

DIW Economic Outlook



REPORT by Ferdinand Fichtner, Guido Baldi, Franziska Bremus, Karl Brenke, Christian Dreger, Hella Engerer, Christoph Große Steffen, Michael Hachula, Simon Junker, Claus Michelsen, Maximilian Podstawski, Malte Rieth, Thore Schlaak and Kristina van Deuverden

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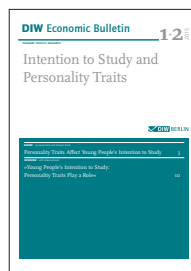
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NEXT ISSUE OF DIW ECONOMIC BULLETIN

ANFA Agreement of the Eurosystem

German economy back on track, despite weak global economy

By Ferdinand Fichtner, Guido Baldi, Franziska Bremus, Karl Brenke, Christian Dreger, Hella Engerer, Christoph Große Steffen, Michael Hachula, Simon Junker, Claus Michelsen, Maximilian Podstawski, Malte Rieth, Thore Schlaak and Kristina van Deuverden

The global economy is stalling. Global production increased by only 3.3 percent last year—the lowest growth rate since the financial crisis—and is expected to rise by only 3.3 percent in 2016 as well, which is lower than originally predicted. The reason for the sluggish growth lies primarily in the changes taking place in the emerging countries: the Chinese economy continues to lose momentum, and low export revenues in the commodity-exporting countries are hindering economic activity. In the industrialized countries, however, the moderate pace of growth continues, not least due to increased purchasing power, which is in turn partly due to the decreased energy costs. In these countries, consumption remains an important pillar of growth and the labor market situation is improving. By contrast, investment remains subdued and only minor stimuli are expected from net exports since the momentum in the emerging countries is likely to increase only slightly in the coming year. The risks to the global economy are skewed to the downside. Increased uncertainty in the financial markets could worsen financing conditions. The euro area is facing the risk of deflation.

In spite of the currently gloomy global economic environment, the German economy is developing robustly. Although weak demand in the overseas markets led to a decline in German's industrial production in the second half of 2015, it has been on the rise once again since the beginning of this year. During the forecast period, exports should benefit from a gradually improving global economy. Germany's strong domestic economy, which is fueled primarily by increased private consumption, serves as a critical growth-driver. Employment continues to grow and wage increases can still be observed. The money being spent on the housing, care, and integration of the refugees is boosting consumption—and although these costs are substantial, the public budget will continue to run high surpluses. Financial leeway, however, is expected to become more limited. The German economy is likely to grow by 1.6 percent this year by 1.6 percent, and by 1.5 percent in the coming year.

Global economic growth remains weak

Global production grew by 3.3 percent in 2015—the lowest growth rate since the global financial crisis in 2009. The already disappointing development of the first three quarters weakened again slightly in the fourth quarter (Figure).

The primary contributors to the economic slowdown were the emerging countries, which are expected to hold significant sway over the future course of the global economy. In some countries—such as Russia and Brazil—the deterioration of commodity prices is having a negative impact. As well, the slowdown has continued in China, where momentum in the industrial sector has further declined due to existing overcapacities. While private consumption is growing more than proportionally, Chinese imports are decreasing.

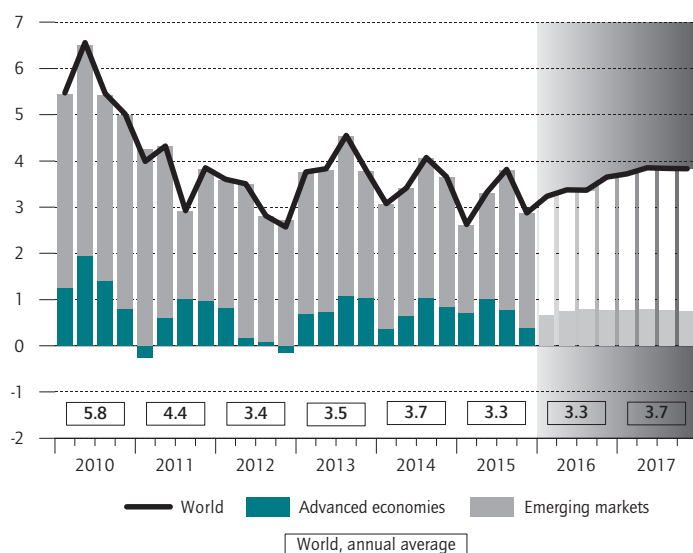
Despite substantial growth in private consumption, the weak demand in the emerging countries is having a negative impact on the industrialized countries. In both the US and Germany the growth contribution of net exports was negative. The euro area has thus far been less affected by the global economic slowdown; nevertheless, business and household confidence deteriorated lately.

These underlying dynamics are also expected to determine global economic development over the course of the forecast period. Due to the oil supply surplus, energy prices will remain low, which will only gradually enable the economy to bottom out in energy-exporting countries. In China, we expect to see a further slowdown in growth—but not a hard landing. The recent devaluation of the renminbi and demand from the industrialized countries should have a slightly stimulating effect on exports, and thus on imports as well. The latter will also be supported by the stronger focus on income and consumption, with the result that foreign demand for industrial countries should in turn stabilize—also via third countries effects.

