

Michelsen, Claus et al.

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German economy: optimistic despite decline as 2020 ends

By Claus Michelsen, Paul Berenberg-Gossler, Marius Clemens, Max Hanisch, Simon Junker, and Laura Pagenhardt

ABSTRACT

The coronavirus pandemic is once again slowing down the German economy: Following a strong and unexpected economic recovery over summer 2020, which compensated for large parts of the losses from the spring, the second wave has resulted in renewed restrictions affecting both social and economic life. Therefore, the German economy is likely to shrink again in the final quarter of 2020. If the second wave can be brought under control over the course of winter 2020/2021, as this forecast assumes, there is still hope of a speedy recovery. In this case, the German economy would reach its pre-crisis level in the later part of 2021. However, there is a significant risk that things will progress differently: If the second wave lasts longer than assumed, the recovery in spring 2021 will probably not occur. As a result, many companies and even banks would face considerable difficulties, which could lead to an even deeper economic crisis. However, there is hope the pandemic will soon end due to breakthroughs in developing vaccines and the impending rollouts.

The coronavirus pandemic continues to significantly affect economic development in Germany. The second wave, which began in fall 2020, is putting a temporary stop on the strong economic recovery Germany had been experiencing. Economic actors are once again acting carefully, reducing social contacts, and foregoing free time activities, resulting in significant sales losses in affected branches of the economy. Germany, like many other countries, is reinforcing this behavior by strengthening official containment measures.

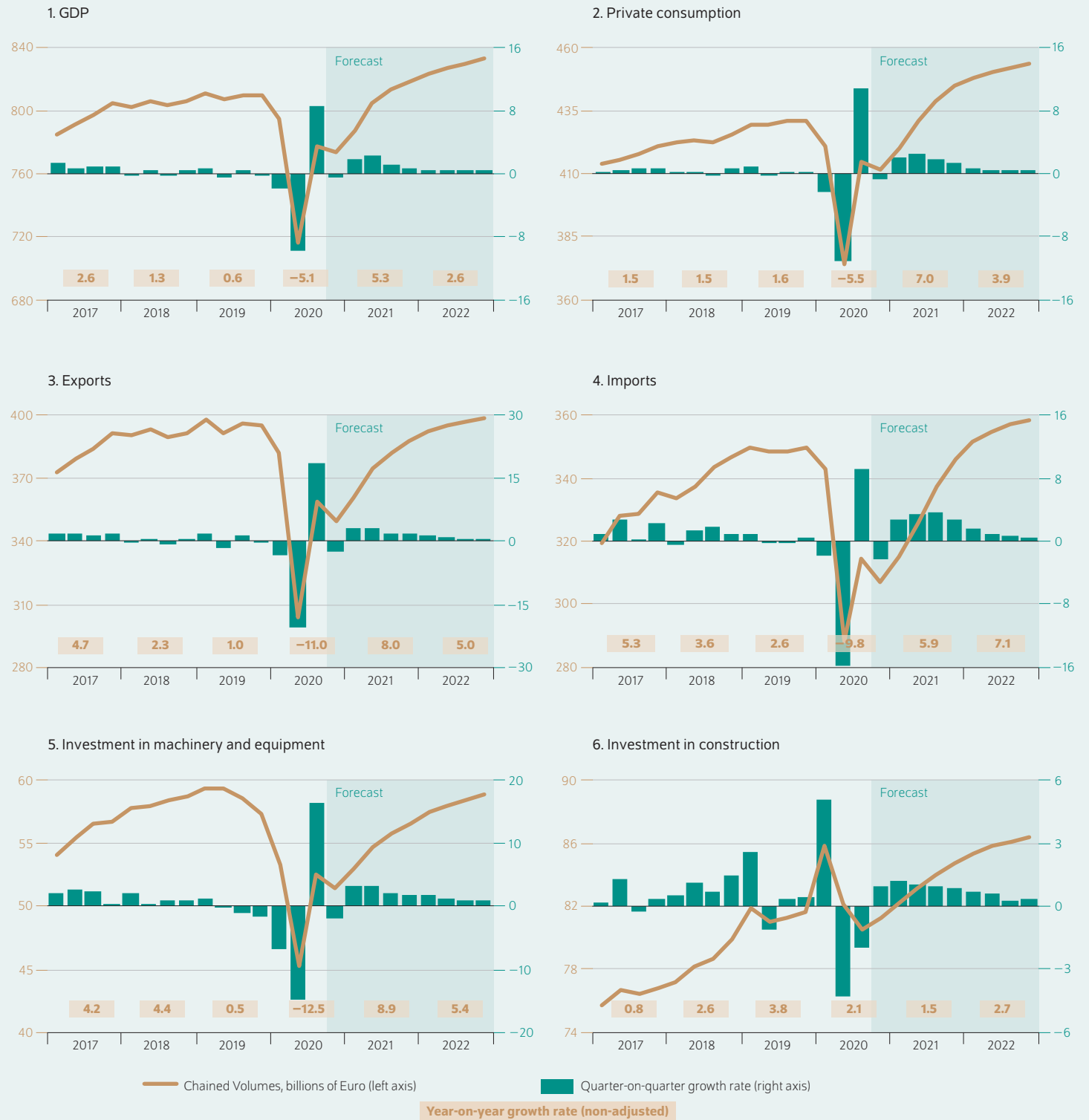
In the present forecast, it is assumed that these measures can rapidly contain the pandemic, that restrictions will begin to be reduced gradually in mid-January 2021, and that the impending arrival of a vaccine will increase the confidence of economic actors.

