

Overall financial flows in 1998

In the following article the Deutsche Bundesbank comments on the results of the financial accounts for 1998 which, for the last time, were compiled according to the currently valid system of national accounts (ESA 79). Starting in 1999, the financial accounts will be based on the methods laid down in the new European System of National and Regional Accounts (ESA 95). At the end of April 1999, the Federal Statistical Office presented the first revised results based on this system of accounts, which is binding at the European level; however, these results do not yet include a sectoral breakdown. In line with the income cycle, the financial accounts must also be adapted to the new statistical scheme. The deadline for transmitting these data to Eurostat is September 2000. An important step towards ESA 95 was already taken in an article in the Monthly Report of January 1999 in which the concept of households' acquisition of assets and saving was extended to include the acquisition and financing of private residential property.¹ This approach is also adopted in the following article in analysing overall asset acquisition and saving and the saving pattern of households, whereas producing enterprises are analysed according to the old method.

¹ See Deutsche Bundesbank, Changes in households' asset situation since the beginning of the nineties, Monthly Report, January 1999, page 33 ff.

Basic trends

Financial flows in 1998 were primarily influenced by the stronger economic growth and the associated shift in economic momentum from external to domestic forces. This was also reflected in enterprises' greater propensity to invest. Together with the persistently high level of stockbuilding, this led to a considerable increase in domestic financing requirements. By contrast, a reduced financial demand was shown both by the private and commercial housing sectors – which remained under adjustment pressure – and by the government sector, owing to a positive revenue trend. Thus the business sector's increased need for funds was met almost entirely from domestic sources, which were boosted, above all, by the general improvement in corporate earnings. Household saving, on the other hand, again tended to decrease. The close symmetry between domestic demand and the supply of savings was aided by the stability of the underlying internal financial conditions, which remained firm despite the at times pronounced turmoil in the international financial markets.

Domestic acquisition of fixed assets

Higher investment in machinery and equipment

In 1998, a total of DM 343 billion was used for the acquisition of fixed assets in Germany, which was almost 15 % more than a year before. For the first time since the recession-induced slump in 1993, a major factor in this was the sharp increase in expenditure on new equipment and machinery by producing enterprises². Calculated on an annual basis, the corresponding investment volume is estimated to have exceeded the 1997 figure by

more than half, in nominal terms, whereas expenditure on industrial and commercial buildings continued to decline. As a percentage of the aggregate disposable income of all sectors, overall net fixed asset formation only amounted to slightly more than 2 %. Although this ratio was higher than in the two preceding years, it was distinctly lower than the comparable figures recorded in earlier periods. This can also be seen as an indication that the propensity to invest was still not broadly based and remained somewhat muted.

Besides investing in machinery and equipment, producing enterprises in 1998 again stepped up their expenditure on stocks. In addition to increased stockbuilding of primary and intermediate products at favourable prices, the higher stocks of end-products owing to unexpected sales difficulties probably also played a role in this. That is indicated *inter alia* by the results of a survey of the manufacturing industry carried out by the ifo institute. According to the estimates of the Federal Statistical Office, at almost DM 100 billion, the overall increase in stocks was more than twice as high as in 1997. The resulting amount of financial resources locked up in this way, equalling 3 % of aggregate income, was higher than for fixed capital formation. Given the experience of current-end data on the structure of aggregate demand, however, it is doubtful whether this is a statistically accurate portrayal of enterprises' stockbuilding activities.

Stockbuilding again buoyant

² Enterprises excluding the housing sector and excluding financial institutions.

Overall asset acquisition, saving and financial balances

DM billion

Item	1991	1992	1993	1994	1995	1996 p	1997 p	1998 pe
Asset acquisition								
Acquisition of fixed assets ¹	307.7	313.8	261.2	307.1	302.1	268.3	299.0	343.4
Households ²	77.7	95.1	107.4	129.9	132.2	127.1	123.8	117.6
Enterprises	175.0	153.4	90.5	115.4	112.9	90.6	132.4	185.3
of which								
Producing enterprises	155.3	127.2	60.8	86.1	85.0	57.5	108.2	169.7
Financial institutions	9.4	13.3	18.4	15.0	14.1	19.1	12.3	11.5
Government	55.0	65.3	63.3	61.9	57.0	50.6	42.9	40.6
Net lending to the rest of the world ³	- 34.2	- 30.5	- 24.0	- 43.2	- 37.6	- 27.7	- 9.4	- 11.0
Total	273.5	283.3	237.2	263.9	264.5	240.6	289.6	332.5
Memo item								
Acquisition of fixed assets in % ⁴	12.5	11.8	9.7	10.9	10.3	9.0	9.7	10.8
Saving ⁵								
Households	245.6	256.1	251.1	246.2	255.0	263.2	260.4	260.9
Enterprises ⁶	67.6	49.1	34.7	43.1	65.8	51.6	87.9	109.9
of which								
Producing enterprises ⁷	31.7	14.5	6.2	9.6	46.9	27.4	57.3	74.3
Financial institutions	39.3	34.3	35.4	44.9	43.7	46.5	53.6	51.1
Government ⁶	- 39.7	- 21.9	- 48.5	- 25.4	- 56.3	- 74.1	- 58.7	- 38.4
Total	273.5	283.3	237.2	263.9	264.5	240.6	289.6	332.5
Memo item								
Saving in % ⁴	11.1	10.7	8.8	9.3	9.1	8.1	9.4	10.4
Financial balances								
Households	167.9	161.0	143.7	116.3	122.8	136.1	136.6	143.3
Enterprises ⁶	- 107.4	- 104.3	- 55.9	- 72.3	- 47.2	- 39.0	- 44.5	- 75.3
of which								
Producing enterprises ⁷	- 123.6	- 112.7	- 54.6	- 76.5	- 38.1	- 30.1	- 50.9	- 95.4
Financial institutions	30.0	21.0	17.0	29.9	29.6	27.4	41.3	39.6
Government ^{6, 8}	- 94.7	- 87.2	- 111.8	- 87.3	- 113.3	- 124.8	- 101.5	- 78.9
Total ⁹	- 34.2	- 30.5	- 24.0	- 43.2	- 37.6	- 27.7	- 9.4	- 11.0
Memo item								
Financial balances in % ⁴								
Households	6.8	6.1	5.3	4.1	4.2	4.6	4.4	4.5
Enterprises ⁶	- 4.4	- 3.9	- 2.1	- 2.6	- 1.6	- 1.3	- 1.4	- 2.4
of which								
Producing enterprises ⁷	- 5.0	- 4.3	- 2.0	- 2.7	- 1.3	- 1.0	- 1.7	- 2.9
Financial institutions	1.2	0.8	0.6	1.1	1.0	0.9	1.3	1.2
Government ^{6, 8}	- 3.8	- 3.3	- 4.2	- 3.1	- 3.9	- 4.2	- 3.3	- 2.5
Total ⁹	- 1.4	- 1.2	- 0.9	- 1.5	- 1.3	- 0.9	- 0.3	- 0.3

Sources: Official national accounts and Bundesbank estimates. — ¹ Net acquisition of tangible fixed assets and stocks. — ² Expenditure on new residential buildings including the renovation and maintenance of existing buildings and the acquisition of older buildings; excluding associated transactions involving land. — ³ Corresponds to the difference between saving and the acquisition of fixed assets in Germany. — ⁴ As % of aggregate disposable income. — ⁵ Including capital transfers. — ⁶ 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 the east German housing enterprises by the Redemption Fund for Inherited Liabilities amounting to around DM 205 billion and DM 30 billion, respectively. — ⁷ 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 by the Redemption Fund for Inherited Liabilities amounting to around DM 205 billion. — ⁸ Residents' concept of the national accounts. — ⁹ Corresponds to net lending to the rest of the world.

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Decline in investment by the housing and government sectors

By contrast, the acquisition of fixed assets declined in the other sectors of the economy. This was the case both for commercial housing construction investment and for corresponding private investment projects. Although households' demand for housing was shored up by the continuing preference in western Germany for purchasing owner-occupied houses and by the maintenance and renovation of existing buildings, this development was more than counteracted by a sharp decline in interest in purchasing owner-occupied apartments; this particularly affected the privately financed construction of blocks of flats, for which building permits declined by more than one-quarter in 1998. As a result, less funds were used on balance for the acquisition of fixed assets by households (excluding the associated acquisition of real estate); at an estimated DM 118 billion, capital formation of households amounted to 3½% of aggregate disposable income in 1998, compared with 4% a year earlier. In addition, net capital formation by the government sector also declined further. Its macroeconomic weight was only half as great as in the first half of the nineties, when the pent-up demand and the need for modernisation in the new Länder following German unification temporarily led to a sharp surge in public investment.

