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**Article**

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# Coronavirus Plunges the German Economy into Recession

By Claus Michelsen, Marius Clemens, Max Hanisch, Simon Junker, Konstantin Kholodilin, and Thore Schlaak

## ABSTRACT

The spread of the coronavirus worldwide is exerting considerable pressure on the economy. Compounded by the lack of quality data, model uncertainty, and uncertainty over government responses, economic forecasts are subject to even greater uncertainty than usual. It is difficult to predict how the pandemic will progress. Figures on the impact of the virus, obtained by comparing it with previous epidemics, for example, provide rough approximations at best. Based on the model calculations, Germany can expect to suffer huge economic losses. Given the information available, it is reasonable to assume that economic output will actually be one percentage point lower than recently projected in the winter outlook. As a result, GDP will decline by 0.1 percent this year. If the higher number of working days this year is factored in, in line with general international practice, economic output will fall by as much as 0.5 percent. The corona pandemic will plunge Germany into recession, albeit the exact size of the downturn remains unclear.

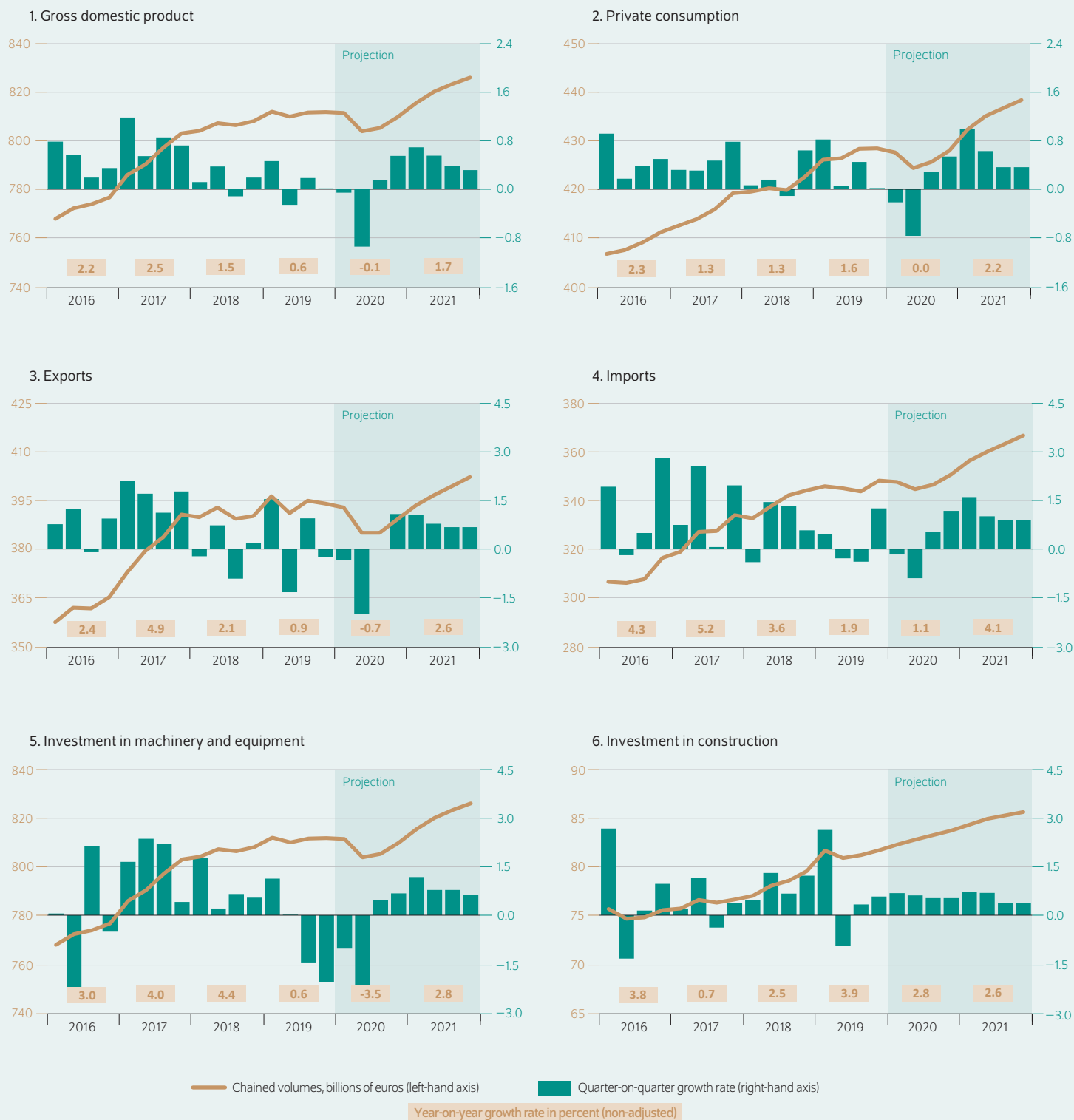
The coronavirus is placing a huge burden on people's lives, causing economic upheaval. China was first to be hit by the impact of the virus. The stringent quarantine measures taken in China are likely to have helped contain the virus. Everyday life and work, however, have come to a standstill across major parts of the country. Supply chains have been disrupted and many companies worldwide that rely on the timely supply of intermediate goods from China are being forced to scale back their production. The Chinese have limited themselves to buying immediate necessities only. In February, for example, very few automobile purchases were made. This reserved consumer spending will hit German manufacturers with major interests in the Chinese market. The German economy is likely to feel the impact in the first half of the year, although it is difficult to give precise figures on this (see Figure). While the epidemic appears to have peaked in China, the number of people infected in other countries is on the rise. This will lead to major cuts in production in Europe, too, and many consumers will massively scale back on a range of activities. All in all, the economic fallout from the coronavirus could lead to a reduction in growth of more than one percent, shrinking economic output by 0.1 percent; if it were not for the comparatively high number of working days, the negative impact on the growth rate would be far more pronounced at 0.5 percent.

