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Article

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World economy gaining momentum, risks remain high

By Ferdinand Fichtner, Guido Baldi, Christian Dreger, Hella Engerer, Stefan Gebauer, Michael Hachula, Robert Lange, and Malte Rieth

The world economy continues on its upward growth path, with global production expected to grow by 3.7 percent this year and slightly more than that in 2018. The economies in both the developed and the emerging countries are gaining momentum. Solid output growth is expected for the U.S. and euro area over the forecast period; China's growth rates remain high, though they are declining somewhat; and Russia is coming out of its recession. Private consumption is driving growth in the developed countries, but the rise in inflation – which is due to higher energy prices – is expected to slow down consumption growth a bit. The global increase in prices is likely to also lead to a slightly more restrictive monetary policy overall. A number of economic policy-related risks – not least among them, the protectionism – could have a negative impact on the world economy, in particular on investment activity.

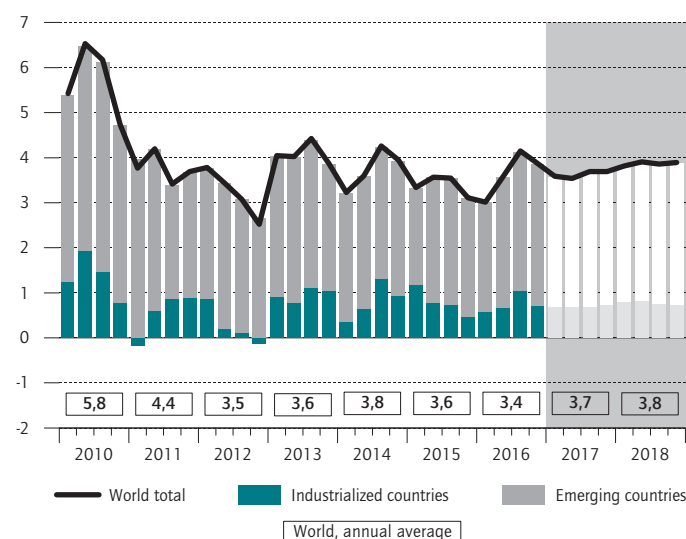
The global economic upswing in the first half of 2016 continued in the final quarter of the past year – and the improved growth dynamic is expected to persist throughout the forecast period (Figure). For the most part, the economies in both the developed and emerging countries are picking up momentum. A number of early indicators suggest that solid growth in the U.S. and the euro area will continue; this is also the case for Japan, though the upward momentum will cool off somewhat there. Among the emerging countries, China's economy is expanding in accordance with the new official growth targets, and the slump feared by some observers one year ago is unlikely to materialize, with a steady momentum emerging for the forecast period. In Russia, the economy is picking up; in Brazil, however, the situation is unlikely to improve considerably in the near future, with the long-awaited economic recovery nowhere in sight. At 3.7 percent, the overall increase in global output this year is expected to be higher than it was in 2016. It will be somewhat higher the year after that. DIW Berlin has slightly increased the previously forecasted figures for both years (Table).

Consumption should remain the primary growth driver in the developed countries, mainly due to the improving labor market situation. Employment continues to grow in both the U.S. and the euro area, though consumer demand is likely to temporarily lose some momentum. This is mostly due to the higher inflation rates, which in turn result from the higher energy prices. In the U.K., the British pound has depreciated sharply, which additionally increases consumer prices. In the U.S., expansive fiscal policy measures are expected to further drive up inflation. All in all, investment should make a bigger contribution to growth than it has in the past, especially since the higher inflation rates will offer businesses more opportunities to increase prices and margins than in the low-inflation global environment of the past few years. This can be seen, for example, in the increase in corporate profits as well as the optimistic outlook for manufacturing in the U.S. and the euro area. The robust domestic demand in the developed countries should benefit

Figure

World real GDP

In percent, percentage points



Sources: National statistical offices, authors' own calculations and projections.

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The world economy is growing over the forecast period.

