

Overall financial flows in 1996

In the course of the past year the German economy experienced an upswing which again was fuelled mainly by exports but which did not embrace domestic demand. The overall financial flows were characterised chiefly by the persistent weakness of corporate capital formation. That investment restraint was compounded by the fact that, following the exceptionally buoyant level of new building in the preceding years, housing construction returned to a more normal momentum and the capital formation of the government sector was even more muted than in 1995. The decline at all levels in the acquisition of fixed assets led to a correspondingly lower need for financial resources. On the other hand, the government deficit grew further. The budget gap once again far exceeded the supply of funds available from the other sectors of the national economy. In the six years since German unification the government has been able to cover only about three-quarters of its financing requirements on average from domestic sources, with foreign lenders supplying the remainder.

Domestic acquisition of fixed assets

In 1996 the aggregate acquisition of fixed assets throughout the German economy reached a total of DM 296 billion; this meant that gross capital formation, after deduction of the consumption of fixed capital, was

Fall in the overall ratio of capital formation

roughly one-tenth lower than in 1995. The combined share of private and government net capital formation in the disposable income of all domestic sectors likewise declined perceptibly to slightly less than 10%; in the two preceding years the ratio of capital formation had been around 11%.

*Investment
restraint on
the part of
producing
enterprises*

The hesitant propensity to invest and low level of investment of producing enterprises was motivated both by short-term cyclical considerations and by longer-term factors. One of the cyclical influences that made themselves felt was presumably the fact that the economic recovery was concentrated on firms active in export business, whereas those enterprises which are more heavily focused on the domestic market hardly benefited at all. It is also possible that the poorer profitability expectations, which had come about in 1995 as a result of the sharp appreciation of the Deutsche Mark in conjunction with high pay rises, have persisted last year. These short-term causes were reinforced by structural weaknesses in the medium-term underlying conditions for corporate capital formation, especially the heavy burden of taxes and social security contributions which enterprises have to bear and the high labour cost, in particular the substantial non-wage labour cost. Total net capital formation by producing enterprises in new tangible fixed assets in 1996 came to only about three-quarters of the previous year's level. This decline principally affected west German enterprises. But in eastern Germany, too, the process of constructing a modern capital stock lost much of its momentum. Nevertheless, according to the ifo institute, east German industry

invested more than twice as much per employee as its west German counterpart.

Despite the decrease in the acquisition of fixed assets by the housing industry, its capital formation ratio, at almost 5% of total disposable income, remained fairly high. In the old Länder, it had already become evident by the end of 1994 that the housing construction boom, which had persisted for many years, and which was primarily associated with the sizeable waves of immigration at the end of the eighties and the start of the nineties, was nearing its end. The fall-off in building work mainly affected apartment house construction in response to the partial supply overhangs of privately financed rented dwellings, whereas the private construction of owner-occupied houses tended to support construction activity. In the east German housing industry, which benefits substantially from the special depreciation facilities allowed under the Promotional Area Act, the demand for construction work rose further last year – albeit far less robustly than before – encouraged not least by the curtailment at the beginning of 1997 of the tax allowances designed to promote housing construction, which generated a fairly strong impulsion to complete buildings by the end of 1996.

*Housing
construction
work back to
normal*

Housing construction investment per inhabitant increased fourfold in the new Länder between 1991 and 1996 measured at current prices; after allowing for the concurrent rise in construction prices, this amounted to a trebling, whereas corresponding housing investment in western Germany virtually stagnated in real terms over the same period. As

*Housing
construction
in eastern
Germany*

Overall asset acquisition, saving and financial balances

DM billion

Item	1991	1992	1993	1994	1995	1996
Asset acquisition						
Acquisition of fixed assets ¹	307.0	311.3	257.1	309.9	325.4	295.8
Enterprises	251.9	245.9	193.6	244.8	264.3	240.7
Producing enterprises	154.5	124.6	56.8	84.0	98.6	73.5
Housing	88.0	108.0	118.4	145.9	153.8	149.4
Financial institutions	9.4	13.3	18.4	15.0	11.9	17.9
Government	55.1	65.4	63.5	65.1	61.1	55.1
Net lending to the rest of the world ²	- 34.5	- 30.8	- 24.1	- 43.9	- 38.7	- 30.0
Total	272.6	280.5	233.1	266.1	286.7	265.8
Memo item						
Acquisition of fixed assets in % ³	12.5	11.8	9.6	11.0	11.1	9.9
Saving ⁴						
Households	213.7	233.7	220.3	213.1	222.3	233.1
Enterprises	98.6	68.2	58.9	68.4	120.3	111.6
Producing enterprises ⁵	30.9	11.1	20.0	15.7	54.8	43.8
Housing ⁵	28.4	22.9	3.6	7.9	13.8	11.4
Financial institutions	39.3	34.3	35.4	44.9	51.7	56.5
Government ⁵	- 39.7	- 21.4	- 46.1	- 15.4	- 55.9	- 78.9
Total	272.6	280.5	233.1	266.1	286.7	265.8
Memo item						
Saving in % ³	11.1	10.6	8.7	9.4	9.8	8.9
Financial balances						
Households	213.7	233.7	220.3	213.1	222.3	233.1
Enterprises	- 153.4	- 177.7	- 134.7	- 176.4	- 144.0	- 129.1
Producing enterprises ⁵	- 123.6	- 113.5	- 36.8	- 68.3	- 43.8	- 29.7
Housing ⁵	- 59.7	- 85.2	- 114.8	- 138.0	- 140.0	- 138.0
Financial institutions	30.0	21.0	17.0	29.9	39.8	38.6
Government ⁵	- 94.8	- 86.8	- 109.7	- 80.6	- 117.0	- 134.0
Total ⁶	- 34.5	- 30.8	- 24.1	- 43.9	- 38.7	- 30.0
Memo item						
Financial balances in % ³						
Households	8.7	8.8	8.2	7.6	7.6	7.8
Enterprises	- 6.2	- 6.7	- 5.0	- 6.3	- 4.9	- 4.3
Producing enterprises ⁵	- 5.0	- 4.3	- 1.4	- 2.4	- 1.5	- 1.0
Housing ⁵	- 2.4	- 3.2	- 4.3	- 4.9	- 4.8	- 4.6
Financial institutions	1.2	0.8	0.6	1.1	1.4	1.3
Government ⁵	- 3.9	- 3.3	- 4.1	- 2.9	- 4.0	- 4.5
Total ⁶	- 1.4	- 1.2	- 0.9	- 1.6	- 1.3	- 1.0

Sources: Official national accounts and Bundesbank estimates. — ¹ Net acquisition of tangible fixed assets and stocks. — ² Corresponds to the difference between saving and the acquisition of fixed assets in Germany. — ³ As % of total disposable income. — ⁴ Including capital transfers. — ⁵ In 1991 including partial remission of the Federal Railways' debt by the Federal Government amounting to DM

12.6 billion; in 1995 after eliminating the assumption of the Treuhand agency's debt and part of the old debt of east German housing enterprises by the Redemption Fund for Inherited Liabilities amounting to around DM 205 billion and DM 30 billion, respectively. — ⁶ Corresponds to net lending to the rest of the world.

a result of this diverse allocation of resources, nominal housing construction investment in the eastern part of Germany in 1996, at DM 4,260 per inhabitant, was almost half as high again as in the western part, above all owing to the massive outlay on renovating and modernising the partly dilapidated housing stock in eastern Germany.

Renewed curbing of government capital formation

The fact that the construction industry became a weak point of overall economic development last year was related not least to the investment behaviour of the public sector. At all levels of government, but particularly at the level of the local authorities (the principal source of government capital formation), the sorely needed fiscal consolidation measures focused not on consumption spending – as would have been macroeconomically appropriate – but on capital formation projects. Net capital formation by the government sector last year was around one-tenth lower than in 1995; its share in the disposable income of all domestic sectors was consequently one-fifth below the average during the previous years.

Overall supply of savings

Stable private saving ratio

The overall supply of savings likewise fell in 1996, although not as much as the acquisition of fixed assets. Private saving was once again a mainstay of domestic saving activity; for the second year in succession its share in saving from households' disposable income remained virtually unchanged at 12 ½ %. However, this constant saving ratio masks contradictory influences on private saving behaviour which probably stem predom-

inantly from shifts in the weights of individual components of disposable income. Thus last year the weight of "mass income" (i.e. net wages and salaries plus government current transfers), out of which comparatively little is saved, contracted further, whereas that of the other components, chiefly entrepreneurial income and property income (which facilitate a higher saving ratio), expanded correspondingly. In 1996 the saving effects resulting from the disparate income trends appear to have roughly cancelled each other out. However, private saving from current income is not identical to the contribution made by households to the overall supply of funds. The latter is merely that portion of households' saving which remains after deducting own funds for private expenditure on tangible fixed assets. Defined in this way, households' financial surplus in 1996, at DM 233 billion, was some 5% higher than in 1995.

By contrast, the amount of profits (including investment grants received) ploughed back by producing enterprises was smaller (at least according to the currently available figures), even though operating profits improved somewhat further overall in 1996 – albeit differentiated, *inter alia*, according to the degree of orientation towards export activity. Distributions made to shareholders by incorporated enterprises apparently likewise increased sharply last year thanks to a more generous dividend policy. In addition, self-employed persons and members of the professions probably withdrew larger amounts of funds from their enterprises. Past experience suggests that a major part of such funds is

Smaller amount of profits ploughed back by enterprises

used for private pension provisions, for which tax-favoured investment vehicles are quite often chosen.

