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Article

German economy: Slowdown in sight

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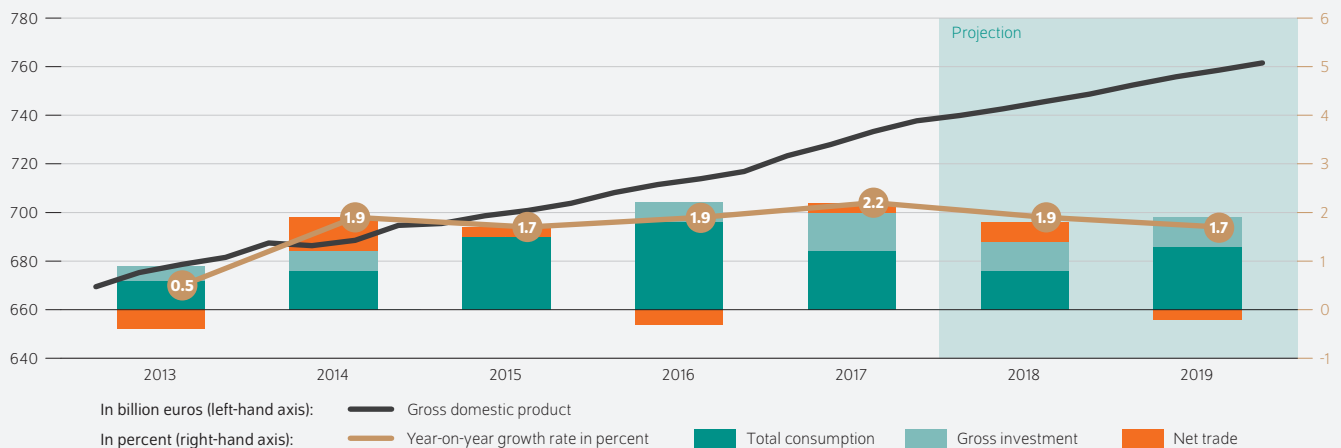
AT A GLANCE

German economy: slowdown in sight

- German GDP growth pegged at 1.9 percent for 2018 and 1.7 percent for 2019
- Worries about a trade war and a new crisis in the euro area are leaving their mark on worldwide investments
- German economic boom is losing steam, primarily due to heightened uncertainty and lower export growth
- Domestic activity remains robust: unemployment continues to drop, wages are increasing substantially, consumption demand is expanding
- Risks are high: the trade conflict with the United States could escalate further, uncertainty about the course of Italy's new government is unsettling the euro area

The German economy is still growing, supported by private consumption

Real GDP in billion euro, year-on-year growth rate in percent



Source: DIW Economic Outlook Summer 2018.

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FROM THE AUTHORS

“The very strong expansion of the German economy we have seen these past few years is likely to have come to an end for now. The GDP growth rates remain strong, but they reflect a cloudier worldwide economic environment. The worries about a trade war between the United States and the rest of the world as well as the chaotic economic policy of the Italian government clearly are leaving their mark. Both pose great risks for the German economy.”

— Ferdinand Fichtner —

German economy: slowdown in sight

By Ferdinand Fichtner, Christian Breuer, Simon Junker, Claus Michelsen, and Thore Schlaak

ABSTRACT

Compared to last year, the German economy is weakening noticeably. Orders from abroad are decreasing and domestic companies are holding back on investments. However, capacity utilization remains high—also because the government will boost the incomes of private households next year. However, above all, incomes are rising noticeably due to the positive situation in the labor market: the unemployment rate will fall to 5.2 percent this year and 4.9 percent next year. All in all, the German economy will grow by 1.9 percent this year and 1.7 percent in 2019.

