Foreign trade and payments

Foreign trade and current account

External environment

Against the backdrop of fairly robust growth in the global economy, the external environment remained predominantly favourable to the German economy at the start of 2005. The global economic strains resulting from the high, and in the first quarter of this year still rising, oil price have evidently been limited so far. In particular, there were dynamic impulses for German foreign trade from South-East Asia, which was characterised by buoyant economic growth. In some euro-area partner countries, on the other hand, the economic recovery has not yet gained any real momentum. In the period under review, the euro lost some of the gains which it had made at the end of 2004. Hence, the appreciation-related dampening effects on foreign demand did not increase further. Overall, German exports of goods rose by 1½% nominally in the first quarter of 2005 in seasonally adjusted terms compared with the previous three months.

Outlook

The continuing optimistic export expectations of German enterprises reflect the favourable underlying external conditions. Although enterprises' optimism is no longer quite as marked as in the second half of 2004, the outlook for the next few months has rarely been better. This assessment is also supported by the trend in orders received from abroad, which again went up noticeably on the quarter (+2¾%) in seasonally adjusted terms and in terms of volume.

Exports

Regionally, German exporters increased their deliveries across the board at the start of the

Export trend

1 Monthly values adjusted to match quarterly level. — **2** Results of the Ifo business survey; balances of positive and negative company reports.

Deutsche Bundesbank

year. The value of exports to both euro-area partner countries and to non-euro-area countries rose by approximately 1½% on an average of January and February 2005 compared with the average of the fourth quarter of 2004 – regional and sectoral breakdowns of statistical information on German foreign trade for March are not yet available. As export prices went up only slightly over the same period, there was a similar level of growth in exports in real terms.

Regional breakdown of exports

The heaviest demand came from Asia. There was a particularly sharp increase in exports (+19½%) to Japan, which – as other indicators also suggest – was evidently able to overcome its economic slowdown in the second half of last year. Substantial increases were also achieved in exports to the dynamically-growing emerging markets of South-East Asia (+16½%) and again to China (+6%). In addition, sales of German products to countries that, as oil producers, were benefiting from the high energy prices also rose. For example, exports to the OPEC countries and Russia went up by 15½% in nominal terms at the beginning of the year. In view of the high utilisation rate of production capacities and the urgent need to increase them further, it is likely that these developments were not simply a result of consumptive recycling of the oil receipts. By contrast, exports to the USA were much more subdued, with the value rising by only 2½% in the first two months of the year – probably also as a result of the exchange rate. However, export sales were slowed down by the decline in exports to the EU countries outside the euro area (-2½%), which account for one-fifth of total German exports. This was due mainly to noticeably lower exports to the new EU member states (-6½%). However, this development should not be interpreted as a sign of a reversal of the hitherto expansionary trend as trade with central and eastern European countries is subject to substantial short-term fluctuations and, in the past, had frequently been relatively weak at the beginning of the year. In addition, the values shown for the new EU member states are subject to increased uncertainty owing to the change in the method of recording foreign trade since they joined the EU.

Breakdown of exports of goods

The sectoral German export trend shows that foreign demand is being sustained by both the robust expansion in global production and heavy private consumption in Germany's trading partners. Thus, it was not just exports of intermediate goods (+5%) and capital goods (+3½%), which, together, make up around three-quarters of German exports, that rose noticeably on an average of January and February compared with the previous period; German consumer goods were also heavily in demand (+5½%). Following the weaker trend towards the end of last year, export sales by the German car industry, whose products are classed as capital goods, noticeably recovered (+9%). In addition, the value of exports of machinery (+8½%), as well as of metals and metal products (+7½%), went up sharply. By contrast, German manufacturers of information and communications technology products had to make do with a more moderate increase in foreign turnover of just under 2%.

Imports of goods

In seasonally adjusted terms, the value of German imports of goods in the first quarter of 2005 was ½% below the previous three-month level. In the same period, there was a rise in import prices of just over ½%, which, in turn, was mainly a result of the increase in the price of energy sources. In real terms, therefore, imports were actually down by just over 1% on the quarter.

