

Michelsen, Claus et al.

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German Economy Slowly Recovering Following a Deep Slump

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

ABSTRACT

The coronavirus recession has left deep marks on the German economy and despite economic policy action, it is likely to heal only slowly. The partial easing of the lockdown and a gradual revival of global value chains are generating positive stimuli, but massive income losses will curb demand for some time to come. The German Federal Government was able to avoid the worst by implementing measures to stabilize the domestic economy, but it can do little to counteract a slump in foreign demand. This decline in foreign demand reflects the devastating effects of the recession on the labor markets of many countries. Overall, economic recovery will be slow in Germany: The German economy cannot compensate for a decline of 9.4 percent in GDP in 2020, even with GDP growth of 3.0 percent in 2021.

The German economy will shrink to an unprecedented extent in the second quarter of 2020 (Figure). This decline is due to the coronavirus-related lockdown, which is gradually being lifted. Provided the pandemic is successfully contained, as is assumed in this forecast, the trough has been reached and economic output is likely to increase again in the third quarter of 2020 as the lockdown is eased. However, a rapid recovery is unlikely. Rather, a slow recovery is the most likely scenario due to high levels of uncertainty, behavioral changes, and massive income losses, both in Germany and in other countries in particular.

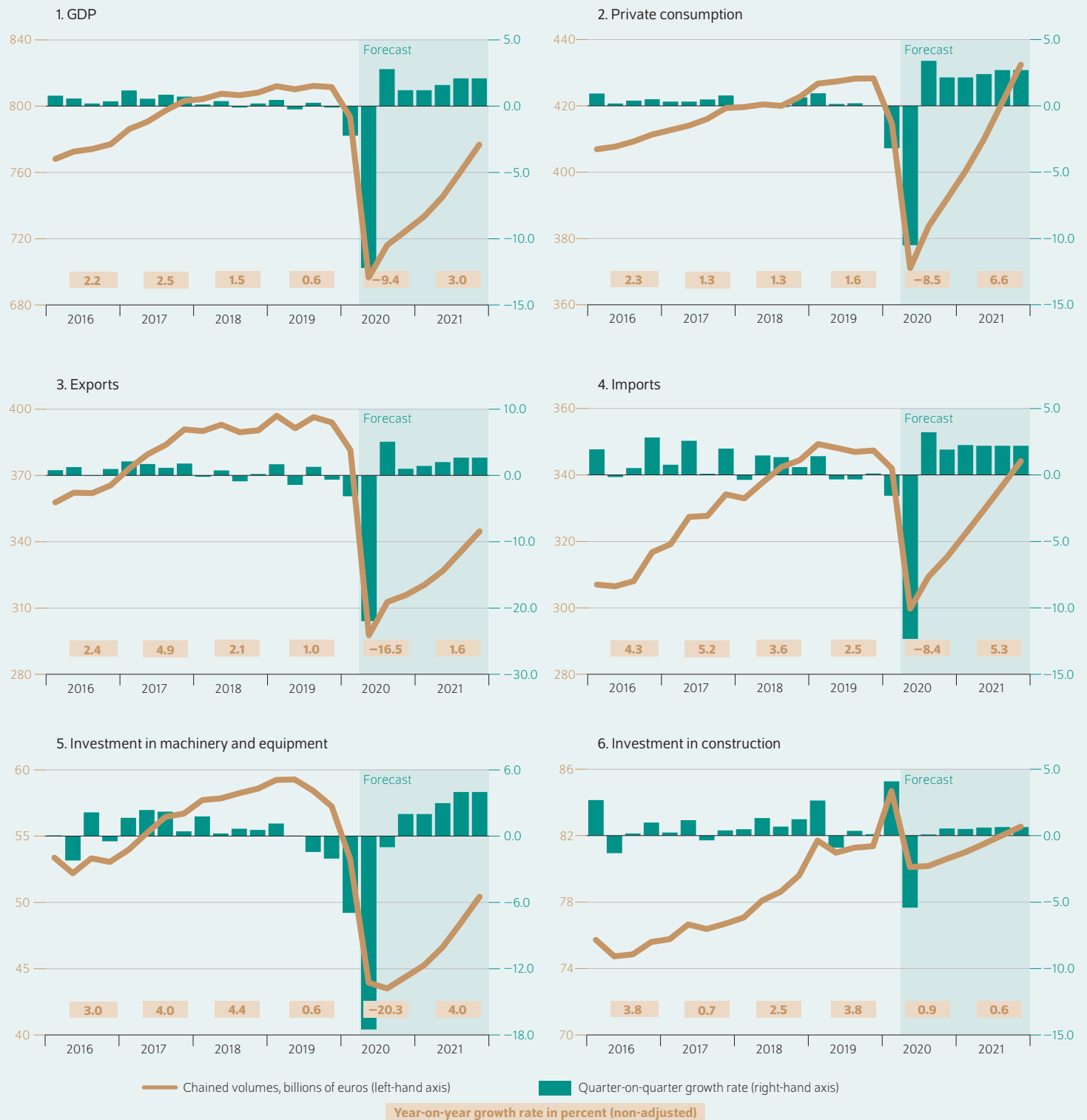
Generally, epidemics lead to a decline in economic output that requires up to two years to be compensated for. However, the coronavirus has spread much more widely than previous epidemics, growing into a pandemic, and is affecting both the advanced and emerging economies. Major economies, such as those of the United States and the United Kingdom, have been hit hard by the coronavirus pandemic.