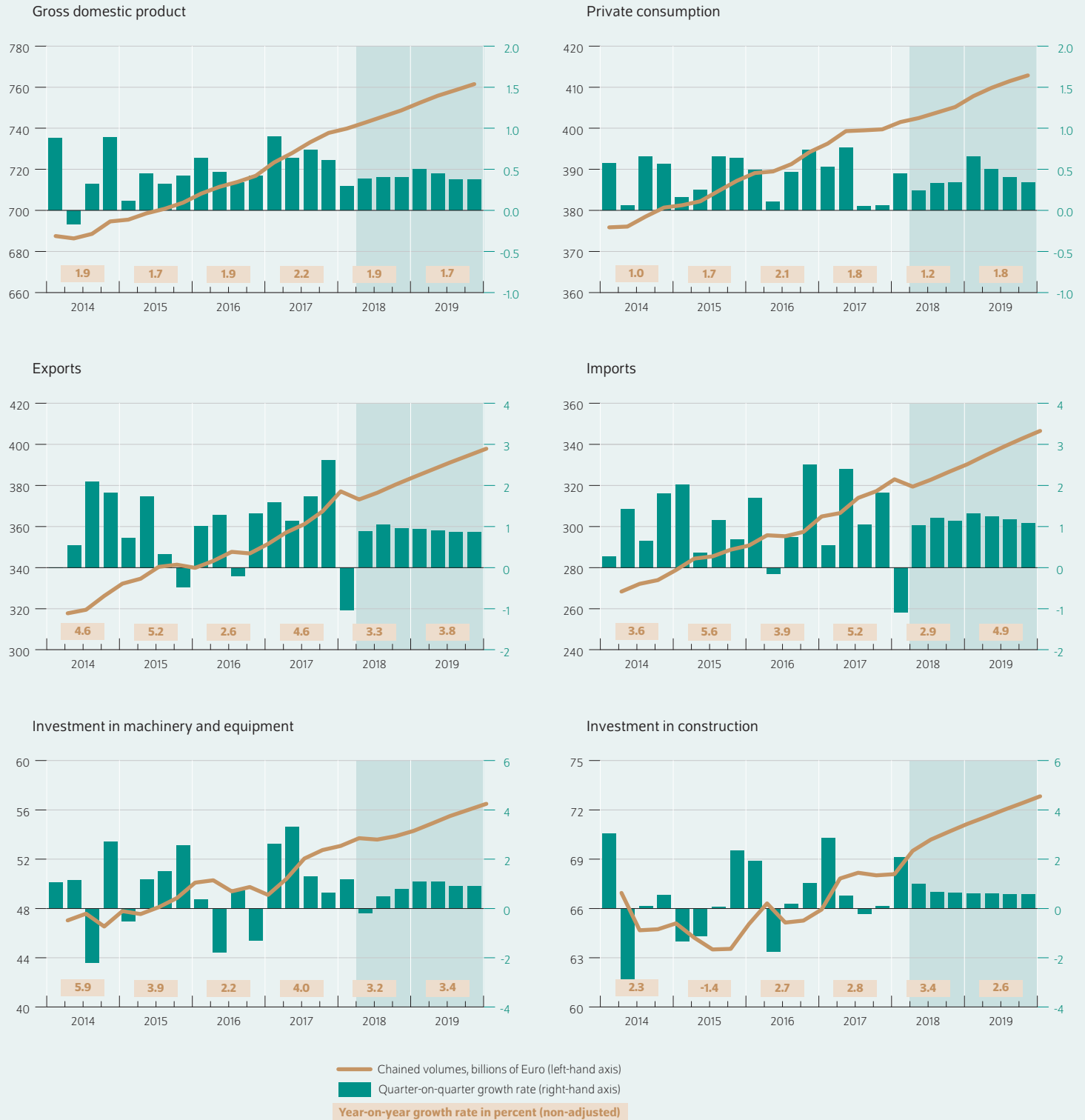
The German economy is losing momentum: after an unexpectedly weak start to the year, economic output growth is unlikely to match last year's pace over the further course of the year (Figure 1). However, the German economy will noticeably grow by 1.9 percent this year (Table 1) and capacity utilization will remain high (Figure 2) as there are signs of an acceleration for the current and the coming quarter. In the summer, the industrial sector is likely to expand its production; this is supported by the still well-filled order books (Figure 3). However, a slowdown is to be expected: new orders have declined since the beginning of the year, above all because the global economy has weakened since winter after the strong summer of 2017. In particular, global investment momentum, which had boosted the German economy last year, is cooling off in many places as a result of the escalating trade conflict with the United States and growing concerns about a resurgence of the euro crisis.¹ This will dampen the increase in exports over the rest of the year (Table 2), although the recent depreciation of the euro will have a positive effect on its own. And the uptrend in domestic investments from last year has also been interrupted for the time being: as in the first quarter, companies are likely to have reduced their expenditure on new equipment in the second quarter. In view of the high capacity utilization, they will spend more over the further course of the year, but investments will by no means increase as strongly as in the previous year. Due to strongly increasing wage incomes, private households will increase their consumption. However, employment expansion has lost momentum and rising wages cannot fully compensate for this. In addition, prices are temporarily buoyant: oil prices have risen significantly and the euro has lost value against the dollar. This dampens the purchasing power of private households, particularly in the summer. Overall, inflation will remain moderate; it should amount to 1.9 percent in both years of the forecast period.