Overall supply of savings

Further improvement in corporate profitability

Owing to the contrasting trends in the acquisition of fixed assets by producing enterprises, on the one hand, and the other sectors of the economy, on the other, the amount of financial resources required for the acquisition of

fixed assets did not expand faster overall than the volume of domestic savings, which likewise increased by about 15% in 1998 to a total of over DM 330 billion. A large share of this increase was generated by businesses, which benefited from a continuing improvement in profitability last year. With producer prices remaining broadly stable and output expanding, this can be attributed above all to the substantial rationalisation and restructuring measures carried out in the past few years. Overall, enterprises' retained profits (including government investment grants) increased by one-quarter last year. Amounting to 3½% of aggregate disposable income, this clearly exceeded the enterprise sector's contribution to savings during the unification-related boom. However, this rather positive overall picture masks considerable differences in individual earnings. Financial and commercial service providers and export-oriented producing enterprises, in particular, achieved above-average rates of return, although it is likely that their operating result was increasingly affected in the course of the year by the retarding influences emanating from the global economic crisis regions. By contrast, the ability to generate financial resources internally remained under pressure in industries and regions in which the necessary structural and capacity adjustments have not yet been completed. Another factor which may have tended to depress the level of profit reinvestment in 1998 was the tax-favoured distribution of profits retained in earlier years, a facility (known as "EK 50") which expired at the end of last year and which appears to have been used on a major scale.

*Growth-related
reduction in
government
financing gap*

Domestic savings were additionally boosted by the fact that the government was able to considerably reduce the gap between its current receipts and expenditure on consumption and transfers (as defined in the national accounts) by about one-third compared with 1997. However, this was not solely the result of consolidation efforts in government spending, but was also due to the more robust economic growth, which, for the first time following a prolonged erosion of the tax base, led to an increased inflow of tax revenue for public authorities. The financial situation improved, in particular, at the level of the Länder Governments and the local authorities. Estimates made by the Federal Statistical Office indicate that the net receipts of the social security funds in 1998 were almost twice as high as a year earlier. Besides lower unemployment, this can be attributed to a large extent to the cost-curbing measures implemented in the statutory health insurance scheme from mid-1997 and to the increase in VAT-financed government transfers in order to replenish the fluctuation reserves of the pension insurance schemes.

*Despite smaller
contribution to
savings from
households ...*

By contrast, households' savings in 1998 (after taking into account capital transfers) were barely higher, in absolute terms, than a year earlier. With the propensity to save decreasing, the weight of this main source of domestic saving declined further. Whereas in 1991, households' savings had amounted to 10 % of the disposable income of all sectors, in 1998 this figure fell to 8 %.³ The fall in the household saving ratio was largely offset by an increase in savings in the other sectors of the economy. In this context, the favour-

able terms of trade also played an important role, among other things, in the improvement of corporate profitability. Thus despite a strong demand for imports and sharply increasing deficits on "invisibles", Germany's net recourse to foreign financing was relatively low last year, amounting to only DM 11 billion, or 1/3 % of aggregate disposable income.

*... recourse to
foreign
resources was
reduced*

Basic structure of the financial flows

In 1998, the overall pattern of financing was characterised above all by a sharp increase in the external financing requirements of the business sector. The producing enterprises' financial shortfall increased by more than four-fifths in the past year, reaching a level of DM 95 billion. The consequence of this was their relatively heavy recourse to the resources of the other sectors of the economy amounting to 3 % of aggregate disposable income. Moreover, the expansion of economic activity was accompanied by increased efforts by enterprises to strategically reorient or streamline their fields of business and by an intensive search for new partners for mergers in order to improve firms' profitability and underlying strength in global competition. As a result, both the liabilities and the financial assets of the domestic non-financial sectors last year grew far more sharply than ever before owing to the volume of transactions. Financial derivatives business probably acted as an add-

*Increase in
financial flows*

³ This should not be confused with the sector-specific saving ratio of households; as a percentage of their own disposable income, households' savings fell from around 13 % to 10 1/2 % during the period under review.

itional spur to this development. In terms of nominal GDP, a similar increase in asset acquisition and financing was last observed at the time of the unification-related boom and the start-up financing for the reconstruction of the east German economy.

*Divergent
interest rate
lock-in
preferences*

In view of the considerable decline in interest rates, especially at the longer end, borrowers and investors understandably continued to have different preferences regarding interest rate lock-in periods. Longer-term financing arrangements remained the dominant form of borrowing, amounting to over four-fifths.⁴ The fact that shorter-term borrowing likewise expanded sharply in 1998 may be related to the high level of stockbuilding. Regarding the acquisition of financial assets, in which short-term investment traditionally plays a greater role, enterprises and households substantially increased their cash balances. This no doubt partly mirrors the higher economic growth. But it also presumably reflects the very low opportunity cost of cash holding in the wake of the historically low level of interest rates and the large measure of price stability achieved. Finally, it is likely that the pronounced preference for liquidity also mirrors a wait-and-see attitude with regard to further developments in the financial markets.

*Sizeable
volume of
equity trans-
actions*

Despite the ups and downs in the share market last year, transactions in equities rose sharply. Boosted by the international surge in share prices and the pending introduction of the euro, an increasing proportion of domestic financial asset acquisition took the form of investment in vehicles with value-adding potential. If equities and investment fund certifi-

cates – a large proportion of which were latterly accounted for by equity share certificates – are taken together, an estimated one-quarter of the funds allocated by the domestic non-financial sectors to the acquisition of financial assets in 1998 was invested either directly or indirectly in shares; this percentage was about three times as high as the corresponding ratio at the beginning of the nineties. This picture remains broadly the same even after taking into account the fact that last year's share market activities were heavily influenced by the merger between a large German enterprise and a major foreign firm, and that the Federal Government undertook substantial privatisation operations.

Financial pattern of producing enterprises

The shift in economic momentum from external to domestic driving forces naturally also led to changes in the focus of corporate asset formation in the different industries and regions. Fixed capital formation rose in western Germany, in particular, in the innovative industrial sectors currently fuelling economic growth, namely communications and telecommunications, as also in the case of financial and commercial service providers. The main emphasis was on machinery and equipment, spending on which increased by 10% last year compared to 1997. The results of a

*Shift of
emphasis in
fixed capital
formation*

⁴ The high proportion of longer-term financing is partly due to the consolidated approach in which credit relationships within a given sector are eliminated. In the case of enterprises, a large part of these relationships are likely to be short-term (e.g. mutual trade credits and advances).

Financial assets and liabilities * of domestic non-financial sectors

DM billion

Item	End-of-year level				Transactions	
	1980 1	1990	1997 e	1998 e	1997 p	1998 pe
Financial assets						
Longer-term						
with banks 2	439.1	707.3	766.1	742.6	- 10.4	- 31.5
with other institutional investors in the securities market 3	325.7	695.1	1,179.4	1,264.1	86.9	84.6
other investments	454.5	1,340.5	2,829.4	3,182.9	66.3	157.6
	230.3	526.7	691.8	748.5	30.0	63.0
Subtotal	1,449.7	3,269.5	5,466.7	5,938.1	172.8	273.7
Short-term						
with banks 2	805.0	1,651.1	2,583.2	2,757.9	89.5	171.4
other investments 4	211.9	496.7	743.9	796.1	56.8	37.8
Subtotal	1,017.0	2,147.9	3,327.1	3,554.0	146.3	209.2
Grand total	2,466.6	5,417.3	8,793.8	9,492.1	319.1	482.9
of which						
Households	1,483.5	3,198.6	5,361.6	5,682.8	243.2	250.8
Enterprises 5	661.9	1,615.4	2,809.4	3,179.0	76.9	241.5
Government	321.2	603.3	622.7	630.2	- 1.0	- 9.5
Memo item						
Financial assets as % of GDP	167.0	202.9	244.3	255.2	8.9	13.0
Liabilities and shares outstanding						
Longer-term						
to banks 2	1,197.9	2,252.4	3,918.5	4,180.7	234.2	256.4
to other institutional investors in the securities market 6	236.1	358.7	485.8	495.9	5.2	12.9
to other lenders	371.4	1,164.1	2,924.8	3,336.3	76.1	143.0
	219.7	502.6	576.3	613.5	16.3	41.8
Subtotal	2,025.1	4,277.8	7,905.5	8,626.4	331.7	454.1
Short-term						
to banks 2	335.2	617.1	859.7	928.6	27.5	70.1
to other lenders 4	110.8	222.5	324.7	347.1	19.3	26.3
Subtotal	446.0	839.6	1,184.5	1,275.7	46.8	96.5
Grand total	2,471.1	5,117.5	9,089.9	9,902.1	378.5	550.6
of which						
Households 7	615.2	1,096.0	1,821.1	1,929.1	106.6	103.6
Enterprises 5	1,397.9	2,972.4	4,964.5	5,579.1	171.5	377.5
Government	458.0	1,049.1	2,304.3	2,393.9	100.5	69.4
Memo item						
Liabilities as % of GDP	167.3	191.7	252.5	266.2	10.5	14.8

* Including shares outstanding. — 1 Western Germany. — 2 In Germany and abroad. — 3 Stocks of bonds, investment fund certificates and shares. — 4 Including money market

paper. — 5 Including housing enterprises. — 6 Liabilities arising from bonds and shares outstanding. — 7 Including private financing of housing construction.