In addition to this are the lockdown measures, which in many countries brought sectors to a partial or almost complete standstill for several weeks in spring 2020. Thanks to these containment measures, an even worse pandemic scenario has been avoided. However, the measures have also had a direct economic cost. Private consumption collapsed immediately (Table 1), as many services were shut down as part of the containment measures and only a small part of them could be replaced: For example, restaurants switched to take-out only service; people increased their use of streaming services instead of other cultural offerings, such as going to the movie theaters; and businesses switched to online sales. Although the collapse of private consumption was noticeable by the end of the first quarter of 2020, the full force of the slump was not felt until the second quarter of 2020.

It is unlikely that economic output over the course of the easing of the containment measures will soon reach pre-crisis levels. Many restrictions remain in place, such as social distancing or mask requirements, which restrict capacity

Figure

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



Sources: Federal Statistical Office; DIW Berlin Economic Outlook Summer 2020, forecast from Q2 2020 onward.

Table 1

GDP use, 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	0.9	0.2	0.2	0.0	-3.2	-10.5	3.4	2.2	2.2	2.4	2.7	2.7
Public consumption	1.1	0.5	1.4	0.1	0.2	0.8	1.3	0.8	0.5	0.4	0.3	0.3
Gross fixed capital formation	1.6	-0.3	-0.1	-0.4	-0.2	-8.1	-0.4	1.0	1.0	1.3	1.6	1.6
Investment in machinery and equipment	2.6	-0.9	0.4	0.1	4.1	-5.4	0.1	0.5	0.5	0.6	0.6	0.6
Construction investment	1.2	0.0	-1.4	-2.0	-6.9	-17.5	-1.0	2.0	2.0	3.0	4.0	4.0
Other investment	-0.5	0.9	1.0	1.1	-0.3	-0.8	-0.8	0.8	0.8	0.8	0.8	0.8
Change in inventories ¹	-0.8	0.2	-0.9	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic uses	0.3	0.3	-0.5	0.3	-1.5	-7.5	2.0	1.6	1.5	1.7	1.9	1.9
Net exports ¹	0.2	-0.5	0.8	-0.4	-0.8	-5.1	0.8	-0.4	-0.3	-0.1	0.2	0.2
Exports	1.7	-1.4	1.3	-0.6	-3.1	-22.0	5.1	1.0	1.4	2.0	2.7	2.7
Imports	1.4	-0.3	-0.3	0.1	-1.6	-12.3	3.2	1.9	2.2	2.2	2.2	2.2
GDP	0.5	-0.2	0.3	-0.1	-2.2	-12.2	2.8	1.2	1.2	1.6	2.1	2.1
Gross value added	0.5	-0.3	0.1	0.0	-2.0	-12.2	2.8	1.2	1.2	1.6	2.1	2.1
Manufacturing	-0.9	-1.5	-0.6	-0.8	-4.4	-21.7	7.0	1.8	1.7	2.7	3.8	4.0
Construction	0.9	-0.5	1.3	-0.1	2.1	-5.4	0.1	0.5	0.5	0.6	0.6	0.6
Trade, accomodation, transport	2.4	-0.5	0.1	-0.1	-3.4	-20.4	6.3	3.9	2.5	2.8	3.7	3.7
Business and production services	0.3	0.1	0.0	0.3	-1.8	-12.0	2.5	0.5	1.0	2.0	2.5	2.5
Public admin, community and social services	0.2	0.2	0.8	0.3	-0.8	-4.0	0.7	0.5	0.5	0.5	0.5	0.5

