
in equities 3	19.3	3.2	18.6	23.6	92.0	121.5	33.0	66.7
in Germany	0.7	– 8.1	– 6.9	– 2.2	15.9	79.3	– 27.0	5.8
abroad	18.6	11.2	25.5	25.7	76.2	42.2	60.0	60.9
Loans 4	26.0	22.2	17.5	33.6	22.1	23.6	42.2	22.7
to residents 5	20.4	19.7	6.1	13.8	– 16.7	– 29.5	32.0	51.7
to non-residents	5.7	2.5	11.5	19.8	38.8	53.1	10.2	– 28.9
Short-term	4.7	2.2	9.4	16.5	31.4	42.5	4.2	– 31.6
Longer-term	1.0	0.3	2.1	3.3	7.4	10.6	6.0	2.7
with insurance corporations	1.4	1.6	2.6	2.4	1.2	0.4	1.7	2.4
Total	275.9	238.6	250.7	252.8	377.8	482.8	355.4	291.9
Financing								
Internal financing	141.2	140.7	181.9	180.6	156.4	154.1	167.5	209.0
Net retained income 5,6	17.3	– 3.7	28.5	20.9	– 10.7	– 19.3	– 12.1	26.0
Depreciation allowances	123.9	144.4	153.4	159.7	167.1	173.4	179.6	183.1
Memo item								
Internal financing ratio 5,7	51.2	59.0	72.5	71.4	41.4	31.9	47.1	71.6
External financing	129.1	115.0	81.5	79.1	204.5	363.9	184.8	64.5
via banks	90.1	37.0	57.9	44.0	71.2	46.6	34.7	– 23.3
Short-term	34.3	– 10.5	19.0	7.4	10.2	13.2	1.4	– 26.9
in Germany 5	27.7	– 7.9	16.5	4.7	– 5.3	19.0	6.3	– 23.8
abroad	6.6	– 2.7	2.5	2.7	15.5	– 5.7	– 4.8	– 3.1
Longer-term	55.8	47.5	38.9	36.6	61.0	33.3	33.2	3.7
in Germany 5	55.5	45.3	39.1	36.1	58.2	31.9	21.5	1.6
abroad	0.3	2.2	– 0.2	0.5	2.7	1.4	11.8	2.1
via other lenders 4	11.6	12.7	3.3	17.8	82.1	160.6	58.2	44.9
in Germany	0.1	8.3	– 8.0	1.4	15.0	3.4	9.6	30.3
Short-term	0.1	0.6	– 0.2	0.3	1.7	5.9	2.0	6.8
Longer-term	0.0	7.7	– 7.8	1.1	13.4	– 2.6	7.7	23.5
abroad	11.4	4.4	11.3	16.4	67.1	157.2	48.5	14.6
Short-term	7.4	0.8	6.0	12.5	39.7	82.5	6.5	– 17.0
Longer-term	4.0	3.6	5.2	3.9	27.4	74.7	42.0	31.6
in the securities market 5,8	3.8	46.9	– 3.3	– 3.0	1.3	9.6	9.8	6.0
in the form of equities 3	16.5	14.2	16.5	16.7	43.5	138.9	74.0	27.6
in Germany	14.2	15.8	14.0	12.7	25.2	23.0	48.6	7.8
abroad	2.3	– 1.7	2.5	4.0	18.4	115.9	25.4	19.8
Pension fund provisions	7.2	4.2	7.1	3.6	6.3	8.2	8.2	9.2
Total	270.4	255.7	263.4	259.6	360.9	518.0	352.4	273.6
Net acquisition of financial assets	– 57.8	– 59.5	– 36.2	– 31.2	– 49.3	– 155.8	– 44.8	26.6
Statistical discrepancy 9	5.6	– 17.1	– 12.7	– 6.8	17.0	– 35.2	3.0	18.3
Net lending/net borrowing 10	– 63.4	– 42.4	– 23.5	– 24.4	– 66.3	– 120.6	– 47.8	8.3

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 formation. — **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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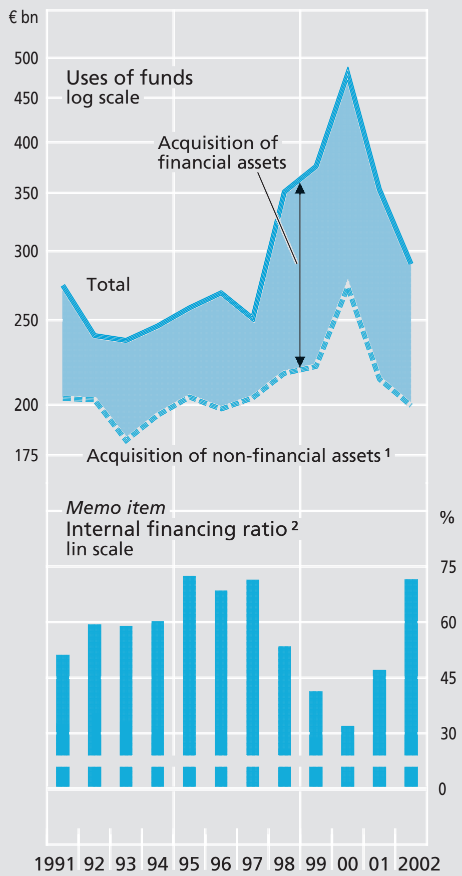
Non-financial corporations' uses of funds



1 Gross fixed capital formation and changes in inventories plus acquisitions less disposals of non-financial non-produced assets. — **2** Net retained income, net capital transfers received and depreciation allowances as a percentage of the total use of funds; figures for 1995 adjusted for the "Treuhand effect".