Figure

World real GDP

In percent



Source: National statistical offices; DIW Spring projections 2016.

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The world economy keeps expanding at a moderate pace.

While hindering a stronger growth-pick up in emerging economies, low energy prices are an important driver in the industrialized countries, where they are strengthening purchasing power and stimulating domestic demand. This is having a positive impact on employment. Improvements in the labor market are in turn supporting consumption. Investment, on the other hands, remains subdued and uneven. In the US, business investment is expected to increase due to rising demand as well as stabilizing oil prices and low interest rates. In the euro area, however, investment growth is expected primarily in the construction sector.

Ultimately, the globally expansionary monetary policy should support domestic demand in the industrialized countries. However, there will be a divergence between the US and the euro area: while the US Federal Reserve is expected to slightly and gradually raise the interest rates during the forecast period due to the favorable employment situation and the early signs of rising inflation, the European Central Bank, following a recent decline in inflation in the euro area, embraced further expansionary measures. In both regions, public deficits will not be reduced to the same extent that they were before—and in the euro area, this is also due to the ex-

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											
	2014	2015	2016	2017	2014	2015	2016	2017	2014	2015	2016	2017
Euro area	0.9	1.5	1.4	1.7	0.4	0.0	0.5	1.3	11.6	10.9	10.2	10.0
... without Germany	0.4	1.5	1.4	1.6	0.2	0.0	0.5	1.2	13.8	13.0	12.1	11.6
... France	0.2	1.1	1.0	1.3	0.5	0.1	0.7	1.3	10.3	10.4	10.3	10.1
... Spain	1.4	3.2	2.6	2.3	-0.2	-0.5	0.5	1.3	24.5	22.1	19.7	18.4
... Italy	-0.3	0.6	0.9	1.4	0.2	0.1	0.4	1.0	12.6	11.9	11.0	10.4
... Netherlands	1.0	1.9	1.9	2.2	0.3	0.2	0.5	1.0	7.4	6.9	6.4	6.1
United Kingdom	2.9	2.2	2.0	2.1	1.5	0.0	0.8	1.8	6.1	5.3	5.0	4.9
USA	2.4	2.4	2.0	2.2	1.6	0.2	1.7	1.7	6.2	5.3	4.7	4.6
Japan	-0.1	0.5	0.4	0.5	2.7	0.8	0.3	1.0	3.6	3.4	3.8	3.8
South Korea	3.3	2.6	2.4	2.7	1.3	0.7	1.6	2.2	3.6	3.6	3.0	3.0
Middle Eastern Europe	3.0	3.6	3.3	3.3	0.3	-0.4	0.5	1.6	8.4	7.3	6.7	6.3
Turkey	2.9	3.9	3.3	3.9	8.9	7.8	7.9	7.4	9.9	10.3	10.4	10.1
Russia	0.7	-3.7	-0.6	0.8	8.0	15.5	8.7	5.4	5.2	5.6	5.8	5.6
China	7.3	6.8	6.4	6.2	-0.6	-0.5	-0.3	2.9	3.8	3.8	3.8	3.8
India	7.1	7.4	6.8	6.6	4.4	1.0	4.3	6.1				
Brazil	0.1	-3.9	-3.1	1.2	6.3	9.0	7.0	5.5	4.8	6.8	5.1	5.1
Mexico	2.3	2.5	2.6	2.7	4.0	2.8	3.1	3.2	4.8	4.5	4.8	4.8
Advanced Economies	1.8	1.9	1.6	1.9	1.4	0.3	1.2	1.5	7.0	6.4	5.9	5.8
Emerging Markets	5.2	4.4	4.6	5.0	2.5	2.8	2.9	4.2	4.8	5.0	4.8	4.7
World	3.7	3.3	3.3	3.7	2.0	1.7	2.2	3.1	5.8	5.6	5.3	5.2

Source: National statistical offices; DIW Spring projections 2016.

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penditure for refugees. Fiscal policy is therefore expected to be less contractionary.

All in all, the global economy's average annual growth rate is expected at 3.3 this year and 3.7 percent next year (Table 1). Inflation will rise from 2.2 to 3.1 percent.

The risks to the global economy have increased. For one, the increased volatility in the financial markets and the partial deterioration of private financing conditions could negatively impact growth. As well, the low oil prices are increasingly putting pressure on energy companies, their creditors, and the national budgets of commodity-exporting countries. There is a risk of renewed turmoil in the financial markets. Another risk lies in re-newed deflation in the euro area. Finally, it is not clear how policy makers will address the challenges of the refugee influx.

Domestic economy still the most important growth driver in Germany

Global economic development has been weak, and this has also affected the German economy: export-oriented industry scaled back production in the second half of 2015, but has since been regaining momentum. The upward trend in manufacturing will only be moderate, which is reflected in the modest performance of orders and the recently gloomy economic environment. Nevertheless, the German economy is developing dynamically, and the start of the year has been strong so far. Although construction should continue to expand significantly, it is primarily the powerful, consumer-driven economy in the

service sectors that is contributing to the robust growth of the German economy.