¹ Contribution to GDP growth in percentage points.

Source: Federal Statistical Office; DIW Berlin Economic Outlook Summer 2020, forecast from Q2 2020 onward.

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Table 2

Main economic indicators for the German economy

	2016	2017	2018	2019	2020	2021
Real GDP ¹ (percent change over previous year)	2.2	2.5	1.5	0.6	-9.4	3.0
Domestic employment (1000 persons)	43,655	44,248	44,854	45,236	45,021	44,957
Unemployed (ILO concept)	1,775	1,621	1,469	1,374	1,727	1,797
Unemployed (BA concept)	2,691	2,533	2,340	2,267	2,745	2,894
Unemployment rate ² (ILO concept)	4.1	3.8	3.4	3.2	4.0	4.2
Unemployment rate ² (BA concept)	6.1	5.7	5.2	5.0	6.0	6.3
Consumer prices	0.5	1.5	1.8	1.4	0.9	0.9
Unit labor costs ³	1.2	1.2	2.5	3.3	7.2	0.1
Government budget balance ⁴						
in billion EUR	37.1	40.3	62.4	50.4	-198.6	-113.1
in percent of GDP	1.2	1.2	1.9	1.5	-6.2	-3.4
Current account balance, in percent of GDP	8.5	7.8	7.4	7.1	4.1	3.0

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 Economic Outlook Summer 2020, 2020 and 2021: forecast.

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and dampen consumer spending behavior. Above all, however, the massive income losses along with the uncertainties, such as many people's worries about their own jobs or firms' concerns about sales potential, are likely to burden the recovery.

As of June 2020, firms are unlikely to consider hiring new staff and unemployment will rise, averaging 6.0 percent annually (Table 2), with the rate being much higher by the end of 2020. In addition to losses in productivity and earnings, some of the decline in economic output is currently being offset by short-time work. At its peak, around 6.5 million workers are likely to be affected on average in the second quarter of 2020. Firms are adjusting labor input by reducing hours and the government is partially compensating workers for lost wages. In addition, the self-employed will lose a considerable portion of their income or even have to shut down their business. Moreover, rising unemployment figures are lowering purchasing power and weak income growth will hinder the recovery of consumption. In contrast, low inflation of 0.9 percent in 2020 will barely limit purchasing power, reflecting the decline in oil prices and the huge under-utilization of economic capacities.

While sales prospects on the domestic market are likely to be dampened for some time and difficult for firms to assess, the prospects on foreign markets have worsened much more. In addition, they will remain more uncertain for the time being than previously, and domestic firms will postpone unnecessary investments to a large extent.

This reluctance to invest is also driven by the fact that many firms have had to forego a large part of their sales revenue in recent weeks while still having to pay invoices. Although the short-time work regulations have prevented more significant losses, corporate debt is nevertheless likely to have risen and will additionally hamper corporate investment. In the first half of 2020, corporate investment will have slumped and is likely to only recover slowly afterwards.

Foreign demand for German goods and services is likely to have declined even more significantly than domestic consumption. On the one hand, the effects of the coronavirus recession on incomes are more drastic in many countries than in Germany, in part because the labor markets are not as robust as the German market. This particularly dampens demand for durable goods, such as cars, which are central to the German economy. On the other hand, the collapse of investments worldwide is affecting German exporters specialized in durable goods. Exports are thus likely to remain significantly below the pre-crisis level during the forecast period, even if they increase again over the course of 2020.

