

DIW economic outlook



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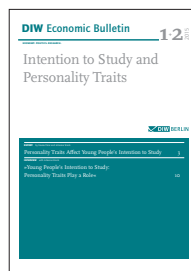
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NEXT ISSUE OF DIW ECONOMIC BULLETIN

Women in senior management positions

Subdued global growth, restrained European expansion

By Ferdinand Fichtner, Guido Baldi, Christian Dreger, Hella Engerer, Stefan Gebauer, Michael Hachula, and Malte Rieth

Global economic growth remains subdued. Leaving our forecast for this year unchanged, the pace of growth is expected to stand at 3.2 percent in 2016 and to increase somewhat over the following two years. In the advanced economies, the main growth driver will continue to be private consumption, which in turn is supported primarily by a steadily improving labor market and increases in real incomes. In Europe, the uncertainty associated with the Brexit decision will have a dampening effect on growth. In the emerging markets, the moderate increase in the pace of expansion should continue. In Russia and Brazil, the economic contraction process will gradually come to a halt, while in China, the current growth rate will remain stable thanks to solid consumer demand. Nevertheless, there are still a number of risks for the global economy: in particular, there's the uncertainty related to the Brexit decision, and tensions remain high in some parts of the European banking sector.

Global economic growth will increase slightly over the course of the forecast period, but will remain moderate. After the disappointing winter quarters of 2015/2016, the economic development did not pick up significantly in the second quarter of 2016. The increased political uncertainty—primarily due to the Brexit vote—will become more apparent over the second half of the year. This will be offset by an upturn in the US economy and in some of the emerging markets, however, with the result that the expansion rate of global production is likely to stand at 3.2 percent in 2016—as DIW Berlin predicted in June of this year¹—and probably somewhat higher in 2017 and 2018 (Table).

At the beginning of 2016, it was primarily the modest economic development in the emerging countries—especially China—that was dampening the expansion of global production. This likely led to a slowdown in the second quarter for the advanced economies as well, such as Japan and the US, where growth was holding back. Euro area production, however, continued in its upward trend. In the advanced economies overall, private consumption is likely to remain one of the principal growth drivers. Against this background and in light of the steady improvement in the labor market situation as well as increases in real income, business investment is expected to recover slightly later on in the forecast period—strong investment growth is unlikely however. In the euro area and the UK, the uncertainty related to the Brexit vote will likely constrict economic activity in the coming quarters; the dampening effect should begin to subside from the middle of next year onward. The growth of non-European economies should not be significantly affected by the Brexit decision.

In emerging markets, the moderate increase in expansion that was observed in the second quarter should continue over the forecast period. In Russia and Brazil, the

¹ Fichtner et al. (2016), Global Growth Still Subdued, DIW Economic Bulletin 24/25/2016, 277-280.

Table

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

	Gross Domestic Product				Consumer Prices				Unemployment rate in percent			
	Change over previous year in percent											
	2015	2016	2017	2018	2015	2016	2017	2018	2015	2016	2017	2018
Euro area	1.6	1.5	1.4	1.6	0.0	0.3	1.1	1.3	10.9	10.0	9.6	9.3
... without Germany	1.6	1.5	1.4	1.6	0.0	0.1	0.8	1.2	13.0	12.0	11.5	11.1
... France	1.2	1.2	1.2	1.4	0.1	0.2	0.9	1.3	10.4	9.9	9.7	9.5
... Italy	3.2	2.9	2.0	2.2	-0.5	-0.4	0.9	1.3	22.1	19.8	18.6	17.5
... Spain	0.6	0.7	1.1	1.3	0.1	0.2	0.8	1.0	11.9	11.2	10.5	10.3
... Netherlands	2.0	1.7	1.8	2.1	0.2	0.2	0.5	1.0	6.9	6.3	6.2	6.1
United Kingdom	2.2	1.7	0.9	1.9	0.0	0.6	2.6	1.8	5.3	5.1	5.6	5.4
USA	2.6	1.4	2.3	2.4	0.1	1.2	2.0	2.0	5.3	4.9	4.7	4.6
Japan	0.6	0.5	0.5	0.6	0.8	0.1	0.6	0.4	3.4	3.2	3.2	3.2
South Korea	2.6	2.7	2.8	3.2	0.7	1.0	2.2	2.7	3.6	3.4	3.0	3.0
Middle Eastern Europe	3.7	3.1	3.4	3.7	-0.4	-0.3	1.4	1.6	7.3	6.5	6.2	5.9
Turkey	4.0	3.2	2.7	3.1	7.8	8.8	8.3	7.4	10.3	9.6	9.2	9.0
Russia	-3.6	-0.8	1.2	1.9	15.5	6.8	4.5	4.1	5.6	5.6	5.6	5.5
China	6.5	6.1	5.9	5.9	-0.6	0.9	2.9	4.5	4.1	4.1	4.1	4.1
India	7.4	7.3	6.7	7.3	1.1	3.3	6.1	6.1				
Brazil	-3.9	-2.8	0.4	1.5	9.0	8.6	5.7	5.7	8.3	5.2	6.0	6.5
Mexico	2.5	1.7	2.5	2.7	2.7	2.6	3.1	3.2	4.4	4.4	4.8	4.8
Advanced Economies	2.0	1.4	1.7	2.0	0.2	0.8	1.7	1.6	6.3	5.9	5.7	5.6
Emerging Markets	4.4	4.5	4.8	5.1	2.9	3.2	4.2	4.8	5.3	4.9	4.2	4.1
World	3.4	3.2	3.5	3.8	1.7	2.2	3.0	3.4	5.8	5.3	4.9	4.8

Source: National statistical offices; DIW spring projections 2016.

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The world economy keeps expanding at a moderate pace.

economic contraction process will gradually come to a halt, while in China, the current pace of growth will be maintained primarily due to the solid consumer demand.

Global monetary policy is expected to be less expansionary. While the central banks in Europe and Japan will probably be more oriented toward stimulating growth, the Federal Reserve is likely to raise interest rates over the course of the forecast period due to a generally good labor market situation—but only slightly and gradually. Global fiscal policy is expected to be somewhat less restrictive. For example, fiscal policy is likely to be somewhat relaxed in Japan—and in China as well, where the

government is likely to create new economic stimulus measures.