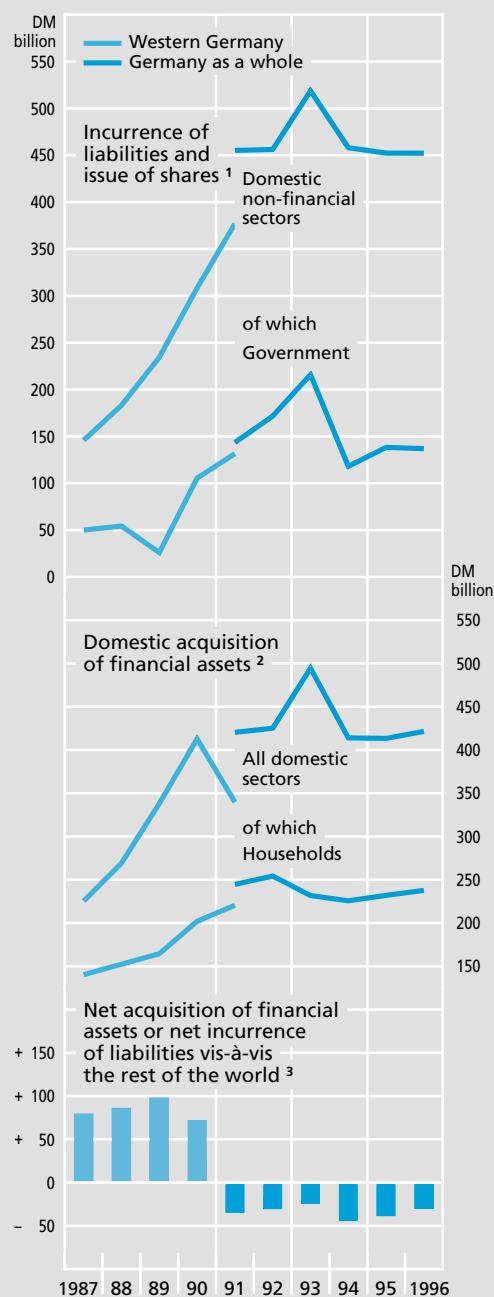
Own funds of the housing sector

The level of own funds in the housing sector probably likewise showed a declining trend. That may appear surprising as the shifts in the financing structures associated with the lower level of new construction of rented dwellings would normally tend to result in a higher self-financing ratio and hence a greater portion of own funds. However, this tendency was broken last year, presumably because individuals again invested heavily in east German real estate so as to take advantage of the more favourable depreciation rates that applied up to the end of 1996 under the Promotional Area Act. Although such buildings are purchased as a rule by investors in the higher income brackets, they are traditionally financed to a fairly considerable extent by borrowing, with the anticipated tax refunds being used subsequently to top up the required amount of equity.

Higher deficit of the government sector

Although parts of the government sector showed perceptible restraint in their expenditure policy in 1996, that was not enough to prevent a further rise in the public sector deficits, to which not least unexpected revenue shortfalls also contributed. The Federal Government, in particular, was confronted with higher shortfalls on current account (including capital transfers). The government's larger negative contribution to saving lowered total saving in 1996 to DM 266 billion; this represented a share in total income of not quite 9%. Consequently, domestic saving was once again unable to fully cover the ac-

Overall financial flows



¹ Borrowing by households, non-financial enterprises and the government. — ² Acquisition of financial assets by households, non-financial enterprises and the government; including the financial surplus of financial institutions and the balancing item of the balance of payments recorded as a counterentry in the financial account of enterprises — ³ Corresponds to the financial balance vis-à-vis the rest of the world.

quisition of fixed assets, although the shortfall of DM 30 billion was somewhat smaller than in 1995.

Financial balances of the sectors

Enterprises' external financing requirements

However, it should be noted that the narrowing of the overall financing gap was largely attributable to the low level of capital formation. This was mirrored, *inter alia*, in the fact that the corporate sector's net external financing requirements were quite small; the financing deficit of producing enterprises as a percentage of overall income came to only 1% in 1996. As a result, it is likely that the balance sheet ratios and the financial soundness of enterprises improved overall last year.

Government deficit

By contrast, the government budget deficit (as defined in the national accounts) rose substantially in 1996 to DM 134 billion. Private saving was therefore channelled increasingly to public authorities and hence no doubt predominantly into consumption, whereas enterprises drew less on households' savings on account of their lower expenditure on tangible fixed assets. Although this combination of circumstances facilitated the funding of the government deficits last year, it runs counter to the objective of reducing the high level of unemployment. For that purpose, the share of corporate capital formation in overall income needs to be far higher – on a permanent basis; the appropriate underlying conditions and the necessary financial leeway for that must be created, in particular, through charting a suitable economic and fiscal policy course.

The government's heavy direct recourse to the supply of savings is compounded by the fact that in recent years the ability of households to save has been adversely affected by the growing burden of taxes and social security contributions; in other words, domestic saving has been reduced. At almost 8% of the disposable income of all domestic sectors, the financial surplus of households in Germany is still relatively high – compared, say, with the Anglo-Saxon countries; but it has fallen since the beginning of the nineties, when the overall taxes and social security ratio began to rise again. On average over the past two years, these burdens (to the extent that they are allocated direct to households in the national accounts) amounted to 22½% of households' gross income, compared with 20% in 1990. The private saving ratio and hence households' overall financial contribution have declined on the same scale since then.

Supply of private savings

Basic tendencies of the overall financial flows

Last year it again became clearly apparent that the trend in and level of interest rates have a major bearing on the financial flows. In view of the lower interest rates, the maturity preferences of borrowers and investors diverged sharply, and greater maturity transformation demands were made on financial institutions. On the borrowers' side, enterprises and households raised a much smaller volume of short-term funds in 1996, whereas the government sector resorted more extensively to such financial resources, primarily in

Different maturity preferences

Financial assets and liabilities * of domestic non-financial sectors

DM billion

Item	End-of-year-level				Changes	
	1970 1	1980 1	1990	1996 e	1995	1996
Financial assets						
Longer-term						
with banks 2	187.1	439.1	707.3	780.9	33.8	- 8.0
with other institutional investors	110.4	325.7	695.1	1,092.2	71.0	82.5
in the securities market 3	209.5	454.5	1,323.6	2,501.5	107.9	33.6
other investments 4	82.4	230.3	529.9	666.3	11.6	43.3
Subtotal	589.4	1,449.7	3,255.9	5,041.0	224.4	151.4
Short-term						
with banks 2	315.5	805.0	1,651.1	2,492.2	80.6	173.4
other investments 5	69.4	211.9	490.9	684.7	33.2	63.3
Subtotal	384.9	1,017.0	2,142.1	3,176.8	113.7	236.7
Grand total	974.3	2,466.6	5,397.9	8,217.8	338.1	388.1
of which						
Households	524.3	1,483.5	3,185.1	4,955.0	235.5	241.2
Enterprises 4, 6	250.8	661.9	1,610.8	2,670.0	108.1	140.7
Government	199.2	321.2	602.1	592.8	- 5.5	6.3
Memo item						
Financial assets as % of GDP	144.2	167.0	202.2	234.3	9.8	11.1
Liabilities and shares outstanding						
Longer-term						
to banks 2	397.8	1,197.9	2,252.4	3,687.5	279.2	262.6
to other institutional investors	83.2	236.1	358.7	465.6	14.5	10.4
in the securities market 7	196.5	371.4	1,123.8	2,502.3	68.3	73.2
to other lenders 4	79.9	219.7	488.1	559.6	- 2.0	16.5
Subtotal	757.4	2,025.1	4,222.9	7,215.1	360.0	362.7
Short-term						
to banks 2	136.9	335.2	617.1	817.5	75.3	42.2
to other lenders 5	46.7	110.8	217.2	300.7	2.2	50.7
Subtotal	183.6	446.0	834.3	1,118.2	77.6	92.9
Grand total	941.0	2,471.1	5,057.2	8,333.2	437.6	455.5
of which						
Households	32.5	143.2	274.3	387.6	13.2	8.1
Enterprises 4, 6	786.5	1,869.9	3,678.8	5,648.9	312.9	307.2
Government 4	122.0	458.0	1,104.1	2,296.7	111.5	140.2
Memo item						
Liabilities as % of GDP	139.3	167.3	189.4	237.6	12.7	13.0

* Including shares outstanding. — 1 Western Germany. — 2 In Germany and abroad. — 3 Stocks of bonds, investment fund certificates and shares. — 4 The changes in 1995 are shown after the elimination of transactions associated with the assumption of the Treuhand agency's debt and

part of the old debt of east German housing enterprises by the Redemption Fund for Inherited Liabilities. — 5 Including money market paper. — 6 Including housing. — 7 Liabilities arising from bonds and shares outstanding.

Deutsche Bundesbank

the money market. Consequently, the total amount of short-term liabilities incurred was actually a little higher than before. Nevertheless, the demand for longer-term funding, particularly from banks, remained relatively high in 1996, at DM 362 billion; this amount corresponded to almost four-fifths of all additional external resources. On the investors' side, by contrast, only one-third of the financial resources was locked in for longer periods, whereas short maturities were chosen for two-thirds. This trend basically reflects the investment behaviour of households and enterprises.

