

# German economy: upswing has gained breadth but will not hold pace

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

The upswing of the German economy continues and since the beginning of 2017, even at a somewhat faster pace. Sharp gains in employment are still driving consumption. And companies are investing significantly more in machines and facilities. Many global risks that previously limited the propensity to invest—in Germany and many other countries—have vanished. And the euro area is also finally feeling the upswing. The German export industry in particular is enjoying the benefits. The German Institute for Economic Research (DIW Berlin) is thus raising its forecast for German GDP and now anticipates a plus of 2.2 percent for this year. Although the momentum will gradually slow down toward the end of the forecast horizon, Germany's annual growth for 2018 should be of the same magnitude. All in all, the economy is booming but not to the point of overheating—wage and price movement is restrained.

The German economy is in the fourth year of an upswing. The pace picked up at the beginning of the year and has held steady. Germany's GDP should therefore grow more rapidly than previously expected and hit the 2.2-percent mark this year. Although growth by quarter should decelerate somewhat toward the end of the forecast horizon (Table 1), the anticipated average growth rate for next year should be about the same (Figure 1).

The German economy is booming right now. The output gap roughly half a percent this year and should expand to one percent in 2018. The country's economic capacity will be well utilized over the forecasting horizon. According to surveys, the manufacturing industry—and above all, the construction industry—is currently producing at higher capacity than the long-term average. And across all sectors, sentiment indicators have reached historical highs.

However, the German Institute for Economic Research (DIW Berlin) sees no sign of overheating. Wage increases are keeping pace with inflation and productivity, and in the next two years inflation will probably hover at just below two percent (Table 2). Adjusted for the fluctuation in number of working days, GDP growth for 2017 will be 2.5 percent and next year somewhat lower at 2.3 percent. This mirrors the expectation that economic growth will slow down in 2018. The year after, the German economy will grow by a much lower rate of 1.6 percent and the output gap will shrink.

The upswing has broadened significantly. Until now it has been fueled by private and public consumption, but owing to higher exports, corporate investment has also picked up momentum since the beginning of the year.

Prices are increasing at a higher rate than previously; and nominal income is not keeping pace, so private consumption will not be able to maintain the rate of growth it had this year and last. Because employment is rising—this year by an expected 650,000 persons, in 2018 by 400,000 persons, and in the following year by 300,000—and wages should rise due to the growing

Table 1

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

Price, seasonally and working-day-adjusted, in percent

	2017				2018				2019			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Private consumption	0.8	0.9	-0.1	0.6	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Public consumption	0.2	0.2	0.0	0.3	0.5	0.5	0.3	0.3	-0.1	0.0	0.3	0.3
Gross fixed capital formation	2.9	1.5	0.4	0.9	1.1	1.0	0.8	0.8	0.7	0.7	0.7	0.7
Investment in machinery and equipment	2.3	3.3	1.5	1.6	1.8	1.4	1.0	1.0	0.8	0.8	0.8	0.8
Construction investment	3.5	0.5	-0.4	0.5	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6
Other investment	2.0	0.9	0.6	0.7	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7
Change in inventories <sup>1</sup>	-0.8	0.2	0.4	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic uses	0.3	1.2	0.4	0.3	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Net Exports <sup>1</sup>	0.6	-0.4	0.4	0.1	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Exports	1.7	1.0	1.7	1.5	1.4	1.2	1.1	1.1	1.1	1.0	1.0	1.0
Imports	0.4	2.4	0.9	1.4	1.3	1.3	1.2	1.2	1.2	1.1	1.1	1.1
Gross Domestic Product	0.9	0.6	0.8	0.4	0.7	0.5	0.4	0.4	0.4	0.4	0.4	0.4

<sup>1</sup> Contribution to gross domestic product growth in percentage points.

Sources: Federal Statistical Office; authors' own calculations, forecast from 2017 Q4 onward.

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labor market shortage, private consumption will remain a driver of growth. The unemployment rate will fall from 5.7 percent this year to 5.2 percent in 2019.

During the winter half-year, industry should visibly expand. Order books are full, partially because the global economy in general, and in the euro area in particular,

have relatively high growth rates. They go hand in hand with higher levels of investment in many countries, in turn stimulating Germany's export economy, which is specialized in this class of goods. Foreign trade is making a positive contribution to the growth of the German economy, although it is expected to gradually decrease; import growth is just as dynamic. The current account

Table 2

**Key economic indicators for the German economy**

	2014	2015	2016	2017	2018	2019
Real GDP <sup>1</sup> (percent change over previous year)	1.9	1.7	1.9	2.2	2.2	1.6
Domestic employment (1000 persons)	42 672	43 069	43 638	44 289	44 702	44 989
Unemployed (ILO concept)	2 092	1 949	1 775	1 616	1 517	1 402
Unemployed (BA concept)	2 898	2 795	2 691	2 535	2 453	2 338
Unemployment rate <sup>2</sup> (ILO concept)	5.0	4.6	4.1	3.8	3.5	3.2
Unemployment rate <sup>2</sup> (BA concept)	6.7	6.4	6.1	5.7	5.5	5.2
Consumer prices	0.9	0.2	0.5	1.7	1.7	1.7
Unit labor costs <sup>3</sup>	1.4	1.8	1.6	1.7	1.5	2.1
Government budget balance <sup>4</sup>						
in billion EUR	9.5	19.4	25.7	47.4	46.0	54.1
in percent of GDP	0.3	0.6	0.8	1.5	1.4	1.5
Current account balance, in percent of GDP	7.4	8.5	8.2	7.9	8.1	8.1

<sup>1</sup> Price-adjusted, chain-linked.