Given these favorable conditions, the German economy is likely to return to a path of recovery by the first quarter of 2021 after shrinking in the final quarter of 2020. As in summer 2020, a loosening of lockdown measures will be accompanied by strong catch-up growth. A decline in economic output of 5.1 percent in 2020 (see Figure) will be followed by correspondingly strong growth of 5.3 percent in 2021. With 2.6 percent growth in 2022, overall economic capacity will once again be normally utilized. If the second wave cannot be contained and restrictions last until spring 2021, the economic output in Germany could be 1.5 percent less than in the more optimistic scenario.

It is entirely possible the second wave will not be successfully contained. In that case, the containment measures must remain in place longer, preventing the affected branches from recovering rapidly. The insolvency risk would also increase with prolonged declines in sales. So far, this risk has not been a pressing issue, as the requirement to file for insolvency and government aid has been suspended. However, the equity base of many companies is likely to have already begun deteriorating in the spring and will be further negatively affected by the setback in the final quarter of 2020. A wave of insolvencies would create unused capital that can only gradually be used for other purposes. In addition, workers in the affected companies would lose their jobs. Even if many of them are already working short-time,

Figure

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



Sources: Federal Statistical Office; DIW Berlin Economic Outlook Winter 2020. Forecast from 2020 Q4 onward.

Table 1

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	-2.3	-11.1	10.8	-0.7	2.0	2.6	1.9	1.4	0.7	0.4	0.4	0.4
Public consumption	0.8	2.2	0.8	0.5	0.4	0.3	0.3	0.3	0.4	0.4	0.3	0.3
Gross fixed capital formation	-0.4	-6.6	3.6	0.0	1.7	1.6	1.3	1.1	1.0	0.8	0.5	0.5
Investment in machinery and equipment	5.1	-4.3	-2.0	0.9	1.2	1.0	1.0	0.9	0.7	0.6	0.3	0.3
Construction investment	-7.0	-15.1	16.0	-2.0	3.0	3.0	2.0	1.5	1.5	1.0	0.7	0.7
Other investment	-4.1	0.6	1.9	0.8	0.9	0.8	0.8	0.8	0.9	0.8	0.8	0.8
Change in inventories ¹	0.0	-0.1	-2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic uses	-1.2	-7.2	4.7	-0.2	1.6	1.9	1.4	1.1	0.7	0.5	0.4	0.4
Net exports ¹	-0.8	-2.9	3.9	-0.2	0.3	0.4	-0.3	-0.3	-0.2	0.0	0.0	0.0
Exports	-3.3	-20.5	18.1	-2.6	3.1	3.0	1.7	1.5	1.0	0.7	0.6	0.3
Imports	-1.9	-15.9	9.1	-2.4	2.7	3.4	3.5	2.6	1.6	0.8	0.6	0.4
GDP	-1.9	-9.8	8.5	-0.5	1.8	2.2	1.0	0.7	0.5	0.5	0.4	0.4
Gross value added	-1.5	-10.4	8.0	-0.5	1.8	2.2	1.0	0.7	0.5	0.5	0.4	0.4
Manufacturing	-3.8	-18.3	14.0	1.6	2.4	3.0	1.5	0.9	0.8	0.8	0.7	0.7
Construction	4.8	-3.1	-4.7	1.8	1.2	1.0	1.0	0.9	0.7	0.6	0.3	0.3
Trade, accomodation, transport	-1.2	-14.2	13.8	-4.8	2.4	4.5	1.5	0.9	0.7	0.5	0.4	0.4
Business and production services	-1.9	-12.0	6.1	-1.5	2.8	2.6	1.0	0.7	0.4	0.3	0.3	0.3
Public admin, community and social services	-0.9	-8.2	9.5	2.6	1.1	1.0	0.5	0.4	0.3	0.3	0.3	0.3

