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Slight increase in gross financial assets

German households' gross financial assets initially performed well in 2011, but their increase slowed abruptly when the stock markets slumped in the second half of the year. At year-end 2011, gross financial assets probably amounted to EUR 4.74 trillion, up from EUR 4.69 trillion a year earlier.* Net financial assets came to EUR 3.18 trillion according to initial estimates.

* Please note that, during the past year, the Bundesbank implemented far-reaching amendments and improvements to the statistical data collection for its financial accounts. This resulted in major data revisions, particularly for securities. As a result, the figures cannot be compared to those of earlier years. See Deutsche Bundesbank, Financial accounts for Germany 2005 to 2010, Special Statistical Publication 4, September 2011.

High savings resulted in a slight increase by 1% in gross financial assets in 2011, despite the unfavorable stock market performance

Even though 2011 was another difficult year for stocks and uncertainty on the capital markets was high, German households continued to increase their gross financial assets during the past year. However, according to our estimates gross financial assets only rose by about EUR 50 billion in 2011. After a favorable first half of the year, the second half disappointed; stock-market losses – the DAX was down 15% year-on-year – resulted in valuation losses in comparison to the level seen at the end of the first half. At the end of the year gross financial assets probably amounted to EUR 4.74 trillion. That means that the increase in financial assets was considerably smaller than in the two years before, which saw financial assets rise by 4.9% and 3.8%, respectively.

Household saving is the main reason why the volume of financial assets increased. While the savings ratio was probably somewhat lower in 2011 than in 2010 (11% vs. 11.3%), the considerable rise in disposable incomes resulted in a higher savings volume. The Federal Statistical Office reported that buoyant growth and steady employment increases in Germany pushed disposable incomes up by about 3.3%. While the savings volume was somewhat higher than in 2010, inflows into financial assets remained largely unchanged. Once again, inflows into tangible assets rose in comparison to the preceding years, mainly due to the recovery of the housing

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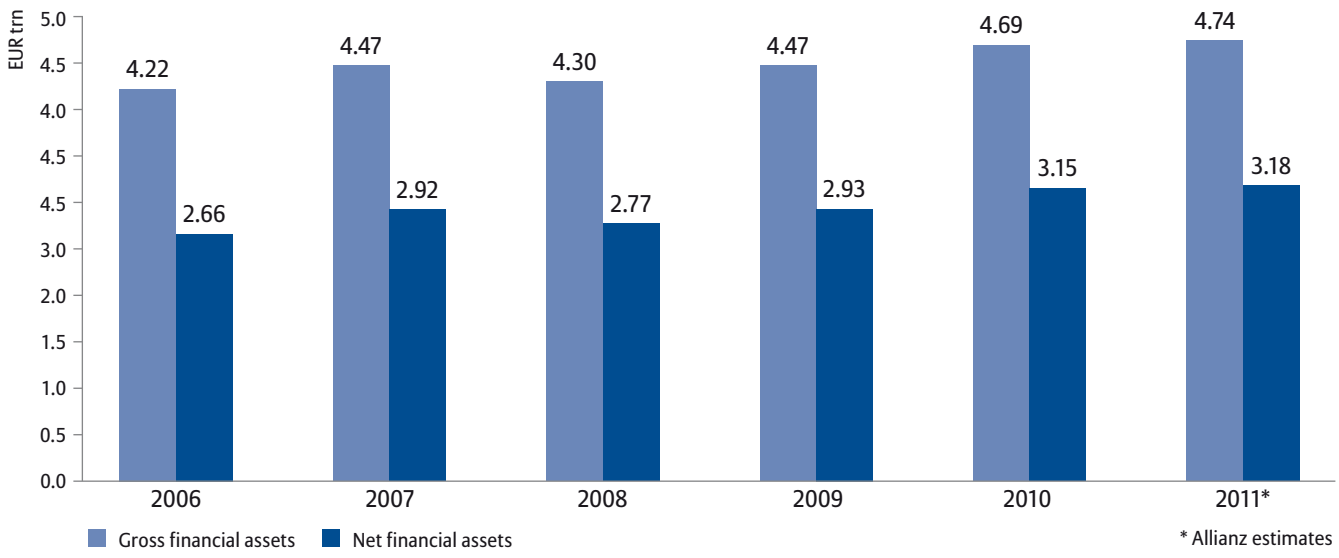
Financial assets of German private households – Year end figures –



Source: Deutsche Bundesbank December 2011; illustration: International Pensions 2012

