

## DIW Economic Outlook



**REPORT** by Ferdinand Fichtner, Guido Baldi, Franziska Bremus, Karl Brenke, Christian Dreger, Hella Engerer, Christoph Große Steffen, Simon Junker, Claus Michelsen, Katharina Pijnenburg, Maximilian Podstawski, Malte Rieth, Dirk Ulbricht und Kristina van Deuverden

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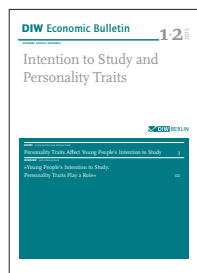
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## NEXT ISSUE OF DIW ECONOMIC BULLETIN

# Distribution of refugees very uneven among EU member states—even when accounting for economic strength and total population

# German economy remains on track

By Ferdinand Fichtner, Guido Baldi, Franziska Bremus, Karl Brenke, Christian Dreger, Hella Engerer, Christoph Große Steffen, Simon Junker, Claus Michelsen, Katharina Pijnenburg, Maximilian Podstawski, Malte Rieth, Dirk Ulbricht und Kristina van Deuverden

The German economy is on track, and will likely grow by 1.8 percent this year; in the coming year, with a slight increase in dynamics, it will grow by 1.9 percent. With these figures DIW Berlin confirms its forecast from this summer. Employment growth continues; the unemployment rate will decrease this year to 6.4 percent, where it will remain in 2016. Due to the sharp drop in oil prices this year, inflation is low and stands at 0.4 percent; next year it will climb to 1.4 percent.

Global economic growth is likely to experience a slight increase during the forecast period. In the industrialized countries in particular, the renewed drop in energy prices keeps inflation rates low. In addition, many countries have experienced steady improvements in labor markets. Together, these two factors support consumption and the purchasing power of households. Recovery in the euro area is moving forward. The euro's external value is low, the monetary policy is very expansionary, and major trading partners are growing vigorously; consumption is likely to develop well, and in the course of time, corporate investment is also expected to recover. In the emerging markets, growth will remain subdued this year. Higher financial market volatility is leading to deterioration in financing conditions. They are expected to contribute more to global growth next year, when for example Russia and Brazil have emerged from recession.

German exports continue their upward trend: A strong upturn in major industrial countries, as well as the continued recovery within the euro area, are compensating for the somewhat weaker demand from the emerging countries. In net terms, however, foreign trade barely contributes to growth, because imports will increase significantly as part of the dynamic domestic economy. Consumption is supporting the growth of the German economy. The low inflation substantially supports consumers' purchasing power. But nominal incomes are also experiencing strong increases:

The employment growth continues – the number of employed individuals is expected to rise at roughly the rate of previous quarters – and wages have noticeably increased, also due to the introduction of the minimum wage.

Other important factors are the significant increases in social benefits; these are primarily due to a sharp increase in pensions, but also to the benefits being received by the refugees, which should give private consumption an additional boost. In contrast, investment will be rather subdued overall. Concerns about the future of the euro area are likely to dampen investment plans. Furthermore, considerable uncertainties about the development of important markets have recently intensified, particularly in China. There are also unresolved geopolitical conflicts, especially the tensions with Russia. Nevertheless, a moderate expansion of investment in equipment is emerging. With robust foreign demand and fully utilized capacities in the industry, these investments are expected to rise over time, especially since the dynamic domestic demand should provide an impetus.

However, the risks to the economy remain high and in fact have recently increased. The impending interest rate turnaround in the U.S. could lead to unexpectedly strong capital outflows from the emerging countries; given the high private debt – especially since it is often in foreign currency – this could dampen economic momentum in these countries as well. Although a significant slump in the Chinese economy is expected to be handled with expansionary measures by the government, there is the risk that they may not take sufficient countermeasures in time. It has also been shown in the past that uncertainty about the further development of European integration can flare up quickly. In addition, the recently high volatility of oil prices shows that a new stable equilibrium still has not been established on the market. The planning uncertainty bound up with this could dampen the disposition of many corporations more strongly than assumed here.

# Europe and the global economy: consumption in advanced economies supports growth

The pace of expansion in the global economy has seen only a slight acceleration in the second quarter after a weak start earlier this year. Growth in both industrialized and emerging countries has increased somewhat (Figure 1). While consumption has primarily been responsible for spurring the economy in the industrialized countries, investment also recorded some growth as well. The euro area's economy continues in its recovery, and the southern countries are increasingly supporting the expansion. The U.S. economy gathered considerable momentum; catch-up effects, however, played an important role after a weak first quarter. In contrast, Japan's economy shrunk.

Although economic activity in the emerging countries remained subdued in the second quarter overall, the Chinese economy experienced somewhat more powerful growth than it did at the beginning of the year. In India, however, the pace of expansion decreased. Production continued to shrink in Russia and Brazil, which are also suffering from a further decline in commodity prices and—due to a further depreciation of their currencies—high inflation rates that are leading to relatively restrictive monetary policy, given subpar growth in both countries.

Overall, global economic growth is expected to increase somewhat during the forecast period. In the industrialized countries in particular, the decline in energy prices has kept inflation rates low; in addition, many countries have seen continuous improvements in the labor market. Together, these factors support consumption and the purchasing power of households. Over time, this should lead to an increase in corporate investment activity, when companies will increasingly make use of the still-low interest rates. Growth in emerging markets is not expected to accelerate significantly this year. Higher financial market volatility due to the impending U.S. interest rate hikes as well as growth-related concerns about China are leading to poorer financing conditions. Emerging market countries should stabilize somewhat overall when, for example Russia and Brazil emerge from their recessions next year.

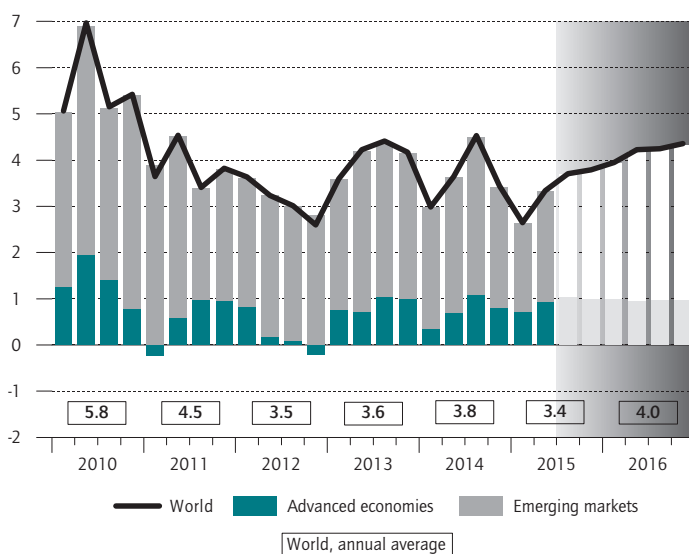
The monetary policy environment will remain expansive globally this year, despite an expected rate hike in the U.S. In the euro area and Japan, the orientation of monetary policy is very accommodative. In China, the central bank has recently taken further measures to support the economy. In the UK, key interest rates should only begin to rise in the coming year. Fiscal policy will likewise contribute globally to growth.

