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Introduction

The trend of rising corporate saving is particularly strong in Advanced Economies with large current account surpluses

For the case of Germany, I show that the fall in the relative price of investment goods explains this interconnection as:

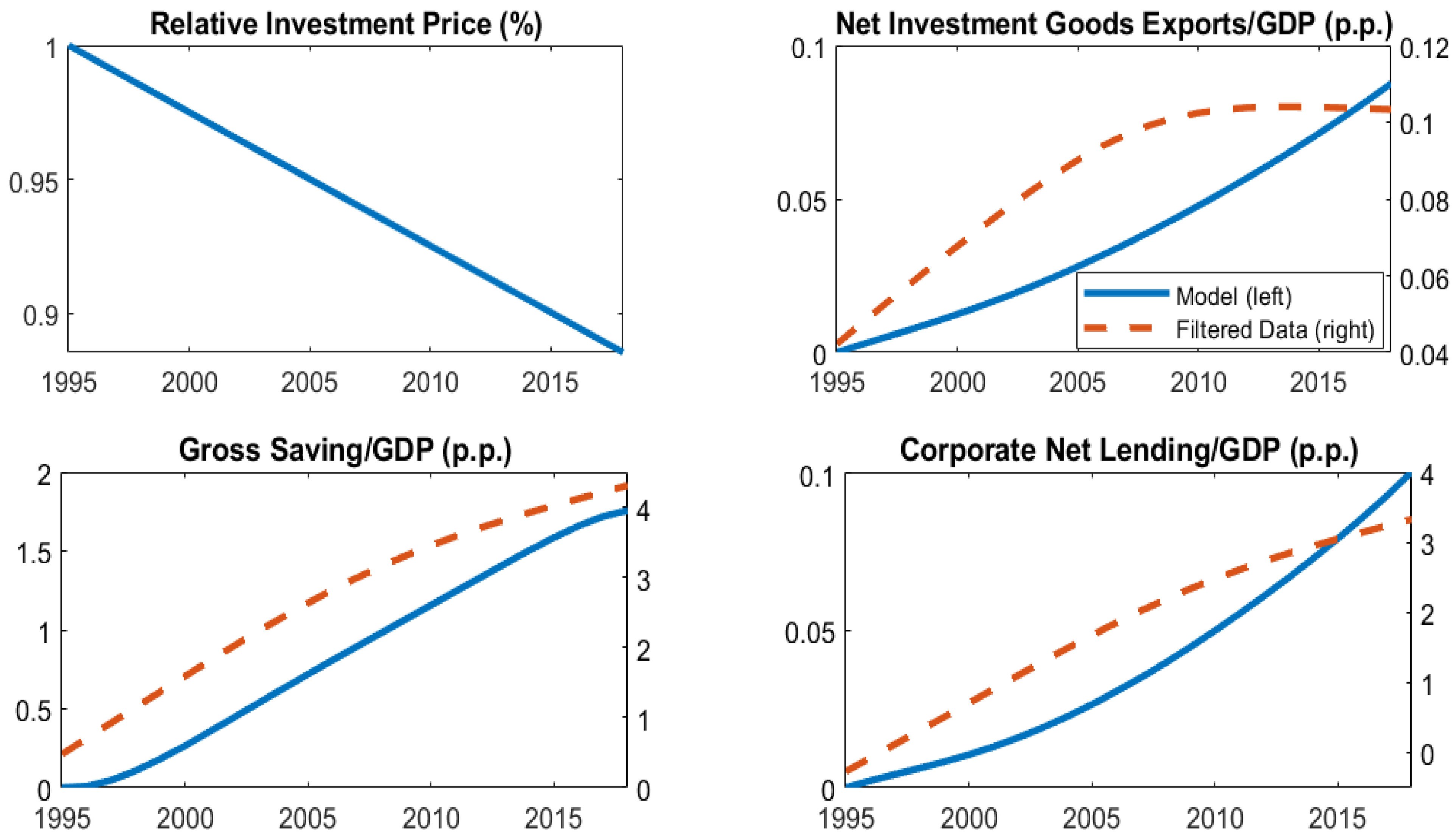
- It amplifies Germany's investment goods exports to Emerging Market Economies (EME) given that these goods become more affordable
- The rise in exports translates into rising corporate revenues and net lending

Corporate net lending = excess of gross saving over investment

Gross saving = retained profits

Profits= Revenues – labor costs

Results



1995-2018 Δ	Data	Model
Net Investment Goods Exports / GDP	0.1	0.1
Investment Expenditures / GDP	0.9	0.9
Consumption / GDP	-3.8	-1.0
Labor Share	-2.0	-1.1
Gross Saving / GDP	2.8	1.0
Corporate Net Lending / GDP	1.9	0.1
Extrap. Gross Saving / GDP	2.8	1.7
Extrap. Corporate Net Lending / GDP	1.9	0.9

Data and methods

Two-country open economy model calibrated for Germany and Poland

I feed the approximated fall in Germany's relative investment price from 1995 to 2018 into the model

In the results, I compare the simulated transitions with the empirical counterparts in the data

Conclusions

The model captures the long-run trends and replicates the changes in the data from 1995 to 2018 quite well

Extrapolated to Germany's 20 most important EME trading partners, my results can account for almost half of the rise in corporate net lending

This seems reasonable given that net investment goods exports to EME account for almost half of Germany's total net investment goods exports

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