Trend in foreign trade by region and by category of goods

Average of January and February 2005 compared with the average of October to December 2004
%; seasonally adjusted

Item	Exports	Imports
Total	+ 1,5	+ 0,6
Selected country/group of countries		
Euro-area countries	+ 1.6	+ 0.3
Other EU countries	– 2.4	+ 0.6
United States	+ 2.5	– 0.7
Japan	+ 19.6	– 0.8
China, People's Republic of	+ 6.2	– 3.0
Russian Federation	+ 15.5	+ 6.4
OPEC countries	+ 15.4	– 6.7
Emerging markets in South-East Asia	+ 16.4	– 4.0
Categories of goods		
Selected main categories		
Intermediate goods	+ 4.8	+ 3.6
Capital goods	+ 3.5	– 2.7
Consumer goods	+ 5.4	+ 0.7
Energy	.	– 0.8
Selected categories		
Chemicals	+ 3.8	+ 2.5
Machinery	+ 8.6	+ 1.4
Motor vehicles and motor vehicle parts	+ 9.0	+ 8.0
Information technology	+ 1.8	– 8.9
Metals and metal products	+ 7.3	+ 8.2

Deutsche Bundesbank

Breakdown of imports of goods

At the beginning of the year – here, too, only the data for January and February are currently available – the sectoral breakdown of imports of goods reflected the continuing weak domestic demand, which is characterised by a wait-and-see attitude towards investment on the part of German enterprises and by consumer restraint. In the period under review, imports of capital goods were therefore just over 2½% lower in nominal terms than on an average of the fourth quarter. The main reason for this was the sharp decline, due only partly to prices, in imports of information and communication technology products (-9%), most of which are classed as capital goods. This was not offset by a noticeable rise in imports of motor vehicles and somewhat higher imports of machinery, either. At the same time, domestic

Major items of the balance of payments

€ billion

Item	2004 Q1	2004 Q4	2005 Q1
I Current account			
1 Foreign trade 1			
Exports (fob)	176.5	190.2	185.6
Imports (cif)	135.3	154.9	142.3
Balance	+ 41.3	+ 35.3	+ 43.2
2 Services (balance)	− 7.0	− 7.4	− 6.5
3 Income (balance)	− 0.5	+ 1.5	+ 1.9
4 Current transfers (balance)	− 5.7	− 6.6	− 7.3
Balance on current account 2	+ 25.5	+ 19.4	+ 27.9
Memo item Balances, seasonally adjusted			
1 Foreign trade	+ 38.4	+ 37.6	+ 41.3
2 Services	− 7.2	− 9.6	− 6.9
3 Income	− 0.8	+ 0.0	+ 2.0
4 Current transfers	− 7.2	− 6.7	− 8.8
Current account 2	+ 20.5	+ 17.7	+ 24.1
II Balance of capital transfers 3	+ 0.3	− 0.2	− 1.5
III Balance of financial account 4	+ 6.2	− 23.4	− 19.3
IV Change in the reserve assets at transaction values (increase: –) 5	+ 0.2	+ 0.0	− 0.2
V Balance of unclassifiable transactions	− 32.2	+ 4.2	− 6.9

1 Special trade according to the official foreign trade statistics (source: Federal Statistical Office). — **2** Includes supplementary trade items. — **3** Including the acquisition/disposal of non-produced non-financial assets. — **4** For details see the table "Financial transactions" on page 52. — **5** Excluding allocation of SDRs and changes due to value adjustments.

Deutsche Bundesbank

demand for foreign consumer goods increased only moderately at the start of the year (+½%). By contrast, there was a rise of around 3½% in imports of intermediate goods. The fact that a large proportion of imported intermediate goods are used in manufacturing products that are ultimately intended for export is also likely to have been a factor. Metals and metal products, which are predominantly included in the intermediate goods segment, were in particular demand in this regard (+8% in nominal terms). By contrast, the value of imports of energy sources fell somewhat compared with the high level recorded at the end of last year when the price of oil was noticeably lower for a time.