All in all, the average annual growth rate of the global economy should stand at 3.4 percent for 2015 and 4.0 percent for the following year (Table 1). Inflation will remain at 1.5 percent for the remainder of 2015 and will increase to 2 percent next year, primarily due to the fact that energy prices are no longer declining.

Figure 1

## World real GDP

In percent



Sources: National statistical offices; DIW autumn projections 2015.

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The world economy will expand gradually in the years 2015 and 2016.

Table 1

**Real gross domestic product, consumer price inflation, and unemployment rate in the world economy**

In percent

	Gross domestic product				Consumer prices				Unemployment rate			
	Change over previous year											
	2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016
Euro area	−0.2	0.9	1.5	1.7	1.3	0.4	0.1	1.0	12.0	11.6	11.0	10.5
... without Germany	−0.6	0.4	1.5	1.6	1.3	0.3	0.1	0.8	14.0	13.8	13.2	12.4
... France	0.7	0.2	1.0	1.1	0.8	0.5	0.1	0.8	10.3	10.3	10.2	10.1
... Italy	−1.2	1.4	3.2	2.7	1.4	−0.2	−0.3	0.6	26.1	24.4	22.2	20.0
... Spain	−1.7	−0.4	0.7	1.2	1.3	0.2	0.3	0.8	12.1	12.6	12.5	11.7
... Netherlands	−0.4	1.0	1.9	1.9	2.6	0.3	0.5	1.4	7.3	7.4	6.8	6.4
United Kingdom	1.7	3.0	2.4	2.2	2.5	1.5	0.2	1.6	7.5	6.1	5.5	5.3
USA	1.5	2.4	2.5	2.8	1.5	1.6	0.3	1.6	7.4	6.2	5.3	4.9
Japan	1.6	−0.1	1.0	1.5	0.3	2.8	0.8	0.4	4.0	3.6	3.6	3.8
South Korea	2.9	3.3	2.5	3.4	1.3	1.3	0.8	1.7	3.1	3.6	3.4	3.0
Middle Eastern Europe	1.6	3.0	3.6	3.5	1.4	0.3	−0.2	1.2	9.5	8.4	7.6	7.1
Turkey	4.2	2.9	3.1	3.3	7.6	8.9	7.8	7.7	8.9	10.1	10.3	10.3
Russia	1.4	0.7	−3.5	−0.4	6.6	7.9	15.3	7.3	5.5	5.2	5.9	6.5
China	7.7	7.4	6.5	6.5	0.0	−0.6	−1.3	−1.1	3.9	3.8	3.8	3.8
India	6.4	7.2	7.1	7.2	6.8	4.3	1.6	6.1				
Brazil	2.7	0.2	−2.2	0.8	6.2	6.3	8.2	5.4	5.4	4.9	5.7	5.1
Mexico	1.6	2.1	2.5	3.3	3.8	4.0	2.8	3.2	4.9	4.8	4.6	4.8
Advanced Economies	1.1	1.8	2.1	2.4	1.3	1.4	0.3	1.3	7.9	7.0	6.4	6.1
Emerging Markets	5.5	5.4	4.4	5.1	2.9	2.4	2.4	2.6	4.9	4.8	4.9	4.9
World	3.6	3.8	3.4	4.0	2.2	2.0	1.5	2.0	6.2	5.8	5.6	5.4

Sources: National statistical offices; DIW autumn projections 2015.

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The risks to the global economy, however, have increased recently. In particular, financing conditions for emerging countries could unexpectedly experience a considerable deterioration in the wake of U.S. interest rate increases. With growth rates that continue to be well below those that have been recorded in recent years, this could threaten the ability for these countries to deal with their overall high private debts. In addition, there is the risk of unexpectedly high foreign exchange losses in emerging countries' currencies, which could make the servicing and refinancing of their external debt in

foreign currencies difficult. Another downside risk to the forecast is a renewed uncertainty about the future development of European integration and a persistently low inflation rate in the euro area. Another risk is that the Chinese government will not succeed in sufficiently stimulating the economy if economic growth slows down significantly more than expected. There is also considerable uncertainty about the further development of the price of oil, since a new stable equilibrium has still not been established on the oil market after last year's considerable price drop.

# The German economy: strong consumption supports growth

The German economy remains on track. In the recent quarters, consumption has been an important driver of GDP growth (Table 2); the increases were and remain well above the long-term average. This, along with increasing investment, should also contribute to the slightly above-average rates in total economic production over the course of the forecast period. Exports continued their upward trend; recently the increase was strong—likely also because German exporters have profited from the euro's depreciation (Figure 2). Although the economic slump in many emerging countries is dampening the export prospects of German companies, the major industrialized countries—including those in the euro area—are developing dynamically. Because the momentum of exchange rate depreciation is dying down, the growth of exports is expected to be lower in the coming year. Thus exports are progressing in step with the expansion of the global economy, which has seen slower growth in the wake of the financial crisis. Due to a buoyant domestic economy, imports are increasing considerably. Net exports will contribute to annual growth, both in 2015 and 2016; yet, the growth share will fade over the forecasting period. The lower energy prices are reduc-

ing the annual average import costs, so that in relation to GDP, the current account will increase to over eight percent this year and be at around eight and a half percent next year (Table 3).

The somewhat moderate pace of the global economy and the resulting subdued export prospects are already indicative of more modest investment. In addition, the shift in growth strength towards industrialized countries and the slowdown in growth expectations for China are linked to uncertainties; additional concerns include the development of the common economic and monetary area and uncertainties due to geopolitical conflicts. Further along, the fully employed industrial capacities will provide impetus for investment. Moreover, the strong domestic economy should stimulate investment activity in the services sector. Construction investment continues its upward trend, albeit slightly less dynamically. With favorable financing conditions and low returns on alternative investments, housing investment remains in demand; real estate prices, however, have started to increase considerably. In addition, public investment will also be expanded further along in the forecast period,