1 Contribution to GDP growth in percentage points

Source: Federal Statistical Office; DIW Berlin Economic Outlook Winter 2020. Forecast from 2020 Q4 onward.

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this can noticeably strain the overall labor volume and result in income losses. This forecast also assumes that the presumably high number of quarantine cases are not economically significant. However, with 780,000 new infections in Germany in October and November 2020, eight times as many people are testing positive for COVID-19 than compared to the average of previous quarters. These people must spend up to two weeks in quarantine, resulting in an inability to work for those who cannot work from home. This could also affect people who have been in direct contact with the infected people, as they must also quarantine. None of this is included in the forecast presented here.

However, the second wave is likely to weigh less on economic development in Germany overall compared to spring 2020 (see Table 1). For one, the restrictions are less rigid than in the spring. For example, schools, day care centers, and retail stores are currently allowed to remain open, while in March and April 2020, these sectors were ordered to close. Consumer-oriented services, such as gastronomy or the culture and events sector, have been the hardest hit by the new lockdown. The industrial sector, in contrast, is less affected than it was in the first half of 2020, in part because companies are better prepared for potential supply bottlenecks. The automotive industry also experienced a massive slump in spring 2020, but domestic sales are unlikely to fall again in the final quarter of 2020 due to the temporary reduction in VAT effectively stimulating demand. Foreign demand is set to decline markedly, although not as drastically as in the second quarter. As in spring 2020, companies are likely to combat the decline in economic output in the final quarter mainly

with short-time work. A substantial increase in the number of short-time workers in November and December will temporarily interrupt the recent downtrend. Employment, on the other hand, is affected to a much lesser degree, with declines especially among mini-jobbers.

Beginning in 2021, the global economy should improve and boost German exports as the lockdown measures end gradually in many places and hopes for an end to the pandemic increase. However, exports will likely not reach the pre-crisis level until late in the forecast period. The German export economy, which is heavily investment oriented, is being dampened due to a slow recovery of corporate investment both domestically and worldwide. Private consumption, by contrast, will likely experience strong growth following the forced break in the fourth quarter, in part due to economic policy having stabilized disposable incomes.

The path to recovery is also appearing on the labor market. Short-time work will be reduced markedly beginning in 2021 and employment figures will rise again following the setback in the final quarter of 2020 due to an increase in employment subject to social security contributions. In contrast, the coronavirus recession has intensified the downward trend among mini-jobbers and especially among the self-employed, where employment is likely to remain permanently lower. In an annual average comparison, unemployment will be roughly at the 2020 rate of 5.9 percent in 2021 before falling to 5.3 percent in 2022 (see Table 2). Due to the recession, wages are only rising moderately, but the growth is trending upwards overall.

