ECONOMIC RESEARCH

Financial Assets
Happy without interest rates?

30 December 2019

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Trade war, Brexit, street protests, negative interest rates: 2019 was an exciting year – but not for German savers. Thanks to booming stock markets, they were able to enjoy the highest growth in this millennium: Their financial assets – bank deposits, equities, bonds, funds and insurance – are likely to have risen by 6.7%, or EUR 400 billion, to around EUR 6.4 trillion in the past year.

About one third of this growth is attributable to changes in the value of the portfolio. The losses in 2018, just under EUR 120 bn, have thus been more than made up for. At the same time, savings efforts climbed to a new record level of around EUR 260 bn. This reflects the continued good situation on the labour market with rising employment and wages – as well as a still high savings rate of around 11%.

However, the results show a blemish. More than half of the fresh savings went to the banks. By contrast, all other asset classes recorded (slightly) lower inflows compared with 2018. The discussion about negative interest rates and bank fees does not seem to deter German savers so far. Liquidity and security remain key.

The stock market boom of recent years has therefore largely passed German savers by. While the German stock market rose by 260% since its low point at the beginning of 2009, households invested only EUR 100 bn directly in shares during the same period – compared to EUR 980 bn with banks, EUR 800 bn with insurers and still EUR 160 bn in funds (of which, however, less than 20% went into pure equity funds). As a consequence, bank deposits now amount to just under EUR 2.6 trillion (a good 40% of total financial assets) – and in 2019 alone, savers "lost" around EUR 35 bn in purchasing power.

If the negative interest rates do not deter households from carrying their money to the bank, do they tempt them on the other hand to incur debts? Not necessarily. Although loans to private households are expected to rise by 4.7% in 2019 – the highest increase in exactly 20 years – this does not constitute a credit boom; this growth is primarily likely to be due to higher real estate prices. German households will not let themselves be forced to their luck. They remain true to their cautious line.

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