Regional breakdown of imports

Suppliers from the OPEC countries were almost the only suppliers to be affected by the lower imports of energy at the start of the year. Accordingly, overall imports – comprising mainly oil – from this group of countries fell by just over 6½% in the period under review. By contrast, Russia and the United Kingdom, as suppliers of energy sources, gained increased shares of the German market. In this respect, each of these two countries now has a greater share than all the OPEC countries put together. Not least as a result of this, total German imports from these two countries rose steeply; in the case of Russia there was a nominal rise of 6½% and in the case of the United Kingdom one of as much as roughly 11% in the first two months of the year. By contrast, the trend in imports from other important partner countries was much less buoyant for most of the period under review. Sales on the German market frequently reached only the average level of the final quarter of 2004 or were even noticeably below it. In particular, imports from China (-3%), the emerging markets of South-East Asia (-4%) and the ten new EU member states (-5%) were therefore considerably down.[1] Overall, there was an increase in imports from non-euro-area countries of just over ½%. Imports from other euro-area trading partners rose even more modestly (just under ½%). In particular, the lower demand (roughly 5%) for products from the Netherlands contributed to this moderate development.

Current account

Owing to the greater increase in the value of exports of goods than that of imports of goods, the seasonally adjusted trade balance in the first quarter of 2005 went up by €4 billion quarter on quarter to €41½ billion. The deficit on invisible current transactions fell by 2½ billion to €13½ billion in seasonally adjusted terms in the same period although the deficit on current transfers increased by €2 billion. Both the €2½ billion fall in the deficit on services and the €2 billion rise in net cross-border income contributed to the lower deficit. All in all, the surplus on Germany's current account went up to €24 billion in the first quarter of 2005 from €17½ billion in the previous quarter.

Financial transactions

Trends in financial transactions

Rising yield differentials between the major currency areas, a certain degree of uncertainty over further global economic developments and a slight easing on the foreign exchange markets following the strong appreciation of the euro at the end of last year determined events on the international financial markets in the first quarter of 2005. This prompted investors operating internationally to focus more heavily on interest-bearing paper. The trends described are also evident in Germany's financial transactions with non-residents, which resulted in net capital exports – not least as counterparts of the larger current account surplus. If portfolio investment and direct investment are taken together, there were outflows of funds of €17½ billion from Germany in the first quarter of the current year.

Portfolio investment

In portfolio investment alone, net capital exports from January to March 2005 amounted to €10 billion after net capital imports of €22½ billion and €4½ billion, respectively, had been recorded in the previous two quarters.

German investment in …

The turnaround can be attributed mainly to transactions by domestic investors, who noticeably increased their new portfolio investment on the international markets during the first three months of the year (€67½ billion, up from €19½ billion in the previous three-month period). Their main preference was for relatively low-risk forms of investment.

… foreign bonds and notes …

They acquired foreign bonds and notes for €55½ billion, notably long-term euro-denominated debt instruments issued by foreign borrowers (€48½ billion). However, the yield advantage of this type of paper in relation to comparable Federal securities fell further in the first quarter. The average spread

1 The data on imports from the new EU member states are subject to increased uncertainty.

Financial transactions

€ billion, net capital exports: –

Item	2004 Q1	2004 Q4	2005 Q1
1 Direct investment	– 17.7	+ 9.8	– 7.8
German investment abroad	+ 9.5	+ 8.7	– 10.2
Foreign investment in Germany	– 27.3	+ 1.0	+ 2.5
2 Portfolio investment	+ 18.6	+ 4.7	– 9.9
German investment abroad	– 32.7	– 19.5	– 67.3
Shares	+ 1.4	– 2.1	+ 0.8
Mutual fund shares	– 7.0	+ 0.8	– 14.5
Bonds and notes	– 29.7	– 20.2	– 55.4
Money market paper	+ 2.6	+ 2.0	+ 1.7
Foreign investment in Germany	+ 51.3	+ 24.2	+ 57.3
Shares	– 0.8	+ 0.5	+ 3.5
Mutual fund shares	+ 0.8	+ 1.2	+ 0.1
Bonds and notes	+ 56.0	+ 22.6	+ 41.9
Money market paper	– 4.8	– 0.0	+ 11.8
3 Financial derivatives 1	– 2.0	– 3.4	– 3.4
4 Credit transactions	+ 8.3	– 33.5	+ 3.2
Monetary financial institutions 2	+ 21.3	– 38.0	+ 6.9
Long-term	– 5.3	– 7.0	– 13.3
Short-term	+ 26.6	– 31.0	+ 20.2
Enterprises and individuals	– 2.9	+ 3.2	– 10.9
Long-term	+ 3.2	– 1.2	+ 2.3
Short-term	– 6.1	+ 4.3	– 13.3
General government	– 3.0	– 1.9	+ 13.8
Long-term	– 1.9	– 0.6	+ 5.2
Short-term	– 1.1	– 1.3	+ 8.6
Bundesbank	– 7.0	+ 3.2	– 6.6
5 Other investment	– 1.0	– 0.9	– 1.3
6 Balance of all statistically recorded capital flows	+ 6.2	– 23.4	– 19.3
Memo item Change in the reserve assets at transaction values (increase: –) 3	+ 0.2	+ 0.0	– 0.2