Even though the uncertainty about economic development in China and the US has declined, there remain a number of risks for the global economy. Growing protectionism—in the wake of the US presidential election—presents a risk for global trade. In Europe, uncertainty remains high as a result of a number of factors, including the Brexit decision, the forthcoming constitutional referendum in Italy, the difficult formation of the Spanish government as well as the tense situations in some parts of the European banking sector.

Ferdinand Fichtner is Head of the Department of Forecasting and Economic Policy at DIW Berlin | ffichtner@diw.de

Guido Baldi is a Research Associate in the Department of Forecasting and Economic Policy at DIW Berlin | gbaldi@diw.de

Christian Dreger is Research Director for International Economics at DIW Berlin | cdreger@diw.de

Hella Engerer is a Research Associate in the Department of Forecasting and Economic Policy at DIW Berlin | hengerer@diw.de

Stefan Gebauer is a Research Associate in the Department of Forecasting and Economic Policy at DIW Berlin | sgebauer@diw.de

Michael Hachula is a Research Associate in the Department of Forecasting and Economic Policy at DIW Berlin | mhachula@diw.de

Malte Rieth is a Research Associate in the Department of Macroeconomics at DIW Berlin | mrieth@diw.de

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Keywords: Business cycle forecast, economic outlook

German economy: upward trend continues despite Brexit vote's dampening effect

By Ferdinand Fichtner, Karl Brenke, Marius Clemens, Simon Junker, Claus Michelsen, Maximilian Podstawski, Thore Schlaak, and Kristina van Deuverden

The German economy has been growing significantly recently, also due to strong foreign trade, and will experience a powerful increase of 1.9 percent in 2016. In the coming quarters, the drag of the Brexit decision should become noticeable. This will dampen the year-on-year growth rate in 2017 to 1.0 percent, alongside somewhat weaker private consumption dynamics. From the second half of 2017 onward, industry will start benefitting once again from a more dynamic development in key foreign markets, and in 2018, the German economy is expected to grow by 1.6 percent. Throughout the forecast period, the increase in employment should continue, and private consumption will contribute to growth—albeit at a somewhat slower pace. The unemployment rate should continue to drop: from 6.1 and 5.9 percent in 2016 and 2017 respectively to 5.8 percent by 2018. At 0.5 percent, inflation is low again this year, but at one-and-a-half percent, it will be higher in both 2017 and 2018. Corporate investment remains weak and won't start picking up momentum until the end of next year, in view of accelerating global growth dynamics. The government surplus is expected to increase to 27 billion euros this year; however, the surplus will be smaller in the coming years, at 14 billion euros in 2017 and 16 billion euros in 2018.

Though the German economy is still following an upward trend, growth will slow down in the coming quarters due to the effects of the Brexit vote. UK-bound exports in particular are expected to be lower as a result (Figure 1). At the turn of 2017–2018, exports are likely to pick up momentum once again due to the gradually improving global and euro-area economies.

Business investment will initially remain weak (Table 1), since the current uncertainty—partially the result of the Brexit vote—is dampening investment. Due to the continuing recovery in the euro area, the robust domestic economy in Germany, the full capacity utilization in industry, and continued favorable financing conditions, investment is likely to grow somewhat, if only moderately. Later on in the forecast period, when the global economy starts to pick up speed, investment should increase with somewhat more momentum.

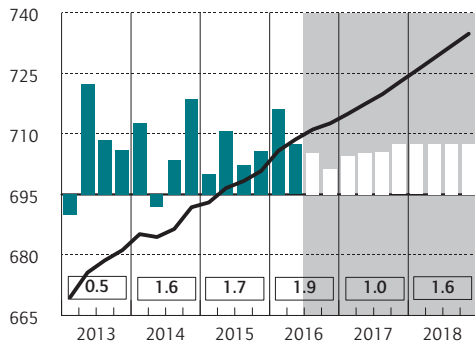
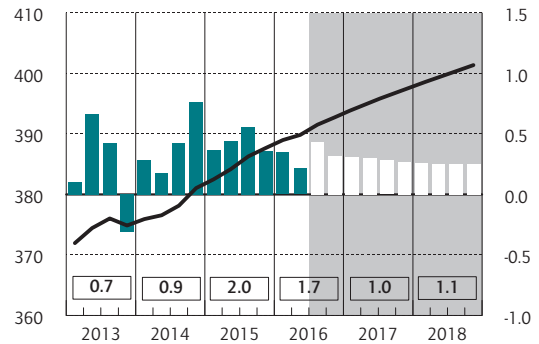
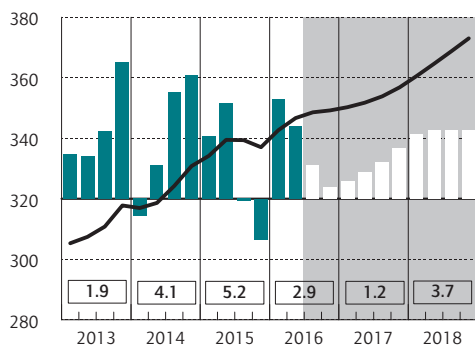
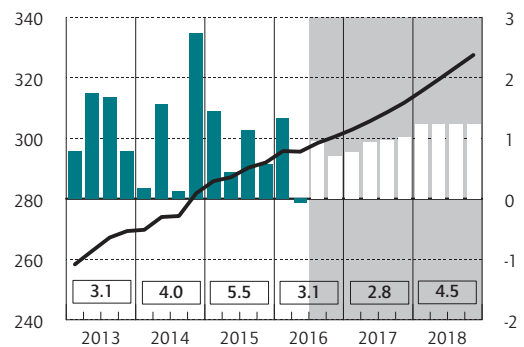
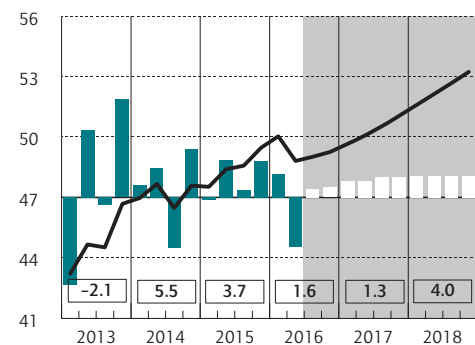
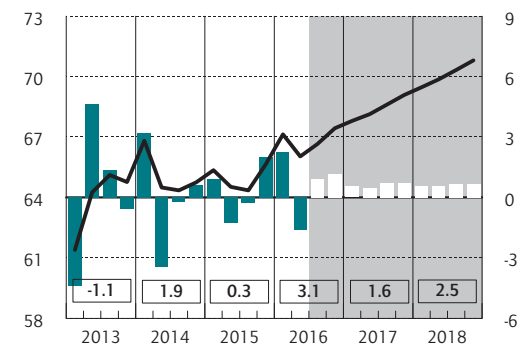
Private consumption will contribute to an increase over the course of the forecast period. The rise in employment will continue, albeit at a slower pace. In the past few quarters, real household incomes benefitted significantly from the drop in energy prices; at the present, however, energy prices are on the rise, which is dampening purchasing power. After only minor price increases this year, inflation is expected to increase over the course of the forecast period and will be somewhat higher in the coming years (Table 2). This is the primary reason why private consumption should lose some momentum.

