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German Economy: On the Long, Slow Road to Normality

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

ABSTRACT

The German economy has bottomed out, but its recovery is going to be long and arduous. Nevertheless, following the almost two-digit slump in economic output in the second quarter of 2020, recovery is likely to be accompanied by above-average rates. However, it is assumed that a second wave will not occur and lockdown-like measures will not be reimplemented. Private consumption in particular will markedly increase over the third and fourth quarters of 2020. Short-time work is declining, contributing to the increase in disposable income. Additionally, households saved considerably during the height of the pandemic in spring 2020 and are spending their savings gradually over the second half of the year. The VAT reduction and further stimulus program measures are supporting consumption and thus the economy. In contrast, the recovery in foreign demand for German products is likely to be more protracted. The economy and labor markets in many countries have been hit much harder than in Germany, and demand for consumer durables and capital goods – the focus of Germany's export industry – in particular is likely to be subdued. The pre-crisis level of economic activity will likely not be reached until early 2022. In 2020, German GDP is expected to drop by an annual average of 6.0 percent and grow by 4.1 and 3.0 percent in 2021 and 2022, respectively.

The coronavirus pandemic is negatively impacting peoples' lives and economies all over the world. Germany has also fallen into its deepest recession since World War II due to the virus and corresponding containment measures. In the second quarter of 2020, which was particularly impacted by the lockdown, economic output dropped by almost ten percent. Meanwhile, however, the German economy has weathered the trough of the recession.

Nevertheless, the pandemic is not over and the threat of new coronavirus waves remains. In this forecast, it is assumed that the global infection rate will slowly decline. Under this assumption, value added recovers at an above-average pace, even if it will likely take until 2022 to reach the pre-crisis level.

Unlike in the summer 2020 forecast, this forecast considers the stimulus program measures, which increases economic output by at least one percent. The slump in the second quarter of 2020 was not as deep as suspected in July 2020, partly due to the fact that foreign demand for German goods and services has recovered more quickly than expected initially. Overall, GDP will decline by 6.0 percent in 2020 (Figure 1), 3.4 percentage points less than expected in summer 2020.

However, the situation on the labor market remains tense. In April, six million employees had changed to short-time work, which equates to one in six employees subject to social security contributions. Unlike the global financial crisis, the coronavirus recession has affected almost every economic sector: primarily industry and industrial services, but also the sectors that suffered heavily during the spring 2020 lockdowns, including (parts of) retail, gastronomy, and other services, such as those provided by musicians, artists, and event planners. However, while short-time work is being markedly reduced over the course of recovery, employment is likely to barely increase, its growth only picking up in spring 2021. Before the coronavirus recession, the unemployment rate was 5.0 percent (Table 1). Therefore, it did not increase too strongly in 2020 on an annual average, to 6.0 percent, while reaching 6.4 percent in the late summer of 2020. It will decrease from this level only very gradually (Figure 2).

Figure 1

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



Sources: Federal Statistical Office; DIW Berlin Economic Outlook Autumn 2020, forecast from 2020 Q3 onward.

Table 1

Key economic indicators for the German economy

	2017	2018	2019	2020	2021	2022
Real GDP ¹ (percent change over previous year)	2.6	1.3	0.6	-6.0	4.1	3.0
Domestic employment (1,000 persons)	44,262	44,868	45,269	44,842	44,781	45,157
Unemployed (ILO concept)	1,621	1,469	1,374	1,708	1,756	1,586
Unemployed (BA concept)	2,533	2,340	2,267	2,719	2,842	2,562
Unemployment rate ² (ILO concept)	3.8	3.4	3.2	4.0	4.1	3.7
Unemployment rate ² (BA concept)	5.7	5.2	5.0	6.0	6.2	5.6
Consumer prices	1.5	1.8	1.4	0.6	1.4	1.6
Unit labor costs ³	1.1	2.9	3.2	4.5	-0.5	1.6
Government budget balance ⁴						
in billion EUR	44.4	61.6	52.5	-215.0	-134.1	-77.8
in percent of GDP	1.4	1.8	1.5	-6.5	-3.8	-2.1
Current account balance, in percent of GDP	7.8	7.4	7.1	7.2	7.3	6.9

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 Berlin Economic Outlook Autumn 2020, 2020 onward: forecast.