The rise in employment continues, and is particularly strong in "Public Service, Education, Health," which is characterized in part by requirements in terms of refugee migration, trade, and hotels and restaurants as well as the corporate services. Although these wages are lower in these sectors than they are in the industrial sector, where employment is likely to increase moderately, wages are rising noticeably overall. Due to the shortage in the labor market, the surplus should actually be just as high this year and next year as it was last year, when the minimum wage significantly spurred development.

Although the number of unemployed individuals is likely to continue declining at first, it will not keep up with the pace of employment growth. While domestic labor force potential is decreasing, the number of people of working age is increasing. As in recent years, this is primarily due to the above-average number of migrants to Germany from EU countries; from the middle of this year onward, more and more migrants will be obtaining work permits. That's why the growth of the labor force is likely to exceed the increase in employment in the coming year. The unemployment rate will drop to 6.2 percent this year, but will rise to 6.6 percent in 2017.

Private consumption is benefiting from the labor market situation, as well as from the recent oil price-related drop in inflation—the rates are expected to remain at 0.5 percent this year—and the refugee-related expenditure.

Table 2

Key economic indicators for the German economy

	2012	2013	2014	2015	2016	2017
Real GDP ¹ (percent change over previous year)	0.4	0.3	1.6	1.7	1.6	1.5
Domestic employment (1,000 persons)	42,060	42,328	42,703	43,032	43,487	43,769
Unemployed (ILO concept)	2,223	2,182	2,092	1,950	1,860	2,058
Unemployed (BA concept)	2,897	2,950	2,898	2,795	2,738	2,923
Unemployment rate ² (ILO concept)	5.4	5.2	5.0	4.7	4.4	4.8
Unemployment rate ² (BA concept)	6.8	6.9	6.7	6.4	6.2	6.6
Consumer prices	2.0	1.5	0.9	0.2	0.5	1.5
Unit labor costs ³	3.1	2.0	1.6	1.7	2.3	2.2
Government budget balance ⁴						
in billion EUR	-2.4	-3.1	8.9	19.4	15.9	11.4
in percent of GDP	-0.1	-0.1	0.3	0.6	0.5	0.4
Current account balance, in percent of GDP	7.0	6.8	7.3	8.5	8.6	8.7

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.

These effects fuel private consumption and, to some extent, public consumption, even as they become less relevant in the long run and accordingly, the consumption dynamic loses momentum slightly.

Although German exports were stagnating at the beginning of the year, they will pick up some momentum as demand in many overseas markets starts increasing once again from spring onward (see the first article in this issue). However, global economic growth will remain weaker than previously expected. It is primarily due to this that the German economy will show somewhat weaker growth (at 1.6 percent) than initially predicted (Table 2). Next year, growth should amount to 1.5 percent; without the loss of two working days, this rate would be two tenths higher.

The overall economic capacities were used at nearly normal rates in the past year; this is also the case during the forecast period. However, the environment for equipment investment is showing only gradual improvements. Since the middle of last year, companies have restricted their investment spending in Germany and are expected to continue doing so for the time being, because exports to major import countries are growing sluggishly—as well, concerns about the economic development in China and this development's impact on the global economy, as well as the debate about the cohesion of the

European Union, are also expected to temporarily dampen investment. With an increasingly stable development of foreign demand, however investment will expand moderately from mid-2016 onwards. Industry capacities are actually slightly over-utilized at the moment, and the expanding service industries and the construction sector are likely to generate positive impulses. Construction investment, especially in housing, is showing consistently dynamic development. However, investment in residential construction as a form of investment will remain in demand during the forecast period.

Despite the high expenditure necessary for the accommodation, care, and integration of the refugees—15 billion euros this year, 18 billion euros next year—the public sector is expected to show a surplus of nearly 16 billion euros in 2016 and more than eleven billion euros in 2017 (municipalities will account for most of this decline). There will be an especially powerful rise in the revenue in the case of social insurance contributions.

Germany's economic development could be endangered by an ongoing worldwide economic slowdown—which could, as Germany is a quite open economy, negatively impact domestic growth—as well as by possible disruptions were the European Union to disintegrate. Additionally, the prognosis is strongly dependent on the assumptions regarding the refugee influx.

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Dr. Simon Junker, Deputy Head of the Department of Forecasting and Economic Policy at DIW Berlin