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recorded a positive outturn for the first time in several years. Previously, driven by the shareholder value principle and tax considerations, sizeable dividends have been disbursed.

Given the combination of improved internal financing and a significantly lower borrowing requirement, the recourse to external financial resources went down to just over €60 billion. External financing was thus only one-third as high as in 2001 and actually fell below the already low average level during the period from 1991 to 1997. The drop in external procurement of resources vis-à-vis 2001, which amounted to €120 billion, was reflected in both reduced equity sales and a smaller credit demand. The decline in equity issues of around €50 billion compared with 2001 was mainly due to low share sales; the issue volume plummeted to only €7 billion in total. The very restrained borrowing by German enterprises amounting to only €20 billion in all, which was considerably lower even than the historical low in 1994, primarily concerned domestic bank loans and financial transactions with foreign enterprises. The recourse to financial and trade credits from abroad, which had previously been a key feature of the external financing picture, amounted to only €15 billion in 2002. In the case of loans from domestic banks (borrowing from foreign institutions is traditionally only of minor importance), redemptions actually exceeded new loans. This related primarily to short-term loans, which had expanded very sharply between 1998 and 2000. Longer-term liabilities, which normally play a predominant role in financing transactions with banks, likewise increased only marginally in 2002 (€2 billion). Even the corresponding figure of just over €20 billion which was recorded for this maturity category in 2001 had been very low in a multi-year comparison. All in all, the outstanding bank liabilities of production enterprises dropped by over €20 billion last year – an event never before recorded on such a scale.

Households' investment and borrowing behaviour

Low investment ...

In contrast to enterprises, households' financial flows increased slightly in 2002. But both their sources and uses of funds, at just under €180 billion, were well down on the long-term average during the 1990s. This fall was mainly attributable to households' acquisition of non-financial assets, which has been waning since 2000, and the associated lower demand for credit. Net investment by households went down again last year compared with 2001 by some €10 billion to €45 billion; this was more than one-third below the longer-term average. The investment ratio amounted to only 3% of households' disposable income, marking a new low. The further reduction in the building of owner-occupied houses was primarily responsible for this development.

... and consequently weak demand for credit

Since house-building is mostly financed through debt, the downturn in this field of investment correspondingly led to a further fall in the external procurement of resources by households. In 2002 it amounted to only €17 billion in total, whereas the average for the 1990s had been almost €80 billion. The individual types of credit developed very differently. Whereas commercial loans were redeemed on balance, as in 2001, consumer credit expanded by €2 billion and housing loans by just over €20 billion. This was only one-third as high as in 1999 before housing construction came under pressure. Households' demand for resources for consumption purposes was likewise very small compared with the long-term trend; during the first half of the 1990s, in particular, it had been twice as high for reasons related to German reunification.

Rise in the saving ratio

Households' saving grew in importance in 2002. The saving ratio rose further from 10.1% of disposable income in 2001 to 10.4% in 2002. The rise in the saving ratio was presumably fuelled by consumers' purchasing restraint at the start of the year in the context of the perceived hike in prices accompanying the changeover to the euro and the subsequent erosion of consumer confidence, but also by negative wealth effects due to sliding share prices and, not least, the deteriorated labour market outlook. The introduction last year of government-subsidised supplementary private pension plans played hardly any role. The number of contracts concluded was below the expected level. It would be overhasty, however, to infer from this a general lack of interest in private pension provision, since other types of investment linked to retirement were in high demand.

Saving ratio by international standards

Despite the aforementioned rise, the saving ratio was much higher on average in the 1990s and also before reunification. Even so, it cannot be said that households in Germany accumulate fewer assets by international standards. This idea frequently results from confusing different concepts of saving. Whereas in Germany and, for example, in the United States the saving ratios are traditionally recorded as a net value – ie after deduction of the depreciation allowances as shown in the national accounts – other countries show the gross value. The inclusion of depreciation