Table 2

## Use of gross domestic product, quarter-on-quarter growth rates price, seasonally and working-day adjusted, in percent

	2014				2015				2016			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Private consumption	0.3	-0.1	0.6	1.0	0.4	0.2	0.5	0.2	0.3	0.4	0.4	0.4
Public consumption	0.4	0.6	0.6	0.5	0.6	0.3	0.9	0.8	0.6	0.6	0.2	0.3
Gross fixed capital formation	2.4	-1.5	-0.7	1.3	1.7	-0.4	0.2	0.5	0.6	0.8	0.9	0.9
Investment in machinery and equipment	-0.2	0.9	-1.9	2.6	1.9	0.1	0.2	0.5	1.0	1.2	1.2	1.2
Construction investment	4.4	-3.8	-0.4	0.6	1.8	-1.2	0.1	0.4	0.5	0.5	0.7	0.7
Other investment	1.9	0.6	0.6	0.7	0.8	0.7	0.4	0.4	0.5	0.6	0.6	0.6
Change in inventories <sup>1</sup>	0.0	0.4	-0.7	0.0	-0.1	-0.4	0.0	0.0	0.0	0.0	0.0	0.0
Domestic uses	0.8	0.1	-0.4	1.0	0.6	-0.3	0.5	0.3	0.4	0.5	0.5	0.5
Net Exports <sup>1</sup>	0.0	-0.2	0.5	-0.3	-0.2	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Exports	0.4	0.4	1.5	1.4	1.2	2.2	1.0	1.1	1.1	1.2	1.2	1.2
Imports	0.6	0.9	0.4	2.3	1.9	0.8	1.1	1.3	1.3	1.4	1.4	1.4
Gross Domestic Product	0.7	-0.1	0.2	0.6	0.3	0.4	0.5	0.3	0.4	0.5	0.5	0.5

<sup>1</sup> contribution to GDP growth in percentage points.

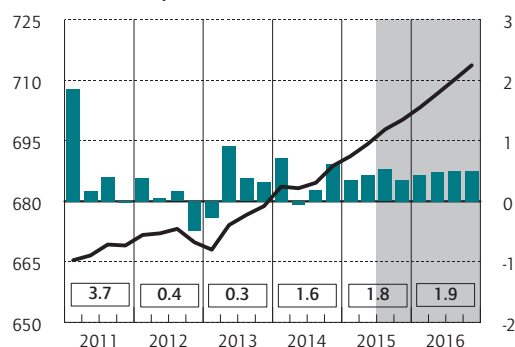
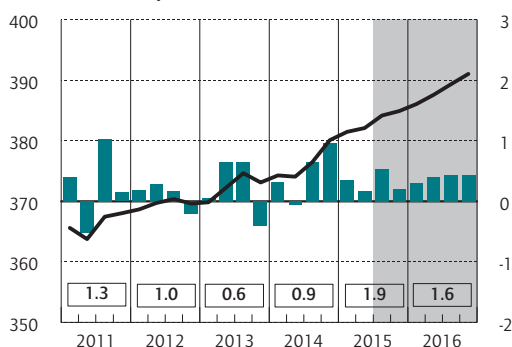
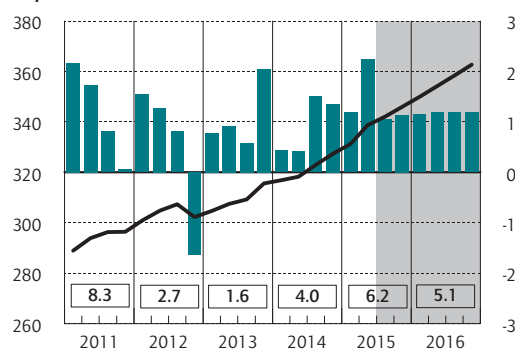
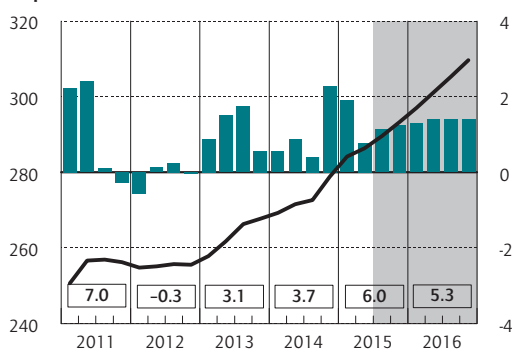
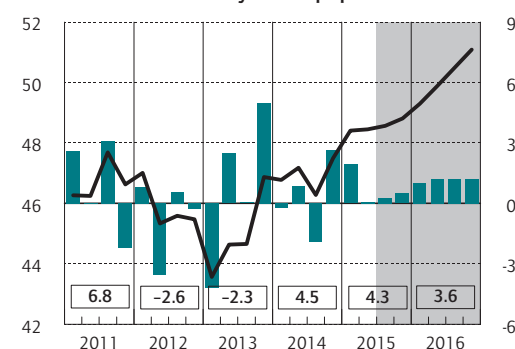
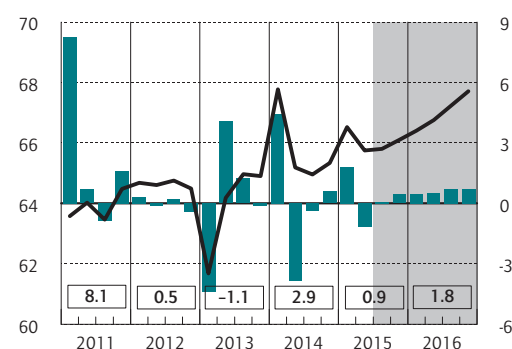
Source: Federal Statistical Office; DIW Berlin, Forecast from 2015q3 onward.

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Figure 2

**Gross domestic product and use of GDP**

Seasonally and working day adjusted

**Gross domestic product****Private consumption****Exports****Imports****Investment in machinery and equipment****Investment in construction**

— Chained volumes, billions of Euro (left axis)  
 ■ Quarter-on-quarter growth rate (right axis)  
 □ Year-on-year growth rate (non-adjusted)

Sources: Federal Statistical Office; Computations by DIW Berlin, forecasts as of 2015 Q2.

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and in particular in the coming year, additional resources will be made available.

Under these circumstances, value added in the industry will continue to expand moderately. GDP growth

will be primarily supported by the service sectors during the forecast period. Corporate service providers will benefit from the upward trend in the industry. But consumer-oriented sectors in particular are expected to develop powerfully: Private consumption will increase

Table 3

**Key economic indicators for the german economy**

	2011	2012	2013	2014	2015	2016
Real GDP <sup>1</sup> (percent change over previous year)	3.7	0.4	0.3	1.6	1.8	1.9
Domestic employment (1,000 persons)	41,577	42,060	42,328	42,703	42,894	43,083
Unemployed (ILO concept)	2,398	2,223	2,182	2,092	1,958	1,987
Unemployed (BA concept)	2,976	2,897	2,950	2,898	2,794	2,843
Unemployment rate <sup>2</sup> (ILO concept)	5.8	5.4	5.2	5.0	4.7	4.7
Unemployment rate <sup>2</sup> (BA concept)	7.1	6.8	6.9	6.7	6.4	6.4
Consumer prices	2.1	2.0	1.5	0.9	0.4	1.4
Unit labor costs <sup>3</sup>	0.5	3.1	2.0	1.6	1.5	1.6
Government budget balance <sup>4</sup>						
in billion EUR	-25.9	-2.4	-3.1	8.9	23.6	19.7
in percent of GDP	-1.0	-0.1	-0.1	0.3	0.8	0.6
Current account balance, in percent of GDP	6.1	6.8	6.4	7.4	8.2	8.4

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; computations by DIW Berlin 2015 and 2016: DIW forecast

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noticeably, also due to the still-increasing wages. Additional consumer demand results from the higher number of refugees. Overall, disposable income will noticeably increase. In the current quarter, the energy prices, which have recently dropped again, are strengthening the purchasing power of households. This year's inflation rate, at 0.4 percent, is expected to turn out low; in the coming year, at 1.4 percent, it will also be moderate.

