Households' asset situation in Germany

Today, households in the old German Länder must on average be considered affluent. It is true that there are more or less marked differences between the individual households; however, for lack of the relevant data, the range of fluctuation of households' assets cannot be shown in more detail. The information on private assets provided by the statistics is not as detailed in the new Länder as it is in western Germany, so that the private asset situation is only described in detail selectively in the following article. This article links up with similar studies which have been published in the Monthly Reports in earlier years.[1]

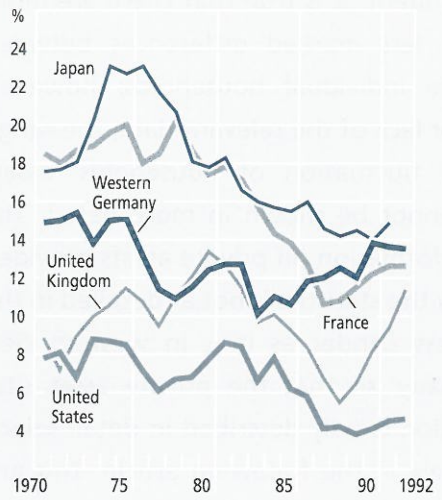
Strong growth of private saving and private financial assets in western Germany ever since the currency reform

Relatively high income level in western Germany

In the over forty years since the 1948 currency reform, the great propensity to work of west German residents, the resultant high productivity of its economy and the consequent strong growth of income have been the basis of the formation of substantial private assets. In the past two decades – after the tempestuous developments of the fifties and sixties – the real gross domestic product per west German inhabitant has been about

1 Deutsche Bundesbank, West German households' acquisition of financial assets and capital formation over the past 20 years, Monthly Report, April 1992, page 14 ff; Deutsche Bundesbank, Private non-financial and financial asset acquisition and its financing, Monthly Report, August 1987, page 38 ff.

Private saving ratio in major industrialised countries *



* Net savings (including the purchase of residential property) as a percentage of households' disposable income; levels only partly comparable owing to different calculation methods. — Source: OECD (National Accounts) and national calculations.

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one-third above the comparable average in the European Community. Most recently, income levels in the United States, but not those in Japan, have been exceeded.

Trends in the private saving ratio

After the most urgent pent-up demand had been satisfied, during the period of reconstruction after the war the growing incomes were soon used for private saving. As early as the years from the beginning to the end of the fifties, the share of current saving in households' disposable income in the old Länder increased from 4½ % to 9 %. In the ensuing decade, it grew once again by one-half to 14 %. Since the beginning of the seventies, the trend in the saving ratio has hardly gone up any further; instead, it has fluctuated to a greater or lesser degree around the level reached at that time. In 1992, the saving ratio was roughly equivalent to that obtaining at the end of the sixties.

The consistent trend in the private saving ratio in western Germany contrasts markedly with the trends in savings in other industrialised countries; relative to income, private saving in the United States, Japan or France, for example, has declined perceptibly in the past ten to fifteen years. There, the private saving ratio has recently been quite distinctly – by up to one-third – below the comparable level of the early seventies. Given the strength of saving, not only have private assets in the old Länder grown more vigorously than in other countries, they have actually increased more strongly than income. According to our estimates, the growth of financial and non-financial assets acquired through households' saving (which here also include the appreciation of real property and share holdings) has been just over 50 % stronger than the expansion of disposable income in the past twenty years.

Acquisition of private financial assets ...

Financial asset accumulation was the most significant item. After the currency reform of 1948, west German households (here including private non-profit organisations) initially had only a fairly modest level of financial assets, at DM 20 billion, no less than one-half of which was accounted for by currency holdings and Reichsmark shares, which had been converted into Deutsche Mark. Starting from this, west German savers accumulated assets totalling around DM 500 billion in the following twenty years. By the end of 1992, the total volume of private investment had