Households' saving and asset acquisition *

€ billion

Item	1991	1993	1995	1997	1999	2000	2001	2002
Sources of funds								
Disposable income	980.4	1,084.2	1,153.7	1,204.9	1,281.6	1,320.4	1,370.2	1,386.0
Household final consumption expenditure	852.5	950.7	1,024.8	1,079.8	1,156.5	1,190.9	1,232.2	1,241.9
Saving	127.9	133.6	128.9	125.1	125.1	129.5	138.1	144.2
Memo item								
Saving ratio 1	13.0	12.3	11.2	10.4	9.8	9.8	10.1	10.4
Net capital transfers received	5.2	6.2	6.0	9.9	18.1	16.1	16.7	17.5
Own investable funds	133.0	139.8	134.9	134.9	143.2	145.5	154.8	161.7
Incurrence of liabilities 2	65.7	86.6	75.8	64.2	75.9	41.4	22.2	16.8
Total sources of funds	198.8	226.3	210.7	199.2	219.1	186.9	177.0	178.5
Uses of funds								
Net capital formation 3	56.1	66.6	77.1	71.1	72.4	69.2	55.0	44.3
Acquisitions less disposals of non-financial non-produced assets	0.6	0.7	0.9	1.0	1.4	1.0	0.9	0.9
Acquisition of financial assets	142.2	159.0	132.6	127.0	145.3	116.7	121.2	133.3
with banks 4	57.8	98.8	34.5	28.6	10.7	– 31.1	27.3	78.8
Transferable deposits 5	9.9	23.1	13.2	10.9	30.4	2.2	8.8	83.4
Time deposits 6	38.9	34.1	– 37.0	– 7.8	– 5.5	8.8	17.4	– 5.2
Savings deposits 6	4.7	49.1	54.8	24.1	– 4.3	– 39.7	2.5	0.9
Savings certificates	4.4	– 7.6	3.5	1.4	– 9.9	– 2.4	– 1.4	– 0.2
with insurance corporations 7	33.3	44.4	53.0	60.4	68.2	57.3	49.9	65.6
in securities	42.8	10.6	37.2	33.8	59.7	81.1	34.6	– 21.6
Bonds 8	24.4	– 15.5	23.6	5.3	0.1	5.6	9.0	0.4
Shares	0.3	3.4	– 1.7	4.1	13.8	18.4	– 28.7	– 61.0
Other equity	4.4	4.3	4.4	3.4	1.8	2.7	2.3	1.5
Mutual funds shares	13.8	18.5	10.9	21.0	44.0	54.3	52.0	37.4
Claims arising from company pension commitments	8.2	5.2	7.9	4.2	6.8	9.5	9.5	10.5
Total uses of funds	198.8	226.3	210.7	199.2	219.1	186.9	177.0	178.5

* 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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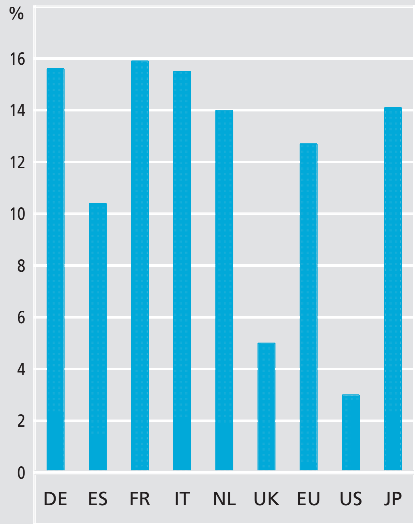
allowances obviously leads to higher saving ratios that the net concept, which for methodological reasons is actually preferable. However, owing to problems associated with the precise statistical recording of depreciation allowances at a sectoral level, the European Commission and Eurostat have decided to publish only gross saving ratios initially. Even though this deviates from the basic concept of the change in net worth and focuses more on the internal financing possibilities of households, it at least permits consistent comparisons to be made. On this calculation basis the saving ratio in Germany amounted in 2002 to 16% of disposable income (including depreciation allowances), which was significantly above the EU average. Over the last few years Germany, Italy and France have exhibited approximately the same propensity to save on average, at just over 15½%. In the United Kingdom and the United States, by contrast, the willingness to forego consumption was far less pronounced.

Households' gross saving ratio by international standards*



Source: European Commission and Bundesbank calculations. — * Average of the years 1999 to 2002; for Japan: average of the years 2000 to 2002. — **1** Including depreciation allowances.

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Increase in financial asset formation ...

The transaction-related volume of financial assets grew by around one-tenth to just over €130 billion in 2002. In view of the restrained acquisition of non-financial assets, three-quarters of the overall uses of funds went into "financial saving". The further fall in share prices in 2002 and the problematic international situation resulted in an even larger increase in relatively risk-free assets than was recorded in 2001. It is thus hardly surprising that traditional bank deposits attracted more attention again last year, whereas in 2000 net deposits had been withdrawn on a large scale. Transferable deposits attained a record score, whereas time deposits declined on balance. This is partly attributable to the fact that overnight money accounts offered very attractive interest rates. In addition, in the case of transferable deposits the invested funds are very readily available to the investor. This suggests that investors often temporarily lodge their money in such investment vehicles with a view to withdrawing it quickly should the economic conditions change.

... including rise in bank deposits ...

... and higher investment with insurance companies

Despite the media reports about the problems facing the insurance sector, households strongly stepped up their demand for investment with insurance enterprises in 2002. Their long-term claims on insurance firms went up sharply by just under 10%. These relate mainly to life assurance and pension insurance policies, which are concluded for the purpose of old-age provision. In the preceding two years, by contrast, the sale of standard insurance products had shown slight net losses. This was seen at the time as signalling *inter alia* a "wait-and-see" attitude pending the planned introduction of supplementary private pension plans. Given the introduction of the new government promotion scheme for such private pension provision in 2002, it might have been expected that such contracts would be concluded to the detriment of traditional insurance investments. The fact that this was not the case was probably due to various aspects relating to the concrete design and implementation of the government's supplementary private pension plan scheme. However, the overall pattern of investment shows that households are indeed prepared to make greater provision for their old age.

Much smaller interest in equities

New investment in equities, which had characterised the years 1999 and 2000, came to a halt during the period under review. This applies to both the direct and indirect purchase of company shares. Shareholders sold equities on an even larger scale on balance than in 2001, while interest in equity-based mutual funds also receded considerably. This was offset to a certain extent by households' buoyant demand for share units in real estate and money market funds. In spite of this, the acquisition of mutual fund shares fell significantly overall. The total value of just €37 billion fell well short of the record figure from 2000 of just under €55 billion. The percentage of this form of investment in the overall acquisition of financial assets consequently dropped to just over one-quarter, whereas two years earlier it had accounted for almost half.

