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Article

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German economy: strong employment growth, weak investment activity

By Ferdinand Fichtner, Karl Brenke, Marius Clemens, Simon Junker, Claus Michelsen, Thore Schlaak, and Kristina van Deuverden

The German economy's upward growth trend continues, with the economic output expected to increase by 1.4 percent this year with slightly overloaded capacities. Employment growth remains strong with the creation of 600,000 new jobs, which has in turn led to an increase in private consumption – one of the key growth drivers of the German economy. The higher inflation rates are dampening purchasing power, but they will subside later on in the forecast period. The high public budget surpluses will experience a sharp decline.

Investment, on the other hand, remains weak, partially due to the fact that Brexit and Trump are creating uncertainty for German exporters. Frictions in the financial markets that may arise as a result of the upcoming elections – in France and the Netherlands, for example – could present risks for the real economy.

The moderate upswing in the German economy continues, with an expected growth rate of 1.4 percent this year – which is higher than the 1.2 percent projected in DIW Berlin's December 2016 forecast. A key factor behind this adjustment was the revision of Germany's labor market data, which now appear to be more favorable than previously believed. After rather subdued development in the second half of 2016, the German economy has picked up momentum once again (Table 1), with present indicators suggesting powerful development for the first quarter of 2017. A growth rate of 1.7 percent is expected for 2018 (Table 2).

Later on in the forecast period, however, economic growth should lose some momentum (Figure) as changes to the major growth drivers – which include the refugee influx and the low energy prices – cause them to thus lose their influence, an effect that has already become noticeable over the past year. Wage development is moderate: employment growth remains strong and unemployment will continue to decline significantly, from 5.7 percent this year to 5.3 percent in 2018. The growing worker shortage should gradually lead to higher wage agreements. But given the large numbers of immigrants – especially from within the EU – and the increasing labor market participation of older people, no substantial wage increases are expected for the forecast period.

In stark contrast to the favorable employment growth, business investment remains weak. Companies are working hard to fill jobs – especially in light of the impending labor market shortage – but they remain cautious when it comes to investment expenditure. This is mainly due to the high degree of economic policy-related uncertainty that has been triggered by the Trump administration, the Brexit decision, and the forthcoming elections in some major EU countries. These factors have made it more difficult to make plans, and businesses are thus backing away from higher and longer-term expenditures, further hindering investment activity. A significant portion of companies' surpluses are instead being invested abroad; this is also reflected in the excessively high cur-

Table 1

Use of gross domestic product, quarter-on-quarter growth rates

Price, seasonally and working-day adjusted, in percent

	2016				2017				2018			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Private consumption	0,7	0,2	0,2	0,3	0,3	0,3	0,4	0,4	0,4	0,4	0,4	0,4
Public consumption	1,3	0,9	0,2	0,8	0,7	0,6	0,5	0,5	0,6	0,6	0,6	0,6
Gross fixed capital formation	1,8	-1,5	-0,2	0,8	0,6	0,9	0,9	0,8	0,7	0,6	0,7	0,7
Investment in machinery and equipment	0,9	-2,3	-0,5	-0,1	0,5	0,9	0,9	0,9	1,0	1,0	1,0	1,0
Construction investment	2,7	-1,7	-0,3	1,6	0,6	1,0	0,9	0,7	0,5	0,4	0,4	0,4
Other investment	0,9	0,7	0,6	0,3	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6
Change in inventories ¹	-0,4	-0,1	0,3	0,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Domestic uses	0,7	-0,1	0,5	0,9	0,5	0,5	0,5	0,5	0,4	0,5	0,5	0,5
Net Exports ¹	0,1	0,5	-0,3	-0,4	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Exports	1,4	1,2	-0,3	1,8	1,9	0,5	0,7	0,8	0,9	1,0	1,0	1,0
Imports	1,4	0,1	0,4	3,1	1,8	0,6	1,0	1,1	1,1	1,1	1,2	1,2
Gross Domestic Product	0,7	0,5	0,1	0,4	0,6	0,4	0,4	0,4	0,4	0,4	0,4	0,4

¹ Contribution to GDP growth in percentage points.

Federal Statistical Office; DIW Berlin, Forecast from 2017q1 onward.

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Table 2

Key economic indicators for the German economy

	2013	2014	2015	2016	2017	2018
Real GDP ¹ (percent change over previous year)	0,5	1,6	1,7	1,9	1,4	1,7
Domestic employment (1 000 persons)	42 328	42 662	43 057	43 593	44 191	44 633
Unemployed (ILO concept)	2 182	2 092	1 949	1 776	1 593	1 486
Unemployed (BA concept)	2 950	2 898	2 795	2 691	2 518	2 368
Unemployment rate ² (ILO concept)	5,2	5,0	4,6	4,1	3,6	3,4
Unemployment rate ² (BA concept)	6,9	6,7	6,4	6,1	5,7	5,3
Consumer prices	1,5	0,9	0,2	0,5	1,8	1,4
Unit labor costs ³	1,8	1,7	1,5	1,4	2,4	1,7
Government budget balance ⁴						
in billion EUR	-5,4	8,6	20,9	23,7	14,3	8,6
in percent of GDP	-0,2	0,3	0,7	0,8	0,4	0,3
Current account balance, in percent of GDP	6,7	7,5	8,6	8,3	7,8	7,5

¹ Price-adjusted, chain-linked.² as a share of domestic labor force (ILO), resp. Civilian labor force (BA).³ compensation of employees (national concept) per hour worked over real GDP.⁴ according to ESA 2010.