In the coming year, were it not for external stimuli, the economy would switch to a more moderate pace and capacity utilization would normalize. However, measures agreed upon

¹ See Ferdinand Fichtner et al., "The global economy and the euro area: increased uncertainty is dampening growth", DIW Weekly Report no. 24 (2018): 206–209.

Figure 1

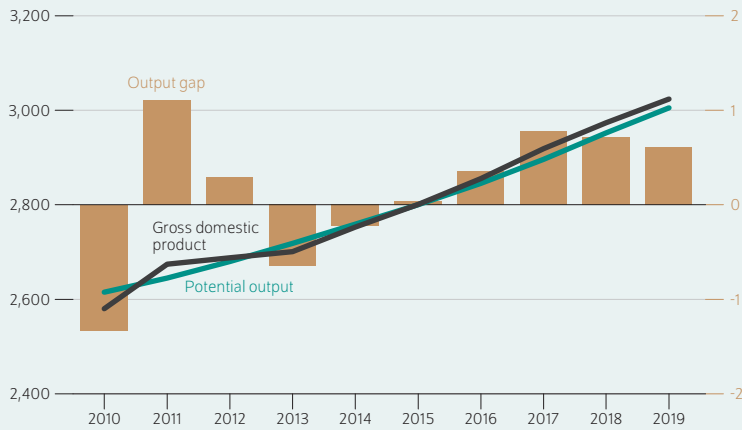
Gross domestic product and use of gross domestic product
Seasonally and working-day adjusted



Sources: Federal Statistical Office; DIW Economic Outlook Summer 2018, forecasts from second quarter 2018 onward.

Figure 2

Gross domestic product, potential output and output gap
In billion euros, percent of potential output



Sources: Federal Statistical Office; DIW Economic Outlook Summer 2018.

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The German economy's capacities remain well utilized.

Figure 3

New orders and order backlog
Seasonally adjusted quarter-on-quarter change in percent



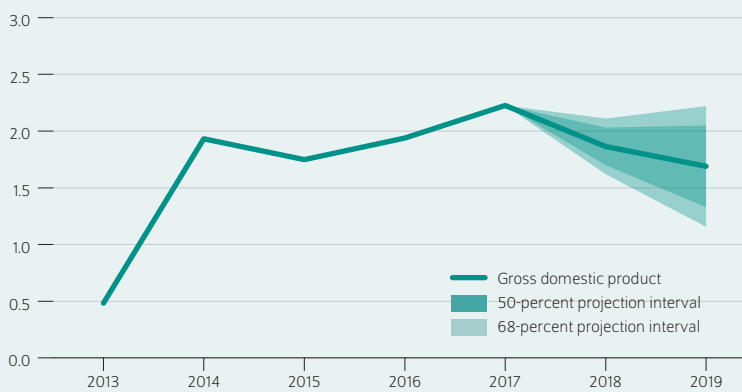
Sources: Federal Statistical Office.

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Deep decline of new orders at the beginning of the year, but order backlog continues to rise.

Figure 4

Forecast for the rate of change of real gross domestic product
In percent



Sources: DIW Economic Outlook Summer 2018.

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in the new German government's coalition agreement act as a counterforce. Many of these measures will probably take effect at the beginning of the year—such as the plan to finance statutory health insurance by splitting the costs equally between employers and employees, which will initially increase the income of statutorily insured employees by around six billion. That will temporarily boost private consumption. As a result of this income injection, growth in 2019 is expected to be about 0.3 percentage points higher at 1.7 percent than without these measures; the utilization of overall economic capacities remains at its above-average value. The 68-percent confidence interval resulting from the forecast errors of the previous five years is between 1.6 and 2.1 percent for this year and between 1.2 and 2.2 percent for next year (Figure 4). Since higher consumption is fueling imports, the current account balance will fall slightly: from 8.3 percent this year to 7.9 percent next year.

Despite considerable additional expenditure under the coalition agreement, the public sector's financial situation remains favorable: a surplus of 50 billion euros is expected for this year, and 45 billion euros for the coming year.