Table

Real Gross Domestic Product, Consumer Price Inflation, and Unemployment Rate in the World Economy

In Percent

	GDP				Consumer prices				Unemployment rate in percent			
	Change over previous year, in percent											
	2015	2016	2017	2018	2015	2016	2017	2018	2015	2016	2017	2018
Euro area	1,9	1,7	1,6	1,6	0,0	0,2	1,6	1,3	10,9	10,0	9,4	9,1
... without Germany	2,1	1,7	1,5	1,5	-0,1	0,1	1,6	1,3	13,8	12,7	12,1	11,8
... France	1,2	1,1	1,3	1,5	0,1	0,2	1,5	1,4	10,4	10,1	9,9	9,8
... Italy	0,6	1,0	1,0	1,1	0,1	-0,1	1,1	1,1	11,9	11,7	11,4	11,5
... Spain	3,2	3,2	2,3	2,0	-0,5	-0,2	2,1	1,4	22,1	19,6	17,9	16,9
... Netherlands	2,0	2,1	1,9	1,7	0,2	0,1	1,5	1,4	6,9	6,0	5,5	5,4
United Kingdom	2,2	1,8	1,4	1,2	0,0	0,7	2,6	2,2	5,3	4,9	5,3	5,5
USA	2,6	1,6	2,3	2,5	0,1	1,3	2,1	2,1	5,3	4,9	4,6	4,5
Japan	1,3	1,0	0,6	0,5	0,8	-0,1	0,6	0,4	3,4	3,1	3,2	3,2
South Korea	2,6	2,7	2,4	2,7	0,7	1,0	2,0	2,7	3,6	3,7	3,0	3,0
Central Eastern Europe ¹	4,0	2,9	3,3	3,4	-0,4	-0,2	1,5	2,1	7,0	5,8	5,3	5,0
Turkey	4,1	2,2	2,2	3,3	7,7	7,8	8,1	7,6	10,3	10,8	11,6	10,9
Russia	-2,8	-0,2	1,1	1,5	15,5	7,0	4,6	4,1	5,6	5,5	5,4	5,3
China	6,5	6,7	6,3	6,0	-0,6	0,5	2,5	4,5	4,1	4,1	4,1	4,1
India	7,4	7,3	7,0	6,9	1,0	3,3	6,0	6,1				
Brazil	-3,9	-3,1	0,4	1,5	9,0	8,5	5,7	5,7	8,3	11,2	12,4	10,6
Mexico	2,6	2,1	2,7	2,3	2,7	2,8	3,6	3,2	4,3	3,9	4,8	4,8
Advanced Economies	2,2	1,6	1,8	1,9	0,2	0,8	1,8	1,7	6,4	5,9	5,7	5,5
Emerging Markets	4,7	4,8	5,1	5,1	2,3	2,7	3,9	4,9	5,2	5,4	5,6	5,3
World	3,6	3,4	3,7	3,8	1,4	1,9	3,0	3,6	5,7	5,6	5,6	5,4

¹ This group consists of Central und Eastern European countries within the European Union but that are not part of the monetary union: Romania, Bulgaria, Hungary, Poland, the Czech Republic and Croatia.

National statistical offices; DIW spring projections 2017.

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The world economy is gaining momentum.

the emerging countries' exports. The rise in commodity prices will also have a positive impact on many emerging economies, as well as on U.S. investment.

The global rise in prices, however, will probably lead to a tightening of monetary policy. In the U.S. in particular, the Federal Reserve's policy will be less expansionary due to the steadily improving economic situation. This should lead to a somewhat more restrictive monetary policy in the emerging countries as well, in order to avoid excessive capital outflows and exchange rate fluctuations. The central banks in Europe and Japan are expected to continue conducting a supporting policy over the course of the forecast period. Fiscal policy around the world will be somewhat more expansive than previously, with stimulus measures expected in the U.S.

There are a number of risks for the global economy, which may particularly affect investment more adversely than this forecast assumes. The unpredictability of the new U.S. government's economic policies, the forthcoming Brexit negotiations, and the upcoming elections in several key euro area countries could increase uncertainty in both the U.S. and Europe. An increase in worldwide protectionism – mainly originating in the U.S. – poses risks for world trade, and this could have particularly negative effects on export-oriented economies as well as on some emerging Asian and Latin American countries.

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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