However, the German economy will begin growing again in the third quarter of 2020. Economic output, on the other hand, will remain far below the pre-crisis level following the slumps in the first and especially second quarters of 2020 (the extent of which is difficult to pinpoint). It will fall by 9.4 percent on an annual average. Although the German economy is expected to grow at an above-average rate of 3.0 percent in 2021, it will be far from the pre-crisis level by the end of 2021.

Contrary to what is assumed here, a second wave of the coronavirus cannot be ruled out. For example, another wave occurring in the fall of 2020 would at the very least result in the re-implementation of regional lockdowns, thereby again depressing economic performance. In contrast, a more rapid return to normality is also possible if a vaccine for widespread use is developed quickly or effective drugs against the virus enable further easing of containment measures. The latent trade conflicts and the potential of a no-deal Brexit also pose risks; both can additionally negatively impact the open German economy. If a wave of bankruptcies cannot be avoided despite the measures implemented by the German Federal Government, this would have a lasting negative impact on production potential. Higher debt and a general reluctance to invest can also cause lasting damage to innovative capacity and reduce potential growth.

Claus Michelsen is head of the Forecasting and Economic Policy Department at DIW Berlin | cmichelsen@diw.de

Marius Clemens is a research associate in the Forecasting and Economic Policy Department at DIW Berlin | mclemens@diw.de

Max Hanisch is a guest researcher in the Forecasting and Economic Policy Department at DIW Berlin | mhanisch@diw.de

Simon Junker is deputy head of the Forecasting and Economic Policy Department at DIW Berlin | sjunker@diw.de

Konstantin Kholodilin is a research associate in the Forecasting and Economic Policy Department at DIW Berlin | kkholodilin@diw.de

Laura Pagenhardt is a research associate in the Forecasting and Economic Policy Department at DIW Berlin | lpagenhardt@diw.de

Thore Schlaak is a research associate in the Forecasting and Economic Policy Department at DIW Berlin | tschlaak@diw.de

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APPENDIX: NATIONAL ACCOUNTS DATA