The risks have recently increased. The trade conflict with the United States could have a greater impact on world trade than assumed here or even escalate further; this would have a particularly severe impact on the open German economy. Political developments in Italy entail the danger of a new crisis in the euro area, which would dampen the economy in the monetary union and also in Germany, for example, due to increasing uncertainty or worsening financing conditions.

Table 1

Key economic indicators for the German economy

	2014	2015	2016	2017	2018	2019
Real GDP ¹ (percent change over previous year)	1.9	1.7	1.9	2.2	1.9	1.7
Domestic employment (1000 persons)	42,672	43,069	43,638	44,271	44,815	45,102
Unemployed (ILO concept)	2,092	1,949	1,775	1,621	1,406	1,300
Unemployed (BA concept)	2,898	2,795	2,691	2,533	2,328	2,221
Unemployment rate ² (ILO concept)	5.0	4.6	4.1	3.8	3.3	3.0
Unemployment rate ² (BA concept)	6.7	6.4	6.1	5.7	5.2	4.9
Consumer prices	0.9	0.3	0.5	1.8	1.9	1.9
Unit labor costs ³	1.4	1.8	1.6	1.5	2.1	2.1
Government budget balance ⁴						
in billion EUR	15.5	25.4	31.9	38.2	49.4	46.3
in percent of GDP	0.5	0.8	1.0	1.2	1.5	1.3
Current account balance, in percent of GDP	7.5	8.9	8.5	8.0	8.3	7.9

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; DIW Economic Outlook Summer 2018, forecast from second quarter 2018 onward.

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Table 2

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

Price, seasonally and working-day adjusted, in percent

	2017				2018				2019			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Private consumption	0.5	0.8	0.0	0.1	0.4	0.2	0.3	0.3	0.7	0.5	0.4	0.3
Public consumption	0.1	0.5	0.5	0.4	-0.5	0.8	0.4	0.4	0.4	0.5	0.4	0.5
Gross fixed capital formation	2.6	1.5	0.4	0.3	1.7	0.6	0.6	0.7	0.8	0.8	0.7	0.7
Investment in machinery and equipment	2.6	3.3	1.3	0.7	1.2	-0.2	0.5	0.8	1.1	1.1	0.9	0.9
Construction investment	2.9	0.5	-0.2	0.1	2.1	1.0	0.7	0.7	0.6	0.6	0.6	0.6
Other investment	2.0	0.9	0.6	-0.1	1.5	0.8	0.7	0.7	0.8	0.8	0.7	0.7
Change in inventories ¹	-0.5	0.2	0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic uses	0.4	1.1	0.4	0.1	0.4	0.4	0.4	0.4	0.6	0.6	0.5	0.4
Net Exports ¹	0.5	-0.4	0.4	0.5	-0.1	0.0	0.0	0.0	-0.1	-0.1	-0.1	0.0
Exports	1.6	1.1	1.7	2.6	-1.0	0.9	1.0	1.0	0.9	0.9	0.9	0.9
Imports	0.5	2.4	1.0	1.8	-1.1	1.0	1.2	1.1	1.3	1.2	1.2	1.1
Gross Domestic Product	0.9	0.6	0.7	0.6	0.3	0.4	0.4	0.4	0.5	0.5	0.4	0.4

1 Contribution to gross domestic product growth in percentage points.

Sources: Federal Statistical Office; DIW Economic Outlook Summer 2018, forecast from second quarter 2018 onward.