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survey by the ifo institute indicate that in eastern Germany, on the other hand, the downward trend following the 1994-5 investment peak became clearly evident for the first time. The completion of major restructuring measures in eastern Germany plus the existence of unlet commercial buildings in many areas probably explains the continued decline in spending on industrial and commercial buildings in Germany in 1998. The weight of such spending within overall fixed capital formation fell to the level recorded at the beginning of the nineties before the unification-related construction boom set in. The gross capital formation of producing enterprises was 16% higher in 1998 than a year before, totalling DM 497 billion. The fact that gross capital formation grew at a markedly faster rate than spending on tangible fixed assets alone was due to the substantial increase in stockbuilding mentioned above.

Direct investment abroad

In the case of globally active enterprises, expenditure on tangible fixed assets in Germany merely mirrors the domestic side of investment decisions. These enterprises also invest abroad in order to gain access to foreign markets or to strengthen their position in those markets. This is generally achieved by setting up or expanding subsidiaries or acquiring foreign firms or participating interests which fit into the enterprises' own business strategy and can thus be expected to produce synergy effects. Given today's setting of growing globalisation, such external corporate growth is becoming more and more significant. In 1998 producing enterprises spent approximately DM 105 billion on such external growth. After adding other financial and

trade credits granted to partners abroad, total external investment came to DM 140 billion, which represented an increase of almost two-thirds compared with 1997. It should be pointed out, however, that two-fifths of this sum alone related to the merger of two large international enterprises in the automobile industry. Since the beginning of the nineties, German enterprises have spent almost DM ½ trillion on loans and the acquisition of equity interests abroad. In purely arithmetical terms, this equals more than one-tenth of their total allocation of funds.

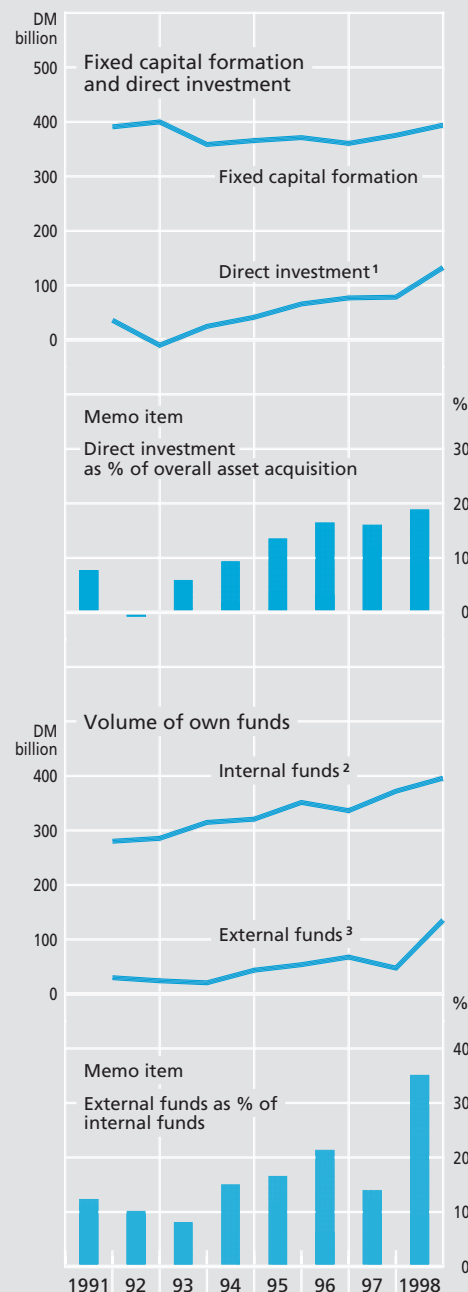
Besides the increased use of funds for investments at home and abroad, enterprises also substantially built up their liquid reserves last year. This was mirrored, in particular, in a sizeable increase in their cash balances with credit institutions, the growth rate of which increased by about three-quarters compared with 1997. On the one hand, enterprises that showed restraint in their expenditure on tangible fixed assets owing to the deteriorating economic outlook apparently used their surplus cash flow to expand their sight deposits. On the other hand, it seems that resources stemming from capital procurement measures prior to planned acquisitions or from sales of firms or equity holdings in the wake of strategic restructuring moves were temporarily lodged with banks in Germany and abroad on a relatively liquid basis. This observation at least accords with the fact that securities portfolios, especially shorter-term bonds and investment fund certificates, increased again following reductions in the previous two years.

Higher liquidity holdings

Declining self-financing ratio

Producing enterprises' combined investments in tangible fixed assets and financial assets resulted in financial requirements amounting to DM 734 billion last year; this amount was more than two-fifths higher than the average figure between 1991 and 1997. The enterprises' internally generated resources fell far short of this leap in funding needs. The financial resources provided by depreciation allowances, retained profits and government investment grants increased by only 6% in 1998 to DM 402 billion. This amount sufficed to finance little more than half of the funds used, compared with an average cover ratio of two-thirds in the four previous years. To prevent a further decline in the equity ratio, enterprises therefore had to resort more to raising additional liable capital. Despite strong share price volatility, firms' recourse to the equity market increased considerably. At the same time, there was a record number of initial public offerings. At DM 35 billion, the volume of share issues distinctly exceeded the previous record achieved in 1996, the year of Deutsche Telekom's flotation. If the aforementioned large merger is included, the volume of new equities issued in 1998 reached no less than DM 89 billion. After adding the funds obtained from other direct investment in Germany by non-residents, producing enterprises received almost DM 140 billion in additional capital in this way last year. This amount is more than twice as high as in the previous years, a fact which, like the expansion of the asset side of the balance sheet, can be seen as an expression of an accelerated growth of corporate ties.

Enterprises' capital formation and its financing



1 Acquisition of firms and participating interests abroad, including other financing extended to partners abroad. — 2 Sum of retained profits, depreciation allowances and investment grants received. — 3 Issues of shares, including other financing received from partners abroad.

Producing enterprises' asset acquisition and its financing

DM billion

Item	1991	1992	1993	1994	1995	1996 p	1997 p	1998 pe
Asset acquisition								
Gross capital formation	409.2	403.8	354.9	387.7	395.0	371.9	428.5	496.9
Tangible fixed assets	396.4	405.5	364.1	371.3	376.7	366.1	380.9	399.6
Stocks	12.8	- 1.7	- 9.2	16.4	18.3	5.9	47.6	97.3
Acquisition of financial assets	128.0	130.8	159.1	111.5	131.2	127.5	92.3	237.4
Funds placed with banks ¹	49.7	104.0	98.4	- 16.9	51.3	90.4	39.0	69.1
Short-term	48.8	106.1	104.1	- 12.6	40.6	83.7	36.1	66.8
Longer-term	0.9	- 2.1	- 5.7	- 4.3	10.7	6.7	2.9	2.3
Securities ²	29.5	22.4	8.6	68.0	11.7	- 32.7	- 19.7	35.0
of which								
Investment fund certificates	4.7	4.5	3.5	30.2	5.3	10.8	17.7	20.5
Participating interests ³	38.2	32.5	38.2	30.0	44.8	32.7	27.3	98.2
in Germany	5.9	5.3	13.3	4.1	- 2.4	- 5.3	- 15.2	- 6.5
abroad	32.3	27.2	24.9	25.9	47.2	38.0	42.5	104.7
Other claims	10.6	- 28.1	13.9	30.4	23.4	37.1	45.7	35.1
on residents ^{4, 5}	1.3	3.5	8.5	9.3	- 0.8	- 7.4	4.3	1.3
on non-residents	9.3	- 31.6	5.4	21.1	24.2	44.5	41.4	33.8
Total	537.2	534.6	514.0	499.2	526.2	499.4	520.8	734.3
Financing								
Internal resources	285.7	291.0	320.3	326.2	356.9	341.8	377.5	401.5
Net retained income ^{5, 6}	31.8	14.4	26.2	24.6	46.9	27.4	57.2	74.3
Depreciation allowances	253.9	276.6	294.1	301.6	310.0	314.5	320.3	327.2
Memo item								
Internal financing ratio ^{5, 7}	53.2	54.4	62.3	65.3	67.8	68.4	72.5	54.7
Incurrence of liabilities ⁸	242.1	238.5	220.9	195.7	193.8	173.4	151.9	349.9
with banks ^{1, 5}	172.8	137.8	97.6	50.9	143.2	95.1	97.9	189.5
Short-term	81.6	20.8	- 18.5	13.0	70.3	24.8	24.8	60.9
Longer-term	91.2	117.0	116.1	37.9	72.9	70.3	73.1	128.6
in the securities market ^{5, 9}	7.5	41.8	91.8	90.5	- 6.4	- 8.6	- 5.8	- 7.3
in the form of participating interests ³	11.4	14.6	15.9	28.7	40.1	40.3	20.8	92.0
with other lenders	50.4	44.3	15.6	25.6	16.9	46.6	39.0	75.7
in Germany	26.4	29.2	5.5	5.2	- 2.3	13.7	6.8	26.5
abroad	24.0	15.1	10.1	20.4	19.2	32.9	32.2	49.2
Total	527.8	529.5	541.2	521.9	550.7	515.2	529.4	751.4
Net acquisition of financial assets	-114.1	-107.7	- 61.8	- 84.2	- 62.6	- 45.9	- 59.6	-112.5
Statistical discrepancy ¹⁰	9.4	5.1	- 27.2	- 22.7	- 24.5	- 15.8	- 8.6	- 17.1
Financial balance ¹¹	-123.5	-112.8	- 34.6	- 61.5	- 38.1	- 30.1	- 51.0	- 95.4