EIGHT QUESTIONS TO SIMON JUNKER

»Private consumption will remain a powerful growth driver«

1. Mr. Junker, what kind of growth should we expect for the German economy? The German economy is expected to grow by 1.6 percent this year, which is a bit weaker than we had forecasted this past winter. This slight downward revision is primarily due to the fact that industry experienced a weak phase over the past six months, especially in the final quarter of 2015. The major reason for this was the slowdown in the global economy.
2. What does this mean for German exports? Exports depend, of course, on the global economy, which is in a cooling-off period. We expect the global economy to recover somewhat in the coming months. If the global economy starts picking up some speed, industrial production will also follow this moderate upward trend.
3. Which countries are causing problems for the global economy? The countries with strong economies are the US and the UK—however, there was recently a bit of doubt. However, we assume that both economies will continue to grow with relative stability. In China, we expect the transition to a more consumer-oriented economic structure to continue without any major disruptions. However, there are also risks and signs that it might not be so straightforward here.
4. What kind of impact is the sluggish German industry having on investment? In this environment, investment will initially remain very subdued. We have now seen two quarters in which private equipment investment declined. This will continue until impulses from foreign demand become slightly more noticeable again—at that point, investment will show clear improvement.
5. How is private consumption developing in Germany? Private consumption will remain a powerful growth driver in Germany: it grew more over the past year than it did in any of the previous fifteen years. Real income continues to develop well, which is partially due to the fact that the rock-bottom oil prices earlier on this year gave us a renewed boost in purchasing power. Other factors include government transfers, such as the increase in the basic tax-free allowance. The pension increase that will take place in the middle of this year will also provide a major boost. These are perhaps all temporary effects—and refugee expenditure can also be categorized thusly—but the underlying momentum will remain strong because wages and employment will continue to grow noticeably.
6. What kind of developments are we seeing in consumer prices? Consumer prices are being affected once again by the sharp drop in oil prices. Inflation has been at zero and was depressed heavily by oil prices. This will normalize a bit in the long run—however, inflation will also remain low in the coming year.
7. The refugee influx has necessitated extra expenditure. How much pressure is this putting on public finances? Refugee-related expenditure is considerable: we estimate roughly it to amount to 15 billion euros this year. Nevertheless, the state will actually continue to run noticeable surpluses. These surpluses will be of similar magnitude, even after the expenditure has been deducted.
8. Can construction benefit from the refugee-related increase in housing needs? The demand for new reception centers are not expected to create any further impulses—we expect to see changes only after the refugees have relocated to the regions that they will settle more permanently. The housing demand will then stimulate the construction industry, but will also entail price effects.

Interview by Erich Wittenberg

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	2,823.7	1,902.1	303.2	618.4	-
4 - Consumption of fixed capital	543.4	309.6	69.1	164.7	-
5 = Net value added ¹	2,280.3	1,592.5	234.0	453.8	-246.8
6 - Compensation of employees, paid	1,602.7	1,143.6	238.3	220.8	13.6
7 - Other taxes on production, paid	25.4	16.5	0.1	8.9	-
8 + Other subsidies on production, received	25.5	23.8	0.2	1.5	-
9 = Operating surplus, net/mixed income, net	677.7	456.2	-4.1	225.5	-260.4
10 + Compensation of employees, received	1,605.5	-	-	1,605.5	10.7
11 - Subsidies, paid	27.9	-	27.9	-	5.3
12 + Taxes on production and imports, received	339.0	-	339.0	-	5.5
13 - Property income, paid	715.1	639.4	46.6	29.1	181.3
14 + Property income, received	781.3	378.2	21.5	381.6	115.1
15 = Net national income/Balance of prim income, net	2,660.5	195.1	281.8	2,183.6	-315.7
16 - Current taxes on income, wealth, etc, paid	367.1	68.2	-	298.9	10.0
17 + Current taxes on income, wealth, etc, received	376.7	-	376.7	-	0.4
18 - Net social contributions, paid	647.7	-	-	647.7	3.5
19 + Net social contributions, received	648.5	123.6	524.2	0.8	2.7
20 - Social benefits other than soc transf in kind, paid	555.6	65.1	489.8	0.8	0.5
21 + Social benefits other than soc transf in kind, received	548.6	-	-	548.6	7.5
22 - Other current transfers, paid	291.4	156.5	63.2	71.7	52.4
23 + Other current transfers, received	255.1	137.2	19.3	98.6	88.7
24 = Disposable income, net	2,627.6	166.1	649.1	1,812.4	-282.8
25 - Final consumption expenditure	2,295.8	-	617.1	1,678.7	-
26 + Adjustment for the change in net equity of households in pension funds	-	-51.4	-	51.4	-
27 = Net saving	331.8	114.6	32.0	185.2	-282.8
28 - Capital transfers, paid	38.8	1.9	28.2	8.8	3.9
29 + Capital transfers, received	34.9	15.7	11.4	7.9	7.8
30 - Gross capital formation	592.4	325.8	69.9	196.7	-
31 + Consumption of fixed capital	543.4	309.6	69.1	164.7	-
32 - Acquisitions less disposals of valuables	-2.0	-1.5	-1.4	1.0	2.0
33 = Net lending (+)/ Net borrowing (-)	280.9	113.7	15.9	151.3	-280.9
memorandum item:					
34 Disposable income, net	2,627.6	166.1	649.1	1,812.4	-282.8
35 - Social transfers in kind, paid	405.8	-	405.8	-	-
36 + Social transfers in kind, received	405.8	-	-	405.8	-
37 = Adjusted disposable income, net	2,627.6	166.1	243.3	2,218.2	-282.8
38 - Actual final consumption ²	2,295.8	-	211.3	2,084.4	-
39 + Adjustment for the change in net equity of households in pension funds	-	-51.4	-	51.4	-
40 = Net saving	331.8	114.6	32.0	185.2	-282.8