*Maturity
structure of
assets and
liabilities*

Despite these tendencies towards greater liquidity in the economy, the maturity structure of domestic financial assets changed only little in 1996. At the end of last year households, enterprises and public authorities held financial assets amounting to around DM 8,220 billion, of which roughly 40 % were of a short-term nature. Of the liabilities, which totalled DM 8,330 billion, short-term commitments had a much lower weight of 14%.¹ The weight of short-term commitments has declined significantly on both sides of the balance sheet for quite some time. The difference in the maturity patterns also shows that changes in interest rates are reflected as a rule much more promptly in financial assets than in liabilities – with corresponding consequences for the net interest received or paid by the individual sectors.

Financing pattern of producing enterprises

Even in gross terms, i.e. prior to deducting the consumption of fixed capital, enterprises (excluding financial institutions and excluding housing) reduced their expenditure on tangible fixed assets and stocks in 1996 compared with the previous year by 4½ % to DM 392 billion. A noticeable symptom of the investment weakness can be seen, on the one hand, in the curbing, in particular, of spending on industrial and commercial buildings, a type of capital formation which is normally more closely associated with capacity extensions than are other forms of investment. On the other hand, more was spent on machinery and equipment than in the previous year, not least presumably under the pressure of rationalisation. Enterprises likewise displayed a cautious attitude towards stockpiling, which may have been prompted in part by the fall in the prices of important raw materials in the course of last year.

*Gross capital
formation*

This lacklustre capital formation by the corporate sector cannot be attributed to any shortage of funds available for investment purposes. This can be deduced alone from the fact that expenditure on tangible fixed assets contracted overall to a greater extent

*Internal
resources*

¹ The comparatively small share of short-term financing is, however, partly a consequence of the consolidated recording of assets and liabilities in the financial flows and financial assets and liabilities accounts. They focus on the credit operations between the different economic sectors, whereas borrowing and lending within the sectors are ignored. This leads above all to a neglecting of the financial operations between domestic enterprises which – owing to the mutual trade debtors and trade creditors on which they are principally based – are primarily short-term.

Producing enterprises' asset acquisition and its financing

DM billion

Item	1991	1992	1993	1994	1995	1996
Asset acquisition						
Gross capital formation	409.2	402.0	350.8	386.1	409.8	391.6
Tangible fixed assets	396.4	405.5	362.4	369.8	382.1	374.6
Stocks	12.8	- 3.5	- 11.6	16.4	27.7	17.0
Acquisition of financial assets	128.9	133.1	164.6	124.1	117.3	136.5
Funds placed with banks ¹	49.7	104.0	98.4	- 16.9	41.5	75.2
Short-term	48.8	106.1	104.1	- 12.6	30.8	68.5
Longer-term	0.9	- 2.1	- 5.7	- 4.3	10.7	6.7
Acquisition of bonds ²	29.5	22.4	8.6	70.9	6.6	- 19.2
Acquisition of shares ³	38.3	31.9	38.4	29.6	45.0	25.1
Other claims	11.5	- 25.2	19.3	40.4	24.1	55.3
on residents ^{4, 5}	1.4	3.5	8.5	9.3	- 1.1	6.6
on non-residents	10.1	- 28.7	10.8	31.1	25.2	48.7
Total	538.1	535.1	515.4	510.3	527.1	528.2
Financing						
Internal resources	285.6	288.4	314.0	317.9	366.0	361.9
Net retained income ^{5, 6}	30.9	11.1	20.0	15.7	54.8	43.8
Depreciation allowances	254.7	277.4	294.1	302.2	311.2	318.2
Incurrence of liabilities ⁷	240.6	239.6	227.8	211.0	182.1	165.1
with banks ^{1, 5}	172.8	137.8	97.6	50.9	143.0	101.6
Short-term	81.6	20.8	- 18.5	13.0	70.1	29.7
Longer-term	91.2	117.0	116.1	37.9	72.9	71.9
with insurance enterprises	0.7	- 1.8	- 5.9	- 0.6	1.6	- 1.3
in the bond market ^{5, 8}	7.5	41.8	91.8	90.5	- 6.4	- 8.6
in the equity market ³	14.5	19.2	20.0	36.7	45.1	34.4
with other lenders	45.2	42.6	24.5	33.5	- 1.3	39.0
in Germany	25.7	31.5	13.5	11.9	- 15.7	11.6
abroad	19.5	11.1	11.0	21.6	14.4	27.4
Total	526.2	528.1	541.9	528.8	548.0	527.0
Net acquisition of financial assets	- 111.7	- 106.5	- 63.3	- 86.8	- 64.8	- 28.5
Statistical discrepancy ⁹	11.9	7.1	- 26.4	- 18.6	- 21.0	1.1
Financial balance ¹⁰	- 123.6	- 113.5	- 36.8	- 68.3	- 43.8	- 29.7

¹ In Germany and abroad. — ² Including money market paper and investment fund certificates. — ³ Including other participatory instruments. — ⁴ Including claims on property insurance enterprises. — 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 capital transfers received (net). —

⁷ Including the procurement of investment capital. — ⁸ Including money market paper. — ⁹ Corresponds to the balancing item in the financial account with the rest of the world owing to unclassifiable payment transactions with non-residents. — ¹⁰ Internal resources less gross capital formation.

Deutsche Bundesbank

than internal resources. At an estimated DM 362 billion, the aggregate financial resources available to enterprises in 1996 from depreciation allowances, reinvested profits and investment grants were slightly lower than in 1995.² The main factor behind this decline – as mentioned previously – was the higher dividend distributions by means of which larger firms on the “upside” of the business cycle, in particular, allowed their shareholders to participate more directly than before in their commercial success. This is confirmed, among other things, by the profit transfers of foreign subsidiaries to their parent companies.

“Straddle effect” coupled with lower financial deficit

In the wake of the muted investment activity, the overall net external financing requirements of producing enterprises fell appreciably further in 1996 (by one-third) to DM 30 billion. Recourse to additional loans and participating interests decreased by a smaller percentage. This typically indicates a further differentiation of financing patterns within the enterprise sector that are more redolent of recessionary periods. Firms which do not reinvest their recovered capital or which do so only partly, preferring instead to keep it liquid for the time being, stand in contrast to other enterprises which, having a shortage of own funds, need to step up their borrowing in order to finance involuntary stockbuilding, growing trade debtors or expenditure on tangible fixed assets. In 1996, too, this phenomenon was reinforced by various other influences. Thus, *inter alia*, in the wake of focusing on their “core business”, internationally operating German and also foreign groups, in particular, selectively sold off peripheral or

less profitable divisions or participating interests in order to improve their earnings potential. As a rule, the proceeds from such transactions are initially allocated to the liquid reserves and can be used subsequently to fund acquisitions which fit better into the more streamlined corporate concept or to improve the balance sheet structure. By contrast, firms on the purchasing side during such restructuring moves mostly require extra external resources.

The procurement of funds by enterprises was chiefly characterised by their desire to consolidate their financial ratios and to widen their risk capital base. In 1996 enterprises took up DM 107 billion, or one-tenth more than in the previous year, in the form of longer-term loans and equity capital. As a result, the weight of longer-term financing again increased perceptibly within the smaller overall volume of procured funds; this remains true even if the analysis is confined to the persistently high level of longer-term borrowing.

Longer-term procurement of funds

In 1996 firms had greater recourse than in previous years to the domestic equity market, through which around DM 31 billion, or nearly one-fifth of the additional external financial resources, was raised. However, this record figure was attributable solely to the

Greater recourse to the equity market

² In this context the assumption of the Treuhand agency's debt amounting to DM 205 billion by the Redemption Fund for Inherited Liabilities at the beginning of 1995, which (in purely statistical terms) represents a capital transfer for the enterprise sector, has been disregarded. This transfer obscures enterprises' real credit transactions (because of the accompanying entries showing “notional” redemptions of liabilities to banks and to the bond market), and hence the elimination of this special factor is appropriate for analytical reasons.

public listing of Deutsche Telekom, which in this way procured DM 20 billion of funds; this allowed it to reduce its massive debt mountain and to finance further restructuring moves in readiness for the tougher competition in future on the telecommunications market. The other enterprises, by contrast, stayed away from the equity market – despite the overwhelmingly favourable stock exchange climate – in part no doubt because they feared that the huge volume of the Deutsche Telekom share issue would saturate the market and therefore deferred their own equity issue plans for the time being.

Far fewer funds flowed to enterprises from foreign investors in the form of other participating interests. The total amount of investment capital raised in 1996 (including the flotation of Deutsche Telekom shares) was DM 34 billion; that was more than in the two preceding years, both absolutely and relatively, if the transformation of the Federal Railways and the Federal Post Office into public limited companies is disregarded as that did not actually entail any recourse to the market in 1994 and 1995.

The procurement of risk capital from the organised capital markets is normally confined to a small number of major enterprises, whereas the bulk of German firms traditionally resort to bank borrowing as their source of finance.³ The total of around DM 72 billion that was raised in 1996 from domestic and foreign banks in the form of investment and consolidation loans was almost as much as in 1995. The borrowers' statistics indicate that, in particular, enterprises in the expanding ser-

vices sectors and some firms in the manufacturing sector, which is subject to fierce international competitive pressure, had a greater need for credit last year. The distribution and energy sectors, on the other hand, substantially cut back their procurement of longer-term funds from banks. In the transport and telecommunications sector loan repayments again predominated, partly owing to the redemptions made by Deutsche Telekom, which used the proceeds from its share issue in 1996 in order to repay a total of DM 12 ½ billion of bank and bonded liabilities incurred by the former Federal Post Office. Liabilities arising from bonds were therefore likewise reduced substantially last year on balance, even though a number of enterprises raised some extra funds via bond issues for the first time in a long while; in some cases this took the form of tranches as part of medium-term note programmes.