¹ In Germany and abroad. — ² Money market paper, bonds and investment fund certificates. — ³ Shares and other participatory instruments abroad. — 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 re-

ceived (net). — ⁷ Internal resources as % of total asset formation. — ⁸ Including the procurement of investment capital. — ⁹ Through the sale of money market paper and bonds. — ¹⁰ Corresponds to the balancing item in the financial account with the rest of the world owing to unclassifiable payment transactions with non-residents. — ¹¹ Internal resources less gross capital formation.

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*Greater
recourse to the
credit markets*

Like the procurement of equity capital, the incurrence of new short and longer-term liabilities also rose sharply last year. Once again, domestic banks proved to be the enterprises' most flexible source of refinancing. In 1998 they provided more than four-fifths of firms' additional credit requirements. In the core areas of the manufacturing sector and in the expanding field of enterprise-related services, in particular, the need for longer-term loans in order to carry out planned investments in tangible fixed assets or corporate take-overs increased substantially. At the same time, the demand for short-term credits to finance the steep rise in stockbuilding also rose sharply; however, this rise may also have owed something to the need to bridge erratic payment receipts with which self-employed entrepreneurs and freelance professionals often have to contend.

*Shifts in the
balance sheet
structure*

The shifts in balance sheet structures that have been evident for some time were sharply reinforced by enterprises' investment and financing behaviour last year. Owing to the expansion of activities abroad and the trend towards more rational stockkeeping, there was a steady decline in the weight of fixed assets vis-à-vis financial assets. One important factor contributing to the greater weight of financial assets was the growth of corporate ties. On the right-hand side of the balance sheet, the weight of liabilities increased, thus tending to depress the equity ratio. In order to make German enterprises fitter to face the challenges of global competition and the risks of new technological developments, the prime need is thus to take suitable measures to help broaden their available capital base.

Households' saving and investment behaviour

Since the beginning of the nineties and up to the most recent past, there has been an overall downward trend in German households' savings – with the exception of a brief interruption in 1995-6. The picture remains broadly the same using the new extended concept of the household sector (i. e. including the private acquisition and financing of residential property). While the ending of the wave of redundancies in industry, the somewhat higher pay settlements and tax relief measures all had a positive effect on households' ability to save, this was counterbalanced by additional burdens resulting from the raising of value added tax on April 1 and, above all, by a greater preference for consumption fuelled by more optimistic expectations. As a result, the saving ratio as defined in this Report probably dropped to 10 ½ % of households' disposable income in 1998, which was more than 2 ½ percentage points below the level recorded at the time of German unification.

*Further decline
in household
savings*

Households continued to employ a relatively large proportion of their investible funds (comprising both current savings and government transfers received in connection with saving promotion schemes) for the acquisition of owner-occupied housing. This is indicated, on the one hand, by the construction statistics according to which more than 220,000 dwellings in one and two-family houses were completed in 1998, about 7 % more than a year earlier. On the other hand, the sustained preference for a "home of one's own", particularly of west Germans,

*Acquisition of
fixed assets by
households*

manifested itself in an increased number of applications for construction permits and a sharp rise in the pay-out of savings with building and loan associations. Besides the favourable credit terms and construction prices, a strong incentive to acquire residential property was provided by the replacement at the start of 1996 of tax incentives for home buyers by direct grants. However, the increased acquisition of owner-occupied houses was more than offset by a steep decline in the completion of owner-occupied flats, especially in eastern Germany, where the over-supply that has arisen in many areas and the cutback in government promotion measures considerably dampened investor interest. The number of owner-occupied apartments put on the market in Germany as a whole declined by more than one-quarter in 1998. Taking these properties into account, households spent DM 118 billion, or 5 % of their disposable income, on the acquisition of fixed assets last year, which was far less than in 1997.

Preference for financial assets with potential for capital appreciation

The decreasing interest in real estate for tax depreciation and investment purposes benefited the acquisition of financial assets, which increased somewhat despite the decline in saving. The choice of investment vehicles was chiefly determined by the expected rate of return and by investors' increased preference for liquidity, which were both influenced by the continuing low level of interest rates. Financial assets with a potential for capital appreciation promised relatively high yields – also after taking tax considerations into account. When equity prices began to soar again early last year following the turmoil witnessed in 1997, both indirect and direct ac-

quisitions of equities again increased substantially. This preference was not even affected by the share price falls in the summer months. Instead households remained level-headed on the whole and to some extent took advantage of the lower price level to make additional purchases. Longer-term savings schemes, an increased amount of which were concluded last year, tended to have the same effect. Capital market-based domestic and foreign investment fund certificates raised about DM 60 billion last year, which was approximately 10 % more than in 1997, the greater part of which was probably accounted for by investments in equities. In the run-up to monetary union, investors favoured Europe-oriented share-based funds and, to a certain extent, sector-specific funds. Shares were also acquired directly on a substantial scale, owing *inter alia* to merger plans and take-over rumours. Overall, almost one-quarter of households' newly formed financial assets may have been invested in shares last year, compared with less than one-fifth in 1997.

In addition, households also substantially stepped up their liquid funds placed with banks. For example, the amount of funds placed in sight deposit accounts was twice as high last year as in 1997. At the same time, a substantial amount was invested in money market funds, which had previously registered sizeable outflows. The increase in liquidity holdings probably owed little to greater insecurity regarding employment and income prospects. Rather, it represented accumulated savings lodged temporarily in liquid form prior to their final use owing *inter alia* to

Growing preference for liquidity

Saving by households (plus non-profit organisations) including the private housing sector *

DM billion

Item	1991	1992	1993	1994	1995	1996 p	1997 p	1998 pe
Disposable income	1,878.2	2,014.7	2,084.1	2,156.3	2,238.1	2,311.3	2,354.7	2,410.5
Consumption	1,630.3	1,755.5	1,829.3	1,906.0	1,975.3	2,046.4	2,095.2	2,156.2
Saving	247.9	259.2	254.8	250.3	262.8	264.9	259.5	254.3
Memo item								
Saving ratio ¹	13.2	12.9	12.2	11.6	11.7	11.5	11.0	10.5
Capital transfers								
incoming	4.6	4.6	4.6	4.8	5.2	8.0	10.6	17.0
outgoing	6.9	7.7	8.3	8.9	13.0	9.7	9.7	10.4
Investible funds (net)	245.6	256.1	251.1	246.2	255.0	263.2	260.4	260.9
Amount used for:								
Acquisition of fixed assets								
Gross capital formation ²	144.6	168.0	183.0	215.0	219.5	218.5	219.3	216.5
Consumption of fixed capital	66.9	72.9	75.6	85.1	87.3	91.4	95.5	98.9
Net capital formation	77.7	95.1	107.4	129.9	132.2	127.1	123.8	117.6
of which by own resources ³	31.9	22.5	10.8	17.5	31.1	26.1	30.3	28.9
Acquisition of financial assets								
with banks	79.8	109.3	151.0	26.5	77.5	85.9	46.0	69.0
Currency and sight deposits	14.2	41.7	35.1	15.7	23.6	33.5	19.3	39.8
Time deposits	55.9	47.5	47.4	-56.6	-54.0	-38.4	-12.7	6.6
Savings bonds	7.9	3.1	-20.4	-13.2	4.8	-4.4	1.8	-4.6
Savings deposits	1.8	16.9	88.9	80.6	103.1	95.3	37.5	27.1
with building and loan associations	6.4	6.6	6.8	6.2	3.4	9.5	9.3	4.7
with insurance enterprises	52.0	60.3	69.6	74.6	86.0	87.1	94.8	99.4
in securities	94.1	62.7	17.7	125.3	54.4	51.0	77.4	58.0
Bonds ⁴	66.6	11.6	-25.0	38.6	37.1	19.4	19.6	-15.9
Investment fund certificates	27.0	52.0	36.1	84.7	20.7	21.1	49.8	65.9
Shares	0.5	-0.9	6.6	2.0	-3.4	10.5	8.0	8.0
in other assets	15.9	18.9	10.2	12.3	15.8	15.8	15.8	15.8
Total	248.1	257.8	255.3	244.8	237.1	249.2	243.2	246.9
Incurrence of liabilities								
Mortgages	45.8	72.6	96.6	112.4	101.1	101.0	93.5	88.7
Consumer loans	34.4	24.2	15.0	16.1	13.2	12.1	13.1	14.9
Total	80.2	96.8	111.6	128.5	114.3	113.1	106.6	103.6
Memo item								
Net acquisition of financial assets	167.9	161.0	143.7	116.3	122.8	136.1	136.6	143.3