Development of households' financial assets

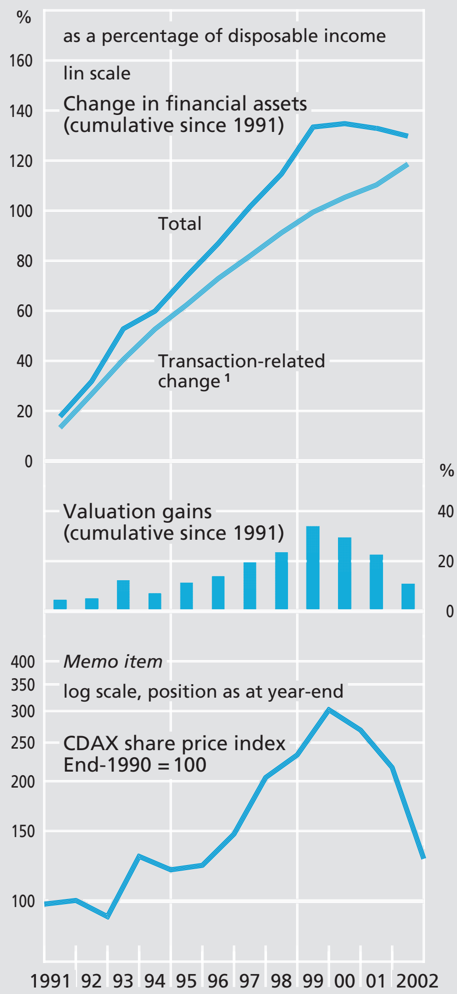
Nominal decline in financial assets for the first time

The purchase of financial instruments by households accounts for only part of the change in value in their holdings of financial assets. Since portfolio positions are generally subject to price fluctuations, the stock of financial assets can be correspondingly influenced positively or negatively. Whereas in the first half of the 1990s the expansion of financial holdings had been closely linked to transaction-related activities, valuation gains subsequently played an increasingly important role in the wake of rising share prices. The year 1999 proved exceptional in this respect, with half of the growth in financial assets being attributable to the increase in the value of equities. Since 2000, when the bull market gave way to a bear market, the value of the stock of financial assets has, by contrast, grown more slowly than the underlying rate of "financial saving". In the first year of the bear market, over two-fifths of the acquisition of financial assets was wiped out by valuation-related losses. In the following two years the losses were even greater. In 2001 they amounted to around 60%, while in 2002 the share price losses actually exceeded the total transaction-related increases. In 2001 and 2002, taken together, purchases of new assets amounting to just over €250 billion shrank to an effective level of financial asset growth of only €35 billion. The outcome of the development in 2002 was that the stock of financial assets fell in nominal terms for the first time since the beginning of the statistical series in 1949. However, it significantly exceeded the value prevailing prior to the stock market boom. The ratio of financial assets to households' disposable income – which is frequently used as an indicator of prosperity – has now declined for the third year in a row. At just over 260%, this ratio was 14 percentage points below the peak measured at the end of 1999. Since liabilities expanded at roughly the same speed during this period as disposable income, net financial assets recorded a similar decline in their ratio; at the end of 2002 they amounted to only one-and-a-half times as much as disposable income.

Changes in the composition of financial assets

As a result of share price losses as well as active portfolio switches, profound shifts also occurred in the structure of households' assets compared with the preceding years. Securities have lost ground to a significant extent. One reason for this was that households have reduced such holdings; another – more important – reason was the big impact of the slide in share prices. Corresponding gains from bonds came nowhere near compensating for this effect. In 2002 all security holdings accounted for less than one-third of financial assets, compared with almost two-fifths at the end of 1999. The percentage share of directly held equities (measured at current prices) was actually lower, at 4½%, than at the beginning of the 1990s. The respective share of bank deposits increased somewhat to over one-third as a result of the above-average inflow of new resources. However, this does not alter the long-term

Change in households' financial assets



1 Corresponds to the acquisition of financial assets.

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decline of bank deposits within the portfolio as a result of disintermediation. At the beginning of the 1990s, their share was almost 10 percentage points higher. Investments placed with insurance enterprises and pension funds grew continuously throughout the period under review. Including claims arising from company pension commitments, insurance investments had accounted for only one-quarter of households' total financial