In contrast to the longer-term procurement of funds, shorter-term financing declined considerably in significance in 1996. This was attributable to the presumably smaller need to finance stocks and sales in view of the weak domestic demand and to the large-scale repayment of outstanding debt. At around DM 30 billion, enterprises borrowed only half the overall volume of short-term funds from domestic and foreign banks in 1996 compared with 1995. Only industries whose volume of business expanded or in which payment flows diverged, such as in the construction or distribution sectors, required

*... repayment
of bonded debt*

*Less shorter-
term borrowing*

*Persistently
high refinan-
cing via banks
and ...*

³ See Deutsche Bundesbank, Shares as financing and investment instruments, Monthly Report, January 1997, page 27 ff.

a higher amount of working funds or bridging loans. This finding of lower short-term borrowing overall still holds after taking into account the fact that a larger quantity of such funds came from abroad. These cases, no doubt, related in the main to operations in the context of the greater centralisation of financial management in internationally operating enterprises.

Large rise in short-term funds placed with banks

The fact that the acquisition of financial assets increased in 1996 to DM 137 billion is ultimately ascribable to the mixed cyclical picture. The rise owed much to the fact that – as mentioned – many enterprises kept their depreciation allowances and other income in a liquid form for the time being on account of their hesitant investment behaviour. This tendency was reinforced by the temporary liquid holding of share issue proceeds (Deutsche Telekom) and by advance payments for tax-favoured real estate projects by means of which investors sought to safeguard the more generous depreciation facilities which applied to eastern Germany up to the end of 1996. This transfer of funds led to a considerable increase in liquidity not only in the housing industry as such but also among property developers and construction investment associations (which belong to the enterprise sector). The upshot was that in 1996 more than twice the volume of short-term funds was placed with domestic and foreign banks than in the previous year. The weight of shorter-term assets was also increased by the substantial allocation of working funds to affiliated enterprises abroad, especially in the chemical and electrical engineering industries, as well as by other intra-group financial

Producing enterprises' financial assets and external resources

End-of-year level, DM billion			
Item	1990	1995	1996 e
Financial assets			
with banks ¹	674.5	956.2	1,064.8
Short-term	608.0	887.7	986.2
Longer-term	66.5	68.5	78.7
in the form of bonds ²	95.2	232.3	242.2
in the form of shares ³	469.0	794.9	840.5
in the form of other claims	358.9	434.5	491.1
on residents ⁴	68.0	114.6	122.6
on non-residents	290.9	319.9	368.5
Total	1,597.6	2,417.9	2,638.7
External resources			
from banks ¹	1,275.2	1,820.6	1,950.8
Short-term	562.2	687.9	744.4
Longer-term	713.0	1,132.6	1,206.4
from insurance enterprises	86.4	100.1	110.1
from the bond market ⁵	65.2	110.5	101.5
from the equity market ³	665.4	1,078.2	1,229.2
from other lenders	526.5	555.3	571.0
in Germany	365.8	337.3	349.0
abroad	160.7	218.0	222.1
Total	2,618.7	3,664.7	3,962.6

¹ In Germany and abroad. — ² Including money market paper and investment fund certificates. — ³ Including other participatory instruments. — ⁴ Including claims on property insurance enterprises. — ⁵ Including money market paper.

Deutsche Bundesbank

transactions affecting both sides of the balance sheet.

By contrast, far fewer funds were placed at longer term in 1996 than in 1995. This was mainly due to the fact that enterprises ran down their bond holdings appreciably – by an estimated DM 27 billion – either by not re-investing funds that had become due or through portfolio sales. The acquisition of participating interests in Germany and abroad was also well below the previous year's comparatively high level, a fact to which a number of large-scale transactions had contributed.

Lower longer-term assets

Thanks to their continuing consolidation efforts, producing enterprises were able to lower their indebtedness appreciably during

Improvement in indebtedness and liquidity

the past few years. Since 1993 enterprises' liabilities have increased perceptibly more slowly than their gross income – as is customary in the wake of recessionary phases. Aggregate liabilities came to around DM 2,730 billion at the end of 1996, or four times the gross income, compared with approximately 4.3 times in 1993. This drop in debt, together with the fall in interest rates, pushed down the interest expenditure ratio, as the corporate balance sheet statistics confirm. In addition, the liquidity position of enterprises improved on average – gauged by the ratio of short-term bank deposits to short-term bank loans – although that by no means rules out liquidity problems in many individual instances.

Households' saving and investment behaviour

Preferences for the acquisition of fixed assets

Given a virtually unchanged propensity to save, households had around 4% more investable funds, at DM 286 billion, in 1996 than a year before. As in previous years, just under one-fifth was channelled into the acquisition of housing via building and loan associations. However, that does not fully reflect households' predilection for the acquisition of fixed assets as they also procure funds for this purpose by other means; since these other resources cannot be quantified precisely, they are included neither in households' income nor in their saving. The desire to acquire fixed assets appears to have strengthened in 1996. Under the impact of falling construction and housing prices and historically low borrowing rates, private

demand for new and older dwellings grew; that is indicated, among other things, by the greater number of building permits for one-family houses and by the scale of mortgage commitments to fund new and older properties. On the other hand – as mentioned several times already – the curtailing of the depreciation facilities available for east German real property encouraged higher-income households to participate in closed real estate funds and construction investment associations engaged in building new rented accommodation or in renovating older properties in the new Länder.

Last year households showed a preference in acquiring financial assets for short-term risk-free financial instruments, partly because of the low interest rates but partly no doubt also on account of the labour market risks. This substantially boosted private money balances, especially cash reserves and short-term savings deposits towards which the weight of special savings schemes has shifted more and more in recent years.⁴ At the end of 1996 around DM 680 billion, or 61% of the savings balances held by individuals, was invested under special terms; ten years previously the figure had been only 22%. Two-thirds of these special savings schemes were concentrated on the short-term investment segment. The sustained preference for alternative forms of investment which are short-term but at the same time carry a fairly attractive rate of interest shows that the bulk of such funds are more akin to capital market

Greater preference for special savings schemes

⁴ See Deutsche Bundesbank, The longer-term trend in savings deposits and its implications for monetary targeting, Monthly Report, May 1997, page 43 ff.

resources than to funds held for consumption purposes. This supposition is indirectly corroborated by the fact that the sale of Deutsche Telekom shares at the end of last year noticeably slowed the growth of private cash holdings as the associated share purchases were evidently financed mainly by dissolving shorter-term savings accounts or by selling money market fund certificates. In the upshot households added DM 109 billion to their liquid funds in 1996, which was more than half as much again as in the previous year; but additions to liquid resources were still below the record result of 1993.

*Shifts away
from portfolio
investment*

The steep increase in cash holdings probably also owed something to major shifts in private savings at the expense of longer-term funds placed with banks or in the bond market. According to our calculations, net purchases of bonds in 1996 amounted to no more than one-third of the volume in the previous year. The interest of investors was focused principally on Federal savings bonds, which are devoid of any market price risk, and similar bond market products (such as bonds with progressively rising interest rates), which were likewise bought with the aim of limiting risk to a certain extent, but also on foreign bonds bearing attractive rates of interest – some of which were bought for speculative reasons. In other categories of debt securities, especially bank bonds (which are held mainly by households) redemptions predominated. Some of these matured funds flowed into other securities, such as investment fund certificates into which private savers channelled rather more resources on balance in 1996 than a year before. As is

mostly the case in low-interest-rate phases, they chiefly favoured certificates of real estate funds in which around DM 14 billion, or twice as much as in 1995, was invested, with the result that these funds actually had to suspend the sale of their certificates temporarily. Given the globally buoyant stock exchange climate, more certificates of foreign share-based funds and in part certificates of German bond-based funds were purchased, whereas money market fund certificates were generally returned on balance.

Owing to households' participation in the public launching of Deutsche Telekom, their purchases of shares also increased markedly in 1996. According to the allotment of the Deutsche Telekom share issue, which was oversubscribed threefold, private investors (including Deutsche Telekom employees) acquired more than two-fifths of the 713 million shares for a total of roughly DM 8½ billion. Together with their other purchases, households may have invested over DM 10 billion – or 4% of their aggregate acquisition of financial assets – in equities on balance in 1996. As a result, purchases of shares attained a significance similar to that in 1987, when private investors had bought equities on an exceptionally large scale in the wake of that year's stock market crash.