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JEL: E32, E66, F01

Keywords: Business cycle forecast, economic outlook

NATIONAL ACCOUNTS DATA

The main national accounts data for the Federal Republic of Germany

Forecast for 2018 and 2019

	2017	2018	2019	2017		2018		2019	
				1st half year	2nd half year	1st half year	2nd half year	1st half year	2nd half year
1. Origin of GDP									
Percentage change over previous year									
Domestic employment	1.5	1.2	0.6	1.5	1.4	1.3	1.1	0.7	0.6
Hours worked, per working day	1.0	0.0	0.1	0.0	2.0	0.0	-0.1	0.7	-0.4
Working days	-1.2	-0.3	0.0	0.0	-2.3	-0.5	-0.1	-0.8	0.8
Labor volume, calendar-monthly	1.3	0.9	0.8	1.5	1.1	0.9	1.0	0.6	0.9
Labor productivity ¹	1.0	0.9	0.9	0.7	1.2	1.1	0.8	0.9	1.0
GDP, price adjusted	2.2	1.9	1.7	2.2	2.3	2.0	1.7	1.5	1.9
2. Disposition of GDP in current prices									
a) Billion EUR									
Final consumption expenditure	2,370.7	2,445.0	2,536.5	1,158.2	1,212.5	1,191.4	1,253.7	1,234.0	1,302.5
Private consumption expenditure ²	1,732.8	1,785.0	1,848.8	848.8	884.0	871.3	913.7	900.9	947.8
Government consumption expenditure	637.9	660.0	687.7	309.4	328.5	320.0	340.0	333.1	354.6
Gross fixed capital formation (GFCF)	663.1	702.6	738.3	319.9	343.2	338.6	364.0	355.3	383.0
Machinery and equipment	214.6	222.4	230.9	101.8	112.8	106.5	115.9	109.3	121.6
Construction	323.0	348.6	369.9	156.7	166.3	167.8	180.8	178.8	191.1
GFCF in other products	125.4	131.6	137.6	61.3	64.1	64.3	67.3	67.2	70.4
Change in stocks ³	-17.5	-24.4	-26.0	-1.8	-15.7	-4.1	-20.3	-5.2	-20.8
Domestic uses	3,016.2	3,123.2	3,248.8	1,476.2	1,540.0	1,525.9	1,597.4	1,584.1	1,664.7
Balance of exports and imports	247.2	255.2	250.0	126.3	120.9	136.5	118.7	134.0	116.1
Exports	1,541.5	1,607.6	1,680.8	760.8	780.7	796.6	811.0	831.4	849.4
Imports	1,294.3	1,352.4	1,430.8	634.5	659.8	660.1	692.3	697.5	733.3
GDP	3,263.4	3,378.4	3,498.8	1,602.5	1,660.9	1,662.3	1,716.1	1,718.1	1,780.8
b) Percentage change over previous year									
Final consumption expenditure	3.5	3.1	3.7	3.7	3.4	2.9	3.4	3.6	3.9
Private consumption expenditure ²	3.5	3.0	3.6	3.8	3.2	2.7	3.4	3.4	3.7
Government consumption expenditure	3.6	3.5	4.2	3.3	4.0	3.4	3.5	4.1	4.3