The government's financial situation remains favorable, and the surplus is expected to rise again this year: to 0.9 percent in relation to nominal GDP. In the next two years, it will amount to 0.5 percent.

Figure 1

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 2016 Q3.

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The German economy is expected to grow by 1.9 per cent by the end of 2016, roughly two-tenths higher than what was predicted in the summer forecast. After a revision of the official statistics, production turned out to be higher at the beginning of the year than was previously

reported; moreover, development in the second quarter was slightly stronger than expected.

In 2017, the German economy will probably grow by only 1.0 per cent. However, the fact that 2017 has few-

Table 1

Use of gross domestic product, quarter-on-quarter growth rates

price, seasonally and working-day adjusted, in percent

	2016				2017				2018			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Private consumption	0.3	0.2	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Public consumption	1.3	0.6	0.7	0.3	1.2	1.3	0.5	0.5	0.6	0.5	0.5	0.5
Gross fixed capital formation	1.7	-1.5	0.7	0.8	0.6	0.6	0.8	0.8	0.7	0.7	0.8	0.8
Investment in machinery and equipment	1.2	-2.4	0.4	0.5	0.8	0.8	1.0	1.0	1.1	1.1	1.1	1.1
Construction investment	2.3	-1.6	0.9	1.2	0.5	0.5	0.7	0.7	0.6	0.6	0.7	0.7
Other investment	0.9	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Change in inventories ¹	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic uses	0.5	-0.2	0.5	0.4	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4
Net Exports ¹	0.3	0.6	-0.1	-0.2	-0.2	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0
Exports	1.6	1.2	0.6	0.2	0.3	0.4	0.6	0.8	1.1	1.1	1.1	1.1
Imports	1.3	-0.1	1.0	0.7	0.8	0.9	1.0	1.0	1.2	1.2	1.2	1.2
Gross Domestic Product	0.7	0.4	0.3	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4

¹ Contribution to gdp growth in percentage points.

Source: Federal Statistical Office; DIW Berlin, Forecast from 2016q3 onward.

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Table 2

Key economic indicators for the German economy

	2013	2014	2015	2016	2017	2018
Real GDP ¹ (percent change over previous year)	0.5	1.6	1.7	1.9	1.0	1.6
Domestic employment (1000 persons)	42,328	42,662	43,057	43,576	43,941	44,283
Unemployed (ILO concept)	2,182	2,092	1,949	1,818	1,768	1,708
Unemployed (BA concept)	2,950	2,898	2,795	2,685	2,635	2,586
Unemployment rate ² (ILO concept)	5.2	5.0	4.6	4.3	4.1	4.0
Unemployment rate ² (BA concept)	6.9	6.7	6.4	6.1	5.9	5.8
Consumer prices	1.5	0.9	0.2	0.5	1.6	1.5
Unit labor costs ³	1.8	1.7	1.5	1.4	2.0	1.5
Government budget balance ⁴						
in billion EUR	-5.7	8.1	22.6	27.1	14.6	15.8
in percent of GDP	-0.2	0.3	0.7	0.9	0.5	0.5
Current account balance, in percent of GDP	6.7	7.3	8.4	8.9	8.2	8.1

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.

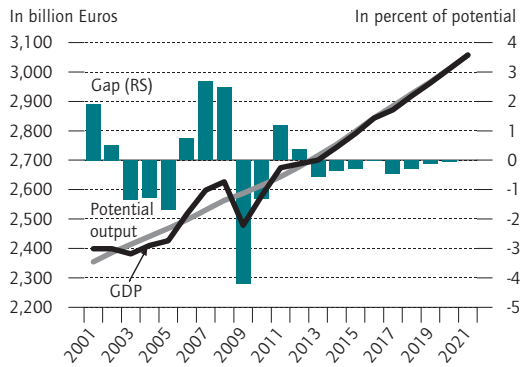
Sources: National and international institutions; computations by DIW Berlin; 2015 and 2016: DIW forecast.

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er working days exerts a drag on the year-on-year comparison of four-tenths of a percentage points. In addition, the Brexit decision will have a strong impact in the coming year, reducing the growth rate by roughly three-tenths of a percentage point. Over the course of

2017, economic development is likely to start picking up the pace again to some degree; this momentum will be maintained in 2018, when economic growth is expected to grow by 1.6 percent. Throughout the forecast period, the economy is expected to be roughly utilizing all

Figure 2

Potential output and GDP

Sources: Federal Statistical Office, Projection by DIW Berlin.

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Normal capacity utilisation during projection period.

Ferdinand Fichtner is Head of the Department of Forecasting and Economic Policy at DIW Berlin | ffichtner@diw.de

Karl Brenke is Researcher in the Department of Forecasting and Economic Policy of the DIW Berlin | kbrenke@diw.de

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

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

capacities, with no significant negative gap or signs of overheating (Figure 2).

Upside and downside risks for the forecast period originate from assumptions related to the refugee migration. Secondly, the forecast assumes that no post-Brexit trade relations agreement will have been reached with the UK by the end of 2018. However, favorable agreements could reduce Brexit vote-related investment restraint, whereas more decisive moves towards a deterioration of trade relations would mean that companies would adapt to gloomier prospects by dampening investment even more.