Overall economic momentum in Germany, which is being knocked off course by the effects of the coronavirus, has not begun to slow as yet. In fact, had the coronavirus pandemic not occurred, the industrial recession would have gradually come to an end. At the start of the year, production was back on track again, and the number of new orders pointed towards a continued upwards trend, as did available sentiment indicators that had not yet picked up the effects of the coronavirus. Consumer-related service providers would have benefited notably from increased consumption caused by appreciable increases in nominal income. These increases themselves are the result of effective fiscal policy measures<sup>1</sup>

<sup>1</sup> Cf. Marius Clemens, "Öffentliche Finanzen: Haushaltsspielräume verflüchtigen sich nach und nach – Investitionsprogramm wäre sinnvoll," DIW Wochenbericht 50 (2019): 952–960 (in German; available online; accessed on March 13, 2020. This applies to all other online sources in this report unless stated otherwise.).

Figure

# Gross domestic product and use of GDP Seasonally and working day adjusted



Sources: Federal Statistical Office; DIW Berlin Spring Projections 2020, forecast from Q1 2020 onward.

Table 1

**Use of GDP, quarter-on-quarter growth rates**

Price, seasonally and working-day adjusted, in percent

	2019				2020				2021			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Private consumption	0.8	0.1	0.5	0.0	-0.2	-0.8	0.3	0.6	1.0	0.6	0.4	0.4
Public consumption	1.0	0.5	1.3	0.3	0.4	0.6	0.5	0.5	0.5	0.5	0.5	0.5
Gross fixed capital formation	1.6	-0.3	-0.1	-0.2	0.3	-0.3	0.6	0.6	1.0	0.7	0.6	0.5
Investment in machinery and equipment	2.6	-0.9	0.4	0.6	0.7	0.6	0.6	0.6	0.7	0.7	0.4	0.4
Construction investment	1.2	0.0	-1.4	-2.0	-1.0	-2.5	0.5	0.7	1.2	0.8	0.8	0.6
Other investment	-0.5	1.0	1.0	1.1	1.3	0.8	0.8	0.8	1.3	0.7	0.7	0.7
Change in inventories <sup>1</sup>	-1.0	0.2	-0.9	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic uses	-0.1	0.3	-0.4	0.7	0.0	-0.4	0.4	0.6	0.9	0.6	0.5	0.4
Net exports <sup>1</sup>	0.5	-0.5	0.6	-0.6	-0.1	-0.6	-0.2	0.0	-0.2	-0.1	-0.1	-0.1
Exports	1.6	-1.3	1.0	-0.2	-0.3	-2.0	0.0	1.1	1.1	0.8	0.7	0.7
Imports	0.5	-0.3	-0.4	1.3	-0.1	-0.9	0.6	1.2	1.6	1.0	0.9	0.9
<b>GDP</b>	<b>0.5</b>	<b>-0.2</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.9</b>	<b>0.2</b>	<b>0.6</b>	<b>0.7</b>	<b>0.6</b>	<b>0.4</b>	<b>0.3</b>
<b>Gross value added</b>	<b>0.5</b>	<b>-0.3</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>-0.9</b>	<b>0.2</b>	<b>0.6</b>	<b>0.7</b>	<b>0.6</b>	<b>0.4</b>	<b>0.3</b>
Manufacturing	-1.1	-1.4	-0.9	-0.9	-0.7	-3.4	0.1	1.3	1.4	1.3	0.8	0.5
Construction	1.1	-0.5	1.3	0.5	2.2	-0.3	0.5	0.5	0.8	0.7	0.5	0.4
Trade, accomodation, transport	2.5	-0.4	0.1	0.2	-0.2	-1.0	0.2	0.6	1.1	0.8	0.6	0.6
Business and production services	0.6	0.1	0.0	0.0	-0.3	-1.0	0.2	0.7	0.8	0.5	0.4	0.4
Public admin, community and social services	0.2	0.2	0.6	0.6	0.3	0.7	0.2	0.1	0.0	0.0	0.0	0.0