1 Securitised and non-securitised options and financial futures contracts. — **2** Excluding the Bundesbank. — **3** Excluding allocation of SDRs and changes due to value adjustments.

Deutsche Bundesbank

stood at just seven basis points, ie four points below the level of the final quarter of 2004. Demand from German investors for foreign currency bonds also picked up (€7 billion). Dollar paper, in particular, benefited from the increased yield advantage over euro assets and the recovery of the US dollar.

... investment funds ...

German investors also took a keen interest in foreign mutual fund shares in the first quarter. They added net amounts worth €14½ billion of this type of paper to their portfolios, a move which may have been influenced by the reinvestment of distributed profits. However, the amount invested also exceeded the levels that foreign investment companies had been receiving from Germany at the start of the year over the past few years.

... shares and money market paper

Overall, transactions in shares and money market paper were not a significant factor in the first quarter. German investors sold foreign equities on balance (€1 billion) after acquiring shares for €2 billion in the previous quarter, and, as in the previous quarter, they also reduced their holdings of foreign money market paper (€1½ billion).

Foreign investment in ...

... German bonds and notes, money market paper ...

Foreign investors considerably extended their acquisitions of securities in Germany in the first quarter (€57½ billion compared with €24 billion in the previous three-month period), albeit less so than German investors abroad. Demand for German bonds and notes was particularly high (€42 billion), especially for private bonds (€29 billion, up from €8½ billion) and, to a lesser extent, public sector debt securities (€12½ billion). Demand for the latter even fell slightly on the quarter.

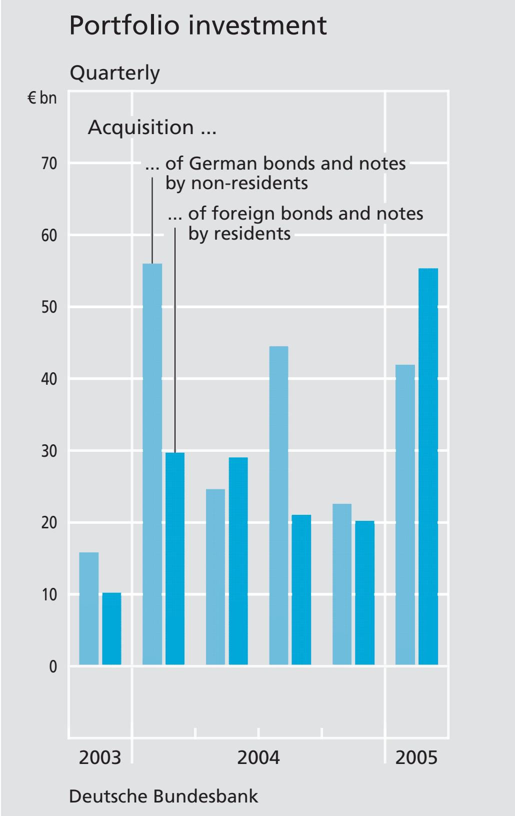
Given the low level of interest rates, the yield advantage of private bonds may have been a crucial factor for investors. Following the trend of acquiring increasing amounts of interest-bearing paper, non-residents bought money market paper on balance between January and March 2005 for the first time since 2003. Funds may have been parked here in order to be able to carry out short-term portfolio shifts while share prices were rising.