Claus Michelsen is a Research Associate in the Departments Forecasting and Economic Policy and Climate Policy at DIW Berlin | cmichelsen@diw.de

Maximilian Podstawski is a Research Associate in the Department of Forecasting and Economic Policy at DIW Berlin | mpodstawski@diw.de

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

Kristina van Deuverden is a Research Associate in the Department of Forecasting and Economic Policy at DIW Berlin | kvandeuverden@diw.de

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

SEVEN QUESTIONS TO FERDINAND FICHTNER

»Brexit decision is poison for investment in Germany«

1. Dr. Fichtner, Germany's economic development has become less stable overall. How long will it remain this way? Our prognosis for 2017 has changed quite a bit since June: we now predict that the Brexit decision will have a significant negative impact on growth, and have thus lowered the projected growth rate from 1.4 percent to 1 percent. Growth will turn out to be slightly higher than previously expected in 2016, however, since the year started off with an upswing.
2. Which economic sectors in Germany will be the most impacted by the Brexit decision? The Brexit decision has considerably increased uncertainty on a global level, which is poisonous for investment overall; in Germany, it will lead to lower activity levels than we would have expected even just a few months ago. The negative impact on foreign trade across Europe will hit Germany hard due to our economy's dependence on exports.
3. Apart from the Brexit decision, what is the forecast for corporate investment? Corporate investment in Germany has actually been weak for quite some time, and the first half of 2016 also exhibited very disappointing development. Due to the Brexit decision, we cannot expect much of a change there. We're assuming that corporate investment won't start picking up again until 2018, when German foreign trade is somewhat back on track.
4. Despite the uncertainty, the current economic data are not so bad. What are the key growth drivers in Germany? Despite the dampening effect of the Brexit decision, domestic trade remains stable and strong, and our favorable labor market situation will be impacted very little. Wage growth has lost a bit of momentum, but development here is still solid overall. This is of course very good for consumer demand, and correspondingly, consumption will continue to be a key growth driver in the German economy.
5. What's the situation with consumer prices? The recent declines in energy and consumer prices have ultimately increased purchasing power overall—that is, people have been able to buy more even when wages weren't increasing. Over the course of the forecast period, this effect will gradually fade, primarily because we aren't assuming any further decreases in energy prices.
6. What kind of impact is the planned increase in the minimum wage having on the labor market? According to our estimation, the increase in the minimum wage at the end of 2016 will have no noteworthy effects on social security-obligated employment—though we are expecting a slight decline in the number of mini-jobs.
7. Securing a real estate loan has become much more complicated due to legal constraints. How is this impacting the construction industry? All in all, the construction industry is benefiting significantly from the favorable economic environment. The very low interest rates are good for the construction industry, and the strong income growth is supporting the demand for residential property, leading to an increase in prices as well as actual construction overall. The tighter credit policy is dampening things a bit, but we aren't expecting the construction sector to come under too much pressure as a result.

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	2,823.4	1,910.3	299.8	613.3	-
4 - Consumption of fixed capital	551.0	316.9	68.5	165.5	-
5 = Net value added ¹	2,272.4	1,593.4	231.3	447.8	-251.2
6 - Compensation of employees, paid	1,591.0	1,133.5	235.3	222.2	14.2
7 - Other taxes on production, paid	22.7	13.2	0.2	9.3	-
8 + Other subsidies on production, received	24.9	23.1	0.2	1.5	-
9 = Operating surplus, net/mixed income, net	683.6	469.8	-4.0	217.8	-265.4
10 + Compensation of employees, received	1,593.8	-	-	1,593.8	11.3
11 - Subsidies, paid	26.9	-	26.9	-	5.3
12 + Taxes on production and imports, received	336.3	-	336.3	-	5.3
13 - Property income, paid	716.5	645.4	42.9	28.2	176.5
14 + Property income, received	781.9	367.0	19.0	395.8	111.2
15 = Net national income/Balance of prim income, net	2,652.2	191.4	281.5	2,179.2	-319.5
16 - Current taxes on income, wealth, etc, paid	388.7	79.8	-	308.9	10.4
17 + Current taxes on income, wealth, etc, received	398.7	-	398.7	-	0.4
18 - Net social contributions, paid	640.8	-	-	640.8	3.8
19 + Net social contributions, received	641.7	120.4	520.5	0.8	2.9
20 - Social benefits other than soc transf in kind, paid	551.0	62.6	487.6	0.8	0.4
21 + Social benefits other than soc transf in kind, receiv	544.2	-	-	544.2	7.3
22 - Other current transfers, paid	310.7	163.6	76.4	72.4	52.0
23 + Other current transfers, received	267.7	140.8	21.3	106.2	95.1
24 = Disposable income, net	2,613.2	146.5	658.0	1,807.5	-280.5
25 - Final consumption expenditure	2,286.9	-	611.9	1,675.0	-
26 + Adjustment for the change in net equity of households in pension funds	-	-48.6	-	48.6	-
27 = Net saving	326.3	97.9	46.2	181.1	-280.5
28 - Capital transfers, paid	46.7	5.6	32.7	8.4	4.7
29 + Capital transfers, received	42.4	17.8	12.8	11.8	9.0
30 - Gross capital formation	596.9	329.6	68.8	198.4	-
31 + Consumption of fixed capital	551.0	316.9	68.5	165.5	-
32 - Acquisitions less disposals of valuables	-2.0	-1.5	-1.2	0.7	2.0
33 = Net lending (+)/Net borrowing (-) memorandum item:	278.1	99.0	27.1	150.9	-278.1
34 Disposable income, net	2,613.2	146.5	658.0	1,807.5	-280.5
35 - Social transfers in kind, paid	401.0	-	401.0	-	-
36 + Social transfers in kind, received	401.0	-	-	401.0	-
37 = Adjusted disposable income, net	2,613.2	146.5	257.1	2,208.5	-280.5
38 - Actual final consumption ²	2,286.9	-	210.9	2,076.0	-
39 + Adjustment for the change in net equity of households in pension funds	-	-48.6	-	48.6	-
40 = Net saving	326.3	97.9	46.2	181.1	-280.5