Sources: National and international institutions; computations by DIW Berlin 2015 and 2016: DIW forecast.

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rent account surplus, which is actually expected to drop below eight percent this year (the rising import costs also play a role here). It will, however, remain well above the EU's target rate of 6 percent.

Investment activity will, however, be stimulated somewhat by foreign trade, which will remain rather robust

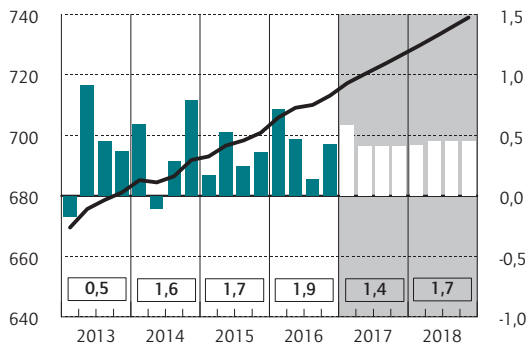
throughout the forecast period: the emerging countries in particular should continue to exhibit strong growth. That energy prices are no longer declining is leading to high inflation in many places, which is dampening households' purchasing power. However, these high inflation rates are likely to decline somewhat over the next few

Figure

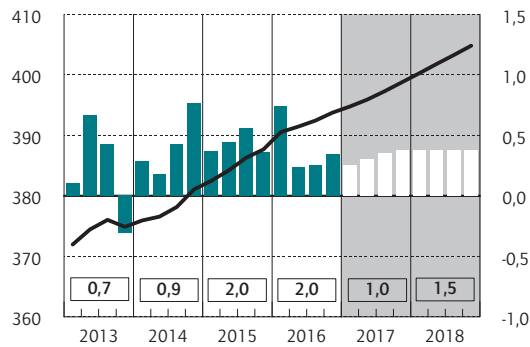
Gross domestic product and use of GDP

Seasonally and working day adjusted

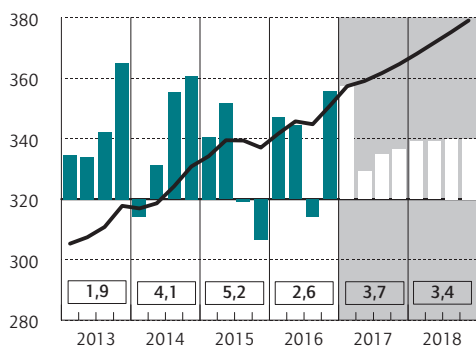
Gross domestic product



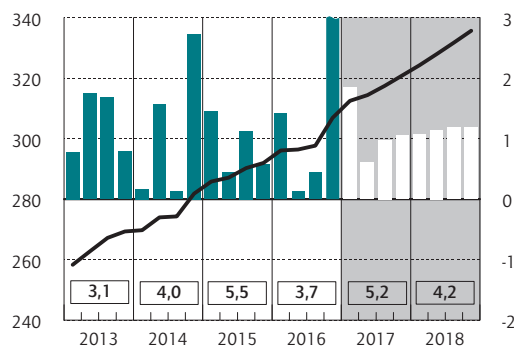
Private consumption



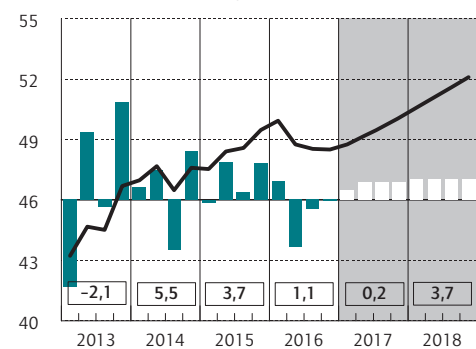
Exports



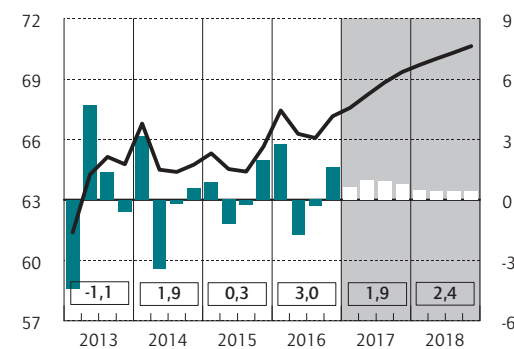
Imports



Investment in machinery and equipment



Investment in construction



— Chained volumes, billions of Euro (left-hand axis)
 ■ Quarter-on-quarter growth rate (right-hand axis)
 □ Year-on-year growth rate (non-adjusted)

Chained volumes, billions of Euro (left-hand axis).
 Quarter-on-quarter growth rate (right-hand axis).
 Year-on-year growth rate (non-adjusted).

