

## Germany's international investment position at the end of 2005

Germany's financial links with the rest of the world again increased sharply in 2005. Overall, Germany's external assets rose by 17½% to €4,069 billion and its external liabilities by 12½% to €3,621 billion. As a result, **net foreign assets** at the end of 2005 amounted to €448 billion, or 20% of GDP.

The sharp rise in **Germany's assets and liabilities vis-à-vis non-residents** was due to the buoyancy of cross-border portfolio transactions and to the increase in lending. Valuation changes also had a positive effect. For example, there were nominal exchange rate gains in the case of positions denominated in foreign currency because in 2005 the euro depreciated against major currencies, especially the US dollar. However, an increase in holdings on both the asset and the liability sides of the balance sheet was also the result of price developments in the capital markets, primarily holding gains on shares, with a consequent rise of about one-quarter in the DAX and the Dow Jones EuroStoxx.

Particularly noticeable is the increased internationalisation of the assets held by **German enterprises and individuals**, which include investment funds (but not money market funds). Their external assets rose by €321 billion (+18½%) to €2,035 billion. This development was due primarily to the increased holdings of foreign securities, which accounted for nearly two-thirds of this build-up. Most of these securities were shares, 61% of which were denominated in foreign currency and whose increase was driven largely by price rises in the capital and foreign exchange markets. By contrast, the increase in bond holdings was largely attributable to increased purchases. Furthermore, holdings of mutual fund shares

rose by just under one-third to €199 billion. Foreign direct investment also grew sharply, namely by 15½% to €617½ billion. With regard to the liabilities of enterprises and individuals, it was primarily the increase of €99½ billion (+41%) to €343 billion in German equities held by non-residents that made its mark, the increase being due more or less equally to purchases and price rises. All in all, this sector again constituted the largest group of German net creditors at the end of 2005 with assets of €880 billion compared with €704 billion a year earlier.

The German **monetary financial institutions** (excluding the Bundesbank) increased their lending and deposit business with non-residents more or less to the same extent. The growth of €237½ billion to €1,853 billion in assets was due partly to increased lending and a rise in portfolio stocks. If account is taken of the changes on the liability side, where bond purchases predominated, the German banking system more than tripled its net creditor position from €32½ billion to €102½ billion.

In 2005, the external liabilities of **general government** rose by €93 billion (+15%) to €709 billion and involved Federal bonds held by foreign investors for the most part. Indeed, most of the increase in liabilities is due to the heavy foreign demand for Federal bonds. By contrast, the external assets of general government are less significant. They rose by €6 billion to €50½ billion.

The **net external position of the Bundesbank** rose from €85 billion to €124 billion last year. This was due to both an increase in reserve assets (+€15 billion) – primarily as a result of revaluations owing to the increase in the gold price and the value of the dollar – and the increase in other external assets (+€22½ billion). The increase in other external assets was almost solely the

# Press release

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result of the rise in claims within the large-value payment system TARGET,  
which are generally of a temporary nature.