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	2,893.1	1,952.5	308.3	632.3	-
4 - Consumption of fixed capital	565.2	325.0	70.5	169.8	-
5 = Net value added ¹	2,327.9	1,627.6	237.9	462.5	-239.7
6 - Compensation of employees, paid	1,641.6	1,169.3	242.2	230.0	14.8
7 - Other taxes on production, paid	22.2	12.5	0.2	9.5	-
8 + Other subsidies on production, received	25.1	23.3	0.2	1.6	-
9 = Operating surplus, net/mixed income, net	689.2	469.0	-4.3	224.5	-254.5
10 + Compensation of employees, received	1,644.4	-	-	1,644.4	11.9
11 - Subsidies, paid	27.3	-	27.3	-	5.3
12 + Taxes on production and imports, received	343.8	-	343.8	-	5.2
13 - Property income, paid	710.7	642.8	41.1	26.7	182.1
14 + Property income, received	779.4	361.4	20.1	397.8	113.4
15 = Net national income/Balance of prim income, net	2,718.9	187.6	291.2	2,240.0	-311.4
16 - Current taxes on income, wealth, etc, paid	388.2	78.6	-	309.6	10.6
17 + Current taxes on income, wealth, etc, received	398.3	-	398.3	-	0.5
18 - Net social contributions, paid	666.1	-	-	666.1	4.1
19 + Net social contributions, received	667.0	124.0	542.3	0.8	3.2
20 - Social benefits other than soc transf in kind, paid	568.5	64.6	503.2	0.8	0.4
21 + Social benefits other than soc transf in kind, receiv	561.5	-	-	561.5	7.5
22 - Other current transfers, paid	318.5	166.9	80.2	73.2	48.3
23 + Other current transfers, received	268.8	149.2	21.5	98.7	97.9
24 = Disposable income, net	2,673.2	150.8	670.0	1,851.4	-265.8
25 - Final consumption expenditure	2,353.7	-	638.3	1,715.4	-
26 + Adjustment for the change in net equity of households in pension funds	-	-49.1	-	49.1	-
27 = Net saving	319.6	101.7	31.7	185.0	-265.8
28 - Capital transfers, paid	44.4	4.8	31.1	8.6	4.6
29 + Capital transfers, received	39.9	16.7	11.0	12.1	9.2
30 - Gross capital formation	619.0	338.2	72.6	208.2	-
31 + Consumption of fixed capital	565.2	325.0	70.5	169.8	-
32 - Acquisitions less disposals of valuables	-2.1	2.1	-5.0	0.8	2.1
33 = Net lending (+)/Net borrowing (-) memorandum item:	263.4	98.3	14.6	149.3	-263.4
34 Disposable income, net	2,673.2	150.8	670.0	1,851.4	-265.8
35 - Social transfers in kind, paid	426.9	-	426.9	-	-
36 + Social transfers in kind, received	426.9	-	-	426.9	-
37 = Adjusted disposable income, net	2,673.2	150.8	243.1	2,278.2	-265.8
38 - Actual final consumption ²	2,353.7	-	211.4	2,142.3	-
39 + Adjustment for the change in net equity of households in pension funds	-	-49.1	-	49.1	-
40 = Net saving	319.6	101.7	31.7	185.0	-265.8

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 2018

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	2,987.7	2,019.7	314.8	653.2	-
4 - Consumption of fixed capital	581.0	333.8	72.4	174.8	-
5 = Net value added ¹	2,406.7	1,685.9	242.4	478.4	-246.6
6 - Compensation of employees, paid	1,697.0	1,209.9	247.1	239.9	15.3
7 - Other taxes on production, paid	22.5	12.6	0.2	9.7	-
8 + Other subsidies on production, received	25.1	23.4	0.2	1.6	-
9 = Operating surplus, net/mixed income, net	712.4	486.7	-4.7	230.4	-261.9
10 + Compensation of employees, received	1,699.8	-	-	1,699.8	12.4
11 - Subsidies, paid	27.5	-	27.5	-	5.2
12 + Taxes on production and imports, received	350.7	-	350.7	-	5.0
13 - Property income, paid	709.4	642.8	40.8	25.7	186.9
14 + Property income, received	780.7	360.9	20.0	399.8	115.7
15 = Net national income/Balance of prim income, net	2,806.6	204.7	297.6	2,304.3	-320.9
16 - Current taxes on income, wealth, etc, paid	408.6	84.0	-	324.6	10.8
17 + Current taxes on income, wealth, etc, received	418.9	-	418.9	-	0.5
18 - Net social contributions, paid	687.8	-	-	687.8	4.4
19 + Net social contributions, received	688.7	128.5	559.5	0.8	3.5
20 - Social benefits other than soc transf in kind, paid	585.0	66.4	517.8	0.8	0.4
21 + Social benefits other than soc transf in kind, receiv	577.7	-	-	577.7	7.7
22 - Other current transfers, paid	325.5	170.2	83.2	73.9	46.8
23 + Other current transfers, received	271.4	149.2	21.8	101.0	100.9
24 = Disposable income, net	2,756.4	161.8	696.8	1,896.7	-270.8
25 - Final consumption expenditure	2,417.5	-	660.7	1,756.8	-
26 + Adjustment for the change in net equity of households in pension funds	-	-49.6	-	49.6	-
27 = Net saving	339.0	112.2	36.1	189.5	-270.8
28 - Capital transfers, paid	45.2	5.7	30.8	8.6	4.6
29 + Capital transfers, received	40.6	17.9	10.5	12.2	9.2
30 - Gross capital formation	649.2	354.6	73.6	221.0	-
31 + Consumption of fixed capital	581.0	333.8	72.4	174.8	-
32 - Acquisitions less disposals of valuables	-2.1	-1.7	-1.2	0.9	2.1
33 = Net lending (+)/Net borrowing (-)	268.3	105.3	15.8	146.0	-268.3
memorandum item:					
34 Disposable income, net	2,756.4	161.8	696.8	1,896.7	-270.8
35 - Social transfers in kind, paid	448.2	-	448.2	-	-
36 + Social transfers in kind, received	448.2	-	-	448.2	-
37 = Adjusted disposable income, net	2,756.4	161.8	248.6	2,344.9	-270.8
38 - Actual final consumption ²	2,417.5	-	212.5	2,205.0	-
39 + Adjustment for the change in net equity of households in pension funds	-	-49.6	-	49.6	-
40 = Net saving	339.0	112.2	36.1	189.5	-270.8

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.