* Calculation previously used in the national accounts extended to include the acquisition and use of private housing, including the associated funding of loans. — ¹ As a percentage of disposable income. — ² Expenditure on new residential buildings including the renovation and main-

tenance of existing buildings and the acquisition of older buildings; excluding associated transactions involving land. — ³ Difference between net capital formation and mortgages. — ⁴ Including money market paper.

increased financial market risks, the low level of long-term interest rates and the flat yield curve. To some extent, this probably also holds true for funds maturing in longer-term bank savings accounts or maturing bonds. Thus large amounts of bank bonds, which tend to be held largely by households, were due for repayment last year. In addition, older bonds were sold (presumably fetching good prices) in order to realise tax-free holding gains. On balance, this led to a decline in households' holdings of bonds, although their preference for foreign securities and newer products increased at the same time. So-called reverse-convertible bonds aroused particular interest.

*Borrowing
pattern*

As in the preceding years, saving was positively influenced by the relatively low level of new borrowing. The number of additional consumer loans taken up increased, no doubt in connection with the more buoyant level of consumption. Demand for housing loans, on the other hand, again declined noticeably. The information value of banking statistics data is impaired, however, by the fact that it is no longer possible to differentiate clearly between consumer credit and mortgages granted to households. It is therefore better to consider aggregate new debt, which has been decreasing since reaching its peak in 1994. This downward tendency can be attributed chiefly to the waning of the construction boom. In addition, it is likely that the progressive curbing of tax depreciation allowances granted under the Promotional Area Act also dampened investment on the east German real estate markets and the associated need to borrow.

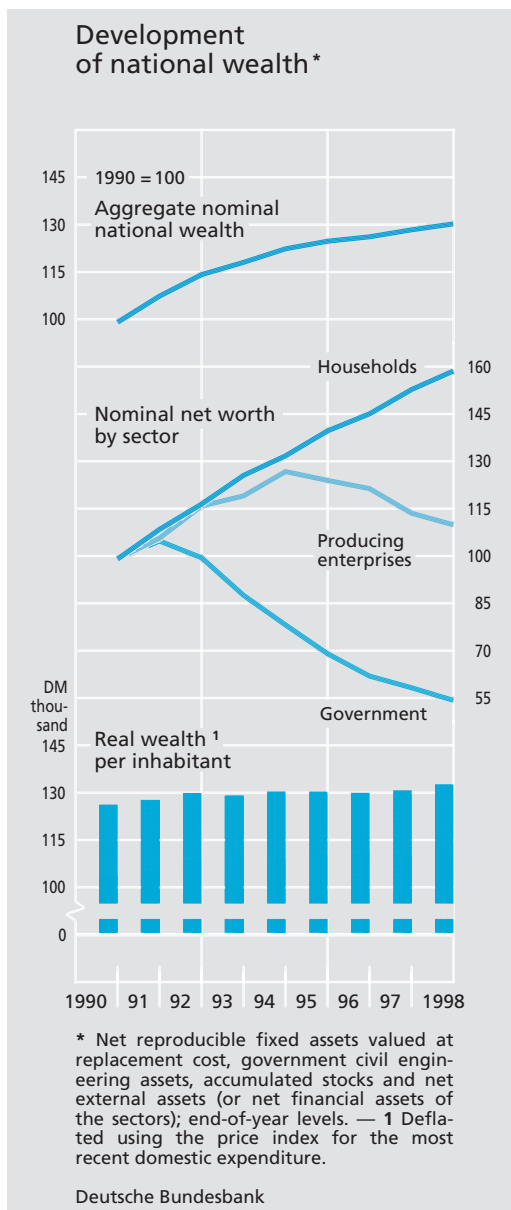
Development of national wealth

At the end of 1998, German national wealth amounted to an estimated DM 13 trillion.⁵ However, this figure does not include real property owing to the lack of statistical data. The value of the land associated with households' purchases of residential property alone amounted to more than DM 2½ trillion at the end of 1998. National wealth – according to the narrower definition used in this Report – has increased by an estimated nominal amount of DM 3 trillion since the end of 1990. This equals an average annual increase of almost 3½%⁶. This significantly exceeded the aggregate savings accumulated in the same period, which accounted for “only” about two-thirds of the total increase in national wealth. The remaining one-third was principally attributable to a higher valuation of the stock of fixed assets. The share due to changes in valuation would be even greater if

*Development
of national
wealth*

⁵ Just as in corporate accounts, where balance sheets provide information on enterprises' net worth and indebtedness, the national accounts also seek to portray the value, composition and financing of the assets of the various sectors and of the economy as a whole. This is achieved by means of stock accounts in which assets (non-financial assets and claims) and liabilities are recorded as of the end of each business period. The resulting balance is referred to as net worth. The aggregate net worth of all the domestic sectors shows Germany's national wealth, which is used as an indicator of prosperity. Since domestic financial assets and liabilities are offset against each other, national wealth in a narrower sense equals the sum of aggregate net fixed assets and the net external position.

⁶ The value of national wealth changes in the course of time owing to transactions, other changes in volume (e. g. owing to unenforceable claims) and price changes. Transactions are recorded in the capital account and the financial account and manifest themselves in net fixed capital formation, changes in stocks, capital transfers and in the acquisition of financial assets and the incurrance of liabilities. In addition, price-related changes in the value of assets also play a major role, especially in the case of real property and shares, which under ESA 95 must be recorded in a separate revaluation account.



increases in land value were also taken into account. But even this figure indicates the major significance which changes in the value of existing assets can have for an economy's national wealth alongside accumulated aggregate savings.

Households' net worth grew at a faster rate than national wealth; on an average of the years from 1991 to 1998, it increased by 6%

in nominal terms. By the end of 1998, households' real property and financial assets (excluding the associated value of land) reached a magnitude of the order of DM 10½ trillion, set against liabilities amounting to almost DM 2 trillion. Since the beginning of the nineties, there has been a sharp rise in the proportion of assets subject to regular revaluation based on market prices. Whereas in 1990, somewhat more than half of aggregate gross wealth had been attributable to housing and equities, this figure increased to almost two-thirds at the end of 1998.⁷ However, the greater preference for investments with a potential for capital appreciation also implies a partial forgoing of current property income in favour of expected holding gains, resulting in a weakening of the tendency for the acquisition of financial assets to grow "automatically" via the reinvestment of income. On the other hand, the accumulation of current savings has been offset by increases in the value of assets, which amounted to an estimated DM 1,100 billion in the period under review, or around DM 150 billion per year. This corresponds to about 60% of households' annual savings or 7% of their disposable income. These figures highlight the importance which value increases have meanwhile assumed in respect of households' net worth in Germany. This could also have implications for saving and the distribution of wealth. Thus in the United States, in particular, increases in the value of assets are regarded as being partly responsible for the fact that households' contribution to overall saving is now negative.

⁷ This proportion would be even higher if land were included in the calculation.

National wealth by sector

DM trillion					
Item	End-of-year level		Changes		
	1990	1998 ²	Total 1991–8 ²	Transactions 1991–8 ²	Other ¹ 1991–8 ²
Households					
Fixed assets ³	3.2	4.7	1.5	0.9	0.6
Net financial assets ⁴	2.1	3.8	1.7	1.1	0.5
Total	5.3	8.4	3.1	2.0	1.1
Enterprises					
Fixed assets ³	4.4	5.8	1.5	1.1	0.4
Net financial assets ⁴	-1.1	-1.9	-0.8	-0.4	-0.4
Total	3.2	3.9	0.6	0.6	0.0
of which					
Producing enterprises					
Fixed assets ³	3.8	5.1	1.2	0.9	0.3
Net financial assets ⁴	-1.1	-2.0	-0.9	-0.5	-0.4
Total	2.7	3.0	0.4	0.4	-0.0
Government					
Fixed assets ³	2.0	2.6	0.6	0.4	0.2
Net financial assets ⁴	-0.4	-1.8	-1.3	-1.0	-0.3
Total	1.5	0.8	-0.7	-0.6	-0.1
All domestic sectors					
Fixed assets ³	9.5	13.1	3.5	2.4	1.1
Net financial assets ⁴	0.5	0.1	-0.4	-0.3	-0.1
Total	10.0	13.2	3.2	2.1	1.1

Source: Federal Statistical Office, Subject-Matter Series 18, national accounts and Bundesbank calculations. — ¹ Difference between total changes in stocks and cumulative transactions. This is largely attributable to valuation adjustments; including errors and omissions. — ² In 1998

rough estimate. — ³ (Net) reproducible fixed assets valued at replacement cost; including (gross) government civil engineering assets and accumulated stock. — ⁴ Financial assets less liabilities (including shares outstanding); securities valued at market rates.