Table 2

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	-5.1	5.3	2.6
Domestic employment (1 000 persons)	44,262	44,868	45,269	44,813	44,737	45,052
Unemployed (ILO concept)	1,621	1,468	1,373	1,838	1,818	1,666
Unemployed (BA concept)	2,533	2,340	2,267	2,703	2,679	2,424
Unemployment rate ² (ILO concept)	3.8	3.4	3.2	4.4	4.3	4.0
Unemployment rate ² (BA concept)	5.7	5.2	5.0	5.9	5.9	5.3
Consumer prices ³	1.5	1.8	1.4	0.5	1.6	1.6
Unit labor costs ⁴	1.1	2.8	3.2	3.7	-2.6	1.6
Government budget balance ⁵						
in billion EUR	44	62	52	-186	-146	-78
in percent of GDP	1.4	1.8	1.5	-5.6	-4.1	-2.1
Current account balance, in percent of GDP	7.8	7.4	7.1	7.0	7.5	6.8

1 Price-adjusted, chain-linked

2 As a share of domestic labor force (ILO), resp. Civilian labor force (BA)

3 Consumer price index

4 Compensation of employees (national concept) per hour worked over real GDP

5 According to ESA 2010

Sources: National and international institutions; DIW Berlin Economic Outlook Winter 2020. Forecast from 2020 onward.

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The government deficit is likely to skyrocket to a record 186 billion euros in 2020, partly because of the aid and economic stimulus measures. Since many measures will also involve significant expenditure in the coming years, especially in terms of subsidies, the deficit will remain substantial

at 146 billion euros in 2021 and 78 billion euros in 2022. The government debt ratio is likely to increase to 69 percent this year, and to 71 percent in 2021, and decrease somewhat in 2022.

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

Paul Berenberg-Gossler is a research associate in the Forecasting and Economic Policy Department at DIW Berlin | pberenberggossler@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

Laura Pagenhardt is a research associate in the Forecasting and Economic Policy Department at DIW Berlin | lpagenhardt@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 2022