Sources: Federal Statistical Office; Computations by DIW Berlin, forecasts as of 2015 Q2.

months, since the recent rise in energy prices has already come to a standstill.

The high public budget surplus is on the decline, due first and foremost to the lower tax revenues and the fact that expenditures have been increasing. In structural terms – that is, adjusted for cyclical influences – the total public budgets will be in the red next year, since the capacities will be slightly overloaded. This was also the case last year. This slight overutilization will subside later on in the forecast period.

Germany's economic development is facing substantial risks, most of which are arising from the international economic environment. The political developments over the past year suggest that threats to international cooperation and economic integration are increasing, and parties that are opposed to integration may receive considerable support in the upcoming elections of some key EU

countries. If this leads to the implementation of measures that are detrimental when it comes to protectionism or economic cooperation, it will hinder the growth of Germany's export-oriented economy.

Yet even apart from that, the European economy remains fragile: the banking sectors and public finances in some countries are still plagued with problems, and many areas are still grappling with high unemployment rates and weak household purchasing power. All of these problems reinforce one another and could end up having a more substantial impact on Europe's economic development than forecasted here; this is also true if the outcomes of the upcoming elections create tensions in the financial markets and lead to turmoil in the banking system, public finances, and the real economy. The resulting economic downturn in the euro area will also impact the Germany economy.

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MAIN AGGREGATES FOR SECTOR ACCOUNTS

Annual results 2018

Billion Euro

specification	Total economy	Non financial and financial corporations	General government	Households and non-profit inst. serving households	Rest of the world
3 Gross value added	2,901.1	1,951.4	309.1	640.6	-
4 - Consumption of fixed capital	568.4	326.3	70.7	171.4	-
5 = Net value added ¹	2,332.8	1,625.2	238.4	469.2	-220.1
6 - Compensation of employees, paid	1,653.1	1,177.7	242.7	232.7	14.7
7 - Other taxes on production, paid	22.8	13.1	0.2	9.5	-
8 + Other subsidies on production, received	25.6	23.9	0.2	1.5	-
9 = Operating surplus, net/mixed income, net	682.5	458.3	-4.3	228.5	-234.8
10 + Compensation of employees, received	1,659.5	-	-	1,659.5	8.3
11 - Subsidies, paid	27.9	-	27.9	-	5.4
12 + Taxes on production and imports, received	342.1	-	342.1	-	6.9
13 - Property income, paid	722.4	654.0	41.9	26.5	176.8
14 + Property income, received	787.6	370.3	16.5	400.8	111.6
15 = Net national income/Balance of prim income, net	2,721.4	174.6	284.6	2,262.2	-290.2
16 - Current taxes on income, wealth, etc, paid	392.5	76.3	-	316.2	10.7
17 + Current taxes on income, wealth, etc, received	402.7	-	402.7	-	0.4
18 - Net social contributions, paid	668.0	-	-	668.0	3.8
19 + Net social contributions, received	668.9	122.8	545.3	0.8	2.9
20 - Social benefits other than soc transf in kind, paid	569.2	63.2	505.2	0.8	0.5
21 + Social benefits other than soc transf in kind, receiv	562.2	-	-	562.2	7.5
22 - Other current transfers, paid	310.5	157.0	76.9	76.7	50.5
23 + Other current transfers, received	270.7	146.9	19.6	104.3	90.3
24 = Disposable income, net	2,685.7	147.8	670.0	1,867.8	-254.5
25 - Final consumption expenditure	2,367.2	-	641.0	1,726.2	-
26 + Adjustment for the change in net equity of households in pension funds	-	-48.8	-	48.8	-
27 = Net saving	318.5	99.0	29.1	190.4	-254.5
28 - Capital transfers, paid	49.1	7.6	32.2	9.3	4.8
29 + Capital transfers, received	46.0	22.6	12.0	11.4	7.9
30 - Gross capital formation	632.4	357.1	70.5	204.8	-
31 + Consumption of fixed capital	568.4	326.3	70.7	171.4	-
32 - Acquisitions less disposals of valuables	-2.1	1.7	-5.2	1.4	2.1
33 = Net lending (+)/ Net borrowing (-)	253.5	81.5	14.3	157.7	-253.5
memorandum item:					
34 Disposable income, net	2,685.7	147.8	670.0	1,867.8	-254.5
35 - Social transfers in kind, paid	421.6	-	421.6	-	-
36 + Social transfers in kind, received	421.6	-	-	421.6	-
37 = Adjusted disposable income, net	2,685.7	147.8	248.4	2,289.4	-254.5
38 - Actual final consumption ²	2,367.2	-	219.3	2,147.9	-
39 + Adjustment for the change in net equity of households in pension funds	-	-48.8	-	48.8	-
40 = Net saving	318.5	99.0	29.1	190.4	-254.5

¹ Concerning Rest of the world: imports minus exports of goods and services to/from rest of the world.