1 Contribution to GDP growth in percentage points.

Source: Federal Statistical Office; DIW Berlin Spring Projections 2020, forecast from Q1 2020 onward.

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Table 2

**Main economic indicators for the German economy**

	2016	2017	2018	2019	2020	2021
Real GDP <sup>1</sup> (percent change over previous year)	2.2	2.5	1.5	0.6	-0.1	1.7
Domestic employment (1000 persons)	43,655	44,248	44,854	45,253	45,427	45,627
Unemployed (ILO concept)	1,775	1,621	1,469	1,377	1,406	1,369
Unemployed (BA concept)	2,691	2,533	2,340	2,267	2,270	2,211
Unemployment rate <sup>2</sup> (ILO concept)	4.1	3.8	3.4	3.2	3.3	3.2
Unemployment rate <sup>2</sup> (BA concept)	6.1	5.7	5.2	5.0	5.0	4.8
Consumer prices	0.5	1.5	1.8	1.4	1.0	1.6
Unit labor costs <sup>3</sup>	1.2	1.2	2.5	3.4	2.3	1.3
Government budget balance <sup>4</sup>						
in billion EUR	37.1	40.3	62.4	49.8	11.4	-7.1
in percent of GDP	1.2	1.2	1.9	1.4	0.3	-0.2
Current account balance, in percent of GDP	8.5	7.8	7.4	7.1	6.8	6.2

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 Berlin Spring Projections 2020, 2020 and 2021: forecast.

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as well as the labor market situation, which, until recently, has been good. Employment growth continues, albeit with less momentum, and wages are rising markedly, especially in relation to general inflation. The global economy was also stabilizing and, given the progress in US-China trade talks and the mitigation of serious risks from Brexit, the prospects for German exports had been positive. Investment, despite having been somewhat restrained recently, would have risen slightly again in the course of the general upturn and in a less risky environment.

Based on this scenario, the effects of the coronavirus are likely to unfold roughly as outlined below. The impact of the virus could be less drastic, however, provided the spread of the virus in Europe is slowed down or if—contrary to what is assumed here—the economy can quickly make up for deferred spending and production losses. We must not, however, rule out the effects of the coronavirus causing significantly more damage to the economy, as public life is currently grinding to a halt across large parts of Europe, which could continue for a longer period of time.

Assuming the collapse of the German stock market or the intensity of reporting on the coronavirus, a comparison with similar past events allows conclusions to be drawn about the magnitude of the impact of the coronavirus. Using empirical models, the following scenario is assumed: The first signs of disrupted supply chains from China and the slump in demand affecting industrial production in Germany were seen as early as February. By March the impact was already very evident. Once production in China begins to normalize again and demand is back on track, these restrictions will gradually start to disappear from the next month onwards.