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

² 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 2017

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	2,912.1	1,966.0	309.1	637.0	-
4 - Consumption of fixed capital	556.2	315.8	71.1	169.3	-
5 = Net value added ¹	2,355.9	1,650.2	237.9	467.7	-248.5
6 - Compensation of employees, paid	1,664.7	1,192.4	242.7	229.6	14.1
7 - Other taxes on production, paid	25.0	16.0	0.1	8.9	-
8 + Other subsidies on production, received	26.2	24.5	0.2	1.5	-
9 = Operating surplus, net/mixed income, net	692.3	466.3	-4.6	230.6	-262.7
10 + Compensation of employees, received	1,667.5	-	-	1,667.5	11.3
11 - Subsidies, paid	28.9	-	28.9	-	5.3
12 + Taxes on production and imports, received	347.5	-	347.5	-	5.6
13 - Property income, paid	710.4	636.8	45.1	28.4	188.6
14 + Property income, received	781.6	378.7	21.3	381.6	117.4
15 = Net national income/Balance of prim income, net	2,749.7	208.1	290.2	2,251.3	-322.3
16 - Current taxes on income, wealth, etc, paid	384.0	73.6	-	310.4	10.1
17 + Current taxes on income, wealth, etc, received	393.8	-	393.8	-	0.4
18 - Net social contributions, paid	675.0	-	-	675.0	3.5
19 + Net social contributions, received	675.8	127.7	547.3	0.8	2.7
20 - Social benefits other than soc transf in kind, paid	586.5	68.3	517.4	0.8	0.5
21 + Social benefits other than soc transf in kind, received	579.2	-	-	579.2	7.8
22 - Other current transfers, paid	304.4	159.6	68.1	76.7	53.7
23 + Other current transfers, received	265.9	145.4	19.7	100.7	92.2
24 = Disposable income, net	2,714.4	179.8	665.5	1,869.1	-286.9
25 - Final consumption expenditure	2,368.3	-	641.4	1,726.9	-
26 + Adjustment for the change in net equity of households in pension funds	-	-52.4	-	52.4	-
27 = Net saving	346.0	127.4	24.0	194.6	-286.9
28 - Capital transfers, paid	39.7	1.6	28.4	9.7	4.0
29 + Capital transfers, received	36.1	17.2	10.8	8.1	7.6
30 - Gross capital formation	615.3	339.1	71.5	204.8	-
31 + Consumption of fixed capital	556.2	315.8	71.1	169.3	-
32 - Acquisitions less disposals of valuables	-2.1	2.1	-5.2	1.0	2.1
33 = Net lending (+)/ Net borrowing (-)	285.4	117.5	11.4	156.5	-285.4
memorandum item:					
34 Disposable income, net	2,714.4	179.8	665.5	1,869.1	-286.9
35 - Social transfers in kind, paid	430.7	-	430.7	-	-
36 + Social transfers in kind, received	430.7	-	-	430.7	-
37 = Adjusted disposable income, net	2,714.4	179.8	234.8	2,299.9	-286.9
38 - Actual final consumption ²	2,368.3	-	210.7	2,157.6	-
39 + Adjustment for the change in net equity of households in pension funds	-	-52.4	-	52.4	-
40 = Net saving	346.0	127.4	24.0	194.6	-286.9