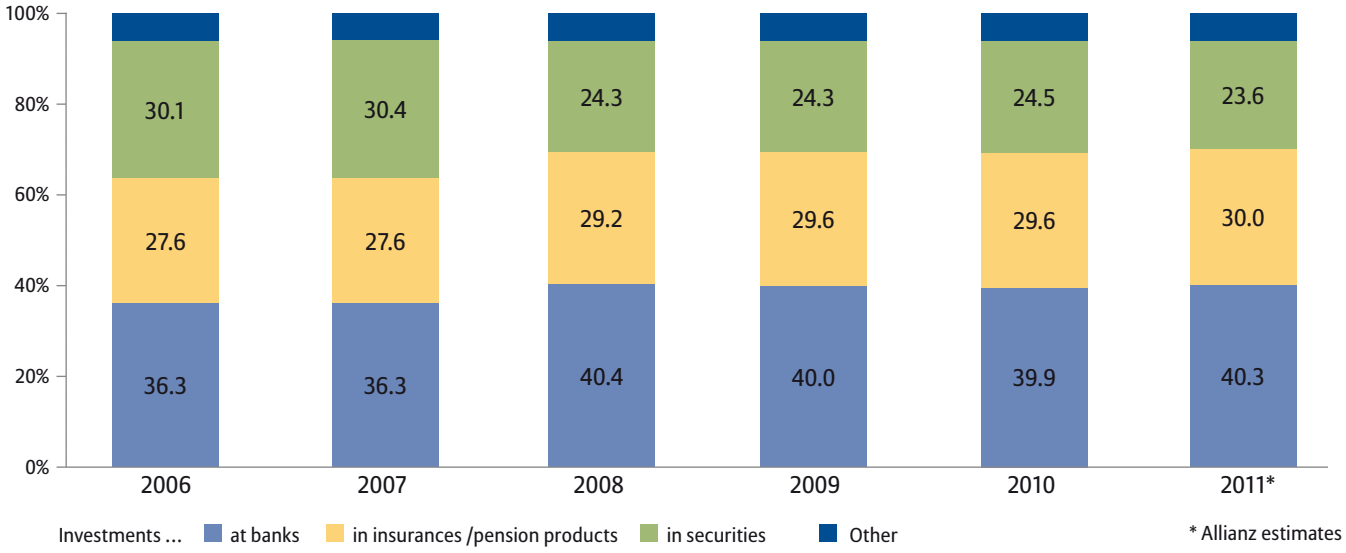
market, which was probably supported by very low interest rates, higher incomes and the favorable labour-market situation.

This development also reflects the trend in household debt, in particular housing loans, whose volume has increased during the past year. Household debt has been rising since 2010, after having been reduced between 2005 and 2009. The relatively strong recovery, the considerable improvement in the labour-market situation and the low interest-rate level are probably the main reasons for the recent turnaround. We estimate that total household debt amounted to EUR 1.55 trillion at the end of 2011. That means that net financial assets came in at EUR 3.18 trillion in 2011, up from EUR 3.15 trillion at the end of 2010. Owing to the subdued increase in debt during the first decade of this century, households' net financial assets have risen even more strongly than gross financial assets. Since 2006, net financial assets have increased by almost 20% and gross financial assets by 12%.

Investors are looking for safety

2011 was once again characterized by significant volatility and uncertainty. While it first seemed that rising interest rates in Germany would make investors shift short-term money into longer-term investment vehicles, this trend reversed in the second half of the year. Germans invested most of their money in accounts that are accessible at short notice. During the year, the volume of sight deposits rose by almost EUR 40 billion. At the same time money was withdrawn from savings accounts. Investors obviously wanted to have access to their money so that they could react quickly to good investment opportunities – particularly since the market environment was favorable at the beginning of the year. However, the outlook deteriorated as the euro crisis intensified during the second half of the year. For example, the DAX lost 20% from its May peak by August. While capital flowed into equities during the first two quarters in the year, few investors are likely to have bought stocks after the market slump in the second half of the year. However, the figures on equity investors, which are collected semi-annually by the Deutsches Aktieninstitut (DAI), show that, against the background of uncertain investment alternatives and low returns on secure investments, some new investors took advantage of the low prices to enter the market. The DAI reported that new investors put their money exclusively in equities; they appear to have selected their investments carefully and did not buy investment funds. The number of pure investment fund holders declined during 2011. This reflects the subdued development of investment funds; their share

Structural changes in household financial assets



Source: Deutsche Bundesbank December 2011; illustration: International Pensions 2012

in households' investment portfolios declined once again during the past year. In contrast, investments in insurance policies with guaranteed returns steady increased further.

40% of financial assets deposited with banks

Caution and a wait-and-see attitude characterise German households' investment decisions. Roughly 40% of their financial assets, i.e. more than EUR 1.9 trillion, are deposited with banks and savings banks in the form of sight, term and savings deposits or savings certificates. The share of capital-market products (such as stocks, mutual funds, bonds or unlisted shareholdings) in the overall portfolio declined to 23½%, down from 24½% in 2010. The share of insurance policies increased slightly, to roughly 30%. Pension claims rounded off the portfolio; their share remained unchanged at about 6%.

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