	2020	2021	2022	2020		2021		2022	
				1. half year	2. half year	1. half year	2. half year	1. half year	2. half year
1. Origin of GDP									
Percentage change over previous year									
Domestic employment	-1.0	-0.2	0.7	-0.5	-1.5	-0.8	0.5	0.7	0.7
Hours worked, per working day	-5.2	3.3	1.6	-5.3	-5.1	3.7	3.0	1.2	1.9
Working days	1.5	0.1	-0.1	0.5	2.4	0.0	0.2	0.8	-1.0
Labour volume, calendar-monthly	-4.6	3.2	2.1	-5.1	-4.2	2.8	3.7	2.8	1.5
Labour productivity ¹	-0.4	2.0	0.5	-1.4	0.5	2.6	1.5	0.9	0.0
Gross domestic product, price adjusted	-5.1	5.3	2.6	-6.5	-3.7	5.4	5.2	3.8	1.6
2. Disposition of GDP in current prices									
a) Billion EUR									
Final consumption expenditure	2,463.4	2,633.1	2,755.0	1,197.1	1,266.3	1,270.0	1,363.1	1,346.8	1,408.2
Private consumption expenditure ²	1,715.4	1,857.3	1,956.2	833.0	882.5	893.3	964.0	957.4	998.8
Government consumption expenditure	748.0	775.9	798.8	364.1	383.9	376.7	399.1	389.4	409.4
Gross fixed capital formation (GFCF)	735.8	777.7	820.1	354.6	381.2	368.3	409.4	393.3	426.8
Construction	212.9	234.5	248.8	98.0	115.0	109.0	125.5	118.1	130.7
Machinery and equipment	388.2	401.1	422.2	193.0	195.2	191.9	209.2	204.5	217.7
GFCF in other products	134.7	142.1	149.2	63.6	71.1	67.4	74.7	70.7	78.5
Change in stocks ³	-64.6	-90.0	-92.5	-14.7	-49.9	-39.7	-50.3	-41.6	-50.8
Domestic uses	3,134.7	3,320.8	3,482.6	1,536.9	1,597.7	1,598.6	1,722.2	1,698.5	1,784.2
Balance of exports and imports	186.7	218.2	202.5	83.7	103.1	119.4	98.8	110.0	92.5
Exports	1,432.9	1,552.4	1,640.1	703.3	729.7	753.0	799.4	814.3	825.8
Imports	1,246.2	1,334.3	1,437.7	619.6	626.6	633.6	700.7	704.3	733.3
GDP	3,321.4	3,539.0	3,685.1	1,620.6	1,700.8	1,718.0	1,821.0	1,808.5	1,876.6
b) Percentage change over previous year									
Final consumption expenditure	-1.9	6.9	4.6	-2.3	-1.6	6.1	7.6	6.0	3.3
Private consumption expenditure ²	-5.1	8.3	5.3	-5.8	-4.3	7.2	9.2	7.2	3.6
Government consumption expenditure	6.2	3.7	3.0	6.9	5.4	3.5	4.0	3.4	2.6
Gross fixed capital formation (GFCF)	-1.6	5.7	5.5	-1.6	-1.6	3.9	7.4	6.8	4.2