Deutsche Bundesbank

*Government
net worth*

Households' increasing share of national wealth went hand in hand with a decline on the part of the government sector, whose net worth decreased at an average annual rate of about 7% during the same period. Owing to the government sector's chronic dissaving, its share of national wealth (as defined in this Report) has fallen by one-half since German reunification. Although the Constitution and German budget law stipulate that new government borrowing may only exceed gross government investment in exceptional cases, the government sector's net worth has been reduced by the imputed consumption of fixed capital as well as its disposals of fixed and financial assets for the purpose of current budget financing.⁸ In this sectoral analysis, it should be noted that the drastic increase in public debt – by more than double – in effect

constitutes a substantial burden on the private sector which will have to be serviced from that sector's future income.

All in all, the aggregate assets and liabilities account for the nineties presents a rather mixed picture. In real terms and in relation to the number of inhabitants, national wealth was barely higher at the end of 1998 than in the year of German unification. If gains in value are disregarded, the stock of national assets actually contracted by approximately 6%. This reflects not only the high level of government debt but also, and above all, a basic tendency towards a weakened accumulation of productive assets. This development

Real net worth

⁸ See Deutsche Bundesbank, Development of public sector investment, and its financing, Monthly Report, April 1999, page 29 ff.

is a cause for concern, not only because of the substantial lack of profitable jobs but also in view of the demographic ageing of the

population and the associated growing pension burden.

The tables accompanying this article appear on the following pages.

Note

A new edition of Special Statistical Publication 4, Financial Accounts for Germany, 1990 to 1998, will appear in July 1999. The English language version will be available on the Internet only.

Capital finance account for 1998 ^{pe}

DM billion

Item	Households	Enterprises			Government 1	All domestic non-financial sectors
		Total	Producing enterprises	Housing		
Acquisition of fixed assets and saving						
Net capital formation	.	291.37	169.72	121.65	40.57	331.94
Gross capital formation	.	735.63	496.93	238.70	67.65	803.28
Consumption of fixed capital	.	444.26	327.21	117.05	27.08	471.34
Saving and capital transfers	232.98	86.77	74.31	12.46	– 38.37	281.38
Saving	289.34	– 7.62	45.17	– 52.78	0.58	282.31
Capital transfers (net)	– 56.36	94.38	29.14	65.24	– 38.95	– 0.93
Financial surplus or deficit ³	232.98	– 204.60	– 95.41	– 109.19	– 78.94	– 50.56
Statistical discrepancy ⁴	.	– 17.10	– 17.10	.	.	– 17.10
Acquisition of financial assets						
Funds placed with banks	66.22	68.97	66.47	2.50	– 1.93	133.26
Currency and sight deposits	39.84	79.40	76.90	2.50	5.09	124.33
Time deposits	– 0.71	– 11.50	– 11.50	.	– 7.48	– 19.69
Savings deposits	27.08	1.07	1.07	.	0.46	28.61
Funds placed with building and loan associations	4.72	0.22	0.22	.	– 0.11	4.83
Funds placed with insurance enterprises	99.41	4.91	4.91	.	0.58	104.90
Purchases of money market paper	– 0.36	– 5.70	– 5.70	.	– 0.07	– 6.12
Purchases of bonds	– 11.58	20.17	20.17	.	– 0.25	8.34
Purchases of investment fund certificates	65.91	20.52	20.52	.	2.81	89.25
Purchases of shares	8.00	71.80	71.80	.	– 19.79	60.01
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	18.52	60.67	59.04	.	9.26	88.45
Total	250.85	241.54	237.41	2.50	– 9.49	482.90
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	.	– 1.29	– 1.29	.	– 0.74	– 2.04
Sales of bonds	.	– 6.06	– 6.06	.	59.89	53.83
Sales of investment fund certificates	.	.	.	.	.	.
Sales of shares	.	89.20	89.08	0.12	.	89.20
External position of the Bundesbank	.	.	.	.	.	.
Bank loans	17.68	292.30	185.33	106.97	15.79	325.76
Short-term bank loans	7.08	62.08	59.99	2.09	– 1.52	67.64
Longer-term bank loans	10.60	230.22	125.34	104.88	17.31	258.12
Building and loan association loans	.	6.94	0.79	6.15	– 0.41	6.53
Insurance enterprise loans	– 0.04	6.64	5.91	0.73	– 0.25	6.35
Other liabilities	0.23	75.52	76.17	– 2.28	– 4.83	70.92
Total	17.87	463.24	349.92	111.69	69.45	550.56

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.

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							
11.50	3.03	- 0.14	1.15	7.45	.	343.43	Net capital formation
22.70	11.12	0.07	4.06	7.45	.	825.97	Gross capital formation
11.20	8.09	0.20	2.91	-	.	482.54	Consumption of fixed capital
51.10	33.20	0.20	17.70	-	10.96	343.43	Saving and capital transfers
51.00	33.20	0.20	17.60	-	10.13	343.43	Saving
0.10	-	-	0.10	-	0.83	-	Capital transfers (net)
39.60	30.17	0.34	16.55	- 7.45	10.96	-	Financial surplus or deficit ³
.	.	.	.	.	17.10	-	Statistical discrepancy ⁴
Acquisition of financial assets							
55.38	.	2.50	30.61	22.27	284.93	473.56	Funds placed with banks
5.59	.	1.35	0.28	3.95	98.24	228.17	Currency and sight deposits
49.51	.	1.15	30.04	18.32	186.40	216.22	Time deposits
0.28	.	.	0.28	.	0.28	29.17	Savings deposits
- 0.25	- 0.25	.	.	.	0.11	4.69	Funds placed with building and loan associations
.	.	.	.	.	0.31	105.21	Funds placed with insurance enterprises
16.81	16.31	-	-	0.50	13.17	23.85	Purchases of money market paper
261.22	199.91	1.14	1.73	58.43	147.87	417.43	Purchases of bonds
104.31	41.76	2.18	60.38	.	- 2.77	190.79	Purchases of investment fund certificates
133.30	20.24	0.06	28.29	84.71	101.18	294.48	Purchases of shares
7.28	7.28	.	.	.	3.59	10.87	External position of the Bundesbank
507.70	507.70	.	.	.	.	507.70	Bank loans
169.03	169.03	.	.	.	.	169.03	Short-term bank loans
338.67	338.67	.	.	.	.	338.67	Longer-term bank loans
6.80	.	6.80	.	.	.	6.80	Building and loan association loans
6.95	.	.	6.95	.	.	6.95	Insurance enterprise loans
1.89	.	.	.	1.89	53.59	143.93	Other claims
1,101.38	792.95	12.68	127.96	167.80	601.98	2,186.26	Total
Incurrence of liabilities and sales of shares							
473.56	473.56	.	.	.	.	473.56	Funds placed with banks
228.17	228.17	.	.	.	.	228.17	Currency and sight deposits
216.22	216.22	.	.	.	.	216.22	Time deposits
29.17	29.17	.	.	.	.	29.17	Savings deposits
4.69	.	4.69	.	.	.	4.69	Funds placed with building and loan associations
105.21	.	.	105.21	.	.	105.21	Funds placed with insurance enterprises
18.64	18.64	.	.	.	7.25	23.85	Sales of money market paper
254.37	253.94	0.42	.	.	109.23	417.43	Sales of bonds
169.75	.	.	.	169.75	21.05	190.79	Sales of investment fund certificates
18.49	11.87	0.13	6.49	.	186.80	294.48	Sales of shares
3.59	3.59	.	.	.	7.28	10.87	External position of the Bundesbank
11.91	.	7.15	- 0.74	5.51	170.02	507.70	Bank loans
6.22	.	2.67	- 0.70	4.25	95.17	169.03	Short-term bank loans
5.70	.	4.48	- 0.04	1.26	74.85	338.67	Longer-term bank loans
- 0.17	- 0.17	.	0.00	.	0.44	6.80	Building and loan association loans
- 0.05	.	- 0.05	.	.	0.65	6.95	Insurance enterprise loans
1.80	1.35	.	0.45	.	71.21	143.93	Other liabilities
1,061.78	762.77	12.34	111.41	175.25	573.92	2,186.26	Total