In contrast, the economic burdens in the majority of other countries and in Germany are only gradually starting to unfold. These effects are, however, all the more noticeable since they also originate from Germany's neighboring countries and from Germany itself. Production-side disruptions are, in fact, caused by some of the measures intended to protect people from the virus, e.g., quarantine measures, the decision to stay home from work, or the need to look after children at home following restrictions on childcare. The economy also suffers indirect losses associated with the tightly interwoven production chains. Loss of production in

one place—caused by employees not being able to perform their jobs, for example—will mean a lack of the intermediate goods required to produce goods elsewhere, restricting production further. Another factor is decreasing household spending in many places. In Germany, this is curbing domestic consumption and imports, whereas in other countries, it is German exports that are suffering, for example. This is the case because consumers initially refrain from spending unless absolutely necessary. The labor market is also affected by this economic downturn, with many companies at the very least deferring decisions about employing new staff, while others are resorting to short-term employment contracts while sales volumes are low. Accordingly, the development of earned incomes is likely to be sluggish, reducing consumption as a consequence. Despite its attempts to make up for these income shortfalls by extending the terms of reduced-hours compensation, for example, the government is unable to fully offset these losses. The potential impact of this waning demand has already been seen in China's automobile market, which at times was on the verge of collapsing. Accordingly, consumption and exports in Germany can be expected to fall substantially until early summer, after which they will begin to pick up again (see Table 1). Without implying that production losses can, for the most part, be offset, the gradual disappearance of these economic stress factors will go some way towards stimulating momentum again in the latter half of the year and into the coming year. In light of this, we can expect to see 1.7 percent growth for 2021, which exceeds the trend growth rate (see Table 2). This year's economic upheavals have led to a 0.8 percent drop in capacity utilization; from next year, the production gap will slowly start to close.

However, we cannot rule out a far more negative scenario than that presented here. First, there is very little available information on the corona pandemic. Neither the sentiment indicators nor official figures on production output, for example, can reflect the situation to date in its entirety. Second, we have absolutely no way of knowing what the true extent of the impacts of the pandemic will be, or whether the situation can be expected to normalize by the summer months or not. This, in part, also depends on the success of policy measures aiming to reign in income losses of workers, self-employed persons and small businesses. A deeper, longer lasting recession is therefore certainly conceivable.