Construction	-11.3	10.1	6.1	-15.5	-7.5	11.3	9.1	8.4	4.1
Machinery and equipment	3.9	3.3	5.3	6.7	1.3	-0.6	7.2	6.6	4.0
GFCF in other products	0.4	5.5	5.0	0.2	0.6	5.9	5.1	5.0	5.0
Domestic uses	-3.5	5.9	4.9	-3.3	-3.8	4.0	7.8	6.2	3.6
Exports	-11.4	8.3	5.6	-12.7	-10.1	7.1	9.6	8.1	3.3
Imports	-12.1	7.1	7.7	-11.7	-12.4	2.3	11.8	11.2	4.7
GDP	-3.7	6.6	4.1	-4.3	-3.2	6.0	7.1	5.3	3.1
3. Disposition of GDP, adjusted for prices									
a) Chain-linked estimated in billion EUR									
Final consumption expenditure	2,306.6	2,434.8	2,512.1	1,120.5	1,186.2	1,184.3	1,250.5	1,237.1	1,275.0
Private consumption expenditure ²	1,623.9	1,737.7	1,805.8	784.9	839.0	839.0	898.7	887.3	918.4
Government consumption expenditure	681.7	696.9	706.6	335.0	346.7	345.0	351.9	349.8	356.8
Gross fixed capital formation (GFCF)	662.5	689.5	714.5	318.7	343.8	327.7	361.8	343.9	370.6
Construction	204.0	222.2	234.2	94.0	110.0	103.3	118.9	111.1	123.1
Machinery and equipment	331.3	336.1	345.1	163.8	167.5	161.7	174.4	168.1	177.0
GFCF in other products	125.0	129.9	134.3	59.3	65.7	61.9	68.0	64.0	70.4
Domestic uses	2,921.5	3,048.0	3,149.7	1,434.2	1,487.3	1,478.3	1,569.7	1,546.6	1,603.1
Exports	1,400.9	1,513.7	1,589.5	686.2	714.7	735.9	777.8	791.0	798.5
Imports	1,255.9	1,330.6	1,425.4	623.6	632.3	633.8	696.8	699.3	726.0
GDP	3,068.5	3,232.0	3,317.3	1,498.2	1,570.3	1,579.7	1,652.2	1,639.3	1,678.0
b) Percentage change over previous year									
Final consumption expenditure	-2.8	5.6	3.2	-4.1	-1.6	5.7	5.4	4.5	2.0
Private consumption expenditure ²	-5.5	7.0	3.9	-7.2	-3.9	6.9	7.1	5.8	2.2
Government consumption expenditure	4.1	2.2	1.4	3.8	4.3	3.0	1.5	1.4	1.4
Gross fixed capital formation (GFCF)	-3.2	4.1	3.6	-3.8	-2.6	2.8	5.2	4.9	2.5
Construction	-12.5	8.9	5.4	-16.7	-8.6	9.9	8.1	7.6	3.5
Machinery and equipment	2.1	1.5	2.7	3.6	0.6	-1.3	4.2	3.9	1.5
GFCF in other products	-1.0	3.9	3.4	-1.2	-0.8	4.3	3.5	3.4	3.5
Domestic uses	-4.2	4.3	3.3	-4.6	-3.8	3.1	5.5	4.6	2.1
Exports	-11.0	8.0	5.0	-12.7	-9.3	7.2	8.8	7.5	2.7
Imports	-9.8	5.9	7.1	-9.3	-10.2	1.6	10.2	10.3	4.2
GDP	-5.1	5.3	2.6	-6.5	-3.7	5.4	5.2	3.8	1.6