*Purchases of
shares*

As is frequently the case at times when saving is relatively subdued on the whole, contractual saving outside banks gained ground in 1996. The change in the government's programme for promoting saving with building and loan associations, which significantly expanded the number of potential beneficiar-

*Saving with
building and
loan
associations*

Households' saving, acquisition of financial assets and incurrence of liabilities

DM billion

Item	1991	1992	1993	1994	1995	1996
Income and saving						
Disposable income	1,892.2	2,037.2	2,101.8	2,169.6	2,251.9	2,328.4
Private consumption	1,630.3	1,754.7	1,829.8	1,902.9	1,974.7	2,039.1
Private saving	261.9	282.5	272.0	266.8	277.2	289.2
Memo item						
Saving ratio in % ¹	13.8	13.9	12.9	12.3	12.3	12.4
Capital transfers (net) ²	- 1.5	- 2.0	- 2.0	- 2.4	- 2.8	- 3.6
Investable funds	260.3	280.6	270.0	264.3	274.4	285.6
Acquisition of housing ³	46.6	46.9	49.7	51.3	52.1	52.5
Acquisition of financial assets						
Funds placed with banks ⁴	79.8	109.3	151.0	26.5	77.5	85.9
Currency and sight deposits	14.2	41.7	35.1	15.7	23.6	33.5
Time deposits	55.9	47.5	47.3	- 56.6	- 54.0	- 38.4
Savings bonds	7.9	3.1	- 20.4	- 13.2	4.8	- 4.4
Savings deposits	1.8	16.9	88.9	80.6	103.1	95.3
Funds placed with building and loan associations	6.4	6.6	6.8	6.2	3.4	9.5
Funds placed with insurance enterprises	52.0	60.3	69.6	74.6	86.0	86.8
Acquisition of securities	94.1	62.7	- 2.3	110.3	56.9	47.3
Bonds ⁵	66.6	12.6	- 25.0	38.6	39.9	13.7
Investment fund certificates	27.0	54.0	36.1	69.7	20.4	23.1
Shares	0.5	- 3.9	- 13.4	2.0	- 3.4	10.5
Other assets ⁶	15.9	18.9	10.2	11.7	11.7	11.7
Total	248.1	257.8	235.3	229.2	235.5	241.2
Incurrence of liabilities ⁷	34.4	24.2	15.0	16.1	13.2	8.1
Memo items						
Total financial assets ⁸	3,473.7	3,721.6	4,109.8	4,290.0	4,657.1	e 4,955.0
Total liabilities ⁸	1,181.5	1,260.6	1,372.3	1,496.3	1,604.3	e 1,720.8
Consumer credit	314.0	338.5	353.6	365.2	372.1	e 387.6
Building loans ⁹	867.5	922.1	1,018.7	1,131.1	1,232.2	e 1,333.2
Net financial assets	2,292.2	2,461.0	2,737.5	2,793.7	3,052.8	e 3,234.2
do. in % ¹⁰						
Total financial assets	184	183	196	198	207	e 213
Total liabilities	63	62	65	69	71	e 74
Consumer credit	17	17	17	17	17	e 17
Building loans	46	45	48	52	55	e 57

¹ Private saving as % of disposable income. — ² Premiums and bonuses in connection with government saving promotion schemes less inheritance tax. — ³ Outpayments of balances with building and loan associations after allocation of contracts, and repayments of building and loan association loans, which are recorded as capital transfers to

housing. — ⁴ In Germany and abroad. — ⁵ Including money market paper. — ⁶ Mainly claims under company pension commitments. — ⁷ For consumption purposes. — ⁸ End-of-year levels. — ⁹ For new buildings and modernisations. — ¹⁰ As % of disposable income.

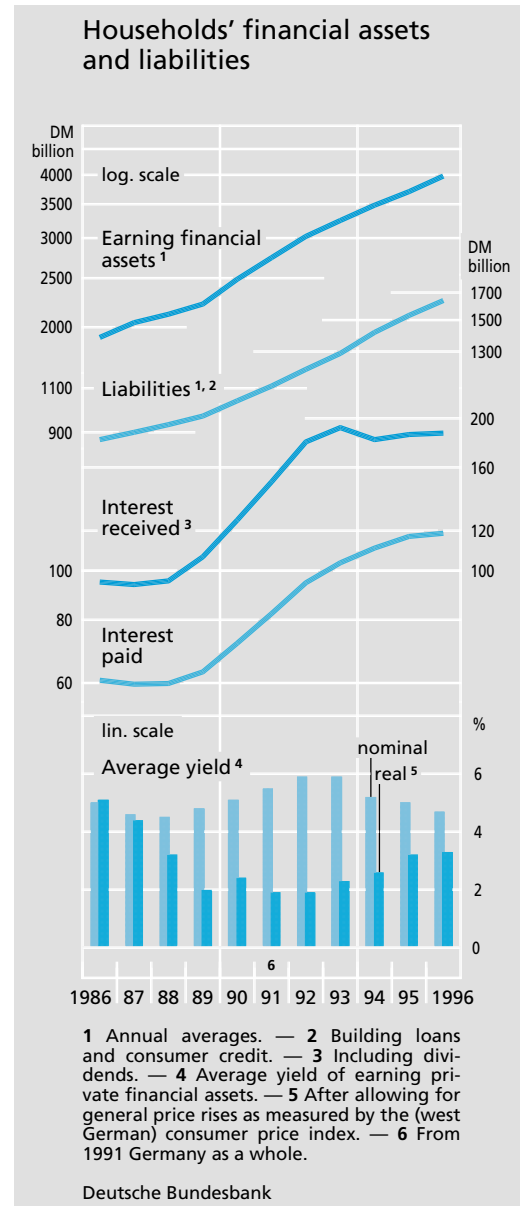
ies, led to a surge in new savings and loan contracts for building purposes which surpassed the 1995 result by one-third both in terms of the number of contracts signed and in terms of the amounts involved. Consequently, the inflows of funds to building and loan associations grew sharply, whereas the outpayments of loans allocated and contract cancellations both stagnated.

Funds placed with insurance enterprises

Saving through insurance enterprises likewise expanded fairly substantially. The stock of capital at life insurance enterprises alone grew, at around DM 63 billion, 6% more strongly than previously. This was fostered by the raising of contribution rates and of the income thresholds for assessing contributions to the statutory pension insurance scheme at the beginning of last year, to which "adjustable" contracts are oriented, and was reinforced by the persistently strong inflows into private pension insurance funds, which evidently profited from the uncertainties surrounding the statutory retirement pension system. Corporate customer business in this segment was also buoyant. But enterprises sought to involve their employees more in the premiums through payments of their own (by way of salary conversions). While "savings balances" with life insurance enterprises increased, outpayments to insured persons also rose substantially. Thus the sum of approximately DM 65 billion which households received in 1996 was about half of the gross amount that they concurrently paid in.

Take-up of consumer credit

Households showed marked restraint in 1996 in borrowing for consumption purposes – presumably also owing to growing employ-



ment risks. That applies particularly to new borrowing at short maturities which is mostly used for financing purchases of consumer goods or holiday trips. The demand for longer-term personal loans, by contrast, was probably just as strong as in the previous year. Presumably this was due primarily to the increased purchases of cars, whereas credit requirements for furniture, household furnishings and appliances tended to fall in line

with the smaller number of housing completions. It should be noted, however, that the informative value of the item "Consumer credit" granted by banks is being increasingly impaired as an indicator of the financing of private consumption by the fact that the non-instalment loans included in this category (with the exception of account overdrafts) are more and more taking on the character of loans by means of which private investors prefer to finance tax-saving investments, as apparently occurred once again on a major scale towards the end of 1996. But according to the sectoral definitions currently used in the national accounts such loans are attributable not to households but to enterprises.

Households' debt level ...

At the end of 1996 households' liabilities arising from instalment credit and personal credit lines granted by banks as well as other borrowing for consumption purposes totalled around DM 250 billion. After adding the loans taken out for tax-saving investment and the acquisition of housing, private liabilities

amounted in all to approximately DM 1,720 billion; they thus continued to increase sharply last year – owing to the preference for the acquisition of fixed assets. The associated interest payments came to an estimated DM 120 billion. This was counterbalanced by about DM 190 billion that accrued in the form of interest and dividends from income-yielding private financial assets, which had reached a total of DM 4,370 billion by the end of 1996. Aggregate property income was only slightly higher than in 1995 as the upward thrust stemming from the growth of assets and savers' greater concentration on forms of investment carrying more attractive interest rates was virtually neutralised by the general fall in yields. On average private financial assets earned a nominal yield of just over 4½% in 1996, compared with 5% in the previous year and almost 6% on average in the years 1992-3. In real terms, however, the average yield was on a par with the 1995 figure.

... and income from financial assets

The tables accompanying this article appear on the following pages.