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

² 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 2016 and 2017

	2015	2016	2017	2015		2016		2017	
				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	0.8	1.1	0.6	0.7	0.9	1.1	1.0	0.7	0.6
Hours worked, per working day	-0.6	0.0	0.9	0.1	-1.3	-1.0	1.0	0.4	1.4
Working days	0.9	0.4	-0.8	0.0	1.8	1.6	-0.8	0.0	-1.6
Labour volume, calendar-monthly	1.1	1.5	0.7	0.7	1.5	1.7	1.2	1.1	0.4
Labour productivity ¹	0.6	0.1	0.7	0.7	0.4	0.3	0.0	0.4	1.0
Gross domestic product, price adjusted	1.7	1.6	1.5	1.4	1.9	1.9	1.2	1.5	1.4
2. Disposition of GDP in Current Prices									
a) Billion EUR									
Final consumption expenditure	2,220.1	2,295.8	2,368.3	1,080.4	1,139.7	1,119.4	1,176.4	1,154.2	1,214.2
Private consumption expenditure ²	1,633.4	1,678.7	1,726.9	796.7	836.7	820.0	858.7	842.9	884.0
Government consumption expenditure	586.7	617.1	641.4	283.7	303.0	299.4	317.7	311.3	330.1
Gross fixed capital formation (GFCF)	606.2	626.0	647.6	289.4	316.8	301.0	325.0	311.3	336.2
Machinery and equipment	200.1	202.1	208.7	94.2	105.8	96.2	105.9	99.4	109.3
Construction	297.7	310.7	320.8	142.4	155.3	149.8	160.9	154.4	166.4
GFCF in other products	108.5	113.2	118.1	52.7	55.7	55.1	58.1	57.5	60.6
Change in Stocks ³	-36.5	-33.6	-32.3	-6.3	-30.2	-5.2	-28.4	-3.8	-28.4
Domestic uses	2,789.8	2,888.2	2,983.6	1,363.5	1,426.3	1,415.3	1,472.9	1,461.7	1,522.0
Balance of exports and imports	236.1	246.8	248.5	119.4	116.7	126.5	120.3	128.9	119.7
Exports	1,419.6	1,448.2	1,517.0	698.3	721.3	711.5	736.7	746.9	770.1
Imports	1,183.5	1,201.4	1,268.5	578.9	604.6	585.0	616.3	618.1	650.4
Gross domestic product	3,025.9	3,135.0	3,232.2	1,482.9	1,543.0	1,541.7	1,593.3	1,590.5	1,641.7
b) Percentage change over previous year									
Final consumption expenditure	3.0	3.4	3.2	2.9	3.0	3.6	3.2	3.1	3.2
Private consumption expenditure ²	2.6	2.8	2.9	2.7	2.5	2.9	2.6	2.8	3.0
Government consumption expenditure	4.0	5.2	3.9	3.7	4.3	5.5	4.8	4.0	3.9
Gross fixed capital formation (GFCF)	3.6	3.3	3.4	2.5	4.6	4.0	2.6	3.4	3.5
Machinery and equipment	5.4	1.0	3.3	4.2	6.6	2.0	0.1	3.4	3.2
Construction	2.0	4.4	3.3	0.7	3.2	5.2	3.7	3.1	3.4
GFCF in other products	4.7	4.4	4.3	4.8	4.7	4.5	4.3	4.3	4.3
Domestic uses	2.6	3.5	3.3	2.0	3.2	3.8	3.3	3.3	3.3
Exports	6.5	2.0	4.8	7.0	6.0	1.9	2.1	5.0	4.5
Imports	4.1	1.5	5.6	4.0	4.2	1.1	1.9	5.6	5.5
Gross domestic product	3.8	3.6	3.1	3.5	4.1	4.0	3.3	3.2	3.0
3. Disposition of GDP, adjusted for prices									
a) Chain-linked estimated in Billion EUR									
Final consumption expenditure	2,061.6	2,106.6	2,140.0	1,008.9	1,052.6	1,033.7	1,072.9	1,049.7	1,090.3
Private consumption expenditure ²	1,532.5	1,562.0	1,584.7	748.3	784.1	765.2	796.9	775.5	809.1
Government consumption expenditure	529.1	544.4	555.0	260.6	268.5	268.4	276.0	273.9	281.1
Gross fixed capital formation (GFCF)	558.4	569.2	580.9	266.7	291.7	273.8	295.4	279.4	301.5
Machinery and equipment	195.9	197.3	203.4	91.9	104.1	93.3	104.0	96.3	107.1
Construction	263.3	270.0	273.4	126.3	137.0	130.6	139.4	132.1	141.3
GFCF in other products	99.6	102.1	104.5	48.6	51.0	49.9	52.2	51.1	53.5
Domestic uses	2,586.4	2,644.8	2,690.2	1,272.9	1,313.5	1,305.8	1,338.9	1,328.6	1,361.6
Exports	1,350.9	1,378.3	1,429.1	664.3	686.6	678.7	699.6	705.8	723.3
Imports	1,153.5	1,197.1	1,253.6	562.0	591.6	583.5	613.6	612.4	641.2
Gross domestic product	2,782.5	2,825.8	2,867.6	1,374.5	1,408.0	1,400.6	1,425.2	1,422.3	1,445.4
b) Percentage change over previous year									
Final consumption expenditure	2.0	2.2	1.6	2.1	2.0	2.5	1.9	1.5	1.6
Private consumption expenditure ²	1.9	1.9	1.4	2.0	1.9	2.2	1.6	1.4	1.5
Government consumption expenditure	2.4	2.9	1.9	2.2	2.5	3.0	2.8	2.0	1.8
Gross fixed capital formation (GFCF)	2.2	1.9	2.1	1.1	3.2	2.7	1.3	2.0	2.1
Machinery and equipment	4.8	0.7	3.1	3.6	5.9	1.6	-0.1	3.2	3.0
Construction	0.3	2.6	1.3	-1.1	1.7	3.4	1.8	1.1	1.4
GFCF in other products	2.7	2.5	2.4	2.7	2.7	2.6	2.4	2.4	2.4
Domestic uses	1.6	2.3	1.7	1.1	2.1	2.6	1.9	1.7	1.7
Exports	5.4	2.0	3.7	5.7	5.1	2.2	1.9	4.0	3.4
Imports	5.8	3.8	4.7	5.6	6.0	3.8	3.7	5.0	4.5
Gross domestic product	1.7	1.6	1.5	1.4	1.9	1.9	1.2	1.5	1.4