Gross fixed capital formation (GFCF)	5.2	6.0	5.1	4.9	5.6	5.9	6.1	4.9	5.2
Machinery and equipment	4.3	3.6	3.8	2.9	5.6	4.6	2.7	2.6	4.9
Construction	6.1	7.9	6.1	6.2	5.9	7.1	8.7	6.5	5.7
GFCF in other products	4.8	4.9	4.5	4.9	4.7	4.8	5.1	4.6	4.5
Domestic uses	4.2	3.5	4.0	4.4	4.1	3.4	3.7	3.8	4.2
Exports	6.3	4.3	4.6	6.0	6.6	4.7	3.9	4.4	4.7
Imports	7.9	4.5	5.8	8.9	6.9	4.0	4.9	5.7	5.9
Gross domestic product	3.8	3.5	3.6	3.4	4.1	3.7	3.3	3.4	3.8
3. Disposition of GDP, adjusted for prices									
a) Chain-linked estimated in billion EUR									
Final consumption expenditure	2,155.1	2,180.2	2,218.8	1,060.2	1,094.9	1,071.3	1,108.8	1,088.3	1,130.4
Private consumption expenditure ²	1,594.0	1,612.7	1,641.1	783.2	810.9	791.1	821.6	802.9	838.2
Government consumption expenditure	560.8	567.1	577.3	276.9	283.9	280.0	287.1	285.2	292.1
Gross fixed capital formation (GFCF)	591.2	610.8	628.8	286.1	305.1	295.3	315.5	303.4	325.4
Machinery and equipment	207.6	214.2	221.5	98.0	109.5	102.2	112.1	104.4	117.1
Construction	271.2	280.5	287.7	132.6	138.5	136.1	144.3	140.1	147.7
GFCF in other products	113.2	116.9	120.5	55.6	57.6	57.2	59.6	59.0	61.4
Domestic uses	2,717.1	2,759.6	2,815.0	1,341.7	1,375.4	1,361.9	1,397.8	1,386.0	1,429.0
Exports	1,459.5	1,508.4	1,565.2	720.1	739.4	749.4	759.0	775.3	790.0
Imports	1,258.5	1,295.4	1,358.8	614.0	644.4	634.2	661.2	662.9	696.0
Gross domestic product	2,918.8	2,973.2	3,023.4	1,447.5	1,471.3	1,476.6	1,496.6	1,498.6	1,524.8
b) Percentage change over previous year									
Final consumption expenditure	1.7	1.2	1.8	1.9	1.5	1.0	1.3	1.6	1.9
Private consumption expenditure ²	1.8	1.2	1.8	2.0	1.5	1.0	1.3	1.5	2.0
Government consumption expenditure	1.5	1.1	1.8	1.4	1.6	1.1	1.1	1.8	1.8
Gross fixed capital formation (GFCF)	3.3	3.3	2.9	3.1	3.5	3.2	3.4	2.7	3.1
Machinery and equipment	4.0	3.2	3.4	2.6	5.3	4.2	2.3	2.2	4.5
Construction	2.8	3.4	2.6	3.3	2.3	2.6	4.2	2.9	2.3
GFCF in other products	3.5	3.2	3.1	3.7	3.3	3.0	3.4	3.2	3.0
Domestic uses	2.2	1.6	2.0	2.5	2.0	1.5	1.6	1.8	2.2
Exports	4.6	3.3	3.8	4.0	5.2	4.1	2.7	3.5	4.1
Imports	5.2	2.9	4.9	5.1	5.2	3.3	2.6	4.5	5.3
GDP	2.2	1.9	1.7	2.2	2.3	2.0	1.7	1.5	1.9