Capital finance account for 1995 ^P

DM billion

Item	Households	Enterprises			Govern- ment ¹	All domestic non- financial sectors
		Total	Producing enterprises	Housing		
Acquisition of fixed assets and saving						
Net capital formation	.	252.36	98.57	153.79	61.11	313.47
Gross capital formation	.	669.44	409.79	259.65	86.73	756.17
Consumption of fixed capital	.	417.08	311.22	105.86	25.62	442.70
Saving and capital transfers	222.33	303.15	259.36	43.79	- 290.50	234.98
Saving	277.20	- 14.41	27.60	- 42.01	- 22.79	240.00
Capital transfers (net)	- 54.87	317.56	⁵ 231.76	⁵ 85.80	⁵ - 267.71	- 5.02
Financial surplus or deficit ³	222.33	50.79	160.79	- 110.00	- 351.61	- 78.49
Statistical discrepancy ⁴	.	- 20.97	- 20.97	.	.	- 20.97
Acquisition of financial assets						
Funds placed with banks	80.32	53.30	61.80	- 8.50	- 0.28	133.34
Currency and sight deposits	23.61	60.76	69.26	- 8.50	- 1.62	82.75
Time deposits	- 46.41	- 9.40	- 9.40	.	1.04	- 54.78
Savings deposits	103.12	1.94	1.94	.	0.31	105.37
Funds placed with building and loan associations	3.44	- 0.01	- 0.01	.	0.12	3.55
Funds placed with insurance enterprises	86.00	4.52	4.52	.	0.16	90.68
Purchases of money market paper	- 3.66	- 9.23	- 9.23	.	- 0.13	- 13.02
Purchases of bonds	43.55	10.46	10.46	.	- 0.27	53.75
Purchases of investment fund certificates	20.38	5.33	5.33	.	0.31	26.01
Purchases of shares	- 3.40	20.75	20.75	.	⁶ 10.81	28.16
External position of the Bundesbank	.	.	.	.	.	.
Bank loans	.	.	.	.	.	.
Short-term bank loans	.	.	.	.	.	.
Longer-term bank loans	.	.	.	.	.	.
Building and loan association loans	.	.	.	.	.	.
Insurance enterprise loans	.	.	.	.	.	.
Other claims	8.89	41.06	⁷ 41.77	.	- 16.24	33.71
Total	235.52	126.17	135.39	- 8.50	- 5.52	356.17
Incurrence of liabilities and sales of shares						
Funds placed with banks	.	.	.	.	.	.
Currency and sight deposits	.	.	.	.	.	.
Time deposits	.	.	.	.	.	.
Savings deposits	.	.	.	.	.	.
Funds placed with building and loan associations	.	.	.	.	.	.
Funds placed with insurance enterprises	.	.	.	.	.	.
Sales of money market paper	.	- 0.19	- 0.19	.	- 12.91	- 13.10
Sales of bonds	.	- 161.70	⁷ - 161.70	.	⁷ 202.16	40.46
Sales of investment fund certificates	.	.	.	.	.	.
Sales of shares	.	27.85	⁶ 27.80	0.05	.	27.85
External position of the Bundesbank	.	.	.	.	.	.
Bank loans	12.99	193.58	105.98	87.61	143.31	349.88
Short-term bank loans	2.44	64.48	⁷ 60.17	4.31	⁷ 3.02	69.94
Longer-term bank loans	10.55	129.10	⁷ 45.81	83.29	⁷ 140.29	279.94
Building and loan association loans	.	6.31	- 2.07	8.38	- 0.12	6.19
Insurance enterprise loans	0.22	8.40	3.69	4.71	- 0.29	8.33
Other liabilities	- 0.02	22.10	22.06	0.76	⁷ 13.94	36.03
Total	13.19	96.35	- 4.44	101.50	346.09	455.63

¹ Including social security funds and special funds. — ² Credit institutions including the Bundesbank. — ³ Saving and capital transfers (net) less net capital formation. — ⁴ Corresponds to the balancing item in the financial account with the rest of the world owing to unclassifiable payment transactions with non-residents. — ⁵ Including the

assumption of the Treuhand agency's debt and of part of the old debt of east German housing enterprises by the Redemption Fund for Inherited Liabilities, which in the national accounts is treated as a capital transfer from the government to enterprises. — ⁶ Including

Deutsche Bundesbank

Financial sectors						Rest of the world	All sectors	Item
Total	Banks ²	Building and loan associations	Insurance enterprises	Investment funds				
Acquisition of fixed assets and saving								
11.93	5.88	0.00	1.25	4.80	.	325.40	Net capital formation	
22.20	13.10	0.22	4.08	4.80	.	778.37	Gross capital formation	
10.27	7.22	0.22	2.83	-	.	452.97	Consumption of fixed capital	
51.74	39.40	0.20	12.14	-	38.68	325.40	Saving and capital transfers	
51.54	39.40	0.20	11.94	-	33.86	325.40	Saving	
0.20	-	-	0.20	-	4.82	-	Capital transfers (net)	
39.81	33.52	0.20	10.89	- 4.80	38.68	-	Financial surplus or deficit ³	
.	.	.	.	.	20.97	-	Statistical discrepancy ⁴
Acquisition of financial assets								
62.30	.	- 0.06	59.84	2.52	124.26	319.90	Funds placed with banks	
1.50	.	0.84	0.72	- 0.06	16.09	100.34	Currency and sight deposits	
60.54	.	- 0.90	58.87	2.57	106.02	111.78	Time deposits	
0.26	.	.	0.26	.	2.15	107.78	Savings deposits	
0.18	0.18	.	.	.	- 0.02	3.70	Funds placed with building and loan associations	
.	.	.	.	.	0.41	91.09	Funds placed with insurance enterprises
- 0.67	- 0.39	-	-	- 0.28	- 5.69	- 19.38	Purchases of money market paper	
87.61	45.19	- 0.75	12.37	30.79	86.09	227.44	Purchases of bonds	
29.94	11.81	0.37	17.77	.	- 0.84	55.10	Purchases of investment fund certificates	
36.02	13.94	0.01	7.08	14.99	- 1.27	62.91	Purchases of shares	
9.95	9.95	.	.	.	- 3.75	6.21	External position of the Bundesbank	
435.90	435.90	.	.	.	.	435.90	Bank loans
128.98	128.98	.	.	.	.	128.98	Short-term bank loans
306.92	306.92	.	.	.	.	306.92	Longer-term bank loans
6.73	.	6.73	.	.	.	6.73	Building and loan association loans	
8.78	.	.	8.78	.	.	8.78	Insurance enterprise loans	
1.24	.	.	.	1.24	39.83	74.77	Other claims	
677.96	516.57	6.30	105.84	49.26	239.03	1,273.16	Total	
Incurrence of liabilities and sales of shares								
319.90	319.90	.	.	.	.	319.90	Funds placed with banks
100.34	100.34	.	.	.	.	100.34	Currency and sight deposits
111.78	111.78	.	.	.	.	111.78	Time deposits
107.78	107.78	.	.	.	.	107.78	Savings deposits
3.70	.	3.70	.	.	.	3.70	Funds placed with building and loan associations	
91.09	.	.	91.09	.	.	91.09	Funds placed with insurance enterprises	
- 5.54	- 5.54	.	.	.	- 0.73	- 19.38	Sales of money market paper	
162.86	162.59	0.27	.	.	24.13	227.44	Sales of bonds	
54.07	.	.	.	54.07	1.03	55.10	Sales of investment fund certificates	
11.92	⁶ 9.03	0.02	2.88	.	23.14	62.91	Sales of shares	
- 3.75	- 3.75	.	.	.	9.95	6.21	External position of the Bundesbank	
2.34	.	2.02	0.33	- 0.01	83.67	435.90	Bank loans	
- 1.76	.	- 0.84	- 0.45	- 0.48	60.80	128.98	Short-term bank loans	
4.10	.	2.86	0.77	0.47	22.87	306.92	Longer-term bank loans	
- 0.12	- 0.11	.	- 0.01	.	0.66	6.73	Building and loan association loans	
0.09	.	0.09	.	.	0.36	8.78	Insurance enterprise loans	
1.59	0.93	.	0.66	.	37.16	74.77	Other liabilities	
638.15	483.05	6.10	94.95	54.06	179.38	1,273.16	Total	

the transformation of the successor institutions to the Federal Post Office into public limited companies (DM 12.8 billion). — ⁷ In line with the method used in the national accounts, the assumption of the Treuhand agency's debt and of part of the old debt of east German

housing enterprises by the Redemption Fund for Inherited Liabilities is shown as a liability incurred by the government and a repayment by enterprises (including bonds totalling DM 155.5 billion and bank loans amounting to DM 61.0 billion).

Capital finance account for 1996 ^P

DM billion

Item	Households	Enterprises			Govern- ment ¹	All domestic non- financial sectors
		Total	Producing enterprises	Housing		
Acquisition of fixed assets and saving						
Net capital formation	.	222.85	73.46	149.39	55.06	277.91
Gross capital formation	.	650.81	391.61	259.20	81.32	732.13
Consumption of fixed capital	.	427.96	318.15	109.81	26.26	454.22
Saving and capital transfers	233.09	55.17	43.77	11.40	- 78.91	209.35
Saving	289.23	- 28.35	17.12	- 45.47	- 49.99	210.89
Capital transfers (net)	- 56.14	83.52	26.65	56.87	- 28.92	- 1.54
Financial surplus or deficit ³	233.09	- 167.68	- 29.69	- 137.99	- 133.97	- 68.56
Statistical discrepancy ⁴	.	1.15	1.15	.	.	1.15
Acquisition of financial assets						
Funds placed with banks	88.37	79.27	75.27	4.00	2.46	170.10
Currency and sight deposits	33.50	77.90	73.90	4.00	5.41	116.81
Time deposits	- 40.39	0.44	0.44	.	- 3.06	- 43.00
Savings deposits	95.25	0.92	0.92	.	0.11	96.28
Funds placed with building and loan associations	9.48	0.32	0.32	.	0.15	9.94
Funds placed with insurance enterprises	86.75	6.88	6.88	.	0.11	93.73
Purchases of money market paper	- 0.34	- 3.01	- 3.01	.	0.01	- 3.35
Purchases of bonds	14.09	- 27.20	- 27.20	.	- 1.83	- 14.94
Purchases of investment fund certificates	23.09	10.98	10.98	.	0.48	34.55
Purchases of shares	10.50	3.30	3.30	.	0.22	14.03
External position of the Bundesbank	.	.	.	.	.	.
Bank loans	.	.	.	.	.	.
Short-term bank loans	.	.	.	.	.	.
Longer-term bank loans	.	.	.	.	.	.
Building and loan association loans	.	.	.	.	.	.
Insurance enterprise loans	.	.	.	.	.	.
Other claims	9.26	70.14	70.01	.	4.66	84.06
Total	241.19	140.67	136.54	4.00	6.26	388.12
Incurrence of liabilities and sales of shares						
Funds placed with banks	.	.	.	.	.	.
Currency and sight deposits	.	.	.	.	.	.
Time deposits	.	.	.	.	.	.
Savings deposits	.	.	.	.	.	.
Funds placed with building and loan associations	.	.	.	.	.	.
Funds placed with insurance enterprises	.	.	.	.	.	.
Sales of money market paper	.	0.11	0.11	.	19.66	19.78
Sales of bonds	.	- 8.70	- 8.70	.	50.88	42.18
Sales of investment fund certificates	.	.	.	.	.	.
Sales of shares	.	31.00	30.97	0.03	.	31.00
External position of the Bundesbank	.	.	.	.	.	.
Bank loans	8.18	232.09	101.71	130.38	66.68	306.95
Short-term bank loans	- 2.25	38.00	29.65	8.35	7.54	43.29
Longer-term bank loans	10.43	194.09	72.06	122.03	59.14	263.66
Building and loan association loans	.	6.48	- 1.38	7.86	0.03	6.51
Insurance enterprise loans	- 0.08	3.88	0.03	3.85	0.08	3.88
Other liabilities	0.01	42.34	42.34	- 0.13	2.90	45.25
Total	8.10	307.20	165.09	141.99	140.23	455.54