... total

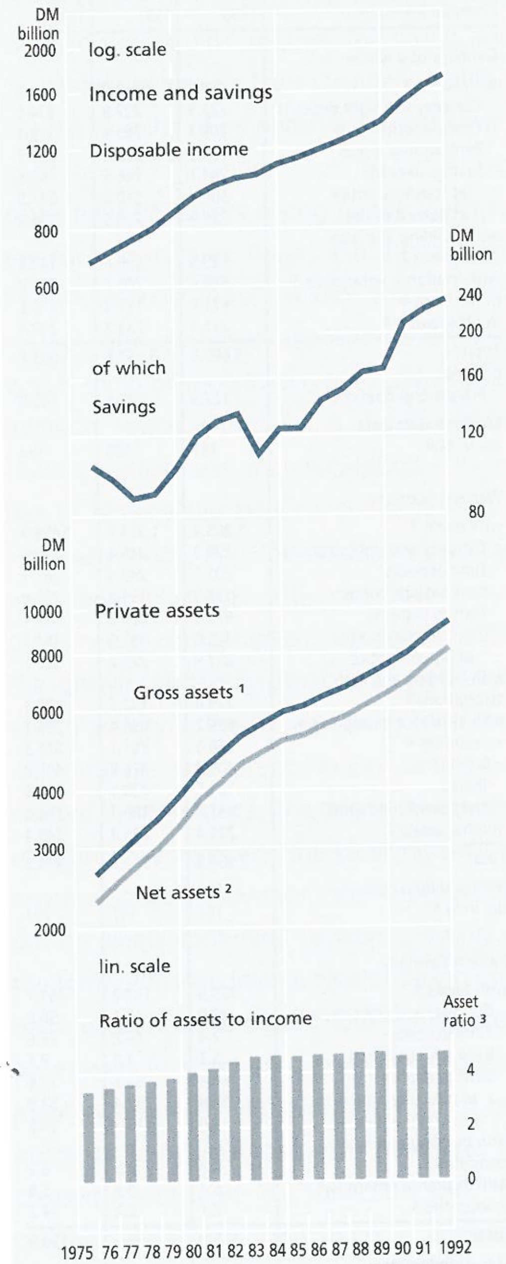
grown to DM 3.4 trillion.[2] In terms of the absolute amount, the accumulation of financial assets thus accelerated considerably over time. The same is true in relation to income. The total financial assets of west German households at banks in Germany and abroad, at building and loan associations and at insurance enterprises, as well as in the securities markets at the end of 1992 were twice as high as disposable income, whereas the corresponding ratio had stood at 1:1 in the early seventies and at 0.5:1 immediately after the currency reform.

... per household

If the financial assets of private organisations are eliminated (about DM 140 billion), west German households in the stricter sense – in purely mathematical terms – had financial assets amounting to DM 110,000 per household on average at the end of 1992. As indicated at the beginning of this article, there is not sufficient information available enabling us to determine the dispersion of individual financial assets around this average amount. In addition to differences in income, and thus in the capacity to save, the after all relatively strong concentration of specific

2 Households' financial assets are defined rather broadly here. In line with the definitions used in the national accounts, they also include employees' individual claims under company retirement pension schemes, for which the companies make corresponding pension provisions. However, claims on the statutory pension insurance funds or similar pension funds are not included. Since these are financed through a system of adjustable contributions, they constitute redistribution processes; at the most, they establish intertemporal claims between households on the basis of a contract between the generations or to the detriment of tax-payers. For lack of appropriate statistical records, private participating interests in enterprises which do not have the form of a public limited company and some forms of private investment abroad (real property, balances) are left out of account. Seen in these terms, the currently existing private financial assets are being understated at present.

West German households' income, savings and assets *



* Including private non-profit organisations. — 1 Total private residential assets, assets earmarked for consumption and financial assets. — 2 Gross assets less liabilities for consumption and construction purposes. — 3 Ratio of net private assets to disposable income. — Source: Federal Statistical Office and Bundesbank calculations.

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Households' financial assets *, e