Households' financial assets and liabilities *

Item	1991	1993	1995	1997	1999	2000	2001	2002
	in € billion							
Financial assets								
with banks 1	926	1,089	1,128	1,210	1,266	1,235	1,262	1,341
Short-term	617	760	782	877	963	921	957	1,041
Longer-term	309	329	346	333	303	314	305	300
with insurance corporations 2,3	401	479	573	684	808	866	929	994
in securities	570	714	847	1,017	1,311	1,345	1,300	1,130
Bonds 4	276	307	364	358	363	368	381	394
Shares	131	172	191	296	473	439	347	166
Other equity	80	99	102	119	113	130	137	145
Mutual funds shares	84	136	190	244	362	408	435	425
arising from company pension commitments	123	138	152	161	171	177	182	193
Total	2,020	2,420	2,699	3,072	3,556	3,623	3,673	3,658
Liabilities								
Loans	815	970	1,138	1,275	1,442	1,488	1,509	1,526
Short-term	91	99	104	103	110	113	109	106
Longer-term	724	871	1,034	1,172	1,332	1,375	1,400	1,420
Other liabilities	9	10	12	12	9	8	8	9
Total	824	980	1,150	1,287	1,451	1,495	1,518	1,535
of which								
Consumer loans	131	154	165	178	188	194	193	195
Mortgage loans	492	580	697	803	913	947	978	1,000
Entrepreneurial loans	191	236	275	294	341	346	338	331
Net financial assets	1,196	1,440	1,549	1,785	2,106	2,128	2,156	2,123
Memo item	in € per household							
Financial assets	57,300	66,800	73,100	82,000	94,100	95,000	95,500	94,300
Liabilities	23,400	27,000	31,100	34,400	38,400	39,200	39,500	39,600
	as a percentage of disposable income							
Financial assets	206.0	223.2	234.0	254.9	277.5	274.4	268.1	263.9
Liabilities	84.0	90.3	99.7	106.8	113.2	113.2	110.8	110.7
Net financial assets	122.0	132.8	134.3	148.1	164.3	161.1	157.3	153.2
	as a percentage of GDP							
Financial assets	134.5	146.3	149.9	164.1	179.7	178.5	177.3	173.5
Liabilities	54.8	59.2	63.8	68.8	73.3	73.7	73.3	72.8
Net financial assets	79.6	87.1	86.0	95.4	106.4	104.8	104.1	100.7

* 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.

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assets in 1991. Since then this share has risen to one-third. This mostly comprises households' claims on life assurance companies and various pension funds as well as on enterprises under company pension commitments – ie assets which essentially serve the purpose of old-age provision.

Financial assets in other countries, too, affected by falling share prices

The development on the stock exchanges over the last few years has had a major impact not only on German households' financial assets but also on those in other industrial countries. This is indicated by the data for those economies which already have the outturn of their financial accounts for 2002. However, the scale of the changes varies with the diverging importance of equity-related wealth between countries, deviations in share price trends and the intensity of financial asset acquisition. Differences in recording and valuing individual asset components, particularly shares, may also play a role.

Decline in financial assets in Anglo-Saxon countries particularly pronounced

As in Germany, all the countries reviewed in 2002 recorded a decline in households' financial assets. In several economies, this process actually began at the end of 1999. Whereas the contraction in financial assets was limited to a single-digit rate in Japan and in continental European countries, it was far larger (around 15%) in the Anglo-Saxon countries.[1] Looking at the ratio of financial assets to disposable income, the picture becomes more similar. All countries, with the exception of Japan, recorded a decline over several years; this was, however, particularly marked in the UK and the USA. In Japan, by contrast, this indicator stagnated because disposable income also showed a tendency to decline. Another factor in the United States and the United Kingdom is that the relatively significant claims on the insurance sector in those countries declined as a result of sliding share prices. This is because in the case of certain types of investment vehicles, for example unit-linked life assurance policies and contribution-defined company pensions, the investment risk rests not with the insurance company or the pension fund but instead with the insured person or the employee.

Significant structural shifts in financial assets

The trend-decline in households' stocks of financial assets also altered the investment structure in the countries under review – just like in Germany. In all the countries the importance of risk-free bank deposits increased. By contrast, equities lost a lot of ground – in several countries around half. Based on the figures available, Finnish households had by far the highest portion of shares in their financial assets, amounting to over half. The respective share of the French and Spanish households at the end of 2002, at almost one-fifth each, actually surpassed the Anglo-Saxon countries, with their deeply entrenched capital markets. However, it should be borne in mind that in the continental European countries, non-listed shares enjoy particular importance. Spain was also a frontrunner in the field of bank deposits, with a share of over two-fifths; this was exceeded only by the Japanese households which recorded over 50%. Italian households had by

1 It should be borne in mind that the Anglo-Saxon countries, in particular, experienced a sharp rise in property prices, which at least partly offset the financial asset losses.

far the highest proportion of bonds in their overall portfolios, at one-quarter. There were different tendencies over time in respect of claims on insurance companies and pension funds. They mostly increased their share in overall financial assets. They declined only in the Anglo-Saxon countries, where households, as mentioned, to a certain extent participate directly in the risk. The development in the UK was particularly extreme. Its high share, by international standards, of just over half went down by 10 percentage points.

Funded old-age provision and significance of risk diversification

The development of households' financial assets in Germany and other industrial countries in the past few years has shown what distortions can result from exaggerated trends in the prices of financial assets: for one thing economically, as a result of first expansionary and then contractionary wealth and confidence effects, and, for another thing, with regard to the cost-inducing adjustment of portfolios to the new setting. This also applies to investments made for the purpose of old-age provision. In economies in which the "pay-as-you-go" system currently predominates there is a broad consensus that both individual and company-based pension provision will have to be strengthened to cope with demographic problems. Although financial instruments with value growth potential offer the chance of high returns, they carry considerable risks, which are also difficult to assess. A particularly worrying phenomenon occurs when claims on insurance companies and pension funds are likewise subject to price fluctuations. Given an accumulation of such risks, households may be confronted with problems when planning for old-age provision, particularly if they are older. Hence although funded pension arrangements remain fundamentally desirable, one should not lose sight of the need to diversify the risk associated with investments.