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JEL: E32, E66, F01

**Keywords:** Business cycle forecast, economic outlook

## APPENDIX: NATIONAL ACCOUNTS DATA

### The Main National Accounts Data for the Federal Republic of Germany Forecast for 2019 to 2021

	2019	2020	2021	2019		2020		2021	
				1st half of year	2nd half of year	1st half of year	2nd half of year	1st half of year	2nd half of year
1. Origin of GDP									
Percentage change over previous year									
Domestic employment	0.9	0.4	0.4	1.1	0.7	0.4	0.3	0.4	0.5
Hours worked, per working day	-0.3	-1.5	0.1	0.5	-1.0	-1.0	-2.1	0.2	0.1
Working days	0.0	1.5	0.1	-0.8	0.8	0.5	2.4	0.0	0.2
Labor volume, calendar-monthly	0.6	0.3	0.7	0.8	0.5	-0.1	0.7	0.6	0.8
Labor productivity <sup>1</sup>	0.0	-0.4	1.0	-0.3	0.2	-0.1	-0.7	0.7	1.3
GDP, price adjusted	0.6	-0.1	1.7	0.4	0.7	-0.2	0.0	1.3	2.1
2. Disposition of GDP in current prices									
a) Billion EUR									
Final consumption expenditure	2,493.4	2,541.0	2,637.4	1,214.3	1,279.1	1,241.3	1,299.7	1,283.0	1,354.4
Private consumption expenditure <sup>2</sup>	1,794.0	1,809.2	1,876.0	876.6	917.4	886.5	922.7	913.4	962.6
Government consumption expenditure	699.4	731.8	761.4	337.7	361.7	354.9	376.9	369.6	391.8
Gross fixed capital formation (GFCF)	746.9	773.2	811.9	359.5	387.3	368.7	404.5	387.1	424.9
Construction	239.8	235.3	243.9	115.8	124.1	111.9	123.5	115.1	128.7
Machinery and equipment	373.3	396.5	419.4	180.4	192.9	189.7	206.8	201.4	218.0
GFCF in other products	133.7	141.3	148.6	63.3	70.4	67.1	74.2	70.6	78.1
Change in stocks <sup>3</sup>	-12.2	-10.4	-11.7	6.2	-18.4	0.4	-10.8	0.4	-12.1
Domestic uses	3,228.1	3,303.7	3,437.6	1,580.1	1,648.0	1,610.4	1,693.3	1,670.5	1,767.2
Balance of exports and imports	207.7	201.7	186.6	108.7	99.0	112.0	89.7	104.0	82.6
Exports	1,612.1	1,609.8	1,658.9	803.1	809.0	801.3	808.5	818.0	840.9
Imports	1,404.4	1,408.0	1,472.3	694.4	709.9	689.3	718.8	714.0	758.3
GDP	3,435.8	3,505.4	3,624.2	1,688.7	1,747.0	1,722.4	1,783.0	1,774.5	1,849.7
b) Percentage change over previous year									
Final consumption expenditure	3.5	1.9	3.8	3.1	3.8	2.2	1.6	3.4	4.2
Private consumption expenditure <sup>2</sup>	2.9	0.8	3.7	2.7	3.1	1.1	0.6	3.0	4.3