End-of-year levels, DM billion

Financial investment	1990	1991	1992
Germany as a whole			
with banks 1	1,430.9	1,512.0	1,621.6
Currency and sight deposits	277.9	292.8	334.8
Time deposits	209.1	265.6	313.1
Bank savings bonds	199.2	207.1	210.2
Savings deposits	744.7	746.5	763.5
at statutory notice	508.8	510.0	517.5
at agreed notice	235.9	236.5	246.0
with building and loan associations 2	129.9	136.6	143.3
with insurance enterprises 3	646.4	700.7	761.9
in securities 4	671.0	775.3	830.5
in other assets 5	221.4	233.2	248.4
Total	3,099.6	3,357.8	3,605.7
of which Private organisations	122.5	128.5	140.0
Memorandum item do. in % 6	181	180	182
Western Germany			
with banks 1	1,305.4	1,374.8	1,459.9
Currency and sight deposits	229.9	245.4	283.9
Time deposits	201.7	249.4	285.5
Bank savings bonds	193.9	199.2	200.6
Savings deposits	679.9	680.8	689.9
at statutory notice	452.0	457.6	463.7
at agreed notice	227.9	223.2	226.2
with building and loan associations 2	129.0	132.7	135.1
with insurance enterprises 3	639.7	694.4	755.1
in securities 4	668.3	767.1	816.3
Bonds 7	409.8	476.9	492.3
Shares	121.5	130.1	128.0
Investment fund units	137.0	160.1	196.0
in other assets 5	221.4	233.2	248.4
Total	2,963.8	3,202.2	3,414.8
Memorandum item do. in % 6	191	197	197
Eastern Germany			
with banks 1	125.5	137.2	161.7
Currency and sight deposits	48.0	47.4	50.9
Time deposits	7.4	16.2	27.6
Bank savings bonds	5.3	7.9	9.6
Savings deposits	64.8	65.7	73.6
at statutory notice	56.8	52.4	53.8
at agreed notice	8.0	13.3	19.8
with building and loan associations	0.9	3.9	8.2
with insurance enterprises	6.7	6.3	6.8
in securities 4	2.7	8.2	14.2
Total	135.8	155.6	190.9
Memorandum item do. in % 6	84	77	77

* Including private non-profit organisations. — 1 In Germany and abroad. — 2 Including balances with housing construction institutions. — 3 Including private pension funds. — 4 At market prices. — 5 Claims arising from company pension commitments. — 6 Total financial assets as a percentage of disposable income. — 7 Including money market paper.

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types of assets, especially share holdings, but also portfolios of other securities, in households with comparatively high incomes, is probably a key factor in the wide range of distribution of financial assets.

Remarkably high financial assets of east German households

Saving by east German residents increasing rapidly ...

In the former GDR – unlike the situation in the west – private saving was due, at least to a significant degree, not to voluntary but to compulsory non-consumption, which resulted from the chronic shortage of coveted consumer goods in the socialist "command economy". The level of east German households' financial assets existing at the end of the first half of 1990 at just under 200 billion east German marks, must be seen against this backdrop. After conversion into Deutsche Mark, this yielded an amount of about DM 135 billion, or, in purely mathematical terms, of DM 20,000 per household, and the new residents of the Federal Republic could now choose from a wide range of goods, particularly of western origin. If the entire period which has elapsed since then is considered, east German households did indeed make good use of this supply – mainly in order to meet their pent-up demand, which in some cases had been building up for decades – but not, however, to the detriment of their financial assets. Instead, viewed as whole, their rapidly rising income (which was due, on the one hand, to soaring wages and salaries and, on the other hand, directly or indirectly to the exceptionally high transfer payments from western Germany) enabled them to finance their consumption expenditure from their current income and, in addition, to save more as well.

... owing to the strong growth in income

According to the figures of the national accounts, which have recently been published by the Federal Statistical Office, private disposable per capita income in eastern Germany rose by no less than 55 ½ % between the second half of 1990 and the first half of 1993; in real terms,[3] this represented an increase of 17 %. Thus, average income in eastern Germany has latterly reached a good 55 % of the west German level (as against 45 % in the second half of 1990). As regards their saving, east German households have come close to west German conditions in a relatively short time. Last year, savings accounted for 13 % of their disposable income (as against about 14 % in the old Länder). Admittedly, this comparatively high saving ratio probably also owed something to the fact that more money was saved (as a precaution) in the light of the employment risk. By their vigorous saving, the residents in the new Länder have increased their financial assets considerably since the second half of 1990. At the end of 1992 they came to DM 190 billion, or around DM 30,000 per household – an average amount that was reached by west German households in the first half of the seventies. Since the currency conversion, the average level of financial assets per east German household has risen by two-fifths, and thus twice as rapidly as in western Germany during the same period.