² The actual final consumption of general government corresponds only to collective final consumption. The actual final consumption of households and non profit institutions serving households includes individual goods and services provided as social transfer in kind to individual households by government units.

MAIN AGGREGATES FOR SECTOR ACCOUNTS

Annual results 2018

Billion Euro

specification	Total economy	Non financial and financial corporations	General government	Households and non-profit inst. serving households	Rest of the world
3 Gross value added	2,994.5	2,011.8	317.0	665.6	-
4 - Consumption of fixed capital	586.1	336.2	72.9	177.0	-
5 = Net value added ¹	2,408.3	1,675.7	244.1	488.5	-219.9
6 - Compensation of employees, paid	1,711.9	1,220.9	249.0	242.0	15.3
7 - Other taxes on production, paid	23.1	13.2	0.2	9.7	-
8 + Other subsidies on production, received	25.6	24.0	0.2	1.5	-
9 = Operating surplus, net/mixed income, net	699.0	465.5	-4.8	238.3	-235.2
10 + Compensation of employees, received	1,718.4	-	-	1,718.4	8.9
11 - Subsidies, paid	28.2	-	28.2	-	5.3
12 + Taxes on production and imports, received	350.1	-	350.1	-	6.9
13 - Property income, paid	726.5	659.2	41.9	25.4	179.6
14 + Property income, received	794.8	372.2	18.7	404.0	111.3
15 = Net national income/Balance of prim income, net	2,807.6	178.5	293.9	2,335.2	-293.0
16 - Current taxes on income, wealth, etc, paid	406.5	82.1	-	324.4	11.0
17 + Current taxes on income, wealth, etc, received	417.1	-	417.1	-	0.5
18 - Net social contributions, paid	692.1	-	-	692.1	3.9
19 + Net social contributions, received	693.0	127.2	564.9	0.8	3.1
20 - Social benefits other than soc transf in kind, paid	586.7	65.1	520.8	0.8	0.5
21 + Social benefits other than soc transf in kind, receiv	579.4	-	-	579.4	7.8
22 - Other current transfers, paid	320.8	157.4	83.3	80.1	45.2
23 + Other current transfers, received	275.6	151.3	19.8	104.5	90.3
24 = Disposable income, net	2,766.5	152.4	691.6	1,922.5	-252.0
25 - Final consumption expenditure	2,440.6	-	664.7	1,775.9	-
26 + Adjustment for the change in net equity of households in pension funds	-	-49.2	-	49.2	-
27 = Net saving	325.9	103.2	26.9	195.8	-252.0
28 - Capital transfers, paid	49.2	7.6	31.8	9.8	4.8
29 + Capital transfers, received	46.1	23.4	11.2	11.4	7.9
30 - Gross capital formation	660.0	371.8	72.0	216.3	-
31 + Consumption of fixed capital	586.1	336.2	72.9	177.0	-
32 - Acquisitions less disposals of valuables	-2.5	-1.7	-1.4	0.6	2.5
33 = Net lending (+)/ Net borrowing (-)	251.4	85.2	8.6	157.6	-251.4
memorandum item:					
34 Disposable income, net	2,766.5	152.4	691.6	1,922.5	-252.0
35 - Social transfers in kind, paid	442.4	-	442.4	-	-
36 + Social transfers in kind, received	442.4	-	-	442.4	-
37 = Adjusted disposable income, net	2,766.5	152.4	249.2	2,364.9	-252.0
38 - Actual final consumption ²	2,440.6	-	222.3	2,218.3	-
39 + Adjustment for the change in net equity of households in pension funds	-	-49.2	-	49.2	-
40 = Net saving	325.9	103.2	26.9	195.8	-252.0

¹ Concerning Rest of the world: imports minus exports of goods and services to/from rest of the world.

² The actual final consumption of general government corresponds only to collective final consumption. The actual final consumption of households and non profit institutions serving households includes individual goods and services provided as social transfer in kind to individual households by government units.