NATIONAL ACCOUNTS DATA

The main national accounts data for the Federal Republic of Germany

Forecast for 2016 to 2018

	2015	2016	2017	2018	2016		2017		2018	
					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	1.2	0.8	0.8	1.3	1.2	0.9	0.8	0.8	0.8
Hours worked, per working day	−0.9	0.1	0.7	−0.1	−1.1	1.4	0.3	1.0	−0.6	0.3
Working days	0.9	0.4	−1.2	−0.3	1.6	−0.8	0.0	−2.3	−0.5	−0.1
Labour volume, calendar-monthly	0.9	1.8	0.3	0.4	1.7	1.8	1.3	−0.6	−0.2	1.0
Labour productivity ¹	0.8	0.1	0.7	1.2	0.5	−0.4	−0.1	1.4	1.7	0.8
Gross domestic product, price adjusted	1.7	1.9	1.0	1.6	2.3	1.4	1.2	0.8	1.4	1.8
2. Disposition of GDP in Current Prices										
a) Billion EUR										
Final consumption expenditure	2,219.7	2,286.9	2,353.7	2,417.5	1,115.8	1,171.1	1,149.7	1,204.0	1,180.2	1,237.2
Private consumption expenditure ²	1,636.0	1,675.0	1,715.4	1,756.8	817.5	857.5	838.8	876.6	858.2	898.6
Government consumption expenditure	583.7	611.9	638.3	660.7	298.3	313.6	310.9	327.4	322.0	338.7
Gross fixed capital formation (GFCF)	603.8	628.2	648.7	678.4	302.9	325.3	312.7	335.9	326.5	351.9
Machinery and equipment	200.2	205.1	208.4	217.1	98.7	106.4	99.8	108.6	103.6	113.6
Construction	295.0	310.1	322.6	338.8	149.1	160.9	155.5	167.1	163.2	175.6
GFCF in other products	108.6	113.0	117.7	122.5	55.1	57.9	57.4	60.3	59.7	62.7
Change in Stocks ³	−20.2	−31.4	−29.7	−29.2	−5.9	−25.5	−4.7	−25.0	−4.1	−25.0
Domestic uses	2,803.3	2,883.7	2,972.7	3,066.7	1,412.9	1,470.8	1,457.7	1,515.0	1,502.6	1,564.1
Balance of exports and imports	229.5	251.2	239.7	246.6	130.6	120.6	127.7	112.0	128.8	117.8
Exports	1,418.8	1,444.9	1,479.9	1,558.5	714.2	730.7	734.8	745.1	768.3	790.3
Imports	1,189.3	1,193.7	1,240.1	1,311.9	583.5	610.2	607.0	633.1	639.4	672.5
Gross domestic product	3,032.8	3,134.9	3,212.4	3,313.3	1,543.5	1,591.4	1,585.4	1,627.0	1,631.4	1,681.9
b) Percentage change over previous year										
Final consumption expenditure	3.0	3.0	2.9	2.7	3.4	2.7	3.0	2.8	2.7	2.8
Private consumption expenditure ²	2.6	2.4	2.4	2.4	2.5	2.2	2.6	2.2	2.3	2.5
Government consumption expenditure	4.0	4.8	4.3	3.5	5.8	4.0	4.2	4.4	3.6	3.5
Gross fixed capital formation (GFCF)	3.2	4.0	3.3	4.6	5.2	3.0	3.2	3.3	4.4	4.7
Machinery and equipment	4.6	2.5	1.6	4.2	5.2	0.0	1.2	2.0	3.8	4.6
Construction	2.2	5.1	4.0	5.0	5.6	4.7	4.3	3.8	4.9	5.1
GFCF in other products	3.5	4.1	4.1	4.1	3.9	4.2	4.1	4.0	4.1	4.1
Domestic uses	2.6	2.9	3.1	3.2	3.3	2.4	3.2	3.0	3.1	3.2
Exports	6.3	1.8	2.4	5.3	1.9	1.7	2.9	2.0	4.6	6.1
Imports	3.9	0.4	3.9	5.8	0.2	0.5	4.0	3.8	5.3	6.2
Gross domestic product	3.7	3.4	2.5	3.1	3.9	2.8	2.7	2.2	2.9	3.4
3. Disposition of GDP, adjusted for prices										
a) Chain-linked estimated in Billion EUR										
Final consumption expenditure	2,069.9	2,115.5	2,150.4	2,180.9	1,038.5	1,077.0	1,056.1	1,094.3	1,071.3	1,109.6
Private consumption expenditure ²	1,540.1	1,565.6	1,582.0	1,599.2	767.2	798.4	775.9	806.1	783.9	815.3
Government consumption expenditure	529.6	549.5	567.6	580.7	271.1	278.4	279.8	287.8	286.9	293.9
Gross fixed capital formation (GFCF)	555.2	569.3	578.7	595.9	274.9	294.4	279.4	299.3	287.2	308.7
Machinery and equipment	194.8	198.0	200.6	208.6	94.7	103.2	95.5	105.1	98.9	109.6
Construction	260.4	268.5	272.8	279.7	129.9	138.7	132.3	140.5	135.5	144.2
GFCF in other products	100.4	103.1	105.6	108.2	50.4	52.7	51.6	53.9	52.9	55.2
Domestic uses	2,596.7	2,645.0	2,688.5	2,736.5	1,307.2	1,337.8	1,328.3	1,360.2	1,351.4	1,385.1
Exports	1,353.1	1,392.5	1,409.4	1,461.6	689.7	702.8	702.5	706.9	723.5	738.0
Imports	1,157.1	1,193.1	1,226.5	1,282.3	585.2	607.8	602.6	623.9	627.5	654.8
Gross domestic product	2,791.1	2,843.2	2,871.7	2,917.7	1,410.8	1,432.4	1,427.7	1,444.0	1,447.8	1,469.9
b) Percentage change over previous year										
Final consumption expenditure	2.2	2.2	1.7	1.4	2.6	1.8	1.7	1.6	1.4	1.4
Private consumption expenditure ²	2.0	1.7	1.0	1.1	2.1	1.3	1.1	1.0	1.0	1.1
Government consumption expenditure	2.8	3.7	3.3	2.3	4.1	3.4	3.2	3.4	2.5	2.1
Gross fixed capital formation (GFCF)	1.7	2.5	1.7	3.0	3.7	1.5	1.6	1.7	2.8	3.1
Machinery and equipment	3.7	1.6	1.3	4.0	4.2	−0.6	0.9	1.8	3.6	4.4
Construction	0.3	3.1	1.6	2.5	3.9	2.4	1.8	1.3	2.4	2.6
GFCF in other products	1.9	2.7	2.5	2.4	2.6	2.7	2.5	2.4	2.4	2.4
Domestic uses	1.6	1.9	1.6	1.8	2.5	1.3	1.6	1.7	1.7	1.8
Exports	5.2	2.9	1.2	3.7	3.2	2.6	1.9	0.6	3.0	4.4
Imports	5.5	3.1	2.8	4.5	3.8	2.5	3.0	2.6	4.1	5.0
Gross domestic product	1.7	1.9	1.0	1.6	2.3	1.4	1.2	0.8	1.4	1.8