Employment growth continues. The unemployment rate will further decline this year, to 6.4 percent, and will remain at this level next year as well—despite the increasing number of immigrants.

Although the total population of Germany has been declining since the turn of the millennium, this development was barely noticeable on the labor market because there was an increase in labor participation—especially among the elderly. Now this population development is starting to have a stronger effect, to the point that in 2015, there was the possibility that the workforce in Germany might decline for the first time. But, thanks to migration, the number of employed persons will increase during the forecast period; recognized refugees seeking employment will, however, make up the smaller part of this figure: The present forecast assumes that by the end of the year, nearly 800,000 refugees will come to Germany; they must first be recognized by the asylum process at the overworked processing facilities and their applications must then be approved—with an assumed aver-

age processing time of six months. A part of those whose applications are accepted will try to obtain employment over the coming year. According to available information on age structure and employment behavior, this is likely to amount to just under 120,000 more people, on average, in 2016 than there were this year. In the current year, the increase will be significantly lower with not even 50,000 due to the processing time of asylum applications. The migration from other EU countries, however, is expected increased the number of employed people in net terms by about 1/4 million.

The expenditure stance of the public sector has been loosening considerably for some time. The revenue momentum, however, has until now been large enough to gradually increase the surpluses in the total public budget. Here, the positive fiscal balances shifted from social security to the municipalities and federal states, and the federal budget was well balanced in 2014, contrary to the earlier plans. Public finances are thus ample enough to cope with the challenges they are now facing. The influx of refugees will lead to significant increases in expenditure at the federal, state, and local levels. Despite the additional expenditure, the general budget surplus will more than double this year. Adjusted for the proceeds from the auction of radio frequencies, the surplus stands at just under 18.5 billion EUR, or 0.6 percent in relation to nominal GDP. In the coming year the surplus will amount to just under twenty billion EUR, or also 0.6 percent in relation to nominal GDP.



This year's GDP growth will maintain the last year's growth pace, and due to additional working days, it will be even higher, with 1.8 percent. In the coming year, economic performance is expected to grow by 1.9 per cent. Thus, the assessment of the pace of overall economic expansion has not changed in relation to the summer forecast of DIW Berlin. However, the recently strong export

performance this year is leading to a higher contribution from foreign trade. Next year, however, private consumption will develop more strongly than previously assumed. The German economy is likely to be operating at roughly normal capacity; next year, the growth will slightly exceed the vigorous development of potential.

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Dr. Ferdinand Fichtner, Head of the Department of Forecasting and Economic Policy at DIW Berlin

## EIGHT QUESTIONS TO FERDINAND FICHTNER

# »The situation in the euro area continues to present risks«

1. Mr. Fichtner, the German economy has been in pretty good shape so far this year. Will the trend continue? The German economy is doing well overall, and prospects for the remainder of the year are also favorable. We expect to achieve a growth rate of just under two percent for the entire year and for the coming year, as well. This is already quite good for the German economy.
2. Is foreign trade as strong as it was before? Considering that the global economy is not advancing as strongly, German foreign trade is progressing surprisingly well. If you subtract imports from exports, foreign trade doesn't contribute much to growth; nevertheless, exports constitute an important growth driver.
3. How are things going with imports? Because domestic demand is dynamic, imports have seen powerful progress. Consumer demand is strong and investment activity will increase over the forecast period. Both of these factors lead to companies and households importing more goods, which in turn reduces the trade surplus.
4. Why is private consumption doing so well? The main reason behind the good numbers in private consumption is the good situation in the labor market. This in turn is reflected in wages that are increasing relatively powerfully, and as a result, households have a relatively large amount of money to spend. The Minister of Finance is also getting a piece of the pie, but there are still plenty of euros lining the pockets of householders.
5. Is the public spending situation as good as it was before? Public finances are in exceptionally good shape. In this year as well as next year, we are going to have substantial surpluses, even though there will initially be

substantial additional expenditures due to the current influx of refugees. But the public funds can definitely handle that.

6. How might the large number of refugees in Germany impact the economy? The money that the refugees receive in the form of cash benefits the German economy, because it is issued primarily for consumption purposes. We assume that refugees' savings will be very minimal, simply because the scope for this is not there. Thus a large part of the social transfers received by refugees goes directly back into the German economy. All in all, the net cost of the refugees is therefore not as high as the figures that are currently circulating.
7. What is your assessment of the foreign economic environment? Overall, the global economy is developing quite well. Many emerging countries, however, are currently experiencing greater difficulties: Brazil and Russia in particular are taking a hit. As China has lost momentum, the main economic impulses are coming more from the larger industrialized countries. Although the euro area is recovering a bit, the main driving forces are the U.S. and, in Europe, most likely still the UK.
8. Where do you see the biggest economic risks? The situation in the euro area continues to present risks. Things still aren't so cut and dried. We still have problems in the banking sector, extremely high unemployment in some of the economies, and we don't know whether the gradually emerging upward trend will actually be followed in the manner in which it appears at the moment. There are also global risks. The situation in China has been extremely volatile in recent weeks, especially in the financial markets. If this feeds into the real economy, for example through private investment activities, then we certainly have a relevant economic risk for Germany.

