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Households' financial assets dive

Private households are estimated to have held financial assets worth EUR 4.49 trillion at the end of 2008, around EUR 110 billion less than at the close of 2007. With the meltdown on the stock exchanges the Germans' financial assets have thus shrunk for the second time in the history of the Federal Republic.

Last year, households in Germany suffered a drop of roughly 2 ½ % in their gross financial assets. Allianz Global Investors calculates that Germans' financial investments declined in value from EUR 4.6 trillion at the end of 2007 to EUR 4.49 trillion at the close of 2008. Although the household sector saved considerably more in 2008 than in 2007 – with the savings ratio climbing from 10.8 % to an estimated 11.4 % - the funds invested were still not sufficient to make up for valuation losses on people's financial holdings. As a result, households in Germany saw their financial investments dwindle in 2008 for the second time in the history of the Federal Republic. What is more, the contraction was more severe than the first time round when the New Economy bubble burst. In 2002 households' assets were a scant 1 % lower than at the end of 2001.

The financial market crisis has thus severely dented households' financial assets, as well as having a marked effect on private individuals' investment behavior. Investors' risk aversion – very pronounced at the best of times - was heightened by the stock market's negative performance in 2008, as the DAX slid around 40 %. For the eighth time in succession money was withdrawn from stock investments, and last year antipathy to risk also gripped equity funds. But uncertainty was not confined to these products alone: Following the collapse of the investment bank Lehman Brothers, nervousness also spread to investment certificates as well as to money market funds after the latter were not included in the guarantees pledged by the German government under its Financial Markets Stabilization Act. This led to households shunning these types of investment, chiefly in favor of time deposits as a "safe haven", which were made additionally attractive by the rise in short-term interest rates. Amid widespread and massive uncertainty, deposits with banks were generally high. In this market environment, investments with insurers and

pension funds will presumably also have held up well, partly in view of the long-term nature of retirement savings plans. The number of Riester contracts rose once again, by more than 12 %.

With a share of around 38 %, by far the largest proportion of financial assets is held with banks in the form of demand, term and savings deposits and savings certificates – a scale not registered by this investment category for ten years. In contrast, capital market products currently make up a mere 28 % of investments, roughly on a par with their 1996 level; in 2006 investments at banks and on the capital market still held roughly equal shares of households' portfolios. But the current slump in shares, equity funds and certificates has created a fundamental shift in this weighting. Insurers, on the other hand, have built up their share to around 28 % while pension reserves have held their weighting broadly steady at 6 %.

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