NATIONAL ACCOUNTS DATA

Continued: The main national accounts data for the Federal Republic of Germany

Forecast for 2018 and 2019

	2017	2018	2019	2017		2018		2019	
				1st half year	2nd half year	1st half year	2nd half year	1st half year	2nd half year
4. Price level of national expenditure (2010 = 100)									
Percentage change over previous year									
Private consumption expenditure ²	1.7	1.8	1.8	1.7	1.7	1.6	2.0	1.9	1.7
Government consumption expenditure	2.1	2.3	2.4	1.8	2.3	2.3	2.3	2.2	2.5
Gross fixed capital formation (GFCF)	1.9	2.6	2.1	1.7	2.0	2.5	2.6	2.1	2.0
Machinery and equipment	0.3	0.4	0.4	0.3	0.3	0.4	0.4	0.4	0.4
Construction	3.2	4.4	3.4	2.9	3.6	4.3	4.4	3.5	3.3
Exports	1.6	0.9	0.8	1.9	1.4	0.6	1.2	0.9	0.6
Imports	2.6	1.5	0.9	3.7	1.6	0.7	2.3	1.1	0.6
GDP	1.5	1.6	1.8	1.2	1.8	1.7	1.6	1.8	1.8
5. Distribution of Income									
a) Billion EUR									
Primary income of private households ²	2,269.2	2,356.0	2,437.0	1,117.2	1,152.0	1,160.2	1,195.9	1,199.8	1,237.2
Employers' social contributions	299.4	310.0	323.6	144.9	154.5	150.2	159.7	156.9	166.7
Gross wages and salaries	1,369.5	1,432.5	1,487.6	652.8	716.7	684.0	748.5	711.1	776.5
Other primary income of private households ⁴	600.3	613.6	625.8	319.5	280.8	326.0	287.6	331.7	294.0
Primary income of other institutional sectors	482.2	497.8	514.6	221.3	260.9	233.1	264.7	237.6	277.0
Net national income (primary income)	2,751.4	2,853.8	2,951.6	1,338.5	1,412.9	1,393.3	1,460.6	1,437.4	1,514.2
Consumption of fixed capital	572.2	597.6	623.0	283.8	288.4	295.9	301.8	308.8	314.2
Gross national income	3,323.6	3,451.5	3,574.6	1,622.3	1,701.4	1,689.1	1,762.4	1,746.2	1,828.4
<i>Memorandum item:</i>									
Net national income (factor costs)	2,434.7	2,527.9	2,614.9	1,180.3	1,254.4	1,230.9	1,297.0	1,270.0	1,345.0
Property and entrepreneurial income	765.8	785.5	803.7	382.6	383.2	396.7	388.8	401.9	401.8
Compensation of employees	1,668.9	1,742.4	1,811.2	797.7	871.2	834.2	908.2	868.1	943.2
b) Percentage change over previous year									
Primary income of private households ²	4.2	3.8	3.4	4.3	4.1	3.8	3.8	3.4	3.5
Employers' social contributions	3.7	3.5	4.4	3.7	3.6	3.7	3.4	4.5	4.3
Gross wages and salaries	4.4	4.6	3.8	4.4	4.4	4.8	4.4	4.0	3.7
Other primary income of private households ⁴	4.1	2.2	2.0	4.3	3.8	2.0	2.4	1.8	2.2
Primary income of other institutional sectors	3.1	3.2	3.4	-0.3	6.2	5.3	1.4	1.9	4.6
Net national income (primary income)	4.0	3.7	3.4	3.5	4.5	4.1	3.4	3.2	3.7
Consumption of fixed capital	3.6	4.4	4.2	3.4	3.8	4.3	4.6	4.4	4.1
Gross national income	4.0	3.8	3.6	3.5	4.4	4.1	3.6	3.4	3.7
<i>Memorandum item:</i>									
Net national income (factor costs)	4.1	3.8	3.4	3.5	4.8	4.3	3.4	3.2	3.7
Property and entrepreneurial income	3.8	2.6	2.3	1.7	6.0	3.7	1.5	1.3	3.3
Compensation of employees	4.3	4.4	3.9	4.3	4.3	4.6	4.3	4.1	3.8
6. Income and expenditure of private households									
a) billion EUR									
Mass income	1,350.6	1,403.0	1,466.3	650.1	700.5	674.9	728.2	705.4	760.8
Net wages and salaries	906.0	948.4	991.6	427.3	478.7	448.0	500.4	469.1	522.5
Social benefits	564.8	580.0	605.4	282.6	282.3	289.2	290.9	301.3	304.1
Less levies on social benefits	120.2	125.4	130.7	59.8	60.5	62.3	63.1	65.0	65.8
Other primary income ⁴	600.3	613.6	625.8	319.5	280.8	326.0	287.6	331.7	294.0
Other transfers received (net) ⁵	-77.6	-82.8	-86.2	-37.7	-39.9	-40.4	-42.3	-42.2	-44.1
Disposable income	1,873.3	1,933.9	2,005.8	931.9	941.4	960.4	973.5	995.0	1,010.8
<i>Memorandum item:</i>									
Adjustment for the change in net equity of households in pension funds reserves	49.5	50.2	50.9	24.5	25.1	24.9	25.4	25.2	25.7
Private consumption expenditure	1,732.8	1,785.0	1,848.8	848.8	884.0	871.3	913.7	900.9	947.8
Savings	190.0	199.1	207.9	107.6	82.5	113.9	85.2	119.2	88.6
Savings ratio in percent ⁶	9.9	10.0	10.1	11.2	8.5	11.6	8.5	11.7	8.6
b) Percentage change over previous year									
Mass income	4.0	3.9	4.5	4.1	3.8	3.8	4.0	4.5	4.5
Net wages and salaries	4.2	4.7	4.6	4.2	4.3	4.9	4.5	4.7	4.4
Social benefits	3.7	2.7	4.4	4.3	3.0	2.3	3.1	4.2	4.6
Less levies on social benefits	4.7	4.3	4.3	5.7	3.7	4.2	4.3	4.3	4.3
Other primary income ⁴	4.1	2.2	2.0	4.3	3.8	2.0	2.4	1.8	2.2
Disposable income	3.8	3.2	3.7	4.0	3.5	3.1	3.4	3.6	3.8
Private consumption expenditure	3.5	3.0	3.6	3.8	3.2	2.7	3.4	3.4	3.7
Savings	5.8	4.8	4.4	5.3	6.3	5.9	3.3	4.7	4.0

NATIONAL ACCOUNTS DATA

continued: The main national accounts data for the Federal Republic of Germany
Forecast for 2018 and 2019