Government consumption expenditure	5.1	4.6	4.0	4.3	5.8	5.1	4.2	4.1	4.0
Gross fixed capital formation (GFCF)	5.5	3.5	5.0	6.5	4.6	2.5	4.4	5.0	5.0
Construction	1.9	-1.9	3.6	3.1	0.9	-3.4	-0.5	2.9	4.3
Machinery and equipment	8.4	6.2	5.8	9.6	7.4	5.1	7.2	6.1	5.5
GFCF in other products	4.4	5.7	5.2	4.5	4.2	5.9	5.5	5.1	5.2
Domestic uses	2.9	2.3	4.1	3.7	2.1	1.9	2.7	3.7	4.4
Exports	1.7	-0.1	3.1	1.3	2.0	-0.2	-0.1	2.1	4.0
Imports	1.8	0.3	4.6	3.6	0.0	-0.7	1.2	3.6	5.5
GDP	2.7	2.0	3.4	2.5	2.9	2.0	2.1	3.0	3.7
3. Disposition of GDP, adjusted for prices									
a) Chain-linked estimated in billion EUR									
Final consumption expenditure	2,365.0	2,380.2	2,430.3	1,162.9	1,202.2	1,172.8	1,207.3	1,193.6	1,236.7
Private consumption expenditure <sup>2</sup>	1,708.0	1,708.0	1,744.9	838.8	869.2	840.3	867.7	854.2	890.7
Government consumption expenditure	657.2	672.2	685.4	324.1	333.0	332.5	339.6	339.3	346.2
Gross fixed capital formation (GFCF)	683.9	691.0	710.5	330.8	353.1	331.1	359.9	340.1	370.4
Construction	232.9	224.8	231.1	112.7	120.2	106.9	117.9	109.0	122.1
Machinery and equipment	324.4	333.6	342.2	157.8	166.6	160.8	172.8	165.4	176.7
GFCF in other products	126.5	131.7	136.4	60.3	66.3	62.8	68.8	65.1	71.3
Domestic uses	3,048.0	3,071.2	3,141.1	1,500.9	1,547.0	1,506.9	1,564.3	1,537.2	1,603.9
Exports	1,570.9	1,559.6	1,600.6	784.8	786.1	777.7	781.9	790.7	810.0
Imports	1,379.4	1,395.2	1,452.5	680.6	698.8	683.2	711.9	706.4	746.0
GDP	3,240.7	3,237.8	3,293.0	1,605.4	1,635.1	1,602.0	1,635.8	1,622.6	1,670.4
b) Percentage change over previous year									
Final consumption expenditure	1.8	0.6	2.1	1.5	2.2	0.9	0.4	1.8	2.4
Private consumption expenditure <sup>2</sup>	1.6	0.0	2.2	1.3	1.8	0.2	-0.2	1.7	2.6
Government consumption expenditure	2.6	2.3	2.0	1.9	3.2	2.6	2.0	2.0	1.9
Gross fixed capital formation (GFCF)	2.6	1.0	2.8	3.4	1.9	0.1	1.9	2.7	2.9
Construction	0.6	-3.5	2.8	2.0	-0.6	-5.1	-1.9	1.9	3.5
Machinery and equipment	3.9	2.8	2.6	4.4	3.4	1.9	3.7	2.9	2.3
GFCF in other products	2.7	4.0	3.6	2.9	2.6	4.3	3.8	3.6	3.6
Domestic uses	1.0	0.8	2.3	1.6	0.5	0.4	1.1	2.0	2.5
Exports	0.9	-0.7	2.6	0.2	1.6	-0.9	-0.5	1.7	3.6
Imports	1.9	1.1	4.1	2.7	1.2	0.4	1.9	3.4	4.8
GDP	0.6	-0.1	1.7	0.4	0.7	-0.2	0.0	1.3	2.1