¹ Including social security funds and special funds. — ² Credit institutions including the Bundesbank. — ³ Saving and capital transfers (net) less net capital formation. — ⁴ Corresponds to the balancing item in

the financial account with the rest of the world owing to unclassified payment transactions with non-residents.

Deutsche Bundesbank

Financial sectors						Rest of the world	All sectors	Item
Total	Banks ²	Building and loan associations	Insurance enterprises	Investment funds				
Acquisition of fixed assets and saving								
17.88	5.57	0.03	1.09	11.19	.	295.79	Net capital formation	
28.45	13.03	0.23	4.00	11.19	.	760.58	Gross capital formation	
10.57	7.46	0.20	2.91	-	.	464.79	Consumption of fixed capital	
56.45	41.17	0.20	15.08	-	29.99	295.79	Saving and capital transfers	
56.31	41.17	0.20	14.94	-	28.59	295.79	Saving	
0.14	-	-	0.14	-	1.40	-	Capital transfers (net)	
38.58	35.60	0.17	13.99	- 11.19	29.99	-	Financial surplus or deficit ³	
.	.	.	.	.	- 1.15	-	Statistical discrepancy ⁴
Acquisition of financial assets								
78.21	.	6.42	63.31	8.48	56.14	304.44	Funds placed with banks	
5.67	.	0.02	2.38	3.31	39.98	162.46	Currency and sight deposits	
71.94	.	6.44	60.33	5.18	14.45	43.39	Time deposits	
0.60	.	.	0.60	.	1.72	98.60	Savings deposits	
0.84	0.84	.	.	.	0.08	10.86	Funds placed with building and loan associations	
.	.	.	.	.	0.27	94.00	Funds placed with insurance enterprises
4.34	6.86	-	-	- 2.52	22.70	23.70	Purchases of money market paper	
172.91	112.29	- 0.39	1.65	59.35	97.23	255.20	Purchases of bonds	
52.16	18.05	1.88	32.24	.	- 2.35	84.36	Purchases of investment fund certificates	
40.48	18.18	0.01	9.93	12.36	20.40	74.90	Purchases of shares	
- 2.40	- 2.40	.	.	.	- 1.77	- 4.17	External position of the Bundesbank	
383.88	383.88	.	.	.	.	383.88	Bank loans
93.52	93.52	.	.	.	.	93.52	Short-term bank loans
290.37	290.37	.	.	.	.	290.37	Longer-term bank loans
5.72	.	5.72	.	.	.	5.72	Building and loan association loans	
3.93	.	.	3.93	.	.	3.93	Insurance enterprise loans	
- 6.21	.	.	.	- 6.21	33.74	111.58	Other claims	
733.85	537.70	13.64	111.05	71.46	226.43	1,348.40	Total	
Incurrence of liabilities and sales of shares								
304.44	304.44	.	.	.	.	304.44	Funds placed with banks
162.46	162.46	.	.	.	.	162.46	Currency and sight deposits
43.39	43.39	.	.	.	.	43.39	Time deposits
98.60	98.60	.	.	.	.	98.60	Savings deposits
10.86	.	10.86	.	.	.	10.86	Funds placed with building and loan associations	
94.00	.	.	94.00	.	.	94.00	Funds placed with insurance enterprises	
- 1.23	- 1.23	.	.	.	5.15	23.70	Sales of money market paper	
191.34	191.64	- 0.30	.	.	21.68	255.20	Sales of bonds	
79.11	.	.	.	79.11	5.25	84.36	Sales of investment fund certificates	
9.54	8.21	0.02	1.31	.	34.37	74.90	Sales of shares	
- 1.77	- 1.77	.	.	.	- 2.40	- 4.17	External position of the Bundesbank	
7.35	.	2.74	1.08	3.54	69.58	383.88	Bank loans	
2.24	.	0.37	0.59	1.29	47.99	93.52	Short-term bank loans	
5.12	.	2.37	0.50	2.25	21.59	290.37	Longer-term bank loans	
- 0.12	- 0.13	.	0.01	.	- 0.67	5.72	Building and loan association loans	
0.15	.	0.15	.	.	- 0.11	3.93	Insurance enterprise loans	
1.59	0.93	.	0.66	.	64.74	111.58	Other liabilities	
695.27	502.09	13.47	97.06	82.64	197.59	1,348.40	Total	

Financial assets and liabilities in 1995 ^P

End-of-year level; DM billion

Item	Households	Enterprises			Govern- ment ¹	All domestic non- financial sectors
		Total	Producing enterprises	Housing		
Financial assets						
Funds placed with banks	1,859.2	756.1	725.4	30.7	299.4	2,914.7
Currency and sight deposits	408.7	528.4	497.8	30.7	32.4	969.6
Time deposits	416.8	221.4	221.4	.	261.7	899.8
Savings deposits	1,033.7	6.3	6.3	.	5.3	1,045.3
Funds placed with building and loan associations	155.1	2.6	2.6	.	1.1	158.8
Funds placed with insurance enterprises	982.6	84.7	84.7	.	3.3	1,070.5
Assets in the form of money market paper	4.1	26.3	26.3	.	0.3	30.7
Assets in the form of bonds	743.1	117.2	117.2	.	26.0	886.3
Assets in the form of investment fund certificates	353.9	88.9	88.9	.	10.3	453.0
Assets in the form of shares	251.5	697.9	697.9	.	72.1	1,021.4
External position of the Bundesbank	.	.	.	.	.	.
Bank loans	.	.	.	.	.	.
Short-term bank loans	.	.	.	.	.	.
Longer-term bank loans	.	.	.	.	.	.
Building and loan association loans	.	.	.	.	.	.
Insurance enterprise loans	.	.	.	.	.	.
Other claims	307.6	670.6	675.0	.	185.4	1,163.6
Total	4,657.1	2,444.2	2,417.9	30.7	597.8	7,699.1
Liabilities and shares outstanding						
Funds placed with banks	.	.	.	.	.	.
Currency and sight deposits	.	.	.	.	.	.
Time deposits	.	.	.	.	.	.
Savings deposits	.	.	.	.	.	.
Funds placed with building and loan associations	.	.	.	.	.	.
Funds placed with insurance enterprises	.	.	.	.	.	.
Liabilities arising from money market paper	.	5.7	5.7	.	8.7	14.4
Liabilities arising from bonds	.	104.8	104.8	.	1,207.1	1,311.9
Investment fund certificates outstanding	.	.	.	.	.	.
Shares outstanding	.	991.3	984.4	6.9	.	991.3
External position of the Bundesbank	.	.	.	.	.	.
Bank loans	345.3	2,929.0	1,690.6	1,238.4	812.8	4,087.2
Short-term bank loans	79.1	591.4	558.0	33.4	47.8	718.2
Longer-term bank loans	266.3	2,337.7	1,132.6	1,205.0	765.1	3,369.0
Building and loan association loans	.	174.1	0.0	174.1	3.1	177.2
Insurance enterprise loans	19.7	210.7	100.1	110.6	36.2	266.7
Other liabilities	7.0	799.5	779.0	24.8	84.2	890.7
Total	372.1	5,215.1	3,664.7	1,554.9	2,152.1	7,739.4
Memo item						
Net financial assets ³	4,285.0	-2,771.0	-1,246.7	-1,524.2	-1,554.3	-40.3

¹ Including social security funds and special funds. — ² Credit institutions including the Bundesbank. — ³ Financial assets less liabilities and shares outstanding.