NATIONAL ACCOUNTS DATA

continued: The main national accounts data for the Federal Republic of Germany

Forecast for 2016 to 2018

	2015	2016	2017	2018	2016		2017		2018	
					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	0.7	1.3	1.3	0.5	1.0	1.5	1.3	1.3	1.4
Government consumption expenditure	1.2	1.0	1.0	1.2	1.6	0.6	1.0	1.0	1.0	1.3
Gross fixed capital formation (GFCF)	1.5	1.5	1.6	1.6	1.4	1.5	1.6	1.6	1.6	1.6
Machinery and equipment	0.9	0.8	0.3	0.2	1.0	0.6	0.3	0.3	0.2	0.2
Construction	1.9	1.9	2.4	2.4	1.7	2.2	2.4	2.4	2.4	2.4
Exports	1.1	-1.0	1.2	1.6	-1.2	-0.8	1.0	1.4	1.5	1.6
Imports	-1.4	-2.7	1.1	1.2	-3.5	-1.9	1.0	1.1	1.2	1.2
Gross domestic product	2.0	1.5	1.5	1.5	1.6	1.4	1.5	1.4	1.5	1.6
5. Distribution of Income										
a) Billion Euro										
Primary income of private households ²	2,117.4	2,179.2	2,240.0	2,304.3	1,073.3	1,105.9	1,104.7	1,135.4	1,136.1	1,168.2
Employers' social contributions	279.2	287.6	298.8	309.3	138.8	148.8	144.3	154.5	149.2	160.1
Gross wages and salaries	1,260.6	1,306.3	1,345.6	1,390.5	624.4	681.8	643.6	702.0	664.7	725.9
Other primary income of private households ⁴	577.6	585.4	595.6	604.5	310.2	275.2	316.8	278.8	322.2	282.3
Primary income of other institutional sectors	445.7	472.9	478.8	502.3	219.8	253.1	225.6	253.2	233.8	268.5
Net national income (primary income)	2,563.1	2,652.2	2,718.9	2,806.6	1,293.2	1,359.0	1,330.3	1,388.6	1,369.9	1,436.7
Consumption of fixed capital	535.7	551.0	565.2	581.0	274.2	276.8	281.2	284.1	288.9	292.1
Gross national income	3,098.8	3,203.2	3,284.1	3,387.6	1,567.4	1,635.8	1,611.5	1,672.6	1,658.8	1,728.7
Memorandum item:										
Net national income (factor costs)	2,263.2	2,342.8	2,402.3	2,483.5	1,141.2	1,201.6	1,174.1	1,228.2	1,210.5	1,273.0
Property and entrepreneurial income	723.4	748.9	757.9	783.7	378.0	370.9	386.2	371.7	396.6	387.1
Compensation of employees	1,539.9	1,593.8	1,644.4	1,699.8	763.2	830.7	787.9	856.6	813.9	885.9
b) Percentage change over previous year										
Primary income of private households ²	3.2	2.9	2.8	2.9	3.3	2.6	2.9	2.7	2.8	2.9
Employers' social contributions	2.5	3.0	3.9	3.5	2.6	3.3	4.0	3.8	3.4	3.6
Gross wages and salaries	3.9	3.6	3.0	3.3	4.0	3.3	3.1	3.0	3.3	3.4
Other primary income of private households ⁴	1.8	1.4	1.7	1.5	2.3	0.3	2.1	1.3	1.7	1.2
Primary income of other institutional sectors	7.2	6.1	1.2	4.9	9.3	3.5	2.6	0.0	3.6	6.0
Net national income (primary income)	3.8	3.5	2.5	3.2	4.3	2.7	2.9	2.2	3.0	3.5
Consumption of fixed capital	2.9	2.9	2.6	2.8	2.9	2.8	2.5	2.6	2.7	2.8
Gross national income	3.7	3.4	2.5	3.2	4.0	2.7	2.8	2.3	2.9	3.4
Memorandum item:										
Net national income (factor costs)	3.8	3.5	2.5	3.4	4.3	2.8	2.9	2.2	3.1	3.6
Property and entrepreneurial income	4.2	3.5	1.2	3.4	5.5	1.6	2.2	0.2	2.7	4.1
Compensation of employees	3.7	3.5	3.2	3.4	3.7	3.3	3.2	3.1	3.3	3.4
6. Income and Expenditure of Private Households										
a) Billion Euro										
Mass income	1,259.4	1,302.2	1,337.4	1,376.1	625.8	676.4	644.2	693.2	661.5	714.6
Net wages and salaries	836.6	864.7	886.0	912.0	409.4	455.3	419.6	466.4	430.8	481.1
Social benefits	526.0	544.2	561.5	577.7	269.4	274.8	279.3	282.2	287.1	290.6
less levies on social benefits	103.1	106.7	110.1	113.5	53.0	53.7	54.7	55.4	56.4	57.2
Other primary income ⁴	577.6	585.4	595.6	604.5	310.2	275.2	316.8	278.8	322.2	282.3
Other transfers received (net) ⁵	-73.9	-80.0	-81.7	-83.9	-39.4	-40.7	-39.9	-41.8	-41.0	-42.9
Disposable income	1,763.1	1,807.5	1,851.4	1,896.7	896.6	911.0	921.1	930.3	942.8	953.9
Memorandum item:										
Adjustment for the change in net equity of households in pension funds reserves	48.1	48.6	49.1	49.6	24.0	24.6	24.2	24.8	24.5	25.1
Private consumption expenditure	1,636.0	1,675.0	1,715.4	1,756.8	817.5	857.5	838.8	876.6	858.2	898.6
Saving	175.2	181.1	185.0	189.5	103.0	78.1	106.5	78.5	109.0	80.5
Saving ratio in percent ⁶	9.7	9.8	9.7	9.7	11.2	8.3	11.3	8.2	11.3	8.2
b) Percentage change over previous year										
Mass income	3.7	3.4	2.7	2.9	3.3	3.5	2.9	2.5	2.7	3.1
Net wages and salaries	3.6	3.4	2.5	2.9	4.0	2.8	2.5	2.4	2.7	3.2
Social benefits	3.8	3.5	3.2	2.9	2.4	4.5	3.7	2.7	2.8	3.0
less levies on social benefits	4.0	3.5	3.2	3.2	3.2	3.8	3.1	3.2	3.1	3.2
Other primary income ⁴	1.8	1.4	1.7	1.5	2.3	0.3	2.1	1.3	1.7	1.2
Disposable income	3.1	2.5	2.4	2.4	2.7	2.4	2.7	2.1	2.4	2.5
Private consumption expenditure	2.6	2.4	2.4	2.4	2.5	2.2	2.6	2.2	2.3	2.5
Saving	6.1	3.4	2.2	2.4	3.3	3.4	3.4	0.5	2.3	2.5