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Table 2

Use of GDP, quarter-on-quarter growth rates

Price, seasonally and working-day adjusted, in percent

	2020				2021				2022			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Private consumption	-2,5	-10,9	3,9	2,8	1,6	2,0	1,8	1,4	1,0	0,3	0,3	0,3
Public consumption	0,6	1,5	0,7	0,6	0,7	0,4	0,1	0,4	0,5	0,3	0,3	0,3
Gross fixed capital formation	-0,5	-7,9	1,2	1,2	1,2	1,3	1,4	1,4	1,2	0,9	0,8	0,8
Investment in machinery and equipment	-7,3	-19,6	6,0	3,0	2,5	2,5	3,0	2,7	2,3	1,4	1,0	1,0
Construction investment	5,1	-4,2	-0,9	0,5	0,7	0,8	0,9	0,9	0,7	0,7	0,7	0,7
Other investment	-4,1	0,6	0,8	0,8	0,8	0,8	0,8	0,8	0,8	0,8	0,8	0,8
Change in inventories ¹	0,0	0,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Domestic uses	-1,4	-7,2	2,5	1,9	1,3	1,5	1,3	1,1	0,9	0,5	0,4	0,4
Net exports ¹	-0,7	-2,8	3,2	-0,5	-0,1	-0,1	-0,1	-0,1	-0,1	0,0	0,0	0,0
Exports	-3,3	-20,3	15,1	1,6	1,5	1,5	1,5	1,2	0,9	0,9	0,6	0,6
Imports	-1,9	-16,0	7,9	3,1	2,2	2,0	1,8	1,5	1,2	0,9	0,8	0,8
GDP	-2,0	-9,7	5,6	1,3	1,1	1,3	1,2	1,0	0,8	0,5	0,4	0,4
Gross value added	-1,7	-9,9	5,6	1,3	1,1	1,3	1,2	1,0	0,8	0,5	0,4	0,3
Manufacturing	-4,0	-16,1	15,1	2,0	1,4	1,5	1,5	1,3	1,0	0,6	0,5	0,5
Construction	4,6	-3,8	-0,9	0,5	0,7	0,8	0,9	0,9	0,7	0,7	0,7	0,7
Trade, accomodation, transport	-1,4	-12,4	5,3	2,8	2,4	3,3	2,6	1,9	1,5	0,6	0,4	0,4
Business and production services	-2,2	-14,3	7,0	1,0	1,0	1,0	1,0	1,0	1,0	0,4	0,4	0,4
Public admin, community and social services	-1,2	-8,8	3,9	0,8	0,8	0,8	0,8	0,6	0,5	0,4	0,2	0,2

1 Contribution to GDP growth in percentage points.

Sources: Federal Statistical Office; DIW Berlin Economic Outlook Autumn 2020, forecast from 2020 Q3 onward.

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Due to the deep recession, hourly wages are likely to only increase moderately over the second half of 2020. As an increasing number of workers return to regular employment from short-time work, however, wages per employee are increasing noticeably. While the short-time work allowance compensated for a loss of wages to a great extent, but not fully, disposable incomes are recovering noticeably.

In spring 2020, the declining employment numbers and the build-up of short-time work negatively affected income. In addition, consumption was impacted by the restrictions on economic life during the lockdown. As a result, a considerable amount of money could not be spent. These additional funds are now available to private households, additionally boosting consumption. Overall, consumption will increase strongly over the further course of 2020. Purchasing power will be boosted in the second half of 2020 by the VAT reduction, the main reason inflation remains low at 0.6 percent. Compared to the momentum already created by the catch-up process, however, this additional boost is hardly significant. In 2021, when this year's temporary VAT reduction will be reversed, real incomes will still increase due to the expected decline in short-time work.