## Germany's international investment position\*)

€ bn; end of period under review

	Assets			Liabilities		
	Dec.2003	Dec.2004	Dec.2005	Dec.2003	Dec.2004	Dec.2005
<b>I Monetary financial institutions <sup>1</sup></b>	<b>1442.6</b>	<b>1615.5</b>	<b>1853.2</b>	<b>1483.6</b>	<b>1583.2</b>	<b>1750.8</b>
1 Direct investment	66.2	59.3	61.6	10.1	11.1	30.6
Equity capital (excl. real estate)	65.6	58.6	60.7	10.1	11.1	30.6
Real estate	0.6	0.8	0.9	-	-	-
2 Portfolio investment	353.4	430.1	540.9	573.0	655.0	749.6
Shares	14.4	12.3	22.0	26.7	25.4	35.5
Mutual fund shares	10.5	14.2	22.2	1.8	4.3	3.3
Bonds and notes	318.0	387.1	478.3	475.5	568.0	656.7
Money market instruments	10.5	16.5	18.4	69.0	57.2	54.0
3 Loans, currency and deposits <sup>2)</sup>	1021.3	1123.9	1248.5	899.6	916.2	969.7
Short term	627.4	744.4	782.0	619.7	652.5	706.4
Long term	393.9	379.5	466.5	279.9	263.7	263.3
4 Other assets/other liabilities	1.7	2.1	2.2	0.9	0.9	0.9
<b>II Enterprises and individuals</b>	<b>1596.6</b>	<b>1714.2</b>	<b>2034.9</b>	<b>1008.0</b>	<b>1010.4</b>	<b>1154.7</b>
1 Direct investment	504.4	535.8	617.7	517.4	509.7	529.3
Equity capital (excl. real estate)	414.1	423.8	475.4	264.4	290.9	294.1
Other capital	-1.4	2.6	18.0	248.4	214.0	230.0
Claims on affiliated enterprises	103.8	107.9	120.1	269.3	234.9	257.8
Liabilities to affiliated enterprises (reverse investments)	105.3	105.3	102.1	20.9	20.9	27.8
Real estate	91.7	109.3	124.3	4.6	4.7	5.2
2 Portfolio investment	744.4	813.0	1025.2	289.1	290.9	391.7
Shares	300.7	324.4	426.0	241.8	243.3	342.9
Mutual fund shares	134.3	149.9	199.0	17.0	19.2	21.1
Bonds and notes	305.1	333.0	395.2	22.5	21.5	23.4
Money market instruments	4.3	5.7	4.9	7.9	6.8	4.4
3 Loans, currency and deposits	239.2	253.7	268.2	146.4	150.6	167.7
Short term	211.5	221.9	229.4	73.1	74.6	78.9
Long term	27.7	31.8	38.8	73.3	76.0	88.8
4 Trade credits	81.1	82.1	90.7	53.4	56.5	62.9
5 Other assets/other liabilities	27.5	29.7	33.2	1.8	2.7	3.1
<b>III General government</b>	<b>42.0</b>	<b>44.4</b>	<b>50.4</b>	<b>539.3</b>	<b>616.0</b>	<b>709.1</b>
1 Participating interests in international organisations	15.3	15.5	16.7	-	-	-
2 Portfolio investment	-	-	-	522.3	596.8	686.5
Bonds and notes	-	-	-	496.0	572.2	658.8
Money market instruments	-	-	-	26.3	24.6	27.7
3 Loans, currency and deposits <sup>3)</sup>	26.0	28.3	33.1	16.6	18.7	22.1
Short term	3.9	2.1	15.3	4.7	3.9	6.9
Long term	22.1	26.2	17.7	11.9	14.9	15.3
4 Other assets/other liabilities	0.6	0.6	0.6	0.4	0.5	0.5
<b>IV. Bundesbank</b>	<b>95.4</b>	<b>93.1</b>	<b>130.3</b>	<b>10.4</b>	<b>7.9</b>	<b>6.3</b>
1 Reserve assets	76.7	71.3	86.2	-	-	-
2 Other assets/other liabilities	18.7	21.8	44.1	10.4	7.9	6.3
<b>Total (I to IV)</b>	<b>3176.6</b>	<b>3467.2</b>	<b>4068.8</b>	<b>3041.4</b>	<b>3217.5</b>	<b>3620.8</b>

\* For methodological explanations, see Deutsche Bundesbank, *Monthly Report*, March 1998, pp 79-101. - Detailed data on the international investment position can be found in Statistical Supplement 3 "Balance of payments statistics", Table II.9. - 1 Excluding the Bundesbank. - 2 Loans, loans against borrower's notes, bank deposits, assets acquired through assignment etc. - 3 Liabilities: loans against borrower's notes. - Differences in the totals are due to rounding.