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

Capital and financial accounts of the sectors in 2002

€ 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	44.26	17.21	– 0.72	– 0.76	0.04	60.75
Gross capital formation	136.97	200.28	33.65	32.81	0.84	370.90
Consumption of fixed capital	92.71	183.07	34.37	33.57	0.80	310.15
Acquisitions less disposals of non-financial non-produced assets	0.94	0.47	– 1.41	– 1.41	–	–
Saving and capital transfers	161.70	25.97	– 78.32	– 71.61	– 6.71	109.35
Saving	144.16	10.38	– 51.84	– 45.93	– 5.91	102.70
Capital transfers (net)	17.54	15.59	– 26.48	– 25.68	– 0.80	6.65
Net lending/net borrowing 3	116.50	8.29	– 76.19	– 69.44	– 6.75	48.60
Statistical discrepancy 4	.	18.29	.	.	.	18.29
Acquisition of financial assets						
Monetary gold and special drawing rights (SDRs)	.	.	.	.	.	.
Currency and deposits	78.85	– 14.43	– 15.92	– 8.96	– 6.97	48.50
Currency and transferable deposits	83.39	– 8.44	0.49	0.50	– 0.01	75.44
Time deposits 5	– 5.24	– 5.79	– 16.03	– 9.32	– 6.70	– 27.06
Savings deposits	0.88	0.03	– 0.18	– 0.16	– 0.02	0.73
Savings certificates	– 0.18	– 0.23	– 0.21	0.02	– 0.23	– 0.62
Money market paper	– 0.03	17.44	0.01	0.01	.	17.43
Bonds	0.45	– 11.85	– 2.11	– 1.66	– 0.44	– 13.51
Financial derivatives	.	0.27	.	.	.	0.27
Shares	– 61.00	70.74	0.00	0.00	–	9.74
Other equity	1.55	– 4.03	– 14.34	– 14.34	.	– 16.83
Mutual funds shares	37.42	7.81	2.01	.	2.01	47.23
Loans	.	– 26.06	o – 0.71	– 0.71	0.04	– 26.77
Short-term loans	.	– 28.91	0.07	0.07	.	– 28.85
Longer-term loans	.	2.85	o – 0.77	– 0.77	0.04	2.08
Claims on insurance corporations 2	53.80	2.42	0.04	0.04	.	56.25
Short-term claims	4.51	2.42	0.04	0.04	.	6.96
Longer-term claims	49.29	.	.	.	.	49.29
Claims arising from company pension commitments	10.51	.	.	.	.	10.51
Other claims	11.77	48.81	18.28	18.96	– 0.67	78.86
Total	133.30	91.11	o – 12.74	– 6.66	– 6.04	211.67
External financing						
Currency and deposits	.	.	2.23	2.23	.	2.23
Currency and transferable deposits	.	.	2.23	2.23	.	2.23
Time deposits 5	.	.	.	.	.	.
Savings deposits	.	.	.	.	.	.
Savings certificates	.	.	.	.	.	.
Money market paper	.	– 0.40	7.82	7.82	.	7.42
Bonds	.	6.38	62.29	62.29	.	68.67
Financial derivatives	.	.	.	.	.	.
Shares	.	6.75	.	.	.	6.75
Other equity	.	20.83	.	.	.	20.83
Mutual funds shares	.	.	.	.	.	.
Loans	16.27	2.32	o – 12.71	– 13.39	0.71	5.88
Short-term loans	– 3.77	– 38.28	4.37	3.76	0.61	– 37.68
Longer-term loans	20.04	40.60	o – 17.08	– 17.14	0.10	43.56
Claims on insurance corporations 2	.	.	.	.	.	.
Short-term claims	.	.	.	.	.	.
Longer-term claims	.	.	.	.	.	.
Claims arising from company pension commitments	.	9.22	.	.	.	9.22
Other liabilities	0.53	19.43	3.83	3.83	.	23.78
Total	16.80	64.52	o 63.45	62.78	0.71	144.77
Net acquisition of financial assets 6	116.50	26.58	– 76.19	– 69.44	– 6.75	66.89

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 capital formation and acquisitions less disposals of non-financial non-