Shifts in investment behaviour

The fifties and sixties

As incomes and financial assets have grown in the course of the past four decades, west German households' motives for saving and investment behaviour have changed, and this has led to shifts of emphasis among the various forms of investment. After the virtual loss of all financial assets owing to the war and the currency reform, it was initially most important to build up reserves for emergencies, in the form of liquid deposits or deposits which could be mobilised rapidly at banks. In addition, saving with building and loan associations, which was state-subsidised – in order to remedy the housing shortage – at a very early stage, and the likewise subsidised investment of funds with insurance enterprises were comparatively significant. With the growth in saving capacity as well as in saving activity in the sixties, saving for a special purpose and precautionary saving increased in importance. The degree of liquidity of holdings diminished, the blocking periods became longer. However, the bulk of the private assets continued to flow – mainly in the form of the traditional type of saving on a bank account – to banks; low-yielding balances were in effect endowed with a supplementary return by virtue of government bonuses. Little by little, securities purchases increased – not least in connection with the various privatisation operations – although they remained relatively modest.

3 Deflated by the private consumption deflator (taken from the national accounts). Unlike the cost-of-living index, which is currently based on the "basket of goods" of the second half of 1990 and the first half of 1991, this deflator also reflects changes in the pattern of consumption which have emerged since then.

Households' acquisition of financial assets *

in %

Financial investment	Western Germany 1950-9 [1]	1960-9	1970-9	1980-9	1990-2	Eastern Germany 1991-2
with banks [2]	59.2	56.5	53.9	38.5	33.2	65.8
Currency and sight deposits	14.6	9.6	8.0	6.6	10.8	5.5
Time deposits	1.9	1.0	4.9	8.5	19.4	36.7
Bank savings bonds	–	1.1	7.5	7.8	3.5	7.6
Savings deposits	42.7	44.9	33.5	15.6	– 0.6	16.0
with building and loan associations	7.8	8.6	7.4	1.4	1.4	13.1
with insurance enterprises [3]	14.4	15.9	16.9	27.6	25.0	0.0
in securities	6.7	13.7	14.6	23.1	32.8	21.1
Bonds [4]	4.7	9.5	13.8	22.3	33.3	20.4
Shares [4]	2.0	4.1	0.8	0.9	– 0.5	0.7
in other assets [5]	11.9	5.3	7.2	9.3	7.7	–
Total	100	100	100	100	100	100
Memorandum item						
Acquisition of financial assets [6]	8.1	11.1	13.5	11.4	13.0	12.2

* Including private non-profit organisations. — 1 Former Federal Republic excluding Saarland and Berlin/West. — 2 In Germany and abroad. — 3 Including private pension funds. — 4 Including indirect purchases through German and foreign investment fund units. — 5 Principally claims arising from company pension commitments. — 6 As a percentage of disposable income.

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The seventies and eighties

A distinct change in private investment behaviour took place in the seventies. Private bank balances had apparently grown to proportions that entailed a reorientation of the investors. In addition, in those years the faster pace of inflation posed new problems for savers, at least some of whom were trying to offset the erosion of their financial assets by inflation by means of higher interest income. The higher interest-rate consciousness and the associated tendency towards greater diversification led to preference being given, among the funds placed with banks, to those forms of investment which yielded higher interest (such as bank savings bonds or time deposits), rather than traditional bank account saving. It must be admitted, however, that protection against inflation by means of diversification was not available in the same way to persons holding only fewer financial assets, for whom investments that can be realised easily are usually more important. A return to greater monetary stability was therefore not least in the interests of the "small savers".

In the seventies, funds placed with insurance enterprises and investments in bonds also gained some ground, presumably because these types of saving were now resorted to by households which, owing to the progressive cutbacks in government assistance for saving, could no longer benefit from such aid. The growing private investment in bonds also profited from public debt policy which tried to broaden households' direct participation in the financing of the growing public sector deficits by way of introducing new securities (Federal savings bonds and five-year special Federal bonds) and a number of other measures. In the eighties, investors' interest in saving with insurance companies and saving through securities expanded markedly, and greater interest-rate consciousness was accompanied by an increased readiness to take risks. Private provision for old age by entering into new life insurance contracts or stepping up existing ones steadily increased in importance. The expansion of company retirement pension schemes had a similar effect. At the same time, private savers strongly enlarged their purchases of domestic, and above all foreign, bonds. In the final analysis, as from 1990 only one-third of the newly acquired financial assets was invested with credit institutions. Purchases of bonds and corresponding investment fund units and increases in funds placed with insurance enterprises (including claims arising from company pension commitments) were of similar significance.