NATIONAL ACCOUNTS DATA

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

Forecast for 2016 and 2017

	2015	2016	2017	2015		2016		2017	
				1. half year	2. half year	1. half year	2. half year	1. half year	2. half year
4. Price Level of National Expenditure (2010=100)									
Percentage change over previous year									
Private consumption expenditure ²	0.6	0.8	1.4	0.6	0.6	0.7	1.0	1.4	1.4
Government consumption expenditure	1.6	2.2	1.9	1.5	1.7	2.5	2.0	1.9	2.0
Gross fixed capital formation (GFCF)	1.4	1.3	1.4	1.4	1.3	1.3	1.3	1.4	1.4
Machinery and equipment	0.6	0.3	0.2	0.5	0.6	0.5	0.2	0.2	0.2
Construction	1.7	1.8	2.0	1.8	1.6	1.7	1.9	2.0	2.0
Exports	1.0	0.0	1.0	1.3	0.8	-0.3	0.2	0.9	1.1
Imports	-1.6	-2.2	0.8	-1.5	-1.7	-2.7	-1.7	0.7	1.0
Gross domestic product	2.1	2.0	1.6	2.0	2.1	2.0	2.0	1.6	1.6
5. Distribution of Income									
a) Billion EUR									
Primary income of private households ²	2,116.6	2,183.6	2,251.3	1,040.3	1,076.3	1,078.4	1,105.2	1,109.7	1,141.7
Employers' social contributions	280.4	291.7	304.3	135.7	144.7	141.5	150.3	147.5	156.8
Gross wages and salaries	1,262.7	1,313.8	1,363.2	601.3	661.4	627.1	686.7	650.4	712.8
Other primary income of private households ⁴	573.5	578.0	583.8	303.3	270.1	309.8	268.2	311.7	272.1
Primary income of other institutional sectors	443.8	476.9	498.3	200.0	243.8	217.4	259.5	231.0	267.4
Net national income (primary income)	2,560.3	2,660.5	2,749.7	1,240.3	1,320.0	1,295.8	1,364.7	1,340.6	1,409.1
Consumption of fixed capital	531.2	543.4	556.2	264.3	266.8	270.4	273.0	276.7	279.5
Gross national income	3,091.5	3,203.9	3,305.9	1,504.7	1,586.8	1,566.2	1,637.7	1,617.3	1,688.6
Memorandum item:									
Net national income (factor costs)	2,260.6	2,349.4	2,431.1	1,094.2	1,166.5	1,145.1	1,204.3	1,186	1,245
Property and entrepreneurial income	717.5	743.9	763.6	357.2	360.4	376.5	367.3	388	376
Compensation of employees	1,543.1	1,605.5	1,667.5	737.0	806.1	768.6	837.0	798	870
b) Percentage change over previous year									
Primary income of private households [2]	3.0	3.2	3.1	3.1	2.9	3.7	2.7	2.9	3.3
Employers' social contributions	3.2	4.0	4.3	3.1	3.3	4.3	3.8	4.3	4.3
Gross wages and salaries	4.0	4.0	3.8	3.8	4.2	4.3	3.8	3.7	3.8
Other primary income of private households ⁴	0.7	0.8	1.0	1.8	-0.6	2.1	-0.7	0.6	1.5
Primary income of other institutional sectors	8.3	7.5	4.5	5.3	11.0	8.7	6.5	6.3	3.0
Net national income (primary income)	3.9	3.9	3.4	3.5	4.3	4.5	3.4	3.5	3.3
Consumption of fixed capital	2.6	2.3	2.4	2.6	2.5	2.3	2.3	2.3	2.4
Gross national income	3.7	3.6	3.2	3.3	4.0	4.1	3.2	3.3	3.1
Memorandum item:									
Net national income (factor costs)	3.9	3.9	3.5	3.6	4.1	4.7	3.2	3.6	3.4
Property and entrepreneurial income	3.9	3.7	2.6	3.4	4.3	5.4	1.9	3.0	2.3
Compensation of employees	3.9	4.0	3.9	3.7	4.1	4.3	3.8	3.8	3.9
6. Income and Expenditure of Private Households									
a) Billion EUR									
Mass income	1,263.4	1,317.1	1,371.7	606.7	656.7	631.3	685.8	658	713
Net wages and salaries	838.4	870.3	897.3	394.5	443.9	411.0	459.3	423	474
Social benefits	523.9	548.6	579.2	261.6	262.3	271.1	277.5	287	292
less levies on social benefits	98.9	101.8	104.8	49.4	49.6	50.8	51.0	52	52
Other primary income ⁴	573.5	578.0	583.8	303.3	270.1	309.8	268.2	312	272
Other transfers received (net) ⁵	-79.2	-82.7	-86.4	-38.7	-40.5	-40.2	-42.5	-42	-44
Disposable income	1,757.7	1,812.4	1,869.1	871.4	886.3	900.9	911.5	928	941
Memorandum item:									
Adjustment for the change in net equity of households in pension funds reserves	50.5	51.4	52.4	25.0	25.6	25.4	26.0	26	26
Private consumption expenditure	1,633.4	1,678.7	1,726.9	796.7	836.7	820.0	858.7	843	884
Saving	174.8	185.2	194.6	99.6	75.2	106.3	78.9	111	83
Saving ratio in percent ⁶	9.7	9.9	10.1	11.1	8.2	11.5	8.4	11.7	8.6
b) Percentage change over previous year									
Mass income	3.7	4.3	4.1	3.4	4.1	4.1	4.4	4.3	4.0
Net wages and salaries	3.7	3.8	3.1	3.2	4.2	4.2	3.5	3.0	3.2
Social benefits	3.6	4.7	5.6	3.9	3.4	3.6	5.8	6.0	5.2
less levies on social benefits	3.3	2.9	2.9	4.4	2.2	2.9	2.9	2.9	2.9
Other primary income ⁴	0.7	0.8	1.0	1.8	-0.6	2.1	-0.7	0.6	1.5
Disposable income	2.8	3.1	3.1	2.9	2.7	3.4	2.8	3.0	3.2
Private consumption expenditure	2.6	2.8	2.9	2.7	2.5	2.9	2.6	2.8	3.0
Saving	4.3	6.0	5.1	4.3	4.3	6.7	4.9	4.5	5.8