Interview by Erich Wittenberg

## MAIN AGGREGATES FOR SECTOR ACCOUNTS

### Annual results 2015

EUR bn

Specification	Total economy	Non financial and financial corporations	General government	Households and non-profit inst. serving households	Rest of the world
3 Gross value added	2,729.3	1,835.8	295.5	598.0	-
4 - Consumption of fixed capital	531.0	302.8	67.3	160.9	-
5 = Net value added <sup>1</sup>	2,198.3	1,532.9	228.2	437.2	-236.6
6 - Compensation of employees, paid	1,540.0	1,096.6	231.4	212.1	12.9
7 - Other taxes on production, paid	20.0	11.5	0.1	8.5	-
8 + Other subsidies on production, received	24.9	23.2	0.3	1.4	-
9 = Operating surplus, net/mixed income, net	663.1	448.1	-3.0	218.0	-249.6
10 + Compensation of employees, received	1,542.7	-	-	1,542.7	10.3
11 - Subsidies, paid	26.5	-	26.5	-	5.3
12 + Taxes on production and imports, received	321.4	-	321.4	-	5.0
13 - Property income, paid	728.4	648.4	49.2	30.9	184.1
14 + Property income, received	792.0	377.1	22.3	392.6	120.5
15 = Net national income/Balance of prim income, net	2,564.3	176.8	265.1	2,122.4	-303.1
16 - Current taxes on income, wealth, etc, paid	359.7	75.0	-	284.7	8.5
17 + Current taxes on income, wealth, etc, received	367.8	-	367.8	-	0.4
18 - Net social contributions, paid	622.6	-	-	622.6	3.5
19 + Net social contributions, received	623.4	122.3	500.4	0.8	2.6
20 - Social benefits other than soc transf in kind, paid	532.4	60.6	471.1	0.8	0.5
21 + Social benefits other than soc transf in kind, received	525.5	-	-	525.5	7.3
22 - Other current transfers, paid	291.6	153.4	65.0	73.2	45.3
23 + Other current transfers, received	247.9	139.4	18.8	89.7	89.0
24 = Disposable income, net	2,522.7	149.5	616.0	1,757.2	-261.5
25 - Final consumption expenditure	2,221.0	-	587.1	1,634.0	-
26 + Adjustment for the change in net equity of households in pension funds	-	-50.6	-	50.6	-
27 = Net saving	301.6	98.9	28.9	173.8	-261.5
28 - Capital transfers, paid	39.8	3.9	28.0	7.8	3.5
29 + Capital transfers, received	36.5	16.5	12.6	7.3	6.8
30 - Gross capital formation	571.1	314.3	63.6	193.2	-
31 + Consumption of fixed capital	531.0	302.8	67.3	160.9	-
32 - Acquisitions less disposals of valuables	-1.9	-1.4	-6.5	6.0	1.9
33 = Net lending (+)/ Net borrowing (-)	260.0	101.4	23.6	135.0	-260.0
memorandum item:					
34 Disposable income, net	2,522.7	149.5	616.0	1,757.2	-261.5
35 - Social transfers in kind, paid	386.1	-	386.1	-	-
36 + Social transfers in kind, received	386.1	-	-	386.1	-
37 = Adjusted disposable income, net	2,522.7	149.5	229.9	2,143.2	-261.5
38 - Actual final consumption <sup>2</sup>	2,221.0	-	201.0	2,020.0	-
39 + Adjustment for the change in net equity of households in pension funds	-	-50.6	-	50.6	-
40 = Net saving	301.6	98.9	28.9	173.8	-261.5

<sup>1</sup> Concerning Rest of the world: imports minus exports of goods and services to/from rest of the world.

<sup>2</sup> The actual final consumption of general government corresponds only to collective final consumption. The actual final consumption of households and non profit institutions serving households includes individual goods and services provided as social transfer in kind to individual households by government units.

## MAIN AGGREGATES FOR SECTOR ACCOUNTS

### Annual results 2016

EUR bn

Specification	Total economy	Non financial and financial corporations	General government	Households and non-profit inst. serving households	Rest of the world
3 Gross value added	2,817.4	1,898.2	303.9	615.4	-
4 - Consumption of fixed capital	543.5	307.2	69.3	167.0	-
5 = Net value added <sup>1</sup>	2,273.9	1,591.0	234.5	448.4	-244.9
6 - Compensation of employees, paid	1,602.7	1,144.1	238.0	220.6	13.5
7 - Other taxes on production, paid	20.7	12.0	0.1	8.6	-
8 + Other subsidies on production, received	25.7	24.1	0.3	1.3	-
9 = Operating surplus, net/mixed income, net	676.3	459.1	-3.3	220.5	-258.4
10 + Compensation of employees, received	1,605.0	-	-	1,605.0	11.1
11 - Subsidies, paid	27.1	-	27.1	-	5.7
12 + Taxes on production and imports, received	329.7	-	329.7	-	5.7
13 - Property income, paid	717.8	643.2	45.2	29.5	190.0
14 + Property income, received	787.3	370.5	21.8	395.0	120.5
15 = Net national income/Balance of prim income, net	2,653.3	186.3	275.9	2,191.0	-316.8
16 - Current taxes on income, wealth, etc, paid	375.9	74.9	-	300.9	8.7
17 + Current taxes on income, wealth, etc, received	384.2	-	384.2	-	0.4
18 - Net social contributions, paid	646.8	-	-	646.8	3.7
19 + Net social contributions, received	647.7	126.5	520.4	0.8	2.8
20 - Social benefits other than soc transf in kind, paid	552.1	60.0	491.4	0.8	0.5
21 + Social benefits other than soc transf in kind, receiv	545.0	-	-	545.0	7.6
22 - Other current transfers, paid	294.9	154.5	65.4	75.0	48.3
23 + Other current transfers, received	253.2	140.5	19.1	93.6	90.0
24 = Disposable income, net	2,613.6	163.9	642.8	1,806.9	-277.1
25 - Final consumption expenditure	2,290.6	-	610.0	1,680.6	-
26 + Adjustment for the change in net equity of households in pension funds	-	-51.6	-	51.6	-
27 = Net saving	323.0	112.3	32.7	178.0	-277.1
28 - Capital transfers, paid	41.1	4.1	28.3	8.7	3.5
29 + Capital transfers, received	37.7	18.1	12.2	7.4	6.8
30 - Gross capital formation	589.4	322.4	67.6	199.4	-
31 + Consumption of fixed capital	543.5	307.2	69.3	167.0	-
32 - Acquisitions less disposals of valuables	-1.9	-1.5	-1.4	0.9	1.9
33 = Net lending (+)/ Net borrowing (-)	275.6	112.6	19.7	143.3	-275.6
memorandum item:					
34 Disposable income, net	2,613.6	163.9	642.8	1,806.9	-277.1
35 - Social transfers in kind, paid	408.1	-	408.1	-	-
36 + Social transfers in kind, received	408.1	-	-	408.1	-
37 = Adjusted disposable income, net	2,613.6	163.9	234.7	2,215.0	-277.1
38 - Actual final consumption <sup>2</sup>	2,290.6	-	202.0	2,088.7	-
39 + Adjustment for the change in net equity of households in pension funds	-	-51.6	-	51.6	-
40 = Net saving	323.0	112.3	32.7	178.0	-277.1

<sup>1</sup> Concerning Rest of the world: imports minus exports of goods and services to/from rest of the world.