The Main National Accounts Data for the Federal Republic of Germany Forecast for 2020 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	-0.5	-0.1	1.1	0.7	-0.2	-0.8	-0.4	0.1
Hours worked, per working day	-0.2	-5.6	1.3	0.5	-1.0	-4.6	-6.7	0.0	2.7
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	-4.7	1.3	0.8	0.4	-4.2	-5.1	-0.5	3.0
Labor productivity ¹	0.0	-5.0	1.7	-0.3	0.3	-4.1	-6.0	-0.1	3.6
GDP, price adjusted	0.6	-9.4	3.0	0.4	0.7	-8.0	-10.8	-0.8	6.7
2. Disposition of GDP in current prices									
a) Billion EUR									
Final consumption expenditure	2,494.3	2,391.1	2,544.6	1,216.1	1,278.2	1,172.8	1,218.4	1,221.0	1,323.7
Private consumption expenditure ²	1,795.4	1,657.8	1,781.7	878.1	917.3	819.7	838.1	849.7	932.1
Government consumption expenditure	698.9	733.3	762.9	338.0	361.0	353.0	380.3	371.3	391.6
Gross fixed capital formation (GFCF)	746.5	716.9	743.5	359.6	386.9	351.0	365.9	351.3	392.2
Construction	239.8	193.5	202.9	115.8	124.1	96.5	97.0	92.8	110.1
Machinery and equipment	372.9	387.1	399.3	180.5	192.5	189.0	198.1	191.5	207.8
GFCF in other products	133.7	136.3	141.3	63.3	70.4	65.5	70.8	67.0	74.3
Change in stocks ³	-6.2	2.7	1.8	10.6	-16.8	7.6	-4.9	7.7	-5.9
Domestic uses	3,234.7	3,110.8	3,289.9	1,586.3	1,648.4	1,531.3	1,579.4	1,579.9	1,709.9
Balance of exports and imports	200.5	83.2	48.6	102.8	97.7	64.5	18.7	29.4	19.2
Exports	1,613.5	1,349.3	1,408.9	803.7	809.8	694.9	654.4	677.5	731.4
Imports	1,412.9	1,266.1	1,360.3	700.8	712.1	630.3	635.8	648.1	712.2
GDP	3,435.2	3,194.0	3,338.5	1,689.1	1,746.1	1,595.9	1,598.1	1,609.3	1,729.2
b) Percentage change over previous year									
Final consumption expenditure	3.5	-4.1	6.4	3.3	3.8	-3.6	-4.7	4.1	8.6
Private consumption expenditure ²	3.0	-7.7	7.5	2.9	3.1	-6.6	-8.6	3.6	11.2
Government consumption expenditure	5.0	4.9	4.0	4.4	5.6	4.4	5.4	5.2	3.0
Gross fixed capital formation (GFCF)	5.5	-4.0	3.7	6.5	4.5	-2.4	-5.4	0.1	7.2
Construction	1.9	-19.3	4.9	3.1	0.9	-16.6	-21.8	-3.8	13.5
Machinery and equipment	8.3	3.8	3.2	9.6	7.2	4.7	2.9	1.3	4.9