NATIONAL ACCOUNTS DATA

The Main National Accounts Data for the Federal Republic of Germany

Forecast for 2017 and 2018¹

	2016	2017	2018	2016		2017		2018	
				1. half year	2. half year	1. half year	2. half year	1. half year	2. half year
1. Origin of GDP									
Percentage change over previous year									
Domestic employment	1.2	1.4	1.0	1.2	1.2	1.4	1.3	1.1	0.9
Hours worked, per working day	-0.7	0.8	-0.3	-1.5	0.1	0.0	1.6	-0.7	0.1
Working days	0.4	-1.2	-0.3	1.6	-0.8	0.0	-2.3	-0.5	-0.1
Labour volume, calendar-monthly	0.9	1.0	0.5	1.3	0.6	1.4	0.6	-0.1	1.0
Labour productivity ¹	0.8	0.4	1.3	1.0	0.8	0.1	0.7	1.7	0.9
Gross domestic product, price adjusted	1.9	1.4	1.7	2.3	1.4	1.5	1.3	1.5	1.9
2. Disposition of GDP in Current Prices									
a) Billion Euro									
Final consumption expenditure	2,295.3	2,367.2	2,440.6	1,120.5	1,174.8	1,155.7	1,211.4	1,190.2	1,250.4
Private consumption expenditure ²	1,679.2	1,726.2	1,775.9	820.8	858.3	843.5	882.8	866.4	909.5
Government consumption expenditure	616.1	641.0	664.7	299.6	316.5	312.3	328.7	323.8	340.9
Gross fixed capital formation (GFCF)	626.7	646.4	675.4	303.6	323.1	311.2	335.1	325.6	349.8
Machinery and equipment	204.4	206.1	214.5	98.7	105.7	98.8	107.4	102.3	112.1
Construction	309.4	323.0	338.9	149.8	159.6	155.3	167.7	163.8	175.1
GFCF in other products	112.9	117.2	122.0	55.1	57.8	57.2	60.1	59.5	62.5
Change in Stocks ³	-28.1	-14.0	-15.4	-8.3	-19.8	2.7	-16.7	1.7	-17.1
Domestic uses	2,893.9	2,999.5	3,100.6	1,415.8	1,478.1	1,469.6	1,529.9	1,517.5	1,583.1
Balance of exports and imports	238.8	220.1	219.9	128.1	110.6	117.9	102.2	117.4	102.5
Exports	1,441.4	1,527.9	1,594.9	712.6	728.8	757.6	770.3	789.6	805.3
Imports	1,202.6	1,307.7	1,375.0	584.5	618.2	639.7	668.1	672.1	702.8
Gross domestic product	3,132.7	3,219.7	3,320.6	1,543.9	1,588.7	1,587.6	1,632.1	1,635.0	1,685.6
b) Percentage change over previous year									
Final consumption expenditure	3.4	3.1	3.1	3.8	3.0	3.1	3.1	3.0	3.2
Private consumption expenditure ²	2.6	2.8	2.9	2.9	2.3	2.8	2.8	2.7	3.0
Government consumption expenditure	5.6	4.0	3.7	6.2	4.9	4.2	3.9	3.7	3.7
Gross fixed capital formation (GFCF)	3.8	3.1	4.5	5.4	2.3	2.5	3.7	4.6	4.4
Machinery and equipment	2.1	0.8	4.1	5.3	-0.7	0.1	1.6	3.6	4.4
Construction	4.9	4.4	4.9	6.1	3.8	3.7	5.1	5.4	4.5
GFCF in other products	3.9	3.8	4.1	3.9	3.9	3.8	3.9	4.1	4.1
Domestic uses	3.2	3.6	3.4	3.6	2.9	3.8	3.5	3.3	3.5
Exports	1.6	6.0	4.4	1.7	1.5	6.3	5.7	4.2	4.5
Imports	1.1	8.7	5.1	0.4	1.9	9.4	8.1	5.1	5.2
Gross domestic product	3.3	2.8	3.1	3.9	2.7	2.8	2.7	3.0	3.3
3. Disposition of GDP, adjusted for prices									
a) Chain-linked estimated in Billion Euro									
Final consumption expenditure	2,122.0	2,151.3	2,188.1	1,043.1	1,079.0	1,057.1	1,094.2	1,074.3	1,113.9
Private consumption expenditure ²	1,570.7	1,586.1	1,610.0	770.3	800.3	777.4	808.7	788.2	821.8
Government consumption expenditure	551.0	564.5	577.3	272.5	278.5	279.3	285.3	285.6	291.7
Gross fixed capital formation (GFCF)	567.7	575.7	592.1	275.5	292.2	277.7	298.0	285.9	306.3
Machinery and equipment	196.8	197.3	204.6	94.7	102.1	94.0	103.3	97.1	107.5
Construction	268.2	273.2	279.9	130.5	137.7	132.2	141.0	135.9	143.9
GFCF in other products	103.0	105.3	107.8	50.4	52.6	51.5	53.8	52.8	55.1
Domestic uses	2,655.4	2,705.6	2,757.8	1,310.5	1,344.9	1,336.7	1,369.0	1,360.7	1,397.1
Exports	1,388.4	1,439.4	1,488.4	687.8	700.6	717.0	722.3	738.1	750.3
Imports	1,200.0	1,263.0	1,316.0	586.4	613.7	621.0	642.0	644.7	671.3
Gross domestic product	2,843.0	2,883.4	2,932.6	1,411.2	1,431.9	1,432.8	1,450.6	1,454.7	1,477.9
b) Percentage change over previous year									
Final consumption expenditure	2.5	1.4	1.7	3.1	2.0	1.3	1.4	1.6	1.8
Private consumption expenditure ²	2.0	1.0	1.5	2.5	1.5	0.9	1.0	1.4	1.6
Government consumption expenditure	4.0	2.5	2.3	4.7	3.4	2.5	2.4	2.3	2.3
Gross fixed capital formation (GFCF)	2.3	1.4	2.9	4.0	0.7	0.8	2.0	2.9	2.8
Machinery and equipment	1.1	0.2	3.7	4.2	-1.7	-0.8	1.1	3.3	4.1
Construction	3.0	1.9	2.4	4.3	1.7	1.3	2.4	2.8	2.1
GFCF in other products	2.6	2.2	2.4	2.6	2.6	2.2	2.3	2.4	2.4
Domestic uses	2.3	1.9	1.9	2.7	1.8	2.0	1.8	1.8	2.1
Exports	2.6	3.7	3.4	3.0	2.3	4.2	3.1	2.9	3.9
Imports	3.7	5.2	4.2	4.0	3.5	5.9	4.6	3.8	4.6
Gross domestic product	1.9	1.4	1.7	2.3	1.4	1.5	1.3	1.5	1.9