NATIONAL ACCOUNTS DATA

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

Forecast for 2016 and 2017

	2015	2016	2017	2015		2016		2017	
				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	690.9	715.7	741.3	343.8	347.1	355.6	360.2	368.8	372.4
direct taxes	364.3	376.7	393.8	184.4	180.0	191.2	185.6	199.9	193.9
indirect taxes	326.5	339.0	347.5	159.4	167.1	164.4	174.6	168.9	178.6
Net social contributions	501.2	524.2	547.3	242.9	258.3	254.3	269.9	265.5	281.9
Property income	23.3	21.5	21.3	13.3	10.0	12.3	9.2	12.2	9.2
Other transfers	19.0	19.3	19.7	8.9	10.1	9.1	10.2	9.3	10.4
Capital transfers	11.9	11.4	10.8	5.2	6.7	4.9	6.4	4.6	6.2
Sales	103.5	105.5	107.4	48.7	54.8	49.6	55.8	50.6	56.9
Other subsidies	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total revenues	1,350.0	1,397.7	1,448.1	662.9	687.1	685.8	711.9	711.0	737.1
Expenditures									
Intermediate consumption	143.7	151.9	155.9	64.9	78.8	69.4	82.5	71.4	84.5
Compensation of employees	230.7	238.3	242.7	110.8	120.0	114.4	123.9	116.4	126.3
Social benefits in kind	252.3	267.5	284.0	124.6	127.8	132.3	135.2	140.4	143.6
Property income (interests)	48.5	46.6	45.1	24.5	24.1	23.5	23.1	22.8	22.4
Subsidies	26.8	27.9	28.9	13.2	13.6	13.7	14.2	14.2	14.6
Social benefits	469.3	489.8	517.4	234.4	234.9	241.8	248.0	256.6	260.9
Other transfers	65.1	63.2	68.1	37.1	28.0	37.2	26.0	40.3	27.8
Gross capital formation	65.9	69.9	71.5	28.0	37.9	29.8	40.1	30.8	40.7
Capital transfers	30.0	28.2	28.4	11.9	18.1	11.9	16.2	12.0	16.4
Acquisitions less disposals of non-financial non-produced assets	-2.0	-1.4	-5.2	-1.2	-0.8	-0.6	-0.8	-4.4	-0.8
Other taxes on production	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditures	1,330.6	1,381.8	1,436.8	648.0	682.5	673.4	708.4	700.4	736.4
Balance	19.4	15.9	11.4	14.8	4.5	12.4	3.5	10.6	0.7
b) Percentage change over previous year									
Revenues									
Taxes	4.7	3.6	3.6	4.7	4.7	3.4	3.8	3.7	3.4
direct taxes	5.4	3.4	4.5	6.5	4.3	3.7	3.1	4.6	4.5
indirect taxes	4.0	3.8	2.5	2.8	5.2	3.2	4.4	2.7	2.3
Net social contributions	4.0	4.6	4.4	3.9	4.0	4.7	4.5	4.4	4.4
Property income	-6.8	-7.9	-0.6	-14.1	5.0	-8.1	-7.6	-0.8	-0.4
Other transfers	-0.5	1.4	2.3	2.1	-2.8	1.5	1.3	2.2	2.5
Capital transfers	-2.5	-4.1	-5.2	10.2	-10.5	-4.9	-3.5	-6.3	-4.3
Sales	2.0	1.9	1.9	2.4	1.7	1.9	1.8	1.9	1.8
Other subsidies	-18.9	0.0	0.0	-20.8	-17.3	0.0	0.0	0.0	0.0
Total revenues	3.9	3.5	3.6	3.8	3.9	3.5	3.6	3.7	3.5
Expenditures									
Intermediate consumption	3.7	5.7	2.6	2.6	4.6	7.0	4.7	2.9	2.4
Compensation of employees	2.7	3.3	1.9	2.6	2.8	3.3	3.3	1.8	1.9
Social benefits in kind	5.1	6.0	6.1	5.2	5.0	6.3	5.8	6.1	6.2
Property income (interests)	-5.7	-4.0	-3.2	-7.6	-3.7	-4.0	-4.0	-3.2	-3.1
Subsidies	5.2	4.1	3.3	5.6	4.9	4.2	4.1	3.4	3.3
Social benefits	4.1	4.4	5.7	4.4	3.8	3.2	5.6	6.1	5.2
Other transfers ⁷	3.5	-1.9	4.9	1.3	2.3	0.1	-2.1	3.0	1.9
Gross capital formation	4.2	6.1	2.3	-0.4	7.8	6.5	5.7	3.4	1.4
Capital transfers ⁷	-5.9	-1.9	0.2	0.9	-6.8	0.0	-1.9	0.7	0.9
Acquisitions less disposals of non-financial non-produced assets ⁷	-0.6	0.5	-3.8	-0.6	-0.1	0.5	0.0	-3.8	0.0
Other taxes on production ⁷	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditures	3.1	3.9	4.0	3.3	2.9	3.9	3.8	4.0	4.0

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.