Structural shifts in private financial assets

The shifts in investors' preferences exercised an impact of the level of financial assets only with a certain time-lag. At DM 1.6 trillion, the bulk of private financial assets in western Germany in 1992 were still accounted for by deposits with domestic and foreign banks (including building and loan associations), but their share, at 47 %, was distinctly below the average of the sixties (60 %). Almost two-thirds of the private savings held with banks were placed in higher-yielding short-term time accounts, in bank savings bonds, in special savings schemes and in bonus-carrying savings deposits; this share was three times as high as at the beginning of the sixties. At about DM 1 trillion and with a weight of 30 %, the claims arising from private life insurance contracts and company pension commitments represent the second most important type of private investment at present. The securities portfolio accounts for DM 820 billion, or just under one-quarter of the financial assets. It consists mainly of bonds, particularly bank bonds, public bonds and bonds of foreign issuers, as well as investment fund units. The share portfolio, by contrast, is rather small owing to the continued restraint of private savers; its share in overall financial assets – excluding indirect holdings in the form of corresponding investment fund units – recently amounted to only 4 %.

The composition of east German households' financial assets

In line with the state of development of the financial assets, in eastern Germany the funds deposited with banks outpace other forms of investment even more clearly than in western Germany. At present, they still account for just over four-fifths of all private financial assets although a distinct diversification process was set in motion only shortly after the DM conversion, which was implemented primarily via the old savings accounts. This process mainly took place between the various forms of bank saving and also via contractual saving at savings and loan associations and insurance enterprises. Although securities investment was of comparatively small importance at the end of 1992, it has rapidly gained in significance since 1990.

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Monthly Report
October 1993

West German households' income from financial assets *, e

DM billion

Income from financial investment	1970	1990	1992
with banks 1	11.0	52.7	69.5
of which			
Time deposits	0.9	13.8	23.2
Bank savings bonds	0.3	10.9	15.1
Savings deposits	9.7	27.3	30.3
at statutory notice	5.4	15.3	19.6
at agreed notice	4.3	12.0	10.7
with building and loan associations	1.0	3.6	3.8
with insurance enterprises 2	4.6	40.8	48.5
in securities			
Bonds 3	2.3	34.9	47.2
Shares	2.0	4.1	3.9
Total income 4	20.9	136.1	173.0
Memorandum items			
As a percentage of earning financial assets	5.0	5.5	5.9
As a percentage of national income	3.9	7.3	8.3

* Including private non-profit organisations. — 1 In Germany and abroad. — 2 Including private pension funds. — 3 Including money market paper. — 4 Before tax.

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The importance of private income from financial assets

Volume of income from financial assets

Four-fifths of private financial assets, which also include non-interest-bearing financial assets (such as currency holdings or short-term claims on insurance enterprises arising from unadjusted losses), are invested in such a way as to yield income. West German households (and organisations) on average derived a yield of just under 6 % therefrom in 1992, roughly 1 percentage point of which is attributable to the above-mentioned diversification of financial assets as compared with their pattern during the sixties. In terms of the absolute amount, according to our estimates this yield was equivalent to DM 173 billion of interest and dividend payments, while in eastern Germany approximately DM 7 billion was yielded. The sustained high level of private saving in the old Länder not only caused assets to grow strongly in the longer run but also significantly broadened residents' income basis. At all events, income from financial assets increased more vigorously than the other types of income. In 1992 it was equal to an estimated 8½ % of total national income, which share was almost five times as high as in 1960.

Income ploughed back into the acquisition of financial assets

Traditionally, a certain amount of private income from financial assets is not channelled into consumption but is saved. This probably owes something to the fact that the interest credited in respect of instalment saving, saving with building and loan associations and saving with life insurance enterprises, for instance, is more or less automatically added to the principal. In a similar way, some special savings schemes of banks and some securities investments (such as zero-coupon bonds, Federal savings bonds Type B or other accumulative paper) provide for the automatic accumulation of interest. In addition, freely disposable interest earnings – for example, those from securities – are usually reinvested to a certain extent. Altogether, in 1992 interest and dividend earnings were equivalent to around four-fifths of the newly acquired private financial assets during the same period; on average, this ratio had come to only one-sixth during the fifties. This comparison, which cannot take account of the income tax paid on income from financial assets, suggests that growth in private saving over the longer term owes something to the ploughing-back of rising earnings.