Capital finance account for 1997 ^P

DM billion

Item	Households	Enterprises			Government ¹	All domestic non-financial sectors
		Total	Producing enterprises	Housing		
Acquisition of fixed assets and saving						
Net capital formation	.	243.89	108.19	135.70	42.85	286.74
Gross capital formation	.	677.65	428.47	249.18	69.51	747.16
Consumption of fixed capital	.	433.76	320.28	113.48	26.66	460.42
Saving and capital transfers	230.13	64.58	57.24	7.34	- 58.66	236.05
Saving	287.48	- 22.00	31.21	- 53.21	- 28.12	237.36
Capital transfers (net)	- 57.35	86.58	26.03	60.55	- 30.54	- 1.31
Financial surplus or deficit ³	230.13	- 179.31	- 50.95	- 128.36	- 101.51	- 50.69
Statistical discrepancy ⁴	.	- 8.72	- 8.72	.	.	- 8.72
Acquisition of financial assets						
Funds placed with banks	47.66	41.61	52.11	- 10.50	3.72	92.98
Currency and sight deposits	19.32	52.13	62.63	- 10.50	- 4.85	66.61
Time deposits	- 9.17	- 11.25	- 11.25	.	8.09	- 12.34
Savings deposits	37.51	0.73	0.73	.	0.48	38.71
Funds placed with building and loan associations	9.34	0.21	0.21	.	0.02	9.56
Funds placed with insurance enterprises	94.77	9.57	9.57	.	0.90	105.24
Purchases of money market paper	- 1.05	- 0.85	- 0.85	.	0.11	- 1.80
Purchases of bonds	20.61	- 36.59	- 36.59	.	- 0.10	- 16.08
Purchases of investment fund certificates	49.82	17.71	17.71	.	2.62	70.15
Purchases of shares	8.00	14.62	14.62	.	- 10.40	12.22
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	14.06	30.67	35.50	.	2.09	46.81
Total	243.21	76.93	92.26	- 10.50	- 1.05	319.09
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	.	2.13	2.13	.	- 1.81	0.33
Sales of bonds	.	- 7.93	- 7.93	.	73.70	65.78
Sales of investment fund certificates	.	.	.	.	.	.
Sales of shares	.	10.36	10.31	0.05	.	10.36
External position of the Bundesbank	.	.	.	.	.	.
Bank loans	12.90	193.14	90.42	102.71	53.12	259.16
Short-term bank loans	4.05	17.10	18.79	- 1.69	- 0.39	20.75
Longer-term bank loans	8.85	176.04	71.64	104.40	53.52	238.41
Building and loan association loans	.	6.49	- 0.81	7.30	- 0.16	6.33
Insurance enterprise loans	0.07	0.06	- 3.68	3.75	- 1.28	- 1.15
Other liabilities	0.11	60.71	61.48	4.05	- 23.11	37.70
Total	13.08	264.96	151.93	117.86	100.46	378.50

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.

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							
12.27	3.14	0.05	1.05	8.04	.	299.01	Net capital formation
23.35	11.11	0.25	3.96	8.04	.	770.51	Gross capital formation
11.08	7.97	0.20	2.91	-	.	471.50	Consumption of fixed capital
53.58	35.38	0.20	18.00	-	9.38	299.01	Saving and capital transfers
53.48	35.38	0.20	17.90	-	8.17	299.01	Saving
0.10	-	-	0.10	-	1.21	-	Capital transfers (net)
41.31	32.25	0.15	16.95	- 8.04	9.38	-	Financial surplus or deficit ³
.	.	.	.	.	8.72	-	Statistical discrepancy ⁴
Acquisition of financial assets							
63.61	.	7.04	41.51	15.06	208.42	365.02	Funds placed with banks
1.82	.	0.02	0.27	1.53	73.01	141.44	Currency and sight deposits
61.45	.	7.02	40.89	13.53	135.23	184.33	Time deposits
0.35	.	.	0.35	.	0.19	39.24	Savings deposits
0.43	0.43	.	.	.	0.13	10.12	Funds placed with building and loan associations
.	.	.	.	.	0.49	105.73	Funds placed with insurance enterprises
- 2.69	- 2.25	0.07	-	- 0.51	12.24	7.76	Purchases of money market paper
220.49	142.47	- 1.33	1.19	78.16	122.91	327.32	Purchases of bonds
87.87	33.34	2.58	51.94	.	- 4.14	153.88	Purchases of investment fund certificates
88.60	13.83	0.12	32.77	41.88	22.82	123.64	Purchases of shares
- 7.14	- 7.14	.	.	.	- 0.64	- 7.78	External position of the Bundesbank
429.21	429.21	.	.	.	.	429.21	Bank loans
121.46	121.46	.	.	.	.	121.46	Short-term bank loans
307.75	307.75	.	.	.	.	307.75	Longer-term bank loans
6.29	.	6.29	.	.	.	6.29	Building and loan association loans
- 0.54	.	.	- 0.54	.	.	- 0.54	Insurance enterprise loans
- 0.86	.	.	.	- 0.86	37.17	83.12	Other claims
885.26	609.89	14.77	126.87	133.73	399.40	1,603.75	Total
Incurrence of liabilities and sales of shares							
365.02	365.02	.	.	.	.	365.02	Funds placed with banks
141.44	141.44	.	.	.	.	141.44	Currency and sight deposits
184.33	184.33	.	.	.	.	184.33	Time deposits
39.24	39.24	.	.	.	.	39.24	Savings deposits
10.12	.	10.12	.	.	.	10.12	Funds placed with building and loan associations
105.73	.	.	105.73	.	.	105.73	Funds placed with insurance enterprises
7.51	7.51	.	.	.	- 0.08	7.76	Sales of money market paper
184.91	184.77	0.14	.	.	76.63	327.32	Sales of bonds
138.95	.	.	.	138.95	14.94	153.88	Sales of investment fund certificates
20.82	19.71	0.02	1.10	.	92.45	123.64	Sales of shares
- 0.64	- 0.64	.	.	.	- 7.14	- 7.78	External position of the Bundesbank
9.72	.	4.25	2.64	2.83	160.34	429.21	Bank loans
2.40	.	- 0.01	1.28	1.13	98.31	121.46	Short-term bank loans
7.32	.	4.26	1.36	1.70	62.03	307.75	Longer-term bank loans
- 0.07	- 0.07	.	- 0.00	.	0.03	6.29	Building and loan association loans
0.10	.	0.10	.	.	0.51	- 0.54	Insurance enterprise loans
1.80	1.35	.	0.45	.	43.62	83.12	Other liabilities
843.95	577.64	14.62	109.92	141.77	381.30	1,603.75	Total

Financial assets and liabilities in 1998 ^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	2,057.5	984.6	960.9	23.7	313.4	3,355.4
Currency and sight deposits	500.4	773.3	749.7	23.7	38.1	1,311.9
Time deposits	363.5	202.2	202.2	.	268.9	834.7
Savings deposits	1,193.5	9.0	9.0	.	6.4	1,208.9
Funds placed with building and loan associations	178.6	3.4	3.4	.	1.2	183.2
Funds placed with insurance enterprises	1,261.1	115.9	115.9	.	4.1	1,381.1
Assets in the form of money market paper	2.4	18.4	18.4	.	0.3	21.1
Assets in the form of bonds	762.8	93.5	93.5	.	25.4	881.7
Assets in the form of investment fund certificates	566.2	160.3	160.3	.	17.8	744.3
Assets in the form of shares	491.7	1,002.4	1,002.4	.	62.8	1,556.9
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	362.5	800.6	808.1	.	205.2	1,368.3
Total	5,682.8	3,179.0	3,162.9	23.7	630.2	9,492.1
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	.	6.7	6.7	.	25.8	32.5
Liabilities arising from bonds	.	90.1	90.1	.	1,395.5	1,485.6
Investment fund certificates outstanding	.	.	.	.	.	.
Shares outstanding	.	1,850.6	1,842.1	8.5	.	1,850.6
External position of the Bundesbank	.	.	.	.	.	.
Bank loans	390.3	3,733.1	2,155.8	1,577.3	880.5	5,003.9
Short-term bank loans	90.6	726.0	687.4	38.5	55.7	872.3
Longer-term bank loans	299.7	3,007.1	1,468.3	1,538.8	824.8	4,131.7
Building and loan association loans	.	195.4	0.0	195.4	2.5	198.0
Insurance enterprise loans	19.7	242.3	124.0	118.3	36.0	298.0
Other liabilities	7.4	972.5	954.4	25.7	53.6	1,033.5
Total	417.4	7,090.8	5,173.1	1,925.2	2,393.9	9,902.1
Memo item						
Net financial assets ³	5,265.5	-3,911.8	-2,010.2	-1,901.6	-1,763.7	-410.0