¹ Due to a correction of the official employment figures by the Federal Employment Agency (Bundesagentur für Arbeit), selected variables of the system of national accounts (SNA) have been adjusted for this forecast. These figures are highlighted in italics and shaded background. For details (in German) please refer to Box 1 in Ferdinand Fichtner et al. (2017): Deutsche Wirtschaft: Beschäftigungsaufbau stark, Investitionstätigkeit schwach. DIW Wochenbericht 11, 188f.

continued: The Main National Accounts Data for the Federal Republic of GermanyForecast for 2017 and 2018¹

	2016	2017	2018	2016		2017		2018	
				1. half year	2. half year	1. half year	2. half year	1. half year	2. half year
4. Price Level of National Expenditure (2010=100)									
Percentage change over previous year									
Private consumption expenditure ²	0.6	1.8	1.3	0.5	0.8	1.8	1.8	1.3	1.4
Government consumption expenditure	1.5	1.5	1.4	1.5	1.4	1.7	1.4	1.4	1.4
Gross fixed capital formation (GFCF)	1.5	1.7	1.6	1.4	1.6	1.7	1.7	1.6	1.5
Machinery and equipment	1.1	0.6	0.3	1.0	1.1	0.8	0.4	0.3	0.3
Construction	1.8	2.5	2.4	1.7	2.0	2.3	2.6	2.5	2.3
Exports	-1.0	2.3	0.9	-1.2	-0.8	2.0	2.5	1.3	0.7
Imports	-2.5	3.3	0.9	-3.5	-1.5	3.3	3.3	1.2	0.6
Gross domestic product	1.4	1.3	1.4	1.6	1.3	1.3	1.4	1.4	1.4
5. Distribution of Income									
a) Billion Euro									
Primary income of private household ²	2,188.1	2,262.2	2,335.2	1,077.1	1,111.1	1,114.1	1,148.1	1,148.4	1,186.8
Employers' social contributions	287.3	299.8	310.4	139.0	148.3	145.4	154.4	150.5	160.0
Gross wages and salaries	1,309.2	1,359.6	1,407.9	624.2	685.0	649.9	709.8	672.4	735.5
Other primary income of private households ⁴	591.6	602.7	616.9	313.9	277.8	318.8	283.9	325.5	291.4
Primary income of other institutional sectors	457.1	459.2	472.4	216.4	240.6	215.5	243.7	221.9	250.4
Net national income (primary income)	2,645.2	2,721.4	2,807.6	1,293.5	1,351.7	1,329.6	1,391.8	1,370.3	1,437.2
Consumption of fixed capital	552.1	568.4	586.1	274.4	277.7	282.6	285.8	291.2	294.9
Gross national income	3,197.3	3,289.8	3,393.7	1,567.9	1,629.4	1,612.2	1,677.6	1,661.5	1,732.2
Memorandum item:									
Net national income (factor costs)	2,338.4	2,407.2	2,485.7	1,141.4	1,197.0	1,173.6	1,233.7	1,210.5	1,275.2
Property and entrepreneurial income	741.9	747.7	767.3	378.2	363.7	378.3	369.5	387.6	379.7
Compensation of employees	1,596.5	1,659.5	1,718.4	763.2	833.3	795.3	864.2	822.9	895.4
b) Percentage change over previous year									
Primary income of private household ²	3.4	3.4	3.2	3.7	3.1	3.4	3.3	3.1	3.4
Employers' social contributions	2.9	4.4	3.5	2.8	2.9	4.6	4.1	3.5	3.6
Gross wages and salaries	3.9	3.9	3.6	4.0	3.9	4.1	3.6	3.5	3.6