Private redeployment potential in the financial markets

Volume of the private redeployment potential

The growing volume of the freely disposable income from financial assets and the maturities due at the same time increasingly enable savers to respond fairly sensitively to changes in investment conditions. The greater differentiation of private saving by types of investments and maturities has resulted in a considerable rise in the annual maturity volumes. This has not only widened households' room for manoeuvre but has also been partly responsible for the intensified competition among those in search of private savings in the financial markets. Although the statistical data available at present are not detailed enough to provide a full picture of the volume of currently maturing funds, it is possible to gain certain indications for some selected savings schemes by means of estimates. According to these, the maturities in respect of short-term time deposits, special savings schemes (including savings accounts under personal asset acquisition schemes) and bank savings bonds, funds placed with life insurance enterprises and private pension funds and in respect of bonds amounted in 1992 to more than DM 500 billion, representing a quintupling since 1980. This far exceeded the total volume of private saving last year. If freely disposable income from financial assets and maturing funds are combined, the volume of investable resources in 1992 totalled more than DM 600 billion, or almost three times the amount of "net financial asset acquisition" (i.e. new investments less simultaneous maturities and liquidations). In addition, transfers of assets between the generations in the form of gifts or bequests and inheritances tend to widen private investors' room for manoeuvre. The non-financial and financial assets bequeathed and inherited alone can currently be put at about DM 100 billion to DM 200 billion per year. Although a certain part of this – for example, real property – may be subject to the owner's own use, and thus not be available at first, the remainder certainly increases the private redeployment potential.

Private non-financial assets

Distribution of financial and non-financial assets in western Germany

Financial assets are traditionally the commonest form of private assets. According to data from sample surveys of income and consumption by the Federal Statistical Office, in 1988 (more recent data are not available) nearly every household in the old Länder had savings balances, two-thirds had life insurance policies, two-fifths had savings balances with building and loan associations and one-third held securities. This survey did not cover households with a monthly net income of DM 25,000 and more,[4] which must no doubt generally be assumed to hold financial assets – albeit with a different distribution in respect of the individual types of investment. In addition, nearly one-half of the statistically covered households owned real property or land. This ratio has increased distinctly in the long run – not least owing to public promotion; in 1962-3 it had amounted to only 38 %. However, this means that private residential prop-

4 The same applies to persons living in communal lodgings and to the households of foreigners.

Households with selected consumer goods

Of every 100 households, the following were equipped with:	Western Germany 1962 [1]	Western Germany 1993 [2]	Eastern Germany 1993 [2]
Passenger cars	27	73	64
Telephone	14	91	41
TV set	37	95	96
Camera	42	80	73
Refrigerator	e 52	74	86
Freezer	e 3	53	55
Combined refrigerator-freezer	–	27	13
Dish-washer	0	38	3
Washing machine	34	88	90

Source: Federal Statistical Office, results from sample studies of income and consumption. — **1** May-June 1962; former Federal territory excluding Berlin; excluding people living in communal lodgings and excluding foreigners. — **2** January 1993; excluding people living in communal lodgings and excluding households with a net monthly income of DM 35,000 or more.

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erty is not as common yet in the old Länder as in other EC countries and the United States.

Private residential property

Calculated in terms of purchase prices, the volume of private residential property at the end of 1992 totalled some DM 2½ trillion. However, this figure presumably greatly understates the current value of these assets, because this calculation disregards the considerable appreciation which has taken place in the meantime. The national accounts try to take this into account by recording the market prices of new buildings and using them as an indicator to ascertain the replacement cost of the existing stock of dwellings. Quite apart from the statistical difficulties associated with this procedure, such a result cannot always be equated either with the proceeds which households – particularly if viewed in their entirety – can realise from the sale of their real property and land, or with the costs which would have to be raised for its current replacement. With these reservations, the value of private residential property (including the associated plots of land) at the end of 1992 came to nearly DM 5 trillion. This value was three times as high as households' disposable income. This ratio has increased by one-half in the past twenty years, and thus not quite as strongly as the ratio of private financial assets to income.