GFCF in other products	4.4	2.0	3.6	4.5	4.2	3.4	0.6	2.3	4.8
Domestic uses	3.1	-3.8	5.8	4.1	2.1	-3.5	-4.2	3.2	8.3
Exports	1.7	-16.4	4.4	1.4	2.1	-13.5	-19.2	-2.5	11.8
Imports	2.4	-10.4	7.4	4.6	0.3	-10.1	-10.7	2.8	12.0
GDP	2.7	-7.0	4.5	2.6	2.9	-5.5	-8.5	0.8	8.2
3. Disposition of GDP, adjusted for prices									
a) Chain-linked estimated in billion EUR									
Final consumption expenditure	2,366.8	2,238.2	2,358.5	1,164.5	1,202.2	1,106.8	1,131.4	1,141.1	1,217.4
Private consumption expenditure ²	1,708.8	1,562.8	1,666.6	840.1	868.7	774.5	788.3	798.0	868.6
Government consumption expenditure	657.9	674.8	691.7	324.5	333.4	332.0	342.8	342.8	348.9
Gross fixed capital formation (GFCF)	683.6	642.6	654.0	330.9	352.7	315.9	326.7	310.2	343.9
Construction	232.9	185.7	193.0	112.7	120.2	92.6	93.0	88.2	104.8
Machinery and equipment	324.0	326.9	328.9	157.8	166.2	160.5	166.4	158.6	170.3
GFCF in other products	126.5	127.0	129.6	60.3	66.3	61.3	65.7	61.8	67.8
Domestic uses	3,054.1	2,888.3	3,018.2	1,506.1	1,548.1	1,430.1	1,458.3	1,458.1	1,560.1
Exports	1,572.6	1,313.8	1,335.1	785.5	787.1	679.2	634.6	647.7	687.4
Imports	1,387.7	1,270.9	1,338.4	686.7	700.9	633.5	637.4	642.9	695.5
GDP	3,240.7	2,936.7	3,023.6	1,605.4	1,635.1	1,477.7	1,459.0	1,466.6	1,557.0
b) Percentage change over previous year									
Final consumption expenditure	1.9	-5.4	5.4	1.6	2.2	-5.0	-5.9	3.1	7.6
Private consumption expenditure ²	1.6	-8.5	6.6	1.5	1.7	-7.8	-9.3	3.0	10.2
Government consumption expenditure	2.7	2.6	2.5	2.0	3.3	2.3	2.8	3.2	1.8
Gross fixed capital formation (GFCF)	2.6	-6.0	1.8	3.4	1.8	-4.5	-7.4	-1.8	5.3
Construction	0.6	-20.3	4.0	2.0	-0.6	-17.8	-22.6	-4.8	12.7
Machinery and equipment	3.8	0.9	0.6	4.4	3.2	1.7	0.1	-1.2	2.3
GFCF in other products	2.7	0.4	2.1	2.9	2.6	1.8	-1.0	0.8	3.3
Domestic uses	1.2	-5.4	4.5	1.9	0.5	-5.0	-5.8	2.0	7.0
Exports	1.0	-16.5	1.6	0.3	1.7	-13.5	-19.4	-4.6	8.3
Imports	2.5	-8.4	5.3	3.6	1.5	-7.8	-9.1	1.5	9.1
GDP	0.6	-9.4	3.0	0.4	0.7	-8.0	-10.8	-0.8	6.7