## APPENDIX: NATIONAL ACCOUNTS DATA

### Continued: The Main National Accounts Data for the Federal Republic of Germany Forecast for 2019 to 2021

	2019	2020	2021	2019		2020		2021	
				1st half of year	2nd half of year	1st half of year	2nd half of year	1st half of year	2nd half of year
4. Price level of national expenditure (2015 = 100)									
Percentage change over previous year									
Private consumption expenditure <sup>2</sup>	1.3	0.9	1.5	1.3	1.3	0.9	0.8	1.4	1.6
Government consumption expenditure	2.5	2.3	2.0	2.4	2.5	2.4	2.2	2.1	2.0
Gross fixed capital formation (GFCF)	2.9	2.5	2.1	3.0	2.7	2.5	2.5	2.2	2.1
Construction	1.3	1.6	0.9	1.1	1.5	1.8	1.5	1.0	0.7
Machinery and equipment	4.4	3.3	3.1	4.9	3.9	3.2	3.4	3.2	3.1
Exports	0.8	0.6	0.4	1.1	0.4	0.7	0.5	0.4	0.4
Imports	-0.1	-0.9	0.4	0.9	-1.1	-1.1	-0.6	0.2	0.7
GDP	2.2	2.1	1.7	2.1	2.2	2.2	2.0	1.7	1.6
5. Distribution of Income									
a) Billion EUR									
Primary income of private households <sup>2</sup>	2,406.8	2,442.8	2,512.1	1,188.2	1,218.7	1,210.6	1,232.1	1,238.1	1,274.0
Employers' social contributions	326.3	334.4	346.3	158.0	168.3	162.3	172.1	168.0	178.3
Gross wages and salaries	1,522.8	1,562.6	1,614.7	727.0	795.8	748.4	814.2	773.0	841.6
Other primary income of private households <sup>4</sup>	557.7	545.7	551.1	303.2	254.5	299.9	245.8	297.1	254.0
Primary income of other institutional sectors	491.5	504.6	533.9	222.2	269.4	222.9	281.7	236.8	297.1
Net national income (primary income)	2,898.4	2,947.4	3,045.9	1,410.3	1,488.1	1,433.6	1,513.9	1,474.9	1,571.0
Consumption of fixed capital	637.0	659.8	683.4	316.1	320.9	327.4	332.4	339.1	344.3
Gross national income	3,535.4	3,607.2	3,729.3	1,726.4	1,809.0	1,760.9	1,846.3	1,814.0	1,915.4
Memorandum item:									
Net national income (factor costs)	2,561.5	2,601.1	2,692.0	1,242.0	1,319.6	1,260.7	1,340.5	1,298.2	1,393.8
Property and entrepreneurial income	712.4	704.1	731.0	357.0	355.4	349.9	354.1	357.1	373.9
Compensation of employees	1,849.1	1,897.1	1,961.0	885.0	964.1	910.7	986.3	941.1	1,019.9
b) Percentage change over previous year									
Primary income of private households <sup>2</sup>	2.9	1.5	2.8	2.8	3.1	1.9	1.1	2.3	3.4
Employers' social contributions	5.1	2.5	3.6	5.4	4.9	2.7	2.3	3.5	3.6
Gross wages and salaries	4.2	2.6	3.3	4.5	4.0	2.9	2.3	3.3	3.4
Other primary income of private households <sup>4</sup>	-1.7	-2.2	1.0	-2.3	-1.0	-1.1	-3.4	-0.9	3.3
Primary income of other institutional sectors	0.2	2.7	5.8	-0.2	0.5	0.4	4.6	6.2	5.5
Net national income (primary income)	2.4	1.7	3.3	2.3	2.6	1.6	1.7	2.9	3.8
Consumption of fixed capital	4.6	3.6	3.6	4.5	4.8	3.6	3.6	3.6	3.6
Gross national income	2.8	2.0	3.4	2.7	3.0	2.0	2.1	3.0	3.7
Memorandum item:									
Net national income (factor costs)	2.3	1.5	3.5	2.2	2.5	1.5	1.6	3.0	4.0
Property and entrepreneurial income	-2.6	-1.2	3.8	-3.4	-1.9	-2.0	-0.4	2.1	5.6
Compensation of employees	4.4	2.6	3.4	4.6	4.2	2.9	2.3	3.3	3.4
6. Income and expenditure of private households									
a) Billion EUR									
Mass income	1,492.7	1,542.6	1,603.9	716.9	775.8	742.4	800.2	774.3	829.6
Net wages and salaries	1,021.8	1,049.6	1,092.6	483.0	538.8	498.3	551.3	518.7	573.9
Social benefits	606.1	633.2	656.9	300.7	305.3	313.3	319.9	327.5	329.4
Fewer levies on social benefits	135.1	140.2	145.6	66.7	68.3	69.2	71.0	71.9	73.7
Other primary income <sup>4</sup>	557.7	545.7	551.1	303.2	254.5	299.9	245.8	297.1	254.0
Other transfers received (net) <sup>5</sup>	-97.2	-97.6	-100.9	-49.3	-47.9	-48.9	-48.8	-50.5	-50.4
Disposable income	1,953.3	1,990.6	2,054.1	970.8	982.5	993.4	997.2	1,020.8	1,033.2
Memorandum item:									
Adjustment for the change in net equity of households in pension funds reserves	60.4	61.1	61.7	29.4	31.0	29.7	31.4	30.0	31.7
Private consumption expenditure	1,794.0	1,809.2	1,876.0	876.6	917.4	886.5	922.7	913.4	962.6
Saving	219.7	242.5	239.8	123.6	96.1	136.6	105.9	137.4	102.3
Saving ratio in percent <sup>6</sup>	10.9	11.8	11.3	12.4	9.5	13.4	10.3	13.1	9.6
b) Percentage change over previous year									
Mass income	4.6	3.3	4.0	4.6	4.6	3.5	3.1	4.3	3.7
Net wages and salaries	4.7	2.7	4.1	5.0	4.5	3.2	2.3	4.1	4.1
Social benefits	4.6	4.5	3.7	4.2	5.0	4.2	4.8	4.5	3.0
Fewer levies on social benefits	5.9	3.8	3.8	5.5	6.3	3.8	3.8	3.8	3.9
Other primary income <sup>4</sup>	-1.7	-2.2	1.0	-2.3	-1.0	-1.1	-3.4	-0.9	3.3
Disposable income	2.9	1.9	3.2	2.7	3.1	2.3	1.5	2.8	3.6
Private consumption expenditure	2.9	0.8	3.7	2.7	3.1	1.1	0.6	3.0	4.3
Savings	2.4	10.4	-1.1	2.2	2.8	10.5	10.2	0.6	-3.3