Households' provision with consumer durables ...

In any comprehensive private property statement, in addition to residential property, stocks of durable consumer goods must be taken into account, the purchase of which is mostly financed either by savings accumulated previously or by borrowing. In western Germany provision with such goods has meanwhile reached a fairly high level. Nearly three-quarters of households currently have one car or more; in 1962 only one-quarter of them did. In addition, almost every household has a telephone connection, television sets and an electrical washing machine. According to calculations by the Federal Statistical Office, the value of consumer durables in western Germany (less depreciation) at the end of 1992 was just over DM 1 trillion, as against DM 210 billion in 1970.

... in western Germany

... in eastern Germany

Households in the new Länder fairly rapidly brought their provision with consumer durables into line with west German standards, which in the old Länder, with real incomes comparable to those in eastern Germany at present, had been considerably lower. This was due to the exceptionally strong growth of purchases of durable consumer goods, by means of which the pent-up demand that had accumulated in the years of economic insulation was satisfied. Expenditure on major purchases (particularly of passenger cars and household appliances) – like expenditure on residential renovation – thus became comparatively important items within east Germans residents' consumption budget. In the first one and a half years after the introduction of the Deutsche Mark in the former GDR such expenditure accounted for about one-fifth of total private consumption. Proportionately, this was twice as much as in the days of the east German mark, or in the old Länder.

Households' liabilities *, e

End-of-year levels, DM billion

Item	1990	1991	1992
Germany as a whole			
Consumer credits	275.3	309.6	334.1
Housing loans 1	824.3	868.8	919.2
Total	1,099.6	1,178.4	1,253.3
of which Private organisations	24	27	27
Memorandum item do. in % 2	64	63	63
Western Germany			
Consumer credits	271.6	299.9	320.6
Housing loans 1	813.8	853.6	894.7
Total	1,085.4	1,153.5	1,215.3
Memorandum items			
Interest expenditure	82.2	92.2	102.2
Consumer credits	25.4	31.1	37.4
Housing loans	56.8	61.1	64.8
do. in % 2			
Liabilities	70	71	70
Interest expenditure	5	6	6
Eastern Germany			
Consumer credits	3.7	9.7	13.5
Housing loans 1	10.5	15.2	24.5
Total	14.2	24.9	38.0
Memorandum item do. in % 2	9	12	15

* Including private non-profit organisations. — **1** For new buildings and modernisations. — **2** Total liabilities as a percentage of disposable income.

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Private debt [5]

Level of households' debt

Not only households' financial and nonfinancial assets but also their domestic debts have now overshot the DM 1 trillion mark. At the end of 1992, their liabilities (arising from purchases of consumer goods and residential property) totalled DM 1.3 trillion. An estimated just under DM 40 billion of this sum was accounted for by east German residents, with approximately one-half of this amount stemming from old credits granted under the former GDR's housing promotion scheme, which had been converted into Deutsche Mark. Calculated per household, private debt comes to around DM 40,000 at present in western Germany, and to about DM 6,000 in eastern Germany. Admittedly, this average figure presents a slightly distorted picture, because a large number of households has contracted no debt at all. According to data from the sample surveys of income and consumption, in 1988 only about one-fifth of households had taken up credit for consumption purposes, and about one-quarter had done so for housing finance purposes. Adjusted for overlapping, a ratio of 40 % is obtained.[6] In actual fact, however, the number of private debtors is probably higher, as some forms of borrowing, e.g. that by means of bank overdrafts, are not covered by statistics. At present, three-quarters of all private liabilities in western Germany are accounted for by debts incurred for the sake of purchas-

5 See also Deutsche Bundesbank, Longer-term trends in consumer credit and households' debt, Monthly Report, April 1993, page 19 ff.
6 Once again, "households" here include neither persons living in communal lodgings nor households of foreigners nor households of high-income levels with a monthly net household income of DM 25,000 or more.

ing or modernising dwellings; the remaining one-quarter is accounted for by consumer credit taken up in connection with major purchases or the financing of other consumption, for example, holiday trips.