APPENDIX: NATIONAL ACCOUNTS DATA

Continued: The Main National Accounts Data for the Federal Republic of Germany Forecast for 2020 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 ²	1.3	1.0	0.8	1.4	1.3	1.3	0.7	0.6	0.9
Government consumption expenditure	2.3	2.3	1.5	2.4	2.1	2.1	2.5	1.9	1.2
Gross fixed capital formation (GFCF)	2.9	2.2	1.9	3.0	2.7	2.3	2.1	1.9	1.8
Construction	1.3	1.2	0.9	1.1	1.5	1.4	1.0	1.0	0.7
Machinery and equipment	4.4	2.9	2.5	4.9	3.9	3.0	2.8	2.5	2.6
Exports	0.8	0.1	2.8	1.1	0.4	0.0	0.2	2.2	3.2
Imports	-0.1	-2.2	2.0	0.9	-1.1	-2.5	-1.8	1.3	2.7
GDP	2.1	2.6	1.5	2.1	2.1	2.6	2.6	1.6	1.4
5. Distribution of Income									
a) Billion EUR									
Primary income of private households ²	2,407.9	2,280.5	2,356.2	1,190.1	1,217.8	1,152.4	1,128.1	1,144.5	1,211.7
Employers' social contributions	326.2	315.0	329.2	158.1	168.1	155.0	160.1	159.3	169.9
Gross wages and salaries	1,522.2	1,487.3	1,543.4	727.1	795.1	718.4	768.9	729.8	813.6
Other primary income of private households ⁴	559.5	478.2	483.6	304.9	254.6	279.1	199.2	255.4	228.2
Primary income of other institutional sectors	489.9	348.0	404.7	220.7	269.3	152.5	195.5	165.0	239.7
Net national income (primary income)	2,897.8	2,628.5	2,760.9	1,410.7	1,487.1	1,304.9	1,323.6	1,309.6	1,451.4
Consumption of fixed capital	637.0	659.3	675.3	316.1	320.9	328.0	331.2	336.0	339.3
Gross national income	3,534.8	3,287.8	3,436.2	1,726.8	1,808.0	1,632.9	1,654.8	1,645.6	1,790.6
Memorandum item:									
Net national income (factor costs)	2,560.2	2,382.5	2,436.4	1,242.4	1,317.8	1,175.8	1,206.7	1,142.2	1,294.2
Property and entrepreneurial income	711.8	580.2	563.8	357.2	354.6	302.5	277.7	253.1	310.7
Compensation of employees	1,848.4	1,802.3	1,872.6	885.2	963.2	873.4	928.9	889.1	983.5
b) Percentage change over previous year									
Primary income of private households ²	3.0	-5.3	3.3	2.9	3.0	-3.2	-7.4	-0.7	7.4
Employers' social contributions	5.1	-3.4	4.5	5.4	4.8	-2.0	-4.8	2.8	6.1
Gross wages and salaries	4.2	-2.3	3.8	4.5	3.9	-1.2	-3.3	1.6	5.8
Other primary income of private households ⁴	-1.4	-14.5	1.1	-1.7	-1.0	-8.5	-21.8	-8.5	14.6
Primary income of other institutional sectors	-0.1	-29.0	16.3	-0.8	0.5	-30.9	-27.4	8.2	22.6
Net national income (primary income)	2.4	-9.3	5.0	2.3	2.5	-7.5	-11.0	0.4	9.7
Consumption of fixed capital	4.6	3.5	2.4	4.5	4.8	3.8	3.2	2.4	2.4
Gross national income	2.8	-7.0	4.5	2.7	2.9	-5.4	-8.5	0.8	8.2
Memorandum item:									
Net national income (factor costs)	2.3	-6.9	2.3	2.2	2.3	-5.4	-8.4	-2.9	7.3
Property and entrepreneurial income	-2.7	-18.5	-2.8	-3.3	-2.1	-15.3	-21.7	-16.3	11.9
Compensation of employees	4.4	-2.5	3.9	4.6	4.1	-1.3	-3.6	1.8	5.9
6. Income and expenditure of private households									
a) Billion EUR									
Mass income	1,491.6	1,518.7	1,557.6	717.1	774.5	733.7	785.1	743.9	813.7
Net wages and salaries	1,021.2	1,005.1	1,051.6	483.1	538.1	481.5	523.6	489.0	562.6
Social benefits	605.6	658.1	649.2	300.7	304.9	323.5	334.6	327.1	322.2
Fewer levies on social benefits	135.2	144.5	143.2	66.7	68.5	71.4	73.1	72.1	71.0
Other primary income ⁴	559.5	478.2	483.6	304.9	254.6	279.1	199.2	255.4	228.2
Other transfers received (net) ⁵	-96.8	-91.7	-90.3	-49.3	-47.5	-46.9	-44.8	-46.0	-44.3
Disposable income	1,954.3	1,905.3	1,950.9	972.7	981.6	965.9	939.4	953.4	997.6
Memorandum item:									
Adjustment for the change in net equity of households in pension funds reserves	60.4	61.3	62.1	29.4	31.0	29.8	31.5	30.2	31.9
Private consumption expenditure	1,795.4	1,657.8	1,781.7	878.1	917.3	819.7	838.1	849.7	932.1
Saving	219.3	308.7	231.3	123.9	95.4	175.9	132.8	133.9	97.4
Saving ratio in percent ⁶	10.9	15.7	11.5	12.4	9.4	17.7	13.7	13.6	9.5
b) Percentage change over previous year									
Mass income	4.5	1.8	2.6	4.6	4.4	2.3	1.4	1.4	3.7
Net wages and salaries	4.7	-1.6	4.6	5.0	4.4	-0.3	-2.7	1.5	7.5
Social benefits	4.5	8.7	-1.4	4.2	4.9	7.6	9.7	1.1	-3.7
Fewer levies on social benefits	6.0	6.9	-1.0	5.5	6.5	7.0	6.8	1.0	-2.9
Other primary income ⁴	-1.4	-14.5	1.1	-1.7	-1.0	-8.5	-21.8	-8.5	14.6
Disposable income	2.9	-2.5	2.4	2.8	3.0	-0.7	-4.3	-1.3	6.2
Private consumption expenditure	3.0	-7.7	7.5	2.9	3.1	-6.6	-8.6	3.6	11.2
Savings	2.3	40.7	-25.1	2.4	2.0	41.9	39.2	-23.9	-26.7