<sup>2</sup> The actual final consumption of general government corresponds only to collective final consumption. The actual final consumption of households and non profit institutions serving households includes individual goods and services provided as social transfer in kind to individual households by government units.

## NATIONAL ACCOUNTS DATA

### The Main National Accounts Data for the Federal Republic of Germany

Forecast for 2015 and 2016

	2014	2015	2016	2014		2015		2016	
				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	0.9	0.4	0.4	0.9	0.9	0.5	0.4	0.4	0.4
Hours worked, per working day	0.2	-0.8	0.0	0.8	-0.4	0.1	-1.7	-1.2	1.2
Working days	0.1	0.9	0.4	-0.3	0.6	0.0	1.8	1.6	-0.8
Labour volume, calendar-monthly	1.2	0.6	0.8	1.4	1.1	0.6	0.6	0.8	0.9
Labour productivity <sup>1</sup>	0.4	1.2	1.1	0.5	0.3	0.8	1.6	1.5	0.7
Gross domestic product, price adjusted	1.6	1.8	1.9	1.8	1.4	1.4	2.2	2.3	1.5
2. Disposition of GDP in Current Prices									
a) Billion EUR									
Final consumption expenditure	2,156.2	2,221.0	2,290.6	1,049.6	1,106.6	1,080.6	1,140.5	1,117.5	1,173.1
Private consumption expenditure <sup>2</sup>	1,592.2	1,634.0	1,680.6	776.1	816.0	796.9	837.1	821.0	859.6
Government consumption expenditure	564.0	587.1	610.0	273.4	290.6	283.7	303.4	296.5	313.6
Gross fixed capital formation (GFCF)	585.1	606.0	627.4	282.2	302.9	290.0	316.0	300.4	327.1
Machinery and equipment	189.8	198.2	205.1	90.5	99.3	93.8	104.3	97.1	108.0
Construction	291.8	299.6	309.8	141.4	150.4	143.4	156.2	148.5	161.4
GFCF in other products	103.5	108.2	112.5	50.3	53.2	52.7	55.5	54.8	57.7
Change in Stocks <sup>3</sup>	-22.0	-34.9	-38.0	5.2	-27.2	-5.3	-29.6	-7.3	-30.7
Domestic uses	2,719.3	2,792.2	2,880.0	1,336.9	1,382.3	1,365.3	1,426.9	1,410.6	1,469.5
Balance of exports and imports	196.4	236.6	244.9	95.8	100.5	117.2	119.5	126.5	118.4
Exports	1,333.2	1,432.5	1,513.9	652.5	680.7	697.3	735.2	742.3	771.6
Imports	1,136.8	1,195.9	1,269.0	556.7	580.1	580.1	615.8	615.8	653.2
Gross domestic product	2,915.7	3,028.8	3,125.0	1,432.8	1,482.9	1,482.5	1,546.3	1,537.1	1,587.9
b) Percentage change over previous year									
Final consumption expenditure	2.5	3.0	3.1	2.4	2.5	3.0	3.1	3.4	2.9
Private consumption expenditure <sup>2</sup>	1.9	2.6	2.9	1.9	1.9	2.7	2.6	3.0	2.7
Government consumption expenditure	4.1	4.1	3.9	4.1	4.0	3.8	4.4	4.5	3.4
Gross fixed capital formation (GFCF)	5.0	3.6	3.5	7.1	3.1	2.8	4.3	3.6	3.5
Machinery and equipment	4.7	4.4	3.5	6.4	3.3	3.7	5.0	3.5	3.5
Construction	5.2	2.7	3.4	8.7	2.2	1.4	3.9	3.5	3.3
GFCF in other products	4.8	4.5	4.0	4.0	5.5	4.8	4.3	3.9	4.0
Domestic uses	2.6	2.7	3.1	3.3	1.8	2.1	3.2	3.3	3.0
Exports	3.9	7.4	5.7	3.0	4.8	6.9	8.0	6.5	4.9
Imports	2.1	5.2	6.1	2.1	2.1	4.2	6.1	6.2	6.1
Gross domestic product	3.4	3.9	3.2	3.7	3.1	3.5	4.3	3.7	2.7
3. Disposition of GDP, adjusted for prices									
a) Chain-linked estimated in Billion EUR									
Final consumption expenditure	2,020.2	2,060.6	2,097.8	988.5	1,031.6	1,008.8	1,051.8	1,029.7	1,068.1
Private consumption expenditure <sup>2</sup>	1,503.3	1,531.8	1,556.4	733.6	769.7	748.4	783.4	762.0	794.4
Government consumption expenditure	516.8	528.7	541.2	254.9	261.9	260.3	268.4	267.5	273.7
Gross fixed capital formation (GFCF)	546.4	558.9	572.4	263.8	282.6	267.4	291.4	274.1	298.3
Machinery and equipment	186.9	195.0	202.0	88.6	98.3	91.6	103.3	95.0	107.1
Construction	262.4	264.8	269.4	127.7	134.8	127.2	137.6	129.6	139.8
GFCF in other products	97.0	99.4	101.5	47.3	49.6	48.6	50.8	49.6	51.9
Domestic uses	2,545.6	2,581.7	2,625.7	1,258.9	1,286.6	1,273.2	1,308.5	1,295.4	1,330.3
Exports	1,281.9	1,361.5	1,430.9	628.6	653.3	663.4	698.1	703.1	727.8
Imports	1,090.0	1,155.7	1,216.5	532.1	557.9	561.8	593.9	592.3	624.3
Gross domestic product	2,736.3	2,786.1	2,839.1	1,355.0	1,381.3	1,374.2	1,411.9	1,405.5	1,433.6
b) Percentage change over previous year									
Final consumption expenditure	1.1	2.0	1.8	1.0	1.3	2.1	2.0	2.1	1.5
Private consumption expenditure <sup>2</sup>	0.9	1.9	1.6	0.8	1.1	2.0	1.8	1.8	1.4
Government consumption expenditure	1.7	2.3	2.4	1.5	1.9	2.1	2.5	2.8	2.0
Gross fixed capital formation (GFCF)	3.5	2.3	2.4	5.3	1.9	1.4	3.1	2.5	2.4
Machinery and equipment	4.5	4.3	3.6	6.3	3.0	3.4	5.1	3.6	3.6
Construction	2.9	0.9	1.8	5.6	0.5	-0.4	2.1	1.9	1.6
GFCF in other products	3.1	2.5	2.1	2.5	3.7	2.7	2.3	2.0	2.2
Domestic uses	1.3	1.4	1.7	1.9	0.7	1.1	1.7	1.7	1.7
Exports	4.0	6.2	5.1	3.6	4.5	5.5	6.9	6.0	4.3
Imports	3.7	6.0	5.3	4.0	3.4	5.6	6.4	5.4	5.1
Gross domestic product	1.6	1.8	1.9	1.8	1.4	1.4	2.2	2.3	1.5