... and German shares

Foreign investors increased their involvement in the German share markets somewhat between January and March and acquired €3½ billion worth of shares (compared with €½ billion in the previous three months). This may, to a certain extent, have been an expression of what is still a comparatively favourable assessment of German shares. Their price-earnings ratio on an average of the first quarter and on the basis of earnings forecasts for the coming year thus stood at 12.4 compared with 15.3 for US shares, despite price movements being more favourable at the time.

German direct investment abroad

As with portfolio investment, there were also noticeable net capital exports resulting from direct investment in the period under review (€8 billion), following net inflows of capital at the end of 2004. German parent companies provided their non-resident subsidiaries with €10 billion net between January and March, partly in the form of investment capital but mainly in the form of intra-group trade credits. The most important countries targeted by German direct investment at the start of 2005 were the United States, the other euro-area countries, especially France and the Netherlands, and Switzerland.



Foreign direct investment in Germany

Foreign proprietors increased their direct investment in Germany by €2½ billion net in the first quarter of 2005. The main reason for this was intra-group credit transactions, which likewise count as direct investment. After providing a lesser amount of borrowed funds to their branches domiciled in Germany for some time – not least as a consequence of changes in tax law – foreign direct investors again provided them with sizeable amounts of such funds in the first quarter of 2005. At the same time, they supplied their German subsidiaries with further investment capital.

There were net capital imports of €3 billion in the first quarter of 2005 as a result of the

Statistics on the structure and activities of foreign affiliates (FATS)*

One of the signs of advancing economic globalisation is the growth in foreign direct investment. Monitoring this development and comparing national economies requires detailed statistics such as those expected by the policy decision-makers of the EU at international negotiations on GATS.[1] For this purpose, a council regulation on Community statistics on the structure and activity of foreign affiliates is currently being discussed at EU level. The aim of the regulation is to gain information on affiliates under foreign control (inward FATS) in the various EU countries and – at a later date – to obtain information on affiliates abroad controlled by investors in the various EU countries (outward FATS). Control of an affiliate is assumed to exist if there is a majority stake – that is, a holding of more than 50% of the capital shares. Inward FATS are to be classified regionally on the basis of the ultimate controlling unit, which in statistical terms means that, in the case of a foreign investor which is itself a dependent enterprise, control is allocated to the parent company's country of domicile. One of the objectives of these statistics is to ascertain the cross-border impact on employment, turnover, value added, imports and exports as well as on the research expenditure of the national economies.

The Bundesbank's annual foreign direct investment survey captures cross-border participations of 10% and more in the capital or voting rights of enterprises and already contains some of the aforementioned information on the investment enterprises' turnover and employees.[2] The analysis of the latest statistics in line with the requirements for FATS – solely for cross-border majority participations – gives the following results (more detailed information is contained in the table on page 56) at the end of 2003 for the key figures[3] for enterprises abroad in which German investors have direct or indirect[4] majority participations and for enterprises in Germany in which non-residents have direct or indirect majority participations, the information being classified according to the ultimate controlling unit.

At the end of 2003, there were records of just under 20,000 enterprises abroad in which German investors held a majority stake. Conversely, there were only slightly more than 8,400 enterprises in Germany which were under foreign control. Enterprises in the EU countries accounted for almost half of the German participating interests. Of the other industrial countries, it was primarily the United States, with almost 3,000 enterprises, that featured as a major investment country for German residents. The relatively major importance of the transition and developing countries may be seen in the fact that German investors held participating interests in a total of more than 5,400 enterprises there, which was more than they held in the industrial countries outside the EU. At the end of 2003, for example, a very large number of participating interests were recorded in Poland and the Czech Republic. Overall, German investors' interest in the countries in transition was focused on enterprises in the manufacturing sector, which accounted for almost half of the investment companies in these countries.

Investors from other EU countries played the greatest role in the case of foreign-controlled enterprises in Germany. Most investors from other industrial countries came from Switzerland (with 1,095 participating interests) and the United States (1,699). Investors from the transition and developing countries had only a minor impact on the corporate landscape in Germany, with stakes in fewer than 5% of foreign-controlled enterprises in Germany.