Even exports are gradually recovering (Table 2). However, the labor markets in many countries—which have been more severely affected than in Germany—and the associated high income losses continue to noticeably dampen foreign demand. Demand for durable consumer and capital goods in particular is likely to remain dampened over the second half of 2020. Exports are therefore unlikely to return to their pre-crisis level for some time. The recent strong appreciation of the euro against the dollar will also weaken exports. In contrast, imports are benefitting from the revival of domestic demand. The trade balance will therefore not rise significantly in the further forecast period; in relation to economic output, it is likely to average 5.5 percent in 2020. However, only the oil price-related low import costs are preventing a significantly lower balance; the terms of trade are rising by a good two and a half percent.

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Figure 2

Employment and short-time workers
Seasonally adjusted quarterly changes in thousands



Sources: Federal Statistical Office, Federal Employment Agency, DIW Berlin Economic Outlook Autumn 2020.

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Short-time work set to decrease, employment will pick up later.

Corporate investments collapsed by almost a fifth in 2020, although they are also already recovering. However, in view of the uncertain prospects on foreign sales markets and the considerable increase in corporate debt, they will not reach their pre-crisis level in the forecast period. However, they are profiting from the robust domestic economy and the stimulus package measures. Construction investments, on the other hand, are continuing to expand, but are also losing growth momentum due to subdued incomes.

Recovery will last until at least 2022, although rates will be strong until then. On an annual average, the German economy is expected to grow by 4.1 in 2021 and by 3.0 percent in 2022. Nevertheless, starting from the most recent low level, the output gap will not be closed until 2022. In 2020, the gap is expected to be -4.9 percent and in 2021, it will still be considerable at -2.0 percent.

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APPENDIX: NATIONAL ACCOUNTS DATA

