



OBSERVATOIRE DE L'ÉPARGNE EUROPÉENNE

Research project on Stockholding in Europe

“Stockholding in Germany”

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Outline

- **Macroeconomic trends**
 - Main developments in
 - government policy
 - capital markets
- **Microeconomic picture**
 - Data sources and their quality
 - Stock market participation trends
 - Who are the stockholders?
 - The wealth-portfolio and the age-portfolio profiles
 - Future work

Macroeconomic Trends

- Recession, slow stabilization after unification boom
- Change in government with unstable 1st year
- Privatization of state-owned firms: Deutsche Telekom and Deutsche Post
- Small reform of the social security system and diminished expectations of pension benefits
- Stock market run up (DAX, NEMAX)
- Mutual funds still small, few private pensions, reserve accounts -> insurance products
- Mergers between insurance companies and banks

Data for Microeconomic Analysis

- *German Income and Expenditure Survey*
- Run every 5 years by German Statistical Office
- Very large quota sample; *West; 1993/1998*
- Financial assets are reported in DM
- Not always consistent across waves
- Quality differences between 1993 and 1998
- E.g.: ambiguous definitions

Stock Market Participation

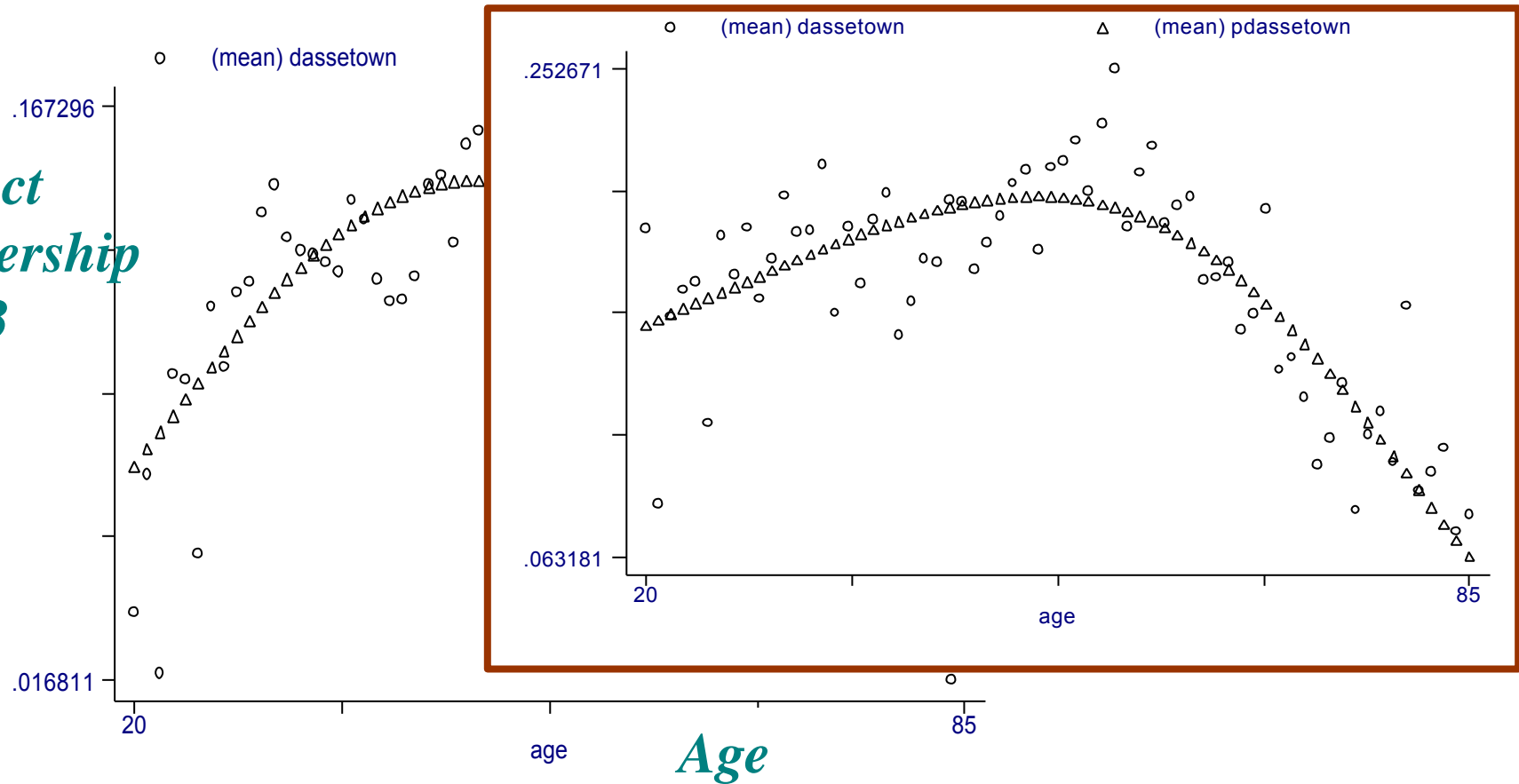
- Direct stockholding: **12.0 %** (1993) vs. **17.6 %** (1998)
- Indirect stockholding: **10.3 %** (1993), unknown in 1998
- Total stockownership: **19.8 %** (1993) [[<<49.4% in 1998]]