Other primary income of private households ⁴	2.4	1.9	2.3	3.5	1.2	1.6	2.2	2.1	2.6
Primary income of other institutional sectors	2.5	0.5	2.9	7.5	-1.7	-0.4	1.3	3.0	2.7
Net national income (primary income)	3.2	2.9	3.2	4.3	2.2	2.8	3.0	3.1	3.3
Consumption of fixed capital	3.1	2.9	3.1	2.9	3.2	3.0	2.9	3.0	3.2
Gross national income	3.2	2.9	3.2	4.1	2.3	2.8	3.0	3.1	3.3
Memorandum item:									
Net national income (factor costs)	3.3	2.9	3.3	4.3	2.4	2.8	3.1	3.1	3.4
Property and entrepreneurial income	2.5	0.8	2.6	5.5	-0.5	0.0	1.6	2.5	2.8
Compensation of employees	3.7	3.9	3.5	3.8	3.7	4.2	3.7	3.5	3.6
6. Income and Expenditure of Private Households									
a) Billion Euro									
Mass income	1,294.6	1,340.9	1,384.5	622.0	672.6	647.6	693.4	668.1	716.4
Net wages and salaries	866.4	897.5	928.3	409.2	457.2	425.3	472.2	439.5	488.8
Social benefits	542.7	562.2	579.4	269.6	273.1	281.2	281.0	289.7	289.7
less levies on social benefits	114.5	118.7	123.2	56.8	57.7	58.9	59.8	61.1	62.1
Other primary income ⁴	591.6	602.7	616.9	313.9	277.8	318.8	283.9	325.5	291.4
Other transfers received (net) ⁵	-72.8	-75.9	-78.8	-35.9	-36.8	-37.6	-38.3	-39.1	-39.7
Disposable income	1,813.5	1,867.8	1,922.5	899.9	913.5	928.7	939.0	954.5	968.0
Memorandum item:									
Adjustment for the change in net equity of households in pension funds reserves	48.5	48.8	49.2	24.0	24.5	24.2	24.7	24.3	24.8
Private consumption expenditure	1,679.2	1,726.2	1,775.9	820.8	858.3	843.5	882.8	866.4	909.5
Saving	182.8	190.4	195.8	103.1	79.7	109.4	81.0	112.4	83.4
Saving ratio in % ⁶	9.8	9.9	9.9	11.2	8.5	11.5	8.4	11.5	8.4
b) Percentage change over previous year									
Mass income	3.5	3.6	3.2	3.4	3.5	4.1	3.1	3.2	3.3
Net wages and salaries	3.7	3.6	3.4	4.0	3.4	3.9	3.3	3.3	3.5
Social benefits	3.2	3.6	3.1	2.5	3.9	4.3	2.9	3.0	3.1
less levies on social benefits	3.6	3.7	3.8	3.2	4.1	3.6	3.7	3.7	3.8
Other primary income ⁴	2.4	1.9	2.3	3.5	1.2	1.6	2.2	2.1	2.6
Disposable income	2.9	3.0	2.9	3.1	2.7	3.2	2.8	2.8	3.1
Private consumption expenditure	2.6	2.8	2.9	2.9	2.3	2.8	2.8	2.7	3.0
Saving	4.5	4.2	2.9	3.6	5.9	6.2	1.6	2.7	3.0

¹ Due to a correction of the official employment figures by the Federal Employment Agency (Bundesagentur für Arbeit), selected variables of the system of national accounts (SNA) have been adjusted for this forecast. These figures are highlighted in italics and shaded background. For details (in German) please refer to Box 1 in Ferdinand Fichtner et al. (2017): Deutsche Wirtschaft: Beschäftigungsaufbau stark, Investitionstätigkeit schwach. DIW Wochenbericht 11, 188 f.

continued: The Main National Accounts Data for the Federal Republic of GermanyForecast for 2017 and 2018¹