APPENDIX: NATIONAL ACCOUNTS DATA

Continued: The Main National Accounts Data for the Federal Republic of Germany Forecast for 2020 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	826.6	744.3	797.2	415.6	411.0	376.9	367.4	404.9	392.3
Direct taxes	458.1	411.8	408.5	232.8	225.2	214.0	197.8	210.4	198.1
Indirect taxes	368.6	332.5	388.7	182.8	185.8	162.9	169.6	194.5	194.2
Net social contributions	597.6	584.9	609.1	290.0	307.6	287.5	297.4	294.4	314.7
Property income	21.3	22.5	21.3	13.1	8.2	14.3	8.2	13.2	8.1
Other transfers	24.7	24.8	25.1	11.1	13.6	11.8	13.0	11.9	13.2
Capital transfers	12.3	12.7	13.0	5.3	6.9	5.6	7.1	5.8	7.2
Sales	125.9	127.6	132.9	59.2	66.6	59.1	68.5	62.3	70.5
Other subsidies	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total revenues	1,608.5	1,517.0	1,598.7	794.5	814.0	755.2	761.7	792.5	806.2
Expenditures									
Intermediate consumption	178.9	193.0	197.2	81.6	97.4	87.1	105.9	88.9	108.3
Compensation of employees	271.4	280.3	284.2	130.4	141.1	135.2	145.2	137.1	147.1
Social benefits in kind	299.9	310.1	332.8	147.9	152.0	151.2	158.9	166.8	166.0
Property income (interests)	27.6	24.0	21.1	14.5	13.1	12.5	11.6	10.9	10.2
Subsidies	30.9	86.5	64.1	14.4	16.5	33.8	52.7	27.1	37.0
Social benefits	545.7	593.0	585.0	270.9	274.8	291.5	301.6	294.6	290.4
Other transfers	78.6	91.0	93.5	38.8	39.8	42.5	48.5	45.4	48.2
Gross capital formation	85.5	87.9	91.6	37.6	48.0	38.0	49.9	39.7	51.9
Capital transfers	40.3	50.5	43.2	13.6	26.7	17.9	32.6	15.7	27.5
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	1,558.1	1,715.6	1,711.8	749.2	808.9	809.4	906.2	825.8	885.9
Balance	50.4	-198.6	-113.1	45.3	5.1	-54.1	-144.5	-33.3	-79.8
b) Percentage change over previous year									
Revenues									
Taxes	3.2	-10.0	7.1	2.8	3.6	-9.3	-10.6	7.4	6.8
Direct taxes	2.9	-10.1	-0.8	2.5	3.3	-8.1	-12.2	-1.7	0.2
Indirect taxes	3.6	-9.8	16.9	3.2	4.0	-10.9	-8.7	19.4	14.5
Net social contributions	4.4	-2.1	4.1	4.6	4.1	-0.9	-3.3	2.4	5.8
Property income	0.2	5.3	-5.3	1.0	-1.0	8.8	-0.4	-7.8	-1.1
Other transfers	0.0	0.2	1.2	-3.4	2.9	5.8	-4.3	1.1	1.3
Capital transfers	-6.5	3.7	2.2	-4.5	-7.9	5.8	2.1	2.4	2.1
Sales	4.7	1.4	4.1	6.7	3.1	-0.2	2.8	5.4	3.0
Other subsidies	-5.6	0.6	0.0	-23.2	9.3	1.6	0.0	0.0	0.0
Total revenues	3.6	-5.7	5.4	3.6	3.6	-4.9	-6.4	4.9	5.8
Expenditures									
Intermediate consumption	5.6	7.9	2.2	5.4	5.8	6.8	8.8	2.1	2.2
Compensation of employees	4.7	3.3	1.4	4.8	4.6	3.7	2.9	1.4	1.3
Social benefits in kind	4.9	3.4	7.3	4.2	5.6	2.2	4.5	10.3	4.5
Property income (interests)	-13.0	-12.8	-12.5	-10.9	-15.2	-13.7	-11.9	-13.0	-11.9
Subsidies	4.6	179.6	-25.9	3.6	5.6	135.0	218.5	-19.9	-29.8
Social benefits	4.9	8.7	-1.4	4.5	5.3	7.6	9.7	1.1	-3.7
Other transfers ⁷	3.7	12.4	2.5	2.3	1.5	3.7	8.6	2.8	-0.3
Gross capital formation	9.2	2.8	4.2	12.8	6.5	1.2	4.0	4.4	4.0
Capital transfers ⁷	-1.9	10.2	-7.3	5.1	-8.9	31.5	22.2	-12.2	-15.8
Acquisitions less disposals of non-financial non-produced assets ⁷	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Other taxes on production ⁷	0.0	0.0	0.0	16.8	9.1	-1.7	0.0	0.1	0.1
Total expenditures	4.5	10.1	-0.2	4.7	4.4	8.0	12.0	2.0	-2.2

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); DIW Berlin Economic Outlook Summer 2020.

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DIW Berlin — Deutsches Institut für Wirtschaftsforschung e. V.

Mohrenstraße 58, 10117 Berlin

www.diw.de

Phone: +49 30 897 89-0 Fax: -200

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Publishers

Prof. Dr. Pio Baake; Prof. Dr. Tomaso Duso; Prof. Marcel Fratzscher, Ph.D.;
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leserservice@diw.de

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