The Main National Accounts Data for the Federal Republic of Germany

Forecast for 2020 to 2022

	2020	2021	2022	2020		2021		2022	
				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	-0.1	0.8	-0.5	-1.4	-0.6	0.3	0.7	1.0
Hours worked, per working day	-6.6	2.3	1.2	-5.9	-7.3	1.4	3.3	1.4	1.0
Working days	1.5	0.1	-0.1	0.5	2.4	0.0	0.2	0.8	-1.0
Labor volume, calendar-monthly	-6.1	2.3	1.9	-5.8	-6.4	0.6	3.9	2.9	1.0
Labor productivity ¹	0.1	1.8	1.1	-0.7	1.0	2.6	0.9	1.2	0.9
GDP, price adjusted	-6.0	4.1	3.0	-6.5	-5.4	3.3	4.8	4.1	1.9
2. Disposition of GDP in current prices									
a) Billion EUR									
Final consumption expenditure	2,428.9	2,575.4	2,694.4	1,193.9	1,235.0	1,244.1	1,331.3	1,316.8	1,377.6
Private consumption expenditure ²	1,681.6	1,799.3	1,894.8	831.9	849.7	866.5	932.7	927.4	967.4
Government consumption expenditure	747.3	776.1	799.6	362.0	385.3	377.6	398.5	389.3	410.3
Gross fixed capital formation (GFCF)	724.5	759.0	806.5	352.0	372.6	359.2	399.8	386.0	420.5
Construction	196.6	211.6	230.2	95.1	101.5	97.7	114.0	108.9	121.3
Machinery and equipment	394.0	407.0	429.2	193.2	200.7	194.9	212.1	207.3	221.9
GFCF in other products	134.0	140.4	147.1	63.6	70.4	66.6	73.8	69.8	77.4
Change in stocks ³	-29.9	-36.4	-37.8	-9.0	-20.9	-14.1	-22.4	-15.2	-22.6
Domestic uses	3,123.6	3,297.9	3,463.1	1,536.9	1,586.7	1,589.2	1,708.7	1,687.6	1,775.6
Balance of exports and imports	181.4	189.5	183.9	85.3	96.1	103.3	86.2	101.7	82.2
Exports	1,433.2	1,529.2	1,600.6	703.9	729.4	749.1	780.1	793.5	807.1
Imports	1,251.8	1,339.7	1,416.7	618.6	633.3	645.8	693.9	691.8	724.9
GDP	3,305.0	3,487.4	3,647.0	1,622.2	1,682.8	1,692.5	1,794.9	1,789.3	1,857.7
b) Percentage change over previous year									
Final consumption expenditure	-3.3	6.0	4.6	-2.5	-4.0	4.2	7.8	5.8	3.5
Private consumption expenditure ²	-6.9	7.0	5.3	-6.0	-7.9	4.2	9.8	7.0	3.7
Government consumption expenditure	6.1	3.9	3.0	6.3	5.8	4.3	3.4	3.1	2.9
Gross fixed capital formation (GFCF)	-3.1	4.8	6.3	-2.3	-3.9	2.1	7.3	7.5	5.2
Construction	-18.1	7.6	8.8	-17.9	-18.3	2.6	12.3	11.5	6.4