# NATIONAL ACCOUNTS DATA

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

Forecast for 2015 and 2016

	2014	2015	2016	2014		2015		2016	
				1. half year	2. half year	1. half year	2. half year	1. half year	2. half year
<b>4. Price Level of National Expenditure (2010=100)</b>									
<b>Percentage change over previous year</b>									
Private consumption expenditure <sup>2</sup>	0.9	0.7	1.2	1.0	0.8	0.6	0.8	1.2	1.3
Government consumption expenditure	2.3	1.7	1.5	2.6	2.1	1.6	1.9	1.7	1.4
Gross fixed capital formation (GFCF)	1.4	1.3	1.1	1.7	1.2	1.4	1.2	1.1	1.1
Machinery and equipment	0.2	0.1	-0.1	0.0	0.3	0.3	-0.1	-0.1	-0.1
Construction	2.3	1.8	1.6	2.9	1.7	1.8	1.7	1.6	1.7
Exports	-0.1	1.2	0.6	-0.5	0.2	1.2	1.1	0.5	0.7
Imports	-1.6	-0.8	0.8	-1.9	-1.3	-1.3	-0.3	0.7	0.9
<b>Gross domestic product</b>	<b>1.7</b>	<b>2.0</b>	<b>1.3</b>	<b>1.8</b>	<b>1.6</b>	<b>2.0</b>	<b>2.0</b>	<b>1.4</b>	<b>1.1</b>
<b>5. Distribution of Income</b>									
<b>a) Billion EUR</b>									
Primary income of private households <sup>2</sup>	2,055.0	2,122.4	2,191.0	1,008.6	1,046.4	1,042.7	1,079.7	1,080.9	1,110.2
Employers' social contributions	271.6	281.1	292.5	131.6	140.0	135.7	145.4	141.5	151.0
Gross wages and salaries	1,213.7	1,261.5	1,312.5	579.2	634.5	600.7	660.8	626.2	686.3
Other primary income of private households <sup>4</sup>	569.7	579.7	586.0	297.8	271.9	306.3	273.5	313.2	272.9
Primary income of other institutional sectors	409.7	441.9	462.3	190.0	219.7	197.5	244.3	212.2	250.0
<b>Net national income (primary income)</b>	<b>2,464.7</b>	<b>2,564.3</b>	<b>2,653.3</b>	<b>1,198.6</b>	<b>1,266.1</b>	<b>1,240.3</b>	<b>1,324.0</b>	<b>1,293.1</b>	<b>1,360.2</b>
Consumption of fixed capital	517.8	531.0	543.5	257.5	260.2	264.3	266.7	270.4	273.1
<b>Gross national income</b>	<b>2,982.4</b>	<b>3,095.3</b>	<b>3,196.8</b>	<b>1,456.1</b>	<b>1,526.3</b>	<b>1,504.5</b>	<b>1,590.8</b>	<b>1,563.5</b>	<b>1,633.4</b>
<i>Memorandum item:</i>									
Net national income (factor costs)	2,176.2	2,269.3	2,350.8	1,056.0	1,120.2	1,094.3	1,174.9	1,142.9	1,207.8
Property and entrepreneurial income	690.9	726.6	745.8	345.3	345.6	357.9	368.7	375.3	370.5
Compensation of employees	1,485.3	1,542.7	1,605.0	710.7	774.5	736.4	806.2	767.7	837.3
<b>b) Percentage change over previous year</b>									
Primary income of private households [2]	2.7	3.3	3.2	2.6	2.7	3.4	3.2	3.7	2.8
Employers' social contributions	3.5	3.5	4.0	3.5	3.5	3.2	3.8	4.2	3.9
Gross wages and salaries	3.9	3.9	4.0	4.0	3.8	3.7	4.1	4.2	3.9
Other primary income of private households <sup>4</sup>	-0.2	1.8	1.1	-0.3	0.0	2.8	0.6	2.3	-0.2
Primary income of other institutional sectors	9.1	7.8	4.6	11.6	7.1	4.0	11.2	7.4	2.3
<b>Net national income (primary income)</b>	<b>3.7</b>	<b>4.0</b>	<b>3.5</b>	<b>3.9</b>	<b>3.5</b>	<b>3.5</b>	<b>4.6</b>	<b>4.3</b>	<b>2.7</b>
Consumption of fixed capital	2.5	2.6	2.4	2.8	2.3	2.6	2.5	2.3	2.4
<b>Gross national income</b>	<b>3.5</b>	<b>3.8</b>	<b>3.3</b>	<b>3.7</b>	<b>3.3</b>	<b>3.3</b>	<b>4.2</b>	<b>3.9</b>	<b>2.7</b>
<i>Memorandum item:</i>									
Net national income (factor costs)	3.8	4.3	3.6	4.1	3.5	3.6	4.9	4.4	2.8
Property and entrepreneurial income	3.8	5.2	2.6	4.6	3.0	3.7	6.7	4.9	0.5
Compensation of employees	3.8	3.9	4.0	3.9	3.7	3.6	4.1	4.2	3.9
<b>6. Income and Expenditure of Private Households</b>									
<b>a) Billion EUR</b>									
Mass income	1,217.8	1,259.2	1,305.6	586.8	631.1	606.9	652.2	627.6	678.0
Net wages and salaries	808.1	833.1	864.0	382.2	425.9	393.9	439.3	408.8	455.1
Social benefits	505.6	525.5	545.0	251.9	253.7	262.3	263.2	269.9	275.1
less levies on social benefits	95.8	99.5	103.3	47.3	48.5	49.2	50.3	51.1	52.3
Other primary income <sup>4</sup>	569.7	579.7	586.0	297.8	271.9	306.3	273.5	313.2	272.9
Other transfers received (net) <sup>5</sup>	-77.4	-81.8	-84.8	-37.5	-40.0	-41.3	-40.4	-42.6	-42.2
<b>Disposable income</b>	<b>1,710.1</b>	<b>1,757.2</b>	<b>1,806.9</b>	<b>847.1</b>	<b>863.0</b>	<b>871.9</b>	<b>885.3</b>	<b>898.2</b>	<b>908.7</b>
<i>Memorandum item:</i>									
Adjustment for the change in net equity of households in pension funds reserves	49.6	50.6	51.6	24.5	25.1	25.0	25.7	25.5	26.2
Private consumption expenditure	1,592.2	1,634.0	1,680.6	776.1	816.0	796.9	837.1	821.0	859.6
Saving	167.6	173.8	178.0	95.5	72.1	100.0	73.8	102.6	75.3
Saving ratio in percent <sup>6</sup>	9.5	9.6	9.6	11.0	8.1	11.1	8.1	11.1	8.1
<b>b) Percentage change over previous year</b>									
Mass income	3.4	3.4	3.7	3.1	3.6	3.4	3.4	3.4	4.0
Net wages and salaries	3.6	3.1	3.7	3.7	3.6	3.1	3.1	3.8	3.6
Social benefits	2.7	4.0	3.7	1.7	3.8	4.1	3.8	2.9	4.5
less levies on social benefits	2.4	3.9	3.9	0.4	4.4	4.1	3.6	3.8	3.9
Other primary income <sup>4</sup>	-0.2	1.8	1.1	-0.3	0.0	2.8	0.6	2.3	-0.2
<b>Disposable income</b>	<b>2.3</b>	<b>2.8</b>	<b>2.8</b>	<b>2.2</b>	<b>2.4</b>	<b>2.9</b>	<b>2.6</b>	<b>3.0</b>	<b>2.6</b>
Private consumption expenditure	1.9	2.6	2.9	1.9	1.9	2.7	2.6	3.0	2.7
Saving	6.7	3.7	2.4	5.2	8.6	4.7	2.4	2.6	2.0