Trends in consumer borrowing and liabilities in respect of private housing construction

In the long run, consumer credit increased significantly more than housing loans. However, in their propensity to take up credit for consumption purposes, Germans still differ from habits in other countries. The strong expansion of consumer credits is mainly due to the rising number of households and the associated changes in the pattern of households, which result not only in a heavier demand for housing but also in a greater demand for durable consumer goods. In particular, the number of single-person households has just about doubled in the past twenty years. Two-thirds of these consist of younger persons with possibly a higher willingness to run into debt. This circumstance is presumably partly responsible for the fact that consumer credits have increased more than consumer durables; in 1992 the ratio of these two variables was 28 %, as against 15 % at the beginning of the seventies. The main reason for the comparatively moderate growth of building loans was presumably that over the last 20 years the private acquisition of non-financial assets has lost some momentum relative to the simultaneous "accumulation of financial assets". Inter alia, this will have been due to the strong increase in construction prices and land prices, which, in spite of a host of public promotional measures, made it unaffordable for many households to realise their dream of a "home of their own".

International comparison of households' debts

Loans for consumption and construction purposes, taken together, were equivalent to around 70 % of private income in 1992, compared with an estimated 40 % at the beginning of the seventies. Although the debt ratio of west German households thus increased over the long term, it is still well below the comparable levels of other countries, such as the United States, Japan or the United Kingdom, where private liabilities on average amount to a full year's income or more. A major reason for the lower level of private debt in Germany seems to be that here – in contrast to other countries – there is little propensity to take advantage of appreciations in value in order to raise correspondingly higher loans. Not least, this lessens the risk of overindebtedness in the event of sharp falls in share or real estate prices, which would force the households concerned to adopt a highly restrictive stance, thereby – as has happened in the recent past and is still happening now in a number of partner countries – reinforcing the recessionary macroeconomic tendencies. The comparatively low level of private indebtedness is associated with a correspondingly lower interest burden.

Interest income statement

Households' interest expenditure in the old Länder in 1992 came to an estimated DM 100 billion, or 6 % of their disposable income. Thus, west German households – albeit with some major differences if considered in detail – showed a distinctly favourable interest income statement, at a surplus of DM 75 billion.

Private financial statement

West German households' gross assets

If the data on financial and non-financial assets are taken together, west German households' gross assets (including durable consumer goods) came to DM 9.5 trillion at the end of 1992. Non-financial assets in the form of real property and provision with durable consumer goods accounted for DM 6 trillion or just under two-thirds of this sum; this percentage was slightly lower than at the beginning of the seventies. Just over one-third was accounted for by financial assets, which had comparable weight, within total private assets, to that in France or Japan. In the United States and in the United Kingdom, however, this weight is noticeably bigger, mainly because of higher financial investment in equities and with private pension funds, which account for up to one-half of private financial assets there. It must be borne in mind in this context that these investments serve in the main as provision for old age, the statutory framework for which is much more limited than that in western Germany.

Net assets

Net of liabilities, west German households held net assets worth an estimated DM 8 trillion at the end of 1992; this is just over four times as much as aggregate disposable income. At the beginning of the seventies, the ratio of private net assets to income was 3:1. According to this yardstick as well as in a per capita calculation the asset situation of west German residents has largely moved into line with that in other industrialised countries; to this extent, the enormous losses of assets due to the war and the currency reform have meanwhile been offset. Given the time required, east German households have advanced relatively rapidly along the road towards adjusting their asset position to international standards. Further durable progress on this path cannot, however, be expected on the basis of west German transfer payments; on the contrary, it is possible only on the basis of greater own production and income.

West German households' financial position *, e

End-of-year levels

Item	1970	1980	1992
	DM billion		
Total assets	1,538	4,494	9,492
Residential property 1	811	2,402	4,920
Assets earmarked for consumption 2	209	617	1,158
Financial assets 3	518	1,475	3,414
Credits 4	207	615	1,215
Net assets 5	1,331	3,879	8,277
	As a percentage of disposable income		
Total assets	354	469	542
Residential property 1	187	251	281
Assets earmarked for consumption 2	48	64	66
Financial assets 3	119	154	195
Credits 4	48	64	69
Net assets 5	306	405	473

* Including private non-profit organisations. — **1** Residential buildings (after allowing for depreciation) and proportionate building sites at replacement cost. — **2** After allowing for depreciation, at replacement cost. — **3** Securities at market prices. — **4** For consumption and residential construction purposes. — **5** Ascertained as a difference.

Deutsche Bundesbank