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	
				1. half year	2. half year	1. half year	2. half year	1. half year	2. half year
4. Price level of national expenditure (2015 = 100)									
Percentage change over previous year									
Private consumption expenditure ²	0.5	1.2	1.4	1.5	-0.4	0.3	2.0	1.3	1.4
Government consumption expenditure	2.0	1.4	1.6	3.0	1.1	0.5	2.4	1.9	1.2
Gross fixed capital formation (GFCF)	1.6	1.5	1.8	2.2	1.0	1.0	2.1	1.8	1.7
Construction	1.4	1.1	0.7	1.4	1.3	1.2	0.9	0.7	0.6
Machinery and equipment	1.8	1.8	2.5	3.0	0.6	0.7	2.9	2.5	2.5
Exports	-0.5	0.3	0.6	0.0	-0.9	-0.2	0.7	0.6	0.6
Imports	-2.6	1.1	0.6	-2.6	-2.5	0.6	1.5	0.7	0.4
GDP	1.4	1.2	1.5	2.4	0.6	0.5	1.8	1.4	1.5
5. Distribution of income									
a) Billion EUR									
Primary income of private households ²	2,390.2	2,472.4	2,582.5	1,185.6	1,204.6	1,225.1	1,247.4	1,280.0	1,302.5
Employers' social contributions	333.1	335.0	346.0	161.2	171.8	163.5	171.5	169.3	176.7
Gross wages and salaries	1,497.2	1,543.4	1,610.3	721.1	776.1	739.4	804.1	768.0	842.3
Other primary income of private households ⁴	559.9	594.0	626.1	303.3	256.7	322.2	271.8	342.7	283.4
Primary income of other institutional sectors	370.0	499.2	516.6	146.2	223.8	203.1	296.1	229.2	287.3
Net national income (primary income)	2,760.2	2,971.6	3,099.0	1,331.8	1,428.4	1,428.2	1,543.5	1,509.2	1,589.8
Consumption of fixed capital	656.5	668.3	691.1	329.1	327.4	331.8	336.5	343.5	347.6
Gross national income	3,416.8	3,639.9	3,790.2	1,660.9	1,755.8	1,759.9	1,880.0	1,852.8	1,937.4
Memorandum item:									
Net national income (factor costs)	2,517.2	2,646.8	2,726.7	1,196.5	1,320.6	1,263.9	1,382.9	1,318.6	1,408.1
Property and entrepreneurial income	686.9	768.4	770.4	314.2	372.7	361.0	407.4	381.3	389.1
Compensation of employees	1,830.3	1,878.4	1,956.3	882.4	947.9	902.9	975.5	937.3	1,019.1
b) Percentage change over previous year									
Primary income of private households ²	-1.4	3.4	4.5	-1.1	-1.7	3.3	3.6	4.5	4.4
Employers' social contributions	2.7	0.6	3.3	2.6	2.8	1.4	-0.2	3.5	3.1
Gross wages and salaries	-1.6	3.1	4.3	-0.8	-2.3	2.5	3.6	3.9	4.8
Other primary income of private households ⁴	-3.2	6.1	5.4	-3.6	-2.8	6.2	5.9	6.4	4.3
Primary income of other institutional sectors	-22.7	34.9	3.5	-31.6	-15.6	38.9	32.3	12.9	-3.0
Net national income (primary income)	-4.9	7.7	4.3	-5.7	-4.2	7.2	8.1	5.7	3.0
Consumption of fixed capital	2.6	1.8	3.4	3.6	1.6	0.8	2.8	3.5	3.3
Gross national income	-3.6	6.5	4.1	-4.0	-3.2	6.0	7.1	5.3	3.1
Memorandum item:									
Net national income (factor costs)	-1.8	5.1	3.0	-3.8	0.0	5.6	4.7	4.3	1.8
Property and entrepreneurial income	-4.4	11.9	0.3	-12.5	3.8	14.9	9.3	5.6	-4.5
Compensation of employees	-0.8	2.6	4.1	-0.2	-1.5	2.3	2.9	3.8	4.5
6. Income and expenditure of private households									
a) Billion EUR									
Mass income	1,524.5	1,565.6	1,605.0	732.6	792.0	758.6	807.0	770.7	834.3
Net wages and salaries	1,009.8	1,046.3	1,086.2	480.6	529.2	494.2	552.1	510.3	575.9
Social benefits	654.2	663.9	669.2	320.9	333.3	335.8	328.1	334.7	334.6
Fewer levies on social benefits	139.5	144.6	150.4	69.0	70.5	71.4	73.2	74.2	76.1
Other primary income ⁴	559.9	594.0	626.1	303.3	256.7	322.2	271.8	342.7	283.4
Other transfers received (net) ⁵	-90.2	-92.0	-93.1	-45.7	-44.5	-46.5	-45.5	-47.1	-45.9
Disposable income	1,994.2	2,067.6	2,138.1	990.1	1,004.1	1,034.3	1,033.3	1,066.4	1,071.7
Memorandum item:									
Adjustment for the change in net equity of households in pension funds reserves	57.4	57.4	57.5	27.9	29.5	27.9	29.5	27.9	29.5
Private consumption expenditure	1,715.4	1,857.3	1,956.2	833.0	882.5	893.3	964.0	957.4	998.8
Saving	336.2	267.8	239.4	185.0	151.2	168.9	98.9	136.9	102.4
Saving ratio in percent ⁶	16.4	12.6	10.9	18.2	14.6	15.9	9.3	12.5	9.3
b) Percentage change over previous year									
Mass income	2.2	2.7	2.5	2.2	2.3	3.6	1.9	1.6	3.4
Net wages and salaries	-1.0	3.6	3.8	-0.4	-1.6	2.8	4.3	3.3	4.3
Social benefits	7.9	1.5	0.8	6.6	9.2	4.7	-1.6	-0.4	2.0
Fewer levies on social benefits	3.0	3.7	4.0	3.2	2.8	3.6	3.8	3.9	4.0
Other primary income ⁴	-3.2	6.1	5.4	-3.6	-2.8	6.2	5.9	6.4	4.3
Disposable income	1.2	3.7	3.4	1.0	1.5	4.5	2.9	3.1	3.7
Private consumption expenditure	-5.1	8.3	5.3	-5.8	-4.3	7.2	9.2	7.2	3.6
Savings	52.6	-20.3	-10.6	49.2	57.1	-8.7	-34.6	-18.9	3.6