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Domestic financial sectors						
Monetary financial institutions (MFIs) 1	Other financial intermediaries	Insurance corporations 2	Total	Rest of the world	All sectors	Item
						Acquisition of non-financial assets and saving
0.70	0.04	0.53	1.27	.	62.02	Net capital formation
6.54	0.09	2.97	9.60	.	380.50	Gross investment
5.84	0.05	2.44	8.33	.	318.48	Consumption of fixed capital
.	.	.	.	–	.	Acquisitions less disposals of non-financial non-produced assets
7.28	–	– 4.22	3.06	– 50.39	62.02	Saving and capital transfers
7.28	–	2.67	9.95	– 50.63	62.02	Saving
–	–	– 6.89	– 6.89	0.24	.	Capital transfers (net)
6.58	– 0.04	– 4.75	1.79	– 50.39	.	Net lending/net borrowing 3
.	.	.	.	– 18.29	.	Statistical discrepancy 4
						Acquisition of financial assets
0.19	.	.	0.19	– 0.19	.	Monetary gold and special drawing rights (SDRs)
123.90	6.53	17.38	147.81	46.14	242.44	Currency and deposits
30.60	1.57	3.83	35.99	35.57	147.01	Currency and transferable deposits
93.30	4.94	14.10	112.34	11.53	96.82	Time deposits 5
.	0.00	0.05	0.05	– 1.08	– 0.30	Savings deposits
.	0.02	– 0.60	– 0.57	0.11	– 1.08	Savings certificates
5.33	– 0.42	.	4.92	10.16	32.51	Money market paper
6.76	27.84	5.25	39.86	79.23	105.57	Bonds
0.27	.	.	0.27	.	0.53	Financial derivatives
– 13.38	20.45	16.16	23.23	19.87	52.84	Shares
17.32	13.27	5.48	36.07	20.23	39.48	Other equity
2.10	0.13	30.46	32.69	– 0.24	79.67	Mutual funds shares
28.46	3.87	10.06	42.39	14.44	30.07	Loans
13.09	.	3.84	16.93	– 19.81	– 31.72	Short-term loans
15.36	3.87	6.23	25.46	34.25	61.79	Longer-term loans
.	.	.	.	3.25	59.50	Claims on insurance corporations 2
.	.	.	.	3.24	10.20	Short-term claims
.	.	.	.	0.01	49.30	Longer-term claims
.	.	.	.	.	10.51	Claims arising from company pension commitments
9.18	– 0.04	3.73	12.87	– 16.02	75.71	Other claims
180.12	71.64	88.52	340.29	176.88	728.83	Total
						External financing
127.30	.	.	127.30	112.92	242.44	Currency and deposits
114.18	.	.	114.18	30.60	147.01	Currency and transferable deposits
14.49	.	.	14.49	82.33	96.82	Time deposits 5
– 0.30	.	.	– 0.30	.	– 0.30	Savings deposits
– 1.08	.	.	– 1.08	.	– 1.08	Savings certificates
18.97	.	.	18.97	6.12	32.51	Money market paper
– 6.36	.	0.10	– 6.26	43.16	105.57	Bonds
.	.	.	.	0.53	0.53	Financial derivatives
1.63	.	0.80	2.43	43.66	52.84	Shares
2.07	.	.	2.07	16.58	39.48	Other equity
4.36	68.53	.	72.89	6.78	79.67	Mutual funds shares
.	3.15	– 0.42	2.73	21.45	30.07	Loans
.	0.43	– 0.58	– 0.14	6.10	– 31.72	Short-term loans
.	2.72	0.16	2.88	15.35	61.79	Longer-term loans
.	.	59.48	59.48	0.02	59.50	Claims on insurance corporations 2
.	.	10.20	10.20	.	10.20	Short-term claims
.	.	49.28	49.28	0.02	49.30	Longer-term claims
0.73	.	0.56	1.29	.	10.51	Claims arising from company pension commitments
24.85	.	32.75	57.59	– 5.67	75.71	Other liabilities
173.54	71.68	93.27	338.50	245.56	728.83	Total
6.58	– 0.04	– 4.75	1.79	– 68.68	.	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 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	54.97	35.33	1.86	1.67	0.19	92.16
Gross capital formation	145.50	214.94	35.75	34.82	0.93	396.19
Consumption of fixed capital	90.53	179.61	33.89	33.15	0.74	304.03
Acquisitions less disposals of non-financial non-produced assets	0.88	0.42	– 1.30	– 1.30	–	–
Saving and capital transfers	154.80	– 12.07	– 56.96	– 54.57	– 2.39	85.77
Saving	138.09	– 28.24	– 29.60	– 27.95	– 1.65	80.25
Capital transfers (net)	16.71	16.17	– 27.36	– 26.62	– 0.74	5.52
Net lending/net borrowing [3]	98.95	– 47.82	– 57.52	– 54.94	– 2.58	– 6.39
Statistical discrepancy [4]	.	3.04	.	.	.	3.04
Acquisition of financial assets						
Monetary gold and special drawing rights (SDRs)	.	.	.	.	.	.
Currency and deposits	27.31	33.80	– 40.96	– 38.61	– 2.35	20.14
Currency and transferable deposits	8.84	10.40	– 0.51	– 0.72	0.21	18.73
Time deposits [5]	17.41	24.43	– 40.01	– 37.49	– 2.52	1.83
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	12.50	0.29	0.29	.	12.72
Bonds	9.11	16.50	– 1.21	0.30	– 1.52	24.40
Financial derivatives	.	– 3.14	.	.	.	– 3.14
Shares	– 28.70	24.20	0.00	0.00	–	– 4.51
Other equity	2.26	8.81	– 10.71	– 10.71	.	0.36
Mutual funds shares	51.96	3.53	1.47	.	1.47	56.96
Loans	.	14.25	o 1.14	1.14	– 0.04	15.39
Short-term loans	.	5.29	– 0.44	– 0.44	.	4.85
Longer-term loans	.	8.97	o 1.58	1.58	– 0.04	10.55
Claims on insurance corporations [2]	48.04	1.66	0.03	0.03	.	49.72
Short-term claims	2.87	1.66	0.03	0.03	.	4.55
Longer-term claims	45.17	.	.	.	.	45.17
Claims arising from company pension commitments	9.46	.	.	.	.	9.46
Other claims	1.82	27.96	2.98	2.73	0.25	32.76
Total	121.19	140.07	o – 46.98	– 44.84	– 2.18	214.28
External financing						
Currency and deposits	.	.	– 1.85	– 1.85	.	– 1.85
Currency and transferable deposits	.	.	– 1.85	– 1.85	.	– 1.85
Time deposits [5]	.	.	.	.	.	.
Savings deposits	.	.	.	.	.	.
Savings certificates	.	.	.	.	.	.
Money market paper	.	6.36	11.38	11.38	.	17.74
Bonds	.	3.40	10.21	10.21	.	13.61
Financial derivatives	.	.	.	.	.	.
Shares	.	40.90	.	.	.	40.90
Other equity	.	33.12	.	.	.	33.12
Mutual funds shares	.	.	.	.	.	.
Loans	21.82	83.67	o – 9.20	– 9.64	0.40	96.28
Short-term loans	– 3.32	3.74	7.60	7.18	0.42	8.01
Longer-term loans	25.14	79.93	o – 16.80	– 16.81	– 0.02	88.27
Claims on insurance corporations [2]	.	.	.	.	.	.
Short-term claims	.	.	.	.	.	.
Longer-term claims	.	.	.	.	.	.
Claims arising from company pension commitments	.	8.22	.	.	.	8.22
Other liabilities	0.42	9.18	–	–	.	9.60
Total	22.24	184.85	o 10.54	10.11	0.40	217.62
Net acquisition of financial assets [6]	98.95	– 44.78	– 57.52	– 54.94	– 2.58	– 3.35