Machinery and equipment	5.4	3.3	5.4	6.8	4.1	0.9	5.7	6.3	4.6
GFCF in other products	-0.1	4.8	4.8	0.1	-0.4	4.7	4.8	4.8	4.9
Domestic uses	-3.9	5.6	5.0	-3.3	-4.4	3.4	7.7	6.2	3.9
Exports	-11.4	6.7	4.7	-12.6	-10.1	6.4	7.0	5.9	3.5
Imports	-11.7	7.0	5.7	-11.9	-11.5	4.4	9.6	7.1	4.5
GDP	-4.2	5.5	4.6	-4.2	-4.2	4.3	6.7	5.7	3.5
3. Disposition of GDP, adjusted for prices									
a) Chain-linked estimated in billion EUR									
Final consumption expenditure	2,261.4	2,363.8	2,437.3	1,117.3	1,144.1	1,152.0	1,211.9	1,201.3	1,236.1
Private consumption expenditure ²	1,584.0	1,671.4	1,735.9	783.7	800.3	808.5	862.9	853.9	882.0
Government consumption expenditure	676.2	691.8	701.2	333.1	343.1	342.9	348.9	347.2	354.0
Gross fixed capital formation (GFCF)	649.2	667.9	697.1	316.3	332.8	317.3	350.6	334.8	362.3
Construction	188.6	201.2	217.5	91.3	97.3	92.9	108.4	102.9	114.6
Machinery and equipment	333.0	336.0	345.5	164.0	169.0	161.8	174.1	167.8	177.7
GFCF in other products	124.3	128.3	132.4	59.3	65.0	61.1	67.1	63.1	69.3
Domestic uses	2,902.3	3,024.0	3,127.0	1,432.1	1,470.3	1,468.7	1,555.4	1,535.6	1,591.3
Exports	1,399.4	1,486.0	1,544.3	686.8	712.6	729.8	756.3	767.5	776.8
Imports	1,265.0	1,350.3	1,417.9	623.0	642.0	652.5	697.8	694.0	723.9
GDP	3,039.0	3,163.5	3,258.9	1,497.1	1,541.9	1,547.0	1,616.5	1,611.0	1,647.9
b) Percentage change over previous year									
Final consumption expenditure	-4.7	4.5	3.1	-4.4	-5.1	3.1	5.9	4.3	2.0
Private consumption expenditure ²	-7.9	5.5	3.9	-7.4	-8.3	3.2	7.8	5.6	2.2
Government consumption expenditure	3.2	2.3	1.4	3.2	3.2	2.9	1.7	1.3	1.5
Gross fixed capital formation (GFCF)	-5.1	2.9	4.4	-4.5	-5.7	0.3	5.3	5.5	3.3
Construction	-19.1	6.7	8.1	-19.1	-19.1	1.7	11.3	10.8	5.7
Machinery and equipment	2.6	0.9	2.8	3.6	1.6	-1.3	3.0	3.7	2.1
GFCF in other products	-1.6	3.2	3.2	-1.2	-1.8	3.1	3.3	3.2	3.3
Domestic uses	-4.8	4.2	3.4	-4.7	-4.9	2.6	5.8	4.6	2.3
Exports	-11.1	6.2	3.9	-12.6	-9.5	6.3	6.1	5.2	2.7
Imports	-9.1	6.7	5.0	-9.4	-8.8	4.7	8.7	6.4	3.7
GDP	-6.0	4.1	3.0	-6.5	-5.4	3.3	4.8	4.1	1.9