	2017	2018	2019	2017		2018		2019	
				1st half year	2nd half year	1st half year	2nd half year	1st half year	2nd half year
7. Government revenues and expenditures									
a) billion EUR									
Revenues									
Taxes	765.9	796.1	828.0	383.1	382.8	397.8	398.2	413.6	414.4
direct taxes	421.4	442.2	463.2	211.3	210.1	221.8	220.4	232.4	230.8
indirect taxes	344.5	353.8	364.7	171.8	172.7	176.0	177.8	181.2	183.6
Net social contributions	548.0	568.8	586.8	265.6	282.4	276.2	292.6	285.2	301.7
Property income	16.4	17.8	17.9	8.8	7.6	10.3	7.4	10.7	7.2
Other transfers	22.3	22.3	22.7	10.0	12.3	10.0	12.3	10.2	12.5
Capital transfers	10.9	11.2	11.6	5.4	5.5	5.6	5.6	5.8	5.8
Sales	109.7	112.2	115.4	52.0	57.7	52.8	59.4	54.7	60.7
Other subsidies	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total revenues	1,473.3	1,528.6	1,582.5	724.9	748.4	752.8	775.8	780.2	802.3
Expenditures									
Intermediate consumption	155.7	161.0	168.8	71.3	84.5	73.4	87.7	76.9	91.9
Compensation of employees	246.1	254.6	265.5	118.0	128.1	121.9	132.8	127.1	138.4
Social benefits in kind	278.0	286.6	296.7	138.1	139.9	142.4	144.3	147.5	149.2
Property income (interests)	33.8	31.6	30.3	17.3	16.5	15.9	15.7	15.1	15.1
Subsidies	27.8	27.9	28.1	13.6	14.2	13.7	14.3	13.7	14.3
Social benefits	506.0	520.0	543.0	253.3	252.7	259.4	260.6	270.4	272.7
Other transfers	75.3	83.9	90.7	39.8	35.5	44.2	39.8	47.5	43.2
Gross capital formation	70.3	74.1	77.5	30.2	40.1	32.0	42.1	33.4	44.1
Capital transfers	43.5	40.7	37.1	21.8	21.7	20.2	20.5	15.3	21.7
Acquisitions less disposals of non-financial non-produced assets	-1.6	-1.6	-1.7	-0.6	-0.9	-0.7	-1.0	-0.7	-1.0
Other taxes on production	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total expenditures	1,435.1	1,479.2	1,536.2	702.8	732.4	722.3	756.9	746.5	789.8
Balance	38.2	49.4	46.3	22.2	16.0	30.5	19.0	33.7	12.6
b) Percentage change over previous year									
Revenues									
Taxes	4.6	3.9	4.0	5.1	4.2	3.9	4.0	4.0	4.0
direct taxes	6.1	4.9	4.7	6.2	6.0	5.0	4.9	4.8	4.7
indirect taxes	2.9	2.7	3.1	3.7	2.1	2.4	3.0	2.9	3.2
Net social contributions	4.6	3.8	3.2	4.8	4.5	4.0	3.6	3.3	3.1
Property income	-9.4	8.6	0.5	-8.2	-10.7	17.7	-1.9	3.3	-3.4
Other transfers	12.3	0.0	1.5	11.8	12.8	-0.1	0.1	1.5	1.5
Capital transfers	-29.5	2.8	3.5	-28.6	-30.3	3.0	2.7	3.5	3.5
Sales	4.5	2.3	2.8	4.3	4.8	1.6	3.0	3.6	2.1
Other subsidies	2.5	0.0	0.0	4.6	0.9	0.0	0.0	0.0	0.0
Total revenues	4.2	3.8	3.5	4.4	3.9	3.8	3.7	3.6	3.4
Expenditures									
Intermediate consumption	3.8	3.4	4.8	2.4	5.0	3.0	3.8	4.8	4.9
Compensation of employees	4.1	3.5	4.3	4.0	4.1	3.2	3.6	4.3	4.2
Social benefits in kind	3.5	3.1	3.5	3.4	3.6	3.1	3.1	3.6	3.4
Property income (interests)	-4.6	-6.5	-4.2	-2.0	-7.1	-8.2	-4.8	-4.5	-3.8
Subsidies	0.0	0.4	0.4	0.4	-0.3	0.4	0.4	0.4	0.4
Social benefits	4.1	2.8	4.4	4.8	3.3	2.4	3.1	4.2	4.6
Other transfers ⁷	-0.4	8.7	6.8	-0.1	-0.3	4.3	4.3	3.4	3.4
Gross capital formation	5.2	5.5	4.6	4.2	5.9	6.0	5.0	4.5	4.7
Capital transfers ⁷	7.1	-2.8	-3.6	39.0	4.7	-7.1	-5.6	-24.1	6.0
Acquisitions less disposals of non-financial non-produced assets ⁷	-0.3	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
Other taxes on production ⁷	0.0	0.0	0.0	2.4	-2.1	0.0	0.0	0.0	0.0
Total expenditures	3.8	3.1	3.9	4.3	3.3	2.8	3.3	3.3	4.3

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 income.

7 Absolute change over previous year in billions of euros.

8 All administrative units including Social Security.

Sources: Federal Statistical Office (Fachserie 18: Volkswirtschaftliche Gesamtrechnungen); DIW Economic Outlook Summer 2018.

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