NATIONAL ACCOUNTS DATA

continued: The main national accounts data for the Federal Republic of Germany

Forecast for 2016 to 2018

	2015	2016	2017	2018	2016		2017		2018	
					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 Euro										
Revenues										
Taxes	700.0	735.0	742.1	769.6	365.1	369.8	374.9	367.2	389.2	380.4
direct taxes	372.6	398.7	398.3	418.9	199.9	198.8	205.2	193.1	216.1	202.9
indirect taxes	327.4	336.3	343.8	350.7	165.2	171.0	169.7	174.1	173.1	177.6
Net social contributions	500.8	520.5	542.3	559.5	253.0	267.6	263.9	278.4	272.5	286.9
Property income	21.4	19.0	20.1	20.0	10.9	8.1	12.1	8.0	12.0	8.0
Other transfers	21.5	21.3	21.5	21.8	8.6	12.7	8.7	12.8	8.8	13.0
Capital transfers	12.2	12.8	11.0	10.5	6.1	6.6	5.0	6.0	4.7	5.8
Sales	100.4	103.6	106.6	109.8	49.1	54.5	50.6	56.1	52.0	57.7
Other subsidies	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total revenues	1,356.5	1,412.4	1,443.9	1,491.4	692.9	719.5	715.2	728.7	739.5	751.9
Expenditures										
Intermediate consumption	139.5	147.8	151.5	156.3	68.9	79.0	70.2	81.2	72.6	83.7
Compensation of employees	228.6	235.3	242.2	247.1	113.1	122.2	116.3	125.9	118.7	128.4
Social benefits in kind	252.4	267.8	285.1	299.4	132.9	134.9	141.5	143.6	148.5	150.8
Property income (interests)	47.3	42.9	41.1	40.8	20.8	22.0	20.5	20.6	20.5	20.3
Subsidies	27.5	26.9	27.3	27.5	13.3	13.6	13.5	13.8	13.6	13.9
Social benefits	471.0	487.6	503.2	517.8	242.0	245.6	250.8	252.3	258.0	259.9
Other transfers	75.2	76.4	80.2	83.2	39.1	37.3	41.0	39.1	42.5	40.6
Gross capital formation	64.3	68.8	72.6	73.6	28.9	39.9	30.7	41.9	31.1	42.5
Capital transfers	29.7	32.7	31.1	30.8	15.8	17.0	13.7	17.4	13.5	17.3
Acquisitions less disposals of non-financial non-produced assets	-1.8	-1.2	-5.0	-1.2	-0.5	-0.7	-4.4	-0.7	-0.6	-0.7
Other taxes on production	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total expenditures	1,333.9	1,385.3	1,429.3	1,475.6	674.4	710.9	694.1	735.3	718.7	756.9
Balance	22.6	27.1	14.6	15.8	18.5	8.6	21.1	-6.6	20.8	-5.0
b) Percentage change over previous year										
Revenues										
Taxes	4.7	5.0	1.0	3.7	4.8	5.2	2.7	-0.7	3.8	3.6
direct taxes	5.3	7.0	-0.1	5.2	6.1	8.0	2.6	-2.9	5.3	5.0
indirect taxes	4.0	2.7	2.2	2.0	3.3	2.1	2.7	1.8	2.0	2.0
Net social contributions	3.9	3.9	4.2	3.2	4.2	3.7	4.3	4.0	3.3	3.1
Property income	-13.0	-11.3	5.9	-0.7	-10.9	-11.8	11.0	-0.9	-0.6	-0.9
Other transfers	13.0	-1.3	1.2	1.2	-4.6	1.0	1.5	1.0	1.5	1.0
Capital transfers	0.0	4.8	-13.5	-4.5	18.3	-5.2	-18.0	-9.4	-5.7	-3.5
Sales	0.8	3.2	2.9	2.9	3.6	2.9	2.9	2.9	2.9	2.9
Other subsidies	-19.4	-3.6	0.0	0.0	-8.2	0.0	0.0	0.0	0.0	0.0
Total revenues	3.8	4.1	2.2	3.3	4.2	4.1	3.2	1.3	3.4	3.2
Expenditures										
Intermediate consumption	3.9	6.0	2.4	3.2	9.2	3.3	2.0	2.8	3.3	3.1
Compensation of employees	2.0	2.9	2.9	2.0	3.0	2.9	2.9	3.0	2.1	1.9
Social benefits in kind	5.2	6.1	6.5	5.0	6.7	5.6	6.5	6.4	5.0	5.0
Property income (interests)	-9.1	-9.3	-4.1	-0.7	-13.8	-4.6	-1.5	-6.6	0.0	-1.3
Subsidies	5.8	-2.3	1.6	0.9	-3.9	-0.6	1.7	1.5	1.0	0.9
Social benefits	4.1	3.5	3.2	2.9	2.6	4.4	3.6	2.8	2.8	3.0
Other transfers ⁷	3.0	1.2	3.8	3.0	-2.1	3.3	1.9	1.9	1.5	1.5
Gross capital formation	5.4	7.1	5.4	1.4	7.7	6.7	6.2	4.9	1.3	1.6
Capital transfers ⁷	-7.5	3.0	-1.7	-0.2	3.1	-0.1	-13.1	2.4	-1.3	-0.4
Acquisitions less disposals of non-financial non-produced assets ⁷	-0.5	0.7	-3.9	3.8	0.7	0.0	-3.9	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	0.0
Total expenditures	2.7	3.9	3.2	3.2	3.6	4.1	2.9	3.4	3.5	2.9

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.

7 Absolute change over previous year in Billion EUR.

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