	2016	2017	2018	2016		2017		2018	
				1. half year	2. half year	1. half year	2. half year	1. half year	2. half year
7. Government Revenues and Expenditures ⁸									
a) Billion Euro									
Revenues									
Taxes	731.2	744.8	767.1	364.9	366.3	373.1	371.7	384.6	382.5
direct taxes	396.8	402.7	417.1	199.4	197.4	203.5	199.2	211.1	206.0
indirect taxes	334.4	342.1	350.1	165.5	168.9	169.6	172.5	173.5	176.5
Net social contributions	523.1	545.3	564.9	253.3	269.8	264.9	280.4	274.3	290.7
Property income	18.0	16.5	18.7	10.0	8.0	8.5	8.0	10.6	8.0
Other transfers	19.3	19.6	19.8	9.3	10.0	9.4	10.2	9.5	10.3
Capital transfers	15.3	12.0	11.2	7.6	7.7	5.1	6.9	4.6	6.6
Sales	104.3	107.3	110.4	49.1	55.2	50.5	56.7	52.0	58.4
Other subsidies	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total revenues	1,411.4	1,445.6	1,492.4	694.3	717.1	711.5	734.1	735.7	756.7
Expenditures									
Intermediate consumption	151.7	155.9	160.9	69.4	82.3	71.5	84.4	73.8	87.2
Compensation of employees	235.8	242.7	249.0	113.3	122.4	116.9	125.8	119.9	129.1
Social benefits in kind	268.1	283.2	297.1	133.3	134.8	140.9	142.3	147.7	149.4
Property income (interests)	43.4	41.9	41.9	21.6	21.8	20.9	21.0	20.9	21.0
Subsidies	27.6	27.9	28.2	13.4	14.2	13.6	14.3	13.7	14.5
Social benefits	487.7	505.2	520.8	242.2	245.5	252.6	252.6	260.3	260.5
Other transfers	74.6	76.9	83.3	39.4	35.2	40.0	36.9	40.5	42.8
Gross capital formation	66.5	70.5	72.0	28.8	37.7	30.3	40.3	31.2	40.8
Capital transfers	33.5	32.2	31.8	15.1	18.4	13.5	18.7	13.3	18.5
Acquisitions less disposals of non-financial non-produced assets	-1.3	-5.2	-1.4	-0.5	-0.8	-4.4	-0.8	-0.6	-0.8
Other taxes on production	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total expenditures	1,387.7	1,431.4	1,483.8	676.1	711.6	695.8	735.6	720.8	763.0
Balance	23.7	14.3	8.6	18.2	5.5	15.8	-1.5	14.9	-6.3
b) Percentage change over previous year									
Revenues									
Taxes	4.5	1.9	3.0	4.8	4.2	2.2	1.5	3.1	2.9
direct taxes	6.5	1.5	3.6	5.8	7.2	2.1	0.9	3.7	3.4
indirect taxes	2.1	2.3	2.3	3.5	0.8	2.4	2.2	2.3	2.3
Net social contributions	4.5	4.2	3.6	4.3	4.6	4.6	3.9	3.5	3.7
Property income	-17.5	-8.4	13.2	-19.8	-14.5	-15.0	-0.2	25.2	0.5
Other transfers	-0.9	1.3	1.3	3.1	-4.3	1.4	1.3	1.4	1.3
Capital transfers	25.7	-21.4	-6.6	46.0	10.6	-32.9	-10.1	-8.9	-5.0
Sales	3.9	2.9	2.9	3.6	4.2	2.9	2.9	2.9	2.9
Other subsidies	-7.6	0.0	0.0	-10.3	-5.5	0.0	0.0	0.0	0.0
Total revenues	4.2	2.4	3.2	4.4	4.0	2.5	2.4	3.4	3.1
Ausgaben									
Vorleistungen	8.7	2.8	3.2	10.1	7.6	3.1	2.6	3.2	3.2
Arbeitnehmerentgelte	3.1	2.9	2.6	3.2	3.0	3.1	2.7	2.6	2.6
Soziale Sachleistungen	6.2	5.6	4.9	7.0	5.4	5.7	5.6	4.9	5.0
Vermögenseinkommen (Zinsen)	-8.3	-3.5	0.0	-10.6	-5.8	-3.5	-3.5	0.0	0.1
Subventionen	0.2	1.1	1.0	-3.2	3.7	1.2	1.0	1.1	1.0
Monetäre Sozialleistungen	3.5	3.6	3.1	2.7	4.4	4.3	2.9	3.1	3.1
Sonstige laufende Transfers ⁹	-0.6	2.2	6.4	-1.8	1.2	0.6	1.7	0.5	5.9
Bruttoinvestitionen	3.5	6.1	2.1	7.2	0.8	5.2	6.8	3.2	1.3
Vermögenstransfers ⁹	3.8	-1.3	-0.4	2.4	1.4	-10.1	1.3	-1.9	-0.9
Nettozugang an nichtproduzierten Vermögensgegenständen ⁹	0.5	-3.9	3.8	0.6	-0.1	-3.9	0.0	3.8	0.0
Sonstige Produktionsabgaben ⁹	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditures	4.0	3.1	3.7	3.9	4.2	2.9	3.4	3.6	3.7

¹ Gross domestic product (price-adjusted) per man-hour.² Including private organizations without pecuniary reward.³ Including net increase in valuables.⁴ Entrepreneurial income/ operating surplus and received minus paid asset income.⁵ Transfers, received minus paid.⁶ Current saving as percentage of disposable income⁷ Absolute change over previous year in Billion EUR.

Sources: Federal Statistical Office (Fachserie 18: Volkswirtschaftliche Gesamtrechnungen); Forecast by DIW Berlin.



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