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	
				1. half year	2. half year	1. half year	2. half year	1. half year	2. half year
7. Government revenues and expenditures ⁶									
a) Billion EUR									
Revenues									
Taxes	755.4	813.4	863.0	386.6	368.9	415.6	397.8	437.3	425.7
Direct taxes	419.8	422.9	444.7	212.3	207.5	213.2	209.7	224.2	220.5
Indirect taxes	335.6	390.5	418.3	174.3	161.4	202.4	188.1	213.1	205.2
Net social contributions	606.2	618.4	639.8	295.2	311.0	300.6	317.8	311.6	328.2
Property income	19.7	18.3	18.2	12.0	7.7	10.7	7.6	10.7	7.5
Other transfers	24.3	24.7	25.1	11.2	13.1	11.4	13.3	11.6	13.5
Capital transfers	15.1	14.8	15.2	7.0	8.0	6.7	8.1	6.9	8.3
Sales	123.0	128.0	132.0	58.0	65.0	60.4	67.6	62.4	69.6
Other subsidies	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total revenues	1,543.8	1,617.8	1,693.5	770.0	773.8	805.6	812.3	840.5	853.0
Expenditures									
Intermediate consumption	205.4	206.8	212.1	97.7	107.7	97.0	109.7	99.6	112.6
Compensation of employees	282.7	288.8	295.4	136.3	146.5	139.4	149.4	142.5	152.8
Social benefits in kind	307.2	329.1	340.9	150.2	157.0	160.9	168.2	168.4	172.5
Property income (interests)	23.8	20.7	18.6	11.8	12.0	10.1	10.6	9.0	9.6
Subsidies	92.5	65.6	46.0	38.9	53.6	38.1	27.5	22.4	23.5
Social benefits	593.2	602.8	607.9	290.6	302.7	305.4	297.4	304.1	303.8
Other transfers	83.1	91.6	92.9	40.2	42.8	44.7	46.9	45.8	47.1
Gross capital formation	92.8	100.5	104.4	40.8	52.0	43.7	56.8	46.6	57.8
Capital transfers	49.9	58.3	53.9	18.1	31.8	24.1	34.2	21.8	32.1
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	0.2	0.2	0.2	0.2	0.2	0.2
Total expenditures	1,729.9	1,763.4	1,771.2	824.2	905.6	863.1	900.2	859.8	911.4
Balance	-186.0	-145.5	-77.7	-54.2	-131.8	-57.6	-88.0	-19.3	-58.4
b) Percentage change over previous year									
Revenues									
Taxes	-8.7	7.7	6.1	-7.1	-10.3	7.5	7.8	5.2	7.0
Direct taxes	-8.2	0.7	5.2	-8.7	-7.7	0.4	1.0	5.1	5.2
Indirect taxes	-9.2	16.3	7.1	-5.0	-13.4	16.1	16.6	5.3	9.1
Net social contributions	1.4	2.0	3.5	1.8	1.1	1.8	2.2	3.7	3.3
Property income	-10.2	-7.1	-0.7	-9.1	-11.8	-10.3	-2.2	-0.4	-1.1
Other transfers	-3.4	1.7	1.6	-1.0	-5.4	1.7	1.6	1.5	1.7
Capital transfers	9.4	-1.5	2.2	15.9	4.4	-3.9	0.7	2.3	2.1
Sales	-1.5	4.1	3.1	-1.1	-1.9	4.1	4.1	3.3	3.0
Other subsidies	-11.0	0.0	0.0	-7.9	-12.8	0.0	0.0	0.0	0.0
Total revenues	-4.1	4.8	4.7	-3.2	-5.1	4.6	5.0	4.3	5.0
Expenditures									
Intermediate consumption	12.9	0.7	2.6	17.7	8.8	-0.7	1.9	2.6	2.6
Compensation of employees	4.1	2.2	2.3	4.5	3.8	2.3	2.0	2.2	2.3
Social benefits in kind	2.3	7.1	3.6	1.6	2.9	7.1	7.1	4.6	2.6
Property income (interests)	-13.3	-12.9	-10.4	-17.9	-8.4	-13.9	-11.9	-11.4	-9.4
Subsidies	200.4	-29.1	-30.0	170.7	226.4	-2.2	-48.6	-41.1	-14.6
Social benefits	8.8	1.6	0.9	7.3	10.2	5.1	-1.8	-0.4	2.2
Other transfers ⁷	8.9	8.6	1.3	3.6	5.4	4.5	4.1	1.1	0.2
Gross capital formation	7.7	8.2	3.9	8.3	7.3	7.0	9.2	6.6	1.8
Capital transfers ⁷	8.9	8.4	-4.4	29.3	17.7	33.4	7.5	-9.7	-6.1
Acquisitions less disposals of non-financial non-produced assets ⁷	0.0	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	0.0	0.0	0.0
Total expenditures	11.0	1.9	0.4	10.1	11.9	4.7	-0.6	-0.4	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 saving 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 Winter 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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Prof. Dr. Tomaso Duso; Prof. Marcel Fratzscher, Ph.D.; Prof. Dr. Peter Haan;
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Dr. Alexander Zerrahn

Sale and distribution

DIW Berlin Leserservice, Postfach 74, 77649 Offenburg

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