At the end of 2003, there were only about two foreign majority stakes in Germany for every five German majority stakes held abroad. However, such enter-

* Foreign affiliates statistics. — 1 General Agreement on Trade in Services. — 2 Investment enterprises with a balance sheet total equivalent to over €3 million are captured. — 3 The key figures do not include the holding companies which hold other reportable stakes. — 4 Participations of directly held investment companies are deemed to be indirect. The percentages of participating interests are

Deutsche Bundesbank

prises in Germany had a much greater average turnover and, at €740 billion, attained almost two-thirds of the turnover achieved by German investors in their affiliates abroad. German investors' foreign turnover was spread more or less equally between the EU countries and the other industrial countries, notably in France (€94 billion), the United Kingdom (€107 billion) and, in particular, the United States (€329 billion). The transition and developing countries together contributed only 18% to German investors' turnover abroad.

Just over 3.7 million people worked in enterprises abroad in which German investors had a majority stake; 38% of these were in other EU countries, slightly more than one-quarter in the industrial countries outside the EU and (at 37%) a fairly high percentage in the transition and developing countries. In Poland, the Czech Republic and Hungary alone a total of just under half a million employees worked in enterprises under German control. At the end of 2003, about 1.9 million persons worked in Germany in enterprises under foreign control, and more than half of these employees were in affiliates of investors from EU countries. At the end of 2003, there was almost an equal balance in the number of employees in enterprises in the industrial countries outside the EU in which Germans had a majority stake and the number in German enterprises controlled by investors from the industrial countries outside the EU.

In terms of numbers, majority participating interests in enterprises in the manufacturing sector accounted for one-third of the majority stakes on both sides. In 2003, these accounted for 42% of the foreign turnover arising from German majority stakes and just over 54% of foreign investors' turnover in Germany. At around 57%, there was an almost equally large percentage of persons employed in cross-border majority-controlled manufacturing enterprises in both cases. The manufacture of motor vehicles abroad was of particular importance for German investors: in 2003, this economic sector accounted for almost two-fifths of foreign turnover in manufacturing and more than one-quarter of the numbers employed. At around 30%, the percentage of enterprises engaged in the wholesale and retail trades and in the maintenance and repair of motor vehicles, motorcycles and personal and household goods ("trading affiliates") was likewise significant in both directions. Whereas enterprises in Germany accounted for only 29% of the turnover of foreign investors, 37% of foreign turnover was generated in these enterprises. On a percentage basis, the number of employees in this economic sector was about 20% on both sides of the participating interest relationships. More than half of the trading affiliates of German investors were domiciled in other EU countries.

While enterprises engaged in financial intermediation, especially "Other financial intermediaries" (763 participating interests), played a major role for German investors with almost 1,900 majority stakes abroad, this economic sector was only of secondary importance for foreign investors in Germany given that they had fewer than 350 participating interests. A different picture emerges in the services sector sub-area "Real estate, renting and business activities". At the end of 2003, these economic segments accounted for no more than 14% of German investors' foreign participating interests but almost one-quarter of the foreign-controlled enterprises in Germany. The turnover achieved by foreign investors in these enterprises amounted to €49 billion and, in absolute terms, therefore exceeded the sum achieved by German investors in this segment abroad (€40 billion). It was primarily in the economic sector "Other business activities" that foreign investors showed a marked interest.

not multiplied in the chain. A secondary majority stake exists when both the investor holds a majority participation in a primary investment company and this primary investment company holds a further (secondary) majority participation in an enterprise.