Deutsche Bundesbank

Financial sectors					Rest of the world	All sectors	Item
Total	Banks ²	Building and loan associations	Insurance enterprises	Investment funds			
Financial assets							
539.7	.	14.3	493.3	32.2	709.8	4,164.2	Funds placed with banks
24.8	.	3.1	10.9	10.8	154.1	1,148.5	Currency and sight deposits
514.0	.	11.2	481.5	21.3	534.7	1,948.5	Time deposits
0.8	.	.	0.8	.	21.0	1,067.1	Savings deposits
1.4	1.4	.	.	.	0.9	161.1	Funds placed with building and loan associations
.	.	.	.	.	3.4	1,073.9	Funds placed with insurance enterprises
15.3	7.5	–	–	7.8	4.8	50.9	Assets in the form of money market paper
1,638.1	1,077.4	26.4	204.3	330.0	708.6	3,233.0	Assets in the form of bonds
237.1	69.4	4.7	162.9	.	16.0	706.1	Assets in the form of investment fund certificates
508.9	165.0	7.7	209.2	127.0	162.3	1,692.6	Assets in the form of shares
123.3	123.3	.	.	.	17.6	140.9	External position of the Bundesbank
4,867.4	4,867.4	.	.	.	.	4,867.4	Bank loans
1,123.9	1,123.9	.	.	.	.	1,123.9	Short-term bank loans
3,743.4	3,743.4	.	.	.	.	3,743.4	Longer-term bank loans
180.4	.	180.4	.	.	.	180.4	Building and loan association loans
286.4	.	.	286.4	.	.	286.4	Insurance enterprise loans
32.2	.	.	.	32.2	507.4	1,703.2	Other claims
8,430.1	6,311.4	233.5	1,356.1	529.2	2,130.8	18,260.0	Total
Liabilities and shares outstanding							
4,164.2	4,164.2	.	.	.	.	4,164.2	Funds placed with banks
1,148.5	1,148.5	.	.	.	.	1,148.5	Currency and sight deposits
1,948.5	1,948.5	.	.	.	.	1,948.5	Time deposits
1,067.1	1,067.1	.	.	.	.	1,067.1	Savings deposits
161.1	.	161.1	.	.	.	161.1	Funds placed with building and loan associations
1,073.9	.	.	1,073.9	.	.	1,073.9	Funds placed with insurance enterprises
23.0	23.0	.	.	.	13.5	50.9	Liabilities arising from money market paper
1,627.0	1,623.6	3.4	.	.	294.1	3,233.0	Liabilities arising from bonds
564.9	.	.	.	564.9	141.1	706.1	Investment fund certificates outstanding
422.9	179.3	3.6	239.9	.	278.5	1,692.6	Shares outstanding
17.6	17.6	.	.	.	123.3	140.9	External position of the Bundesbank
43.7	.	36.2	3.6	3.9	736.5	4,867.4	Bank loans
11.0	.	7.3	1.5	2.3	394.8	1,123.9	Short-term bank loans
32.7	.	29.0	2.1	1.7	341.7	3,743.4	Longer-term bank loans
0.7	0.7	.	0.0	.	2.5	180.4	Building and loan association loans
1.3	.	1.3	.	.	18.4	286.4	Insurance enterprise loans
36.8	23.6	.	13.2	.	775.7	1,703.2	Other liabilities
8,137.1	6,032.0	205.7	1,330.5	568.9	2,383.6	18,260.0	Total
Memo item							
293.0	279.4	27.8	25.6	– 39.7	– 252.8		– Net financial assets ³

Financial assets and liabilities in 1996 ^e

End-of-year level; DM billion

Item	Households	Enterprises			Govern- ment ¹	All domestic non- financial sectors
		Total	Producing enterprises	Housing		
Financial assets						
Funds placed with banks	1,942.7	870.2	834.5	35.7	302.6	3,115.5
Currency and sight deposits	441.3	635.7	600.1	35.7	37.8	1,114.8
Time deposits	372.5	227.2	227.2	.	259.4	859.1
Savings deposits	1,129.0	7.2	7.2	.	5.4	1,141.6
Funds placed with building and loan associations	164.6	2.9	2.9	.	1.2	168.7
Funds placed with insurance enterprises	1,066.7	92.9	92.9	.	3.4	1,162.9
Assets in the form of money market paper	3.8	23.2	23.2	.	0.3	27.3
Assets in the form of bonds	768.3	115.2	115.2	.	25.4	908.9
Assets in the form of investment fund certificates	394.3	103.8	103.8	.	11.0	509.1
Assets in the form of shares	295.9	730.1	730.1	.	57.5	1,083.5
External position of the Bundesbank	.	.	.	.	.	.
Bank loans	.	.	.	.	.	.
Short-term bank loans	.	.	.	.	.	.
Longer-term bank loans	.	.	.	.	.	.
Building and loan association loans	.	.	.	.	.	.
Insurance enterprise loans	.	.	.	.	.	.
Other claims	318.8	731.7	736.0	.	191.4	1,241.9
Total	4,955.0	2,670.0	2,638.7	35.7	592.8	8,217.8
Liabilities and shares outstanding						
Funds placed with banks	.	.	.	.	.	.
Currency and sight deposits	.	.	.	.	.	.
Time deposits	.	.	.	.	.	.
Savings deposits	.	.	.	.	.	.
Funds placed with building and loan associations	.	.	.	.	.	.
Funds placed with insurance enterprises	.	.	.	.	.	.
Liabilities arising from money market paper	.	5.8	5.8	.	28.4	34.2
Liabilities arising from bonds	.	95.7	95.7	.	1,262.8	1,358.5
Investment fund certificates outstanding	.	.	.	.	.	.
Shares outstanding	.	1,143.8	1,136.7	7.1	.	1,143.8
External position of the Bundesbank	.	.	.	.	.	.
Bank loans	361.0	3,159.0	1,796.7	1,362.2	878.6	4,398.6
Short-term bank loans	82.6	626.3	590.3	35.9	57.6	766.4
Longer-term bank loans	278.4	2,532.7	1,206.4	1,326.3	821.0	3,632.1
Building and loan association loans	.	182.0	0.0	182.0	3.1	185.1
Insurance enterprise loans	19.6	224.6	110.1	114.5	36.3	280.5
Other liabilities	7.0	838.0	817.6	24.7	87.5	932.5
Total	387.6	5,648.9	3,962.6	1,690.5	2,296.7	8,333.2
Memo item						
Net financial assets ³	4,567.4	-2,978.8	-1,324.0	-1,654.9	-1,704.0	-115.4

¹ Including social security funds and special funds. — ² Credit institutions including the Bundesbank. — ³ Financial assets less liabilities and shares outstanding.

Deutsche Bundesbank

Financial sectors					Rest of the world	All sectors	Item
Total	Banks ²	Building and loan associations	Insurance enterprises	Investment funds			
Financial assets							
616.9	.	20.7	556.7	39.5	782.0	4,514.3	Funds placed with banks
30.5	.	3.0	13.3	14.1	197.7	1,343.0	Currency and sight deposits
584.9	.	17.6	542.0	25.3	561.6	2,005.6	Time deposits
1.4	.	.	1.4	.	22.8	1,165.8	Savings deposits
2.3	2.3	.	.	.	1.0	172.0	Funds placed with building and loan associations
.	.	.	.	.	3.9	1,166.8	Funds placed with insurance enterprises
19.8	14.4	–	–	5.3	27.6	74.6	Assets in the form of money market paper
1,808.9	1,188.1	24.9	204.2	391.8	809.9	3,527.8	Assets in the form of bonds
307.7	91.9	7.0	208.7	.	13.7	830.4	Assets in the form of investment fund certificates
631.0	216.8	0.3	237.3	176.6	227.3	1,941.9	Assets in the form of shares
121.0	121.0	.	.	.	15.9	136.9	External position of the Bundesbank
5,268.8	5,268.8	.	.	.	.	5,268.8	Bank loans
1,229.5	1,229.5	.	.	.	.	1,229.5	Short-term bank loans
4,039.4	4,039.4	.	.	.	.	4,039.4	Longer-term bank loans
187.5	.	187.5	.	.	.	187.5	Building and loan association loans
299.3	.	.	299.3	.	.	299.3	Insurance enterprise loans
27.1	.	.	.	27.1	537.7	1,806.8	Other claims
9,290.3	6,903.3	240.5	1,506.3	640.3	2,419.1	19,927.2	Total
Liabilities and shares outstanding							
4,514.3	4,514.3	.	.	.	.	4,514.3	Funds placed with banks
1,343.0	1,343.0	.	.	.	.	1,343.0	Currency and sight deposits
2,005.6	2,005.6	.	.	.	.	2,005.6	Time deposits
1,165.8	1,165.8	.	.	.	.	1,165.8	Savings deposits
172.0	.	172.0	.	.	.	172.0	Funds placed with building and loan associations
1,166.8	.	.	1,166.8	.	.	1,166.8	Funds placed with insurance enterprises
21.8	21.8	.	.	.	18.6	74.6	Liabilities arising from money market paper
1,835.5	1,832.3	3.2	.	.	333.8	3,527.8	Liabilities arising from bonds
684.0	.	.	.	684.0	146.4	830.4	Investment fund certificates outstanding
471.9	211.5	3.7	256.7	.	326.2	1,941.9	Shares outstanding
15.9	15.9	.	.	.	121.0	136.9	External position of the Bundesbank
51.1	.	39.0	4.6	7.4	819.2	5,268.8	Bank loans
13.2	.	7.6	2.0	3.5	449.8	1,229.5	Short-term bank loans
37.8	.	31.3	2.6	3.9	369.4	4,039.4	Longer-term bank loans
0.6	0.6	.	0.0	.	1.8	187.5	Building and loan association loans
1.4	.	1.4	.	.	17.3	299.3	Insurance enterprise loans
38.4	24.6	.	13.8	.	835.9	1,806.8	Other liabilities
8,973.7	6,621.0	219.2	1,442.0	691.5	2,620.2	19,927.2	Total
Memo item							
316.6	282.3	21.2	64.2	– 51.2	– 201.2	–	– Net financial assets ³