Hence:

- Participation has increased, but still only a minority invests in stocks.
- Reasons: Not really clear. Risk aversion (experience of 20s and 30s)? Low returns until 1980s? Probably NOT high entry and/or management costs.

Age Profile of Stockownership

*Direct
ownership
1993*



Age and Stockownership

Hence:

- Profile of participation is hump-shaped
- It peaks around age 47 in 1993, and around age 51 in 1998 (cohort effect?)
- At peak:
 - direct stockholding = 14.8% (3 pp. above avg.)
 - total stockholding = 23.2% (3 pp. above avg.)

Wealth and Stockownership

Table 6
Proportion of Households Investing in Stocks, by Financial Asset Quartiles

	1993						
	Quartile I	Quartile II	Quartile III	Quartile IV	Top 5%	Top 1%	Average
Direct stockholding	3,13%	9,40%	13,73%	28,14%	40,44%	49,20%	12,00%
Indirect stockholding	3,12%	8,09%	13,25%	21,89%	29,53%	28,50%	10,32%
Direct plus indirect stockholding	5,99%	16,30%	24,80%	41,57%	54,10%	60,50%	19,77%

	1998						
	Quartile I	Quartile II	Quartile III	Quartile IV	Top 5%	Top 1%	Average
Direct stockholding	3,50%	13,30%	23,40%	41,90%	58,20%	76,70%	17,57%

Wealth and Stockownership

Hence:

- Below median wealth households also invest in stocks, but to a much lower extent
- Distribution more “even” than e.g. Italy
- Participation increases very strongly with wealth:
In the IV quartile of wealth participation is 28%
- Even higher in top 5 and 1% of the wealth distribution (40 and 50%)

Education and Stockownership

Table 5
Direct and Indirect Stockholding by Education

	1993			
	Less than High School	High School	College	Average
Direct stockholding	9,78%	12,76%	20,45%	12,00%
Indirect Stockholding	8,44%	12,44%	16,59%	10,32%
Direct plus indirect stockholding	16,60%	21,81%	31,33%	19,77%
Sample Proportion	71,31%	11,26%	17,60%	
	1998			
	No College	College	Average	
Direct stockholding	14,73%	28,08%	17,57%	
Sample Proportion	78,77%	21,23%		



Who Holds Stock?

- **Main traits:**
 - Individuals in their middle age, with high financial wealth and high income (also high education but probably small *direct* effect)
- **Other features:**
 - Less likely if married (-2%), more if male (+2%), less if two income recipients (-1.5% ??), less if self-employed (-4%), more if college (+1%)

Future Work

- **Complete analysis of portfolio**

- Asset shares
- Regression analysis

- **Own new data collection effort**

- Pretest June 2001
- Main wave???

- **Inquire into the reasons for portfolio change**

- Privatization
- Transparency and structure of corporate governance
- Capital market reforms
- Financial education
- Social security reform
- Tax treatment