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							
736.5	.	30.2	629.4	76.8	1,293.8	5,385.7	Funds placed with banks
37.9	.	4.4	13.9	19.6	377.1	1,726.8	Currency and sight deposits
696.5	.	25.8	613.5	57.2	893.5	2,424.7	Time deposits
2.0	.	.	2.0	.	23.2	1,234.2	Savings deposits
2.4	2.4	.	.	.	1.2	186.8	Funds placed with building and loan associations
.	.	.	.	.	6.2	1,387.3	Funds placed with insurance enterprises
34.4	29.1	–	–	5.3	43.8	99.4	Assets in the form of money market paper
2,299.1	1,526.7	24.8	201.6	545.9	1,140.0	4,320.7	Assets in the form of bonds
563.3	178.8	12.8	371.6	.	6.6	1,314.2	Assets in the form of investment fund certificates
1,216.0	338.5	0.6	451.5	425.3	514.0	3,286.9	Assets in the form of shares
135.1	135.1	.	.	.	19.0	154.1	External position of the Bundesbank
6,212.2	6,212.2	.	.	.	.	6,212.2	Bank loans
1,524.7	1,524.7	.	.	.	.	1,524.7	Short-term bank loans
4,687.5	4,687.5	.	.	.	.	4,687.5	Longer-term bank loans
200.6	.	200.6	.	.	.	200.6	Building and loan association loans
326.8	.	.	326.8	.	.	326.8	Insurance enterprise loans
28.2	.	.	.	28.2	619.8	2,016.3	Other claims
11,754.6	8,423.0	269.1	1,981.0	1,081.5	3,644.5	24,891.2	Total
Liabilities and shares outstanding							
5,385.7	5,385.7	.	.	.	.	5,385.7	Funds placed with banks
1,726.8	1,726.8	.	.	.	.	1,726.8	Currency and sight deposits
2,424.7	2,424.7	.	.	.	.	2,424.7	Time deposits
1,234.2	1,234.2	.	.	.	.	1,234.2	Savings deposits
186.8	.	186.8	.	.	.	186.8	Funds placed with building and loan associations
1,387.3	.	.	1,387.3	.	.	1,387.3	Funds placed with insurance enterprises
48.2	48.2	.	.	.	18.7	99.4	Liabilities arising from money market paper
2,277.1	2,273.5	3.6	.	.	558.0	4,320.7	Liabilities arising from bonds
1,132.6	.	.	.	1,132.6	181.5	1,314.2	Investment fund certificates outstanding
715.3	284.7	6.8	423.8	.	721.0	3,286.9	Shares outstanding
19.0	19.0	.	.	.	135.1	154.1	External position of the Bundesbank
72.6	.	50.4	6.4	15.8	1,135.7	6,212.2	Bank loans
21.7	.	10.4	2.5	8.9	630.7	1,524.7	Short-term bank loans
50.9	.	40.1	3.9	6.9	505.0	4,687.5	Longer-term bank loans
0.4	0.3	.	0.0	.	2.3	200.6	Building and loan association loans
1.5	.	1.5	.	.	27.4	326.8	Insurance enterprise loans
42.4	28.1	.	14.3	.	940.4	2,016.3	Other liabilities
11,269.0	8,039.6	249.2	1,831.8	1,148.4	3,720.1	24,891.2	Total
Memo item							
485.6	383.4	20.0	149.1	– 66.9	– 75.6	–	Net financial assets ³

Financial assets and liabilities in 1997 ^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	1,990.9	908.5	887.3	21.2	305.0	3,204.4
Currency and sight deposits	461.0	684.8	663.7	21.2	33.0	1,178.8
Time deposits	363.4	215.7	215.7	.	266.2	845.3
Savings deposits	1,166.5	7.9	7.9	.	5.9	1,180.3
Funds placed with building and loan associations	173.9	3.1	3.1	.	1.3	178.3
Funds placed with insurance enterprises	1,163.0	106.2	106.2	.	3.8	1,273.0
Assets in the form of money market paper	2.8	22.5	22.5	.	0.4	25.6
Assets in the form of bonds	774.7	82.5	82.5	.	25.5	882.7
Assets in the form of investment fund certificates	469.3	130.9	130.9	.	14.6	614.8
Assets in the form of shares	443.0	812.5	812.5	.	76.4	1,331.9
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	344.1	743.3	752.4	.	195.7	1,283.0
Total	5,361.6	2,809.4	2,797.4	21.2	622.7	8,793.8
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	.	8.0	8.0	.	26.6	34.5
Liabilities arising from bonds	.	86.6	86.6	.	1,329.1	1,415.7
Investment fund certificates outstanding	.	.	.	.	.	.
Shares outstanding	.	1,509.1	1,501.3	7.8	.	1,509.1
External position of the Bundesbank	.	.	.	.	.	.
Bank loans	368.2	3,449.8	1,978.2	1,471.6	851.8	4,669.8
Short-term bank loans	82.1	662.8	626.4	36.4	57.2	802.1
Longer-term bank loans	286.1	2,787.1	1,351.9	1,435.2	794.6	3,867.8
Building and loan association loans	.	189.3	0.0	189.3	2.9	192.2
Insurance enterprise loans	19.7	237.7	119.6	118.1	36.2	293.6
Other liabilities	7.1	910.2	891.4	27.9	57.6	974.9
Total	395.0	6,390.6	4,585.1	1,814.6	2,304.3	9,089.9
Memo item						
Net financial assets ³	4,966.6	-3,581.2	-1,787.7	-1,793.5	-1,681.6	-296.2

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							
680.8	.	27.7	598.6	54.5	1,028.1	4,913.3	Funds placed with banks
32.3	.	3.1	13.6	15.7	285.8	1,496.9	Currency and sight deposits
646.7	.	24.7	583.2	38.8	719.4	2,211.4	Time deposits
1.8	.	.	1.8	.	22.9	1,205.0	Savings deposits
2.7	2.7	.	.	.	1.1	182.1	Funds placed with building and loan associations
.	.	.	.	.	5.6	1,278.6	Funds placed with insurance enterprises
17.5	12.7	–	–	4.8	32.8	75.9	Assets in the form of money market paper
2,015.6	1,327.9	23.6	199.8	464.2	980.3	3,878.6	Assets in the form of bonds
436.6	136.1	10.4	290.1	.	9.3	1,060.8	Assets in the form of investment fund certificates
979.3	291.0	0.5	386.8	300.9	356.1	2,667.2	Assets in the form of shares
116.8	116.8	.	.	.	15.4	132.2	External position of the Bundesbank
5,733.7	5,733.7	.	.	.	.	5,733.7	Bank loans
1,373.4	1,373.4	.	.	.	.	1,373.4	Short-term bank loans
4,360.4	4,360.4	.	.	.	.	4,360.4	Longer-term bank loans
194.6	.	194.6	.	.	.	194.6	Building and loan association loans
315.6	.	.	315.6	.	.	315.6	Insurance enterprise loans
26.3	.	.	.	26.3	580.6	1,889.9	Other claims
10,519.4	7,620.9	256.9	1,791.0	850.7	3,009.3	22,322.5	Total
Liabilities and shares outstanding							
4,913.3	4,913.3	.	.	.	.	4,913.3	Funds placed with banks
1,496.9	1,496.9	.	.	.	.	1,496.9	Currency and sight deposits
2,211.4	2,211.4	.	.	.	.	2,211.4	Time deposits
1,205.0	1,205.0	.	.	.	.	1,205.0	Savings deposits
182.1	.	182.1	.	.	.	182.1	Funds placed with building and loan associations
1,278.6	.	.	1,278.6	.	.	1,278.6	Funds placed with insurance enterprises
29.5	29.5	.	.	.	11.8	75.9	Liabilities arising from money market paper
2,012.0	2,008.9	3.2	.	.	450.8	3,878.6	Liabilities arising from bonds
900.3	.	.	.	900.3	160.5	1,060.8	Investment fund certificates outstanding
645.2	307.0	6.0	332.2	.	513.0	2,667.2	Shares outstanding
15.4	15.4	.	.	.	116.8	132.2	External position of the Bundesbank
60.8	.	43.2	7.3	10.3	1,003.1	5,733.7	Bank loans
15.6	.	7.6	3.3	4.7	555.7	1,373.4	Short-term bank loans
45.2	.	35.6	4.0	5.6	447.4	4,360.4	Longer-term bank loans
0.5	0.5	.	0.0	.	1.8	194.6	Building and loan association loans
1.5	.	1.5	.	.	20.5	315.6	Insurance enterprise loans
40.6	26.8	.	13.9	.	874.3	1,889.9	Other liabilities
10,079.9	7,301.4	236.0	1,632.0	910.6	3,152.6	22,322.5	Total
Memo item							
439.5	319.5	21.0	159.0	– 59.9	– 143.3	–	Net financial assets ³