Key figures for enterprises directly or indirectly majority-owned on a cross-border basis

Country/economic sector	Number of enterprises End-2003 level		Enterprises' turnover in € billion in 2003		Number of employees in the enterprises End-2003 level in 1,000s	
	German investors abroad	Foreign investors in Germany	German investors abroad	Foreign investors in Germany	German investors abroad	Foreign investors in Germany
Grand total	19,882	8,412	1,147.5	740.1	3,744.4	1,931.1
by investing/lending country 1						
EU countries	9,165	4,606	496.0	406.9	1,415.1	1,052.5
of which						
Euro-area countries	6,948	3,327	365.3	272.6	1,064.4	752.3
of which						
Austria	987	377	53.6	14.8	196.3	52.3
France	1,623	853	94.0	71.6	279.8	243.1
Italy	1,015	273	59.9	23.1	135.0	43.7
Netherlands	1,024	1,106	38.1	119.6	98.9	264.9
Spain	912	94	53.9	7.9	177.3	25.5
United Kingdom	1,650	809	107.0	117.8	277.5	200.9
Other industrial countries	5,275	3,560	443.2	330.0	958.5	894.2
of which						
Japan	298	481	23.7	48.2	45.1	61.6
Switzerland	910	1,095	35.6	71.4	82.2	241.7
United States	2,997	1,699	328.8	194.0	684.5	552.0
Countries in transition	3,094	98	107.4	3.1	815.0	8.7
of which						
China, People's Republic of 2	464	19	9.6	0.4	92.0	0.2
Czech Republic	643	7	28.5	0.2	188.0	0.3
Hungary	485	10	20.5	0.3	138.3	0.4
Poland	776	16	24.2	0.3	162.1	4.0
Developing countries	2,348	308	100.9	20.9	555.8	37.5
in Africa	305	40	14.1	2.4	78.7	6.8
in America	898	103	43.3	6.4	260.7	17.9
in Asia und Oceania	1,145	170	43.5	12.2	216.4	13.1
By economic sector of the direct investment enterprise						
Manufacturing	6,580	2,787	485.3	402.5	2,141.9	1,082.6
of which						
Chemical industry	1,143	324	103.3	44.9	306.8	116.2
Mechanical engineering	1,050	493	40.7	36.7	237.5	166.3
Manufacture of motor vehicles and vehicle parts	724	140	190.3	48.0	574.1	149.3
Electricity, gas and water supply	338	29	30.0	3.2	57.3	3.4
Wholesale and retail trade; Repair of motor vehicles and motorcycles and personal and household goods	6,178	2,450	422.9	216.4	762.6	352.5
Transport and communication services	1,134	337	69.0	25.3	310.1	90.8
Financial intermediation	1,892	347	74.6	19.9	162.0	49.1
of which						
Credit institutions	403	146	–	–	84.2	28.5
Other financial intermediation	763	37	21.1	1.9	20.7	0.9
Real estate, renting and business activities	2,822	1,984	39.8	48.9	168.4	221.3
of which						
Real estate activities	949	563	3.1	2.2	2.6	2.2
Other business activities	809	744	16.3	18.4	91.7	155.8
Other economic sectors	938	478	25.9	23.9	142.1	131.4

1 Key figures for enterprises in which foreign investors from various countries have a majority stake are allocated in full to each country. — **2** Excluding Hong Kong.

Deutsche Bundesbank

Credit transactions of non-banks

statistically recorded non-securitised credit transactions of non-banks. This was due mainly to transactions by general government, which led to net capital imports of €14 billion.[2] By contrast, enterprises and individuals exported funds on balance (€11 billion) during the same period. As is usual at the beginning of the year, they transferred mainly short-term funds that they had repatriated at the end of 2004 to their accounts with foreign banks.

Credit transactions of the banking system

The non-securitised credit transactions of the monetary financial institutions (including the Bundesbank) were almost in balance in the period under review, following net capital exports of €35 billion in the final quarter of last year. There were net inflows of €7 billion resulting from the external payments of credit institutions. By contrast, the cross-border transactions of the Bundesbank which, on balance, were marked by the increase in claims within the large-value payment system TARGET (€5 billion) led to capital exports amounting to €6½ billion net.

The Bundesbank's reserve assets

The Bundesbank's reserve assets, whose changes are shown separately from cross-border financial transactions in the balance of payments, rose only slightly – at transaction values – between January and March. By contrast, valuation changes led to a rise in the reserve assets of just under €2½ billion when valued at market prices. The increase was attributable to a rise in both the price of gold and in the foreign reserve assets.

2 Transactions made by the Federal government, some of which were not statistically recorded until the start of 2005, were among the contributory factors to this comparatively large amount.