## NATIONAL ACCOUNTS DATA

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

Forecast for 2015 and 2016

	2014	2015	2016	2014		2015		2016	
				1. half year	2. half year	1. half year	2. half year	1. half year	2. half year
7. Government Revenues and Expenditures									
a) Billion EUR									
Revenues									
Taxes	659.6	689.3	713.9	328.2	331.4	343.3	346.0	358.1	355.8
direct taxes	345.6	367.8	384.2	173.1	172.5	184.2	183.6	194.4	189.7
indirect taxes	314.0	321.4	329.7	155.1	158.9	159.1	162.4	163.6	166.1
Net social contributions	481.9	500.4	520.4	233.6	248.3	242.8	257.6	252.7	267.7
Property income	25.0	22.3	21.8	15.5	9.5	12.8	9.5	12.5	9.3
Other transfers	19.1	18.8	19.1	8.8	10.4	8.6	10.2	8.7	10.3
Capital transfers	12.2	12.6	12.2	4.7	7.5	5.0	7.5	4.8	7.4
Sales	101.5	105.8	109.9	47.6	53.9	49.4	56.4	51.6	58.2
Other subsidies	0.3	0.3	0.3	0.1	0.2	0.1	0.2	0.1	0.2
Total revenues	1 299.6	1 349.3	1 397.5	638.5	661.1	662.0	687.3	688.6	708.9
Expenditures									
Intermediate consumption	138.6	144.3	148.6	63.2	75.3	65.3	79.0	67.8	80.7
Compensation of employees	224.6	231.4	238.0	108.0	116.6	110.7	120.7	114.3	123.7
Social benefits in kind	240.1	253.0	267.4	118.4	121.7	124.7	128.3	132.7	134.8
Property income (interests)	51.5	49.2	45.2	26.5	25.0	22.0	27.2	21.0	24.1
Subsidies	25.5	26.5	27.1	12.5	13.0	13.1	13.3	13.5	13.7
Social benefits	451.0	471.1	491.4	224.6	226.4	235.1	236.0	243.3	248.1
Other transfers	61.6	65.0	65.4	35.8	25.8	36.3	28.7	36.3	29.0
Gross capital formation	63.2	63.6	67.6	28.1	35.2	27.7	35.9	29.0	38.6
Capital transfers	35.9	28.0	28.3	11.0	24.9	11.7	16.4	11.6	16.7
Acquisitions less disposals of non-financial non-produced assets	-1.3	-6.5	-1.4	-0.6	-0.7	-5.7	-0.7	-0.6	-0.7
Other taxes on production	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditures	1 290.7	1 325.7	1 377.8	627.4	663.3	640.9	684.8	669.0	708.7
Balance	8.9	23.6	19.7	11.1	-2.2	21.1	2.6	19.6	0.1
b) Percentage change over previous year									
Revenues									
Taxes	3.5	4.5	3.6	2.7	4.3	4.6	4.4	4.3	2.8
direct taxes	3.9	6.4	4.4	2.6	5.3	6.4	6.4	5.6	3.3
indirect taxes	3.0	2.4	2.6	2.9	3.2	2.5	2.2	2.9	2.3
Net social contributions	3.7	3.8	4.0	3.5	3.8	3.9	3.7	4.1	3.9
Property income	16.9	-11.0	-2.0	31.1	-0.7	-17.5	-0.4	-2.1	-1.8
Other transfers	3.4	-1.6	1.4	-1.8	8.1	-1.8	-1.4	1.5	1.3
Capital transfers	17.1	3.4	-2.7	-1.7	33.1	7.0	1.1	-4.5	-1.6
Sales	2.0	4.2	3.9	1.9	2.0	3.8	4.5	4.6	3.2
Other subsidies	-12.5	-8.9	0.0	-8.1	-15.7	-20.0	0.0	0.0	0.0
Total revenues	3.8	3.8	3.6	3.4	4.1	3.7	4.0	4.0	3.1
Expenditures									
Intermediate consumption	2.6	4.2	2.9	2.3	3.0	3.3	4.9	3.9	2.2
Compensation of employees	2.7	3.0	2.9	3.0	2.5	2.5	3.5	3.3	2.5
Social benefits in kind	5.7	5.4	5.7	5.6	5.8	5.3	5.4	6.4	5.0
Property income (interests)	-8.1	-4.5	-8.2	-9.0	-7.2	-17.0	8.8	-4.4	-11.2
Subsidies	4.6	3.8	2.6	5.8	3.4	5.1	2.6	2.6	2.6
Social benefits	2.8	4.4	4.3	1.6	4.1	4.7	4.2	3.5	5.1
Other transfers <sup>7</sup>	-1.4	3.4	0.4	1.8	-3.2	0.4	2.9	0.1	0.3
Gross capital formation	-0.5	0.5	6.4	7.0	-5.7	-1.2	1.9	4.7	7.6
Capital transfers <sup>7</sup>	5.3	-7.9	0.3	-3.4	8.8	0.7	-8.6	0.0	0.3
Acquisitions less disposals of non-financial non-produced assets <sup>7</sup>	0.0	-5.1	5.1	0.0	-0.1	-5.1	0.0	5.1	0.0
Other taxes on production <sup>7</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditures	2.8	2.7	3.9	2.1	3.5	2.1	3.2	4.4	3.5

1 Gross domestic product (price-adjusted) per man-hour.

2 Including private organizations without pecuniary reward.

3 Including net increase in valuables.

4 Entrepreneurial income/ operating surplus and received minus paid asset income.

5 Transfers, received minus paid.

6 Current saving as percentage of disposable income

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

7 Absolute change over previous year in Billion EUR.