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 capital formation and acquisitions less disposals of non-financial non-

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Domestic financial sectors						
Monetary financial institutions (MFIs) 1	Other financial intermediaries	Insurance corporations 2	Total	Rest of the world	All sectors	Item
						Acquisition of non-financial assets and saving
2.02	0.04	0.65	2.71	.	94.87	Net capital formation
7.68	0.09	2.98	10.75	.	406.94	Gross capital formation
5.66	0.05	2.33	8.04	.	312.07	Consumption of fixed capital
–	–	–	–	–	–	Acquisitions less disposals of non-financial non-produced assets
16.88	–	– 5.42	11.46	– 2.36	94.87	Saving and capital transfers
16.88	–	0.89	17.77	– 3.15	94.87	Saving
–	–	– 6.31	– 6.31	0.79	–	Capital transfers (net)
14.86	– 0.04	– 6.07	8.75	– 2.36	–	Net lending/net borrowing 3
.	.	.	.	– 3.04	–	Statistical discrepancy 4
						Acquisition of financial assets
0.08	.	.	0.08	– 0.08	.	Monetary gold and special drawing rights (SDRs)
78.78	8.03	17.37	104.18	52.08	176.40	Currency and deposits
25.30	6.45	2.63	34.38	– 26.73	26.38	Currency and transferable deposits
53.47	1.47	15.87	70.82	78.55	151.20	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	– 14.82	– 22.12	Money market paper
60.95	19.78	4.64	85.37	81.25	191.01	Bonds
– 3.14	.	.	– 3.14	.	– 6.28	Financial derivatives
– 9.75	28.61	20.61	39.47	83.57	118.53	Shares
7.68	9.37	2.67	19.71	31.44	51.52	Other equity
10.25	1.45	26.74	38.44	1.11	96.51	Mutual funds shares
65.33	– 0.39	12.80	77.74	51.12	144.25	Loans
16.83	.	1.29	18.11	– 3.18	19.78	Short-term loans
48.51	– 0.39	11.51	59.63	54.30	124.47	Longer-term loans
.	.	.	.	8.75	58.48	Claims on insurance corporations 2
.	.	.	.	8.73	13.28	Short-term claims
.	.	.	.	0.02	45.20	Longer-term claims
.	.	.	.	.	9.46	Claims arising from company pension commitments
– 3.91	– 0.04	5.89	1.94	11.09	45.78	Other claims
186.01	67.04	90.71	343.75	305.52	863.55	Total
						External financing
89.36	.	.	89.36	88.90	176.40	Currency and deposits
2.93	.	.	2.93	25.30	26.38	Currency and transferable deposits
87.61	.	.	87.61	63.59	151.20	Time deposits 5
1.32	.	.	1.32	.	1.32	Savings deposits
– 2.50	.	.	– 2.50	.	– 2.50	Savings certificates
– 39.01	.	.	– 39.01	– 0.85	– 22.12	Money market paper
88.37	.	0.32	88.69	88.72	191.01	Bonds
.	.	.	.	– 6.28	– 6.28	Financial derivatives
6.59	.	7.74	14.33	63.31	118.53	Shares
1.93	.	.	1.93	16.46	51.52	Other equity
12.91	63.90	.	76.81	19.70	96.51	Mutual funds shares
.	3.18	1.45	4.63	43.34	144.25	Loans
.	1.01	1.38	2.40	9.37	19.78	Short-term loans
.	2.16	0.07	2.23	33.97	124.47	Longer-term loans
.	.	58.45	58.45	0.03	58.48	Claims on insurance corporations 2
.	.	13.28	13.28	.	13.28	Short-term claims
.	.	45.17	45.17	0.03	45.20	Longer-term claims
0.68	.	0.56	1.24	.	9.46	Claims arising from company pension commitments
10.31	.	28.26	38.58	– 2.39	45.78	Other liabilities
171.15	67.08	96.78	335.00	310.92	863.55	Total
14.86	– 0.04	– 6.07	8.75	– 5.40	–	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.