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Continued: The Main National Accounts Data for the Federal Republic of Germany

Forecast for 2020 to 2022

	2020	2021	2022	2020		2021		2022	
				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	1.0	1.4	1.4	1.5	0.5	1.0	1.8	1.3	1.5
Government consumption expenditure	2.7	1.5	1.6	3.0	2.5	1.3	1.7	1.8	1.5
Gross fixed capital formation (GFCF)	2.1	1.8	1.8	2.3	1.9	1.7	1.9	1.8	1.8
Construction	1.2	0.9	0.7	1.4	1.0	0.9	0.9	0.7	0.6
Machinery and equipment	2.8	2.4	2.5	3.0	2.5	2.2	2.6	2.6	2.5
Exports	-0.4	0.5	0.7	0.0	-0.7	0.2	0.8	0.7	0.7
Imports	-2.8	0.3	0.7	-2.7	-2.9	-0.3	0.8	0.7	0.7
GDP	1.9	1.4	1.5	2.5	1.3	1.0	1.7	1.5	1.5
5. Distribution of Income									
a) Billion EUR									
Primary income of private households ²	2,321.9	2,417.8	2,529.1	1,184.2	1,137.7	1,193.0	1,224.8	1,263.1	1,266.0
Employers' social contributions	323.1	332.8	350.0	160.9	162.2	161.1	171.7	170.2	179.8
Gross wages and salaries	1,497.7	1,574.4	1,655.1	719.3	778.4	743.7	830.8	789.2	865.9
Other primary income of private households ⁴	501.0	510.5	524.0	304.0	197.1	288.1	222.3	303.8	220.3
Primary income of other institutional sectors	425.4	497.7	527.9	151.0	274.3	206.1	291.6	224.2	303.7
Net national income (primary income)	2,747.3	2,915.4	3,057.0	1,335.2	1,412.0	1,399.0	1,516.4	1,487.3	1,569.7
Consumption of fixed capital	662.1	684.4	707.4	329.0	333.1	340.1	344.3	351.5	355.9
Gross national income	3,409.4	3,599.8	3,764.5	1,664.3	1,745.1	1,739.1	1,860.7	1,838.8	1,925.6
<i>Memorandum item:</i>									
Net national income (factor costs)	2,517.4	2,599.4	2,713.3	1,201.7	1,315.7	1,230.0	1,369.4	1,307.9	1,405.3
Property and entrepreneurial income	696.6	692.1	708.2	321.5	375.1	325.2	366.9	348.6	359.6
Compensation of employees	1,820.8	1,907.3	2,005.1	880.3	940.6	904.8	1,002.5	959.4	1,045.7
b) Percentage change over previous year									
Primary income of private households ²	-4.2	4.1	4.6	-1.2	-7.2	0.7	7.7	5.9	3.4
Employers' social contributions	-0.4	3.0	5.2	2.4	-3.0	0.1	5.9	5.6	4.7
Gross wages and salaries	-1.6	5.1	5.1	-1.0	-2.1	3.4	6.7	6.1	4.2
Other primary income of private households ⁴	-13.4	1.9	2.7	-3.3	-25.3	-5.2	12.8	5.4	-0.9
Primary income of other institutional sectors	-11.1	17.0	6.1	-29.3	3.5	36.5	6.3	8.8	4.2
Net national income (primary income)	-5.4	6.1	4.9	-5.4	-5.3	4.8	7.4	6.3	3.5
Consumption of fixed capital	3.5	3.4	3.4	3.6	3.4	3.4	3.4	3.4	3.4
Gross national income	-3.8	5.6	4.6	-3.8	-3.7	4.5	6.6	5.7	3.5
<i>Memorandum item:</i>									
Net national income (factor costs)	-1.8	3.3	4.4	-3.3	-0.4	2.4	4.1	6.3	2.6
Property and entrepreneurial income	-3.0	-0.6	2.3	-10.5	4.5	1.2	-2.2	7.2	-2.0
Compensation of employees	-1.4	4.7	5.1	-0.4	-2.2	2.8	6.6	6.0	4.3
6. Income and expenditure of private households									
a) Billion EUR									
Mass income	1,532.2	1,600.4	1,659.5	729.3	802.9	757.5	842.9	791.7	867.8
Net wages and salaries	1,018.0	1,082.2	1,138.4	479.6	538.4	501.1	581.1	533.9	604.5
Social benefits	653.9	661.3	668.0	319.2	334.8	327.5	333.8	330.7	337.2
Fees levied on social benefits	139.7	143.1	146.9	69.5	70.3	71.2	72.0	73.0	73.9
Other primary income ⁴	501.0	510.5	524.0	304.0	197.1	288.1	222.3	303.8	220.3
Other transfers received (net) ⁵	-88.4	-92.8	-95.8	-43.6	-44.8	-45.7	-47.1	-47.2	-48.6
Disposable income	1,944.8	2,018.0	2,087.7	989.7	955.1	1,000.0	1,018.0	1,048.2	1,039.5
<i>Memorandum item:</i>									
Adjustment for the change in net equity of households in pension funds reserves	57.5	57.8	58.1	27.9	29.6	28.0	29.8	28.2	29.9
Private consumption expenditure	1,681.6	1,799.3	1,894.8	831.9	849.7	866.5	932.7	927.4	967.4
Saving	320.7	276.5	251.0	185.7	135	161.5	115.1	149.0	102.0
Saving ratio in percent ⁶	16.0	13.3	11.7	18.2	13.7	15.7	11.0	13.8	9.5
b) Percentage change over previous year									
Mass income	2.8	4.4	3.7	1.7	3.7	3.9	5.0	4.5	3.0
Net wages and salaries	-0.2	6.3	5.2	-0.6	0.1	4.5	7.9	6.5	4.0
Social benefits	7.9	1.1	1.0	6.0	9.7	2.6	-0.3	1.0	1.0
Fees levied on social benefits	3.2	2.4	2.6	4.0	2.4	2.4	2.4	2.5	2.6
Other primary income ⁴	-13.4	1.9	2.7	-3.3	-25.3	-5.2	12.8	5.4	-0.9
Disposable income	-1.3	3.8	3.5	0.9	-3.4	1.0	6.6	4.8	2.1
Private consumption expenditure	-6.9	7.0	5.3	-6.0	-7.9	4.2	9.8	7.0	3.7
Savings	45.6	-13.8	-9.2	49.7	40.3	-13.0	-14.8	-7.7	-11.4