## APPENDIX: NATIONAL ACCOUNTS DATA

### Continued: The Main National Accounts Data for the Federal Republic of Germany Forecast for 2019 to 2021

	2019	2020	2021	2019		2020		2021	
				1st half of year	2nd half of year	1st half of year	2nd half of year	1st half of year	2nd half of year
7. Government revenues and expenditures									
a) Billion EUR									
Revenues									
Taxes	825.8	839.8	866.2	415.6	410.2	422.3	417.5	435.0	431.2
Direct taxes	457.3	460.7	471.4	232.8	224.4	234.4	226.2	239.4	232.0
Indirect taxes	368.6	379.1	394.8	182.8	185.8	187.9	191.2	195.6	199.2
Net social contributions	597.8	613.5	634.3	289.9	307.9	298.1	315.3	308.2	326.1
Property income	21.7	21.5	21.4	13.2	8.5	13.1	8.4	13.1	8.2
Other transfers	24.3	23.9	24.4	11.1	13.1	11.4	12.5	11.6	12.8
Capital transfers	12.2	12.5	12.8	5.3	6.9	5.4	7.0	5.6	7.2
Sales	126.6	130.6	134.7	59.3	67.3	61.2	69.4	63.1	71.6
Other subsidies	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total revenues	1,608.6	1,641.9	1,693.9	794.6	814.0	811.6	830.3	836.7	857.2
Expenditures									
Intermediate consumption	179.8	188.6	196.6	81.6	98.2	86.0	102.6	89.8	106.8
Compensation of employees	271.7	282.0	291.6	130.1	141.6	135.6	146.5	140.2	151.4
Social benefits in kind	299.7	313.1	325.4	148.0	151.8	155.1	158.0	161.4	164.0
Property income (interests)	27.5	24.6	23.2	14.5	13.0	12.7	11.9	11.9	11.3
Subsidies	31.7	32.8	40.9	14.4	17.3	15.0	17.9	18.9	22.0
Social benefits	546.2	572.0	594.5	270.9	275.3	282.8	289.1	296.4	298.1
Other transfers	78.3	86.2	90.5	38.8	39.5	43.1	43.1	45.2	45.3
Gross capital formation	85.3	90.5	96.3	37.8	47.5	40.0	50.6	42.6	53.7
Capital transfers	39.6	41.7	43.0	13.3	26.3	14.2	27.5	14.8	28.2
Acquisitions less disposals of non-financial non-produced assets	-1.2	-1.2	-1.2	-0.5	-0.7	-0.5	-0.7	-0.5	-0.7
Other taxes on production	0.3	0.3	0.3	0.1	0.1	0.1	0.1	0.1	0.1
Total expenditures	1,558.8	1,630.5	1,701.0	748.9	809.8	783.9	846.6	820.8	880.3
Balance	49.8	11.4	-7.1	45.7	4.1	27.7	-16.3	15.9	-23.0
b) Percentage change over previous year									
Revenues									
Taxes	3.1	1.7	3.1	2.8	3.4	1.6	1.8	3.0	3.3
Direct taxes	2.7	0.7	2.3	2.5	2.9	0.7	0.8	2.1	2.5
Indirect taxes	3.6	2.9	4.1	3.2	4.0	2.8	3.0	4.1	4.2
Net social contributions	4.4	2.6	3.4	4.6	4.2	2.8	2.4	3.4	3.4
Property income	2.1	-1.1	-0.5	1.7	2.6	-0.8	-1.4	0.0	-1.3
Other transfers	-2.0	-1.5	2.1	-3.4	-0.8	2.1	-4.5	2.1	2.1
Capital transfers	-6.8	2.3	2.3	-4.5	-8.5	2.4	2.2	2.4	2.2
Sales	5.3	3.2	3.1	6.7	4.1	3.2	3.2	3.2	3.1
Other subsidies	-8.4	0.0	0.0	-23.2	4.1	0.0	0.0	0.0	0.0
Total revenues	3.6	2.1	3.2	3.6	3.6	2.1	2.0	3.1	3.2
Expenditures									
Intermediate consumption	6.1	4.9	4.2	5.5	6.7	5.3	4.5	4.4	4.1
Compensation of employees	4.8	3.8	3.4	4.6	4.9	4.2	3.4	3.4	3.4
Social benefits in kind	4.8	4.5	3.9	4.2	5.5	4.8	4.1	4.1	3.8
Property income (interests)	-13.2	-10.7	-5.7	-10.4	-16.1	-12.8	-8.4	-6.4	-5.0
Subsidies	7.3	3.4	24.6	3.7	10.5	3.7	3.2	26.6	22.9
Social benefits	5.0	4.7	3.9	4.5	5.5	4.4	5.0	4.8	3.1
Other transfers <sup>7</sup>	4.5	10.1	5.0	6.2	2.8	11.0	9.2	5.0	5.0
Gross capital formation	8.8	6.2	6.4	13.4	5.5	5.8	6.5	6.6	6.2
Capital transfers <sup>7</sup>	-6.3	5.3	3.2	2.4	-10.1	6.8	4.5	4.2	2.7
Acquisitions less disposals of non-financial non-produced assets <sup>7</sup>	-5.2	0.0	0.0	-6.9	-3.9	0.0	0.0	0.0	0.0
Other taxes on production <sup>7</sup>	10.0	0.0	0.0	17.6	6.1	0.0	0.0	0.0	0.0
Total expenditures	4.6	4.6	4.3	4.7	4.5	4.7	4.5	4.7	4.0

1 GDP (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 savings as percentage of disposable income.

7 Absolute change over previous year in billion EUR.

8 All administrative units including social security.

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

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