APPENDIX: NATIONAL ACCOUNTS DATA

Continued: The Main National Accounts Data for the Federal Republic of Germany

Forecast for 2020 to 2022

	2020	2021	2022	2020		2021		2022	
				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	747.2	816.6	853.3	382.2	365	418.2	398.5	434.1	419.2
Direct taxes	417.9	426.9	442.4	208.7	209.1	213.4	213.5	221.4	221.0
Indirect taxes	329.3	389.7	410.9	173.4	155.9	204.7	185.0	212.8	198.2
Net social contributions	594.3	614.1	650.8	295.2	299.1	296.4	317.7	315.7	335.1
Property income	20.7	19.5	19.4	12.4	8.3	11.3	8.2	11.2	8.1
Other transfers	25.1	25.5	26	11.8	13.4	12.0	13.6	12.1	13.8
Capital transfers	15.3	14.2	14.4	7.0	8.2	6.2	8.0	6.3	8.1
Sales	126.3	131.4	134.8	58.1	68.1	61.3	70.2	62.8	72.0
Other subsidies	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total revenues	1,529.0	1,621.6	1,698.9	766.7	762.2	805.4	816.3	842.4	856.4
Expenditures									
Intermediate consumption	204.4	207.4	213.4	97.4	107.1	96.6	110.8	99.6	113.8
Compensation of employees	281.0	284.8	289.1	135.8	145.2	137.8	147.1	139.8	149.3
Social benefits in kind	310.4	333.5	346.1	148.5	161.8	163.9	169.6	170.2	175.9
Property income (interests)	21.4	16.8	14.4	11.7	9.7	8.9	7.9	7.5	6.9
Subsidies	99.5	73.7	67.2	39.9	59.6	35.7	38.0	33.4	33.8
Social benefits	592.3	598.1	603.2	288.9	303.4	296.4	301.7	298.9	304.3
Other transfers	89.2	91.0	92.4	40.5	48.7	43.4	47.6	43.7	48.8
Gross capital formation	91.7	97.6	101.7	39.4	52.3	42.4	55.2	44.1	57.6
Capital transfers	54.8	53.6	49.8	16.5	38.4	22.1	31.5	20.1	29.8
Acquisitions less disposals of non-financial non-produced assets	-1.1	-1.1	-1.1	-0.4	-0.6	-0.4	-0.6	-0.4	-0.6
Other taxes on production	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Total expenditures	1,744.0	1,755.7	1,776.7	818.3	925.6	846.9	908.8	856.9	919.7
Balance	-215.0	-134.1	-77.8	-51.6	-163.4	-41.5	-92.6	-14.5	-63.3
b) Percentage change over previous year									
Revenues									
Taxes	-9.7	9.3	4.5	-8.1	-11.2	9.4	9.2	3.8	5.2
Direct taxes	-8.6	2.2	3.6	-10.2	-7.0	2.3	2.1	3.7	3.5
Indirect taxes	-10.9	18.4	5.4	-5.4	-16.3	18.1	18.7	3.9	7.1
Net social contributions	-0.5	3.3	6.0	1.8	-2.8	0.4	6.2	6.5	5.5
Property income	-5.6	-5.9	-0.7	-5.8	-5.2	-9.1	-1.0	-0.4	-1.0
Other transfers	-0.2	1.7	1.6	3.8	-3.5	1.7	1.7	1.5	1.7
Capital transfers	10.9	-6.7	1.3	16.1	6.7	-11.8	-2.3	1.4	1.2
Sales	1.1	4.1	2.6	-0.9	2.9	5.4	3.0	2.5	2.6
Other subsidies	-4.1	0.0	0.0	-11.1	0.0	0.0	0.0	0.0	0.0
Total revenues	-5.1	6.1	4.8	-3.6	-6.5	5.0	7.1	4.6	4.9
Expenditures									
Intermediate consumption	12.4	1.5	2.9	17.3	8.2	-0.8	3.5	3.1	2.7
Compensation of employees	3.5	1.4	1.5	4.1	2.9	1.4	1.3	1.5	1.5
Social benefits in kind	3.3	7.4	3.8	0.4	6.1	10.4	4.8	3.9	3.7
Property income (interests)	-22.2	-21.5	-14.2	-18.3	-26.4	-23.8	-18.8	-15.8	-12.3
Subsidies	222.9	-25.9	-8.9	177.5	262.6	-10.5	-36.2	-6.6	-11.1
Social benefits	8.6	1.0	0.9	6.7	10.5	2.6	-0.6	0.8	0.9
Other transfers ⁷	15.0	1.8	1.5	3.9	11.2	2.9	-1.1	0.3	1.2
Gross capital formation	6.5	6.4	4.2	4.6	7.9	7.5	5.5	4.0	4.3
Capital transfers ⁷	13.8	-1.2	-3.7	17.8	42	34	-17.8	-9.2	-5.4
Acquisitions less disposals of non-financial non-produced assets ⁷	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Other taxes on production ⁷	0.0	0.0	0.0	3.0	0.0	0.0	0.1	0.0	0.0
Total expenditures	11.9	0.7	1.2	9.3	14.4	3.5	-1.8	1.2	1.2

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); Forecast by DIW Berlin.

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