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

<sup>3</sup> Compensation of employees (national concept) per hour worked over real GDP.

<sup>4</sup> According to ESA 2010.

Sources: National and international institutions; authors' own calculations, forecast from 2017 onward.

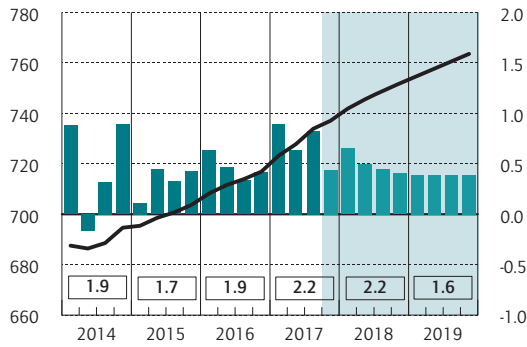
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Figure 1

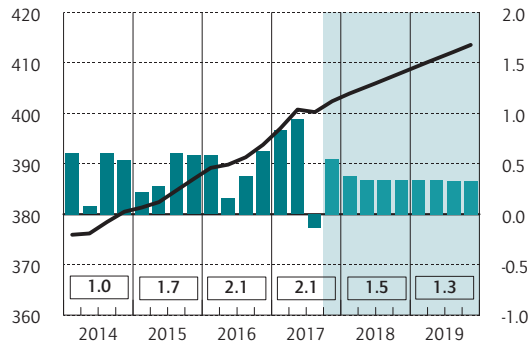
**Gross domestic product and use of GDP**

Seasonally and working day adjusted

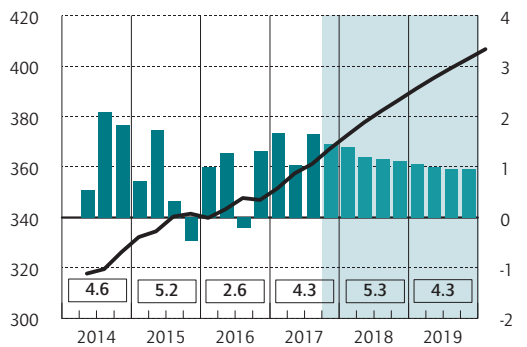
**Gross domestic product**



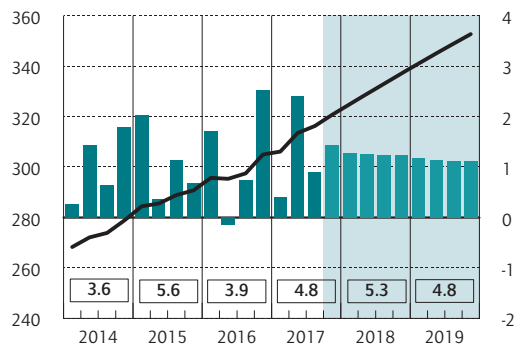
**Private consumption**



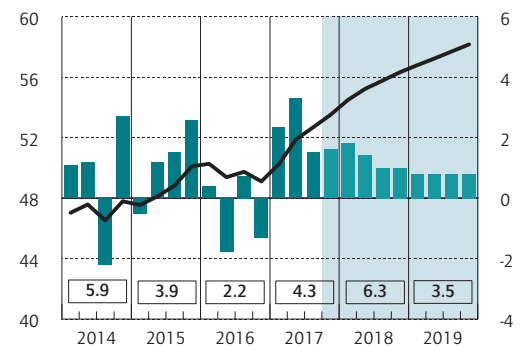
**Exports**



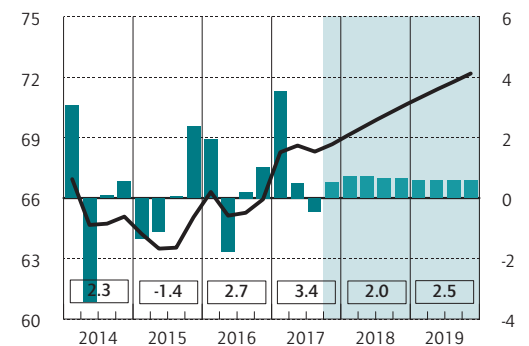
**Imports**



**Investment in machinery and equipment**



**Investment in construction**



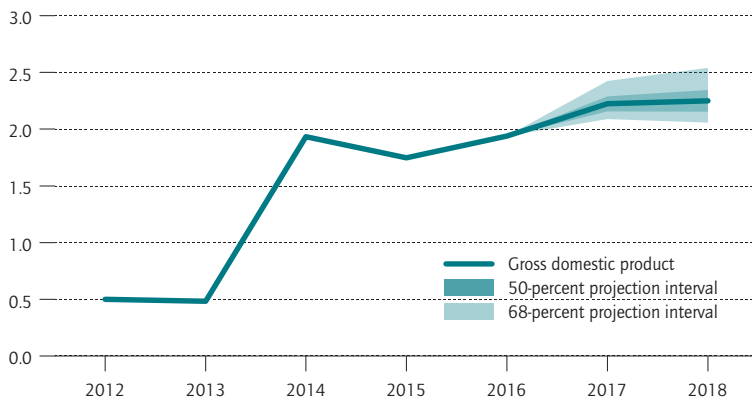
— Chained volumes, billions of Euro (left-hand axis)  
 ■ Quarter-on-quarter growth rate (right-hand axis)  
 □ Year-on-year growth rate (non-adjusted)

Sources: Federal Statistical Office; authors' own calculations, forecasts as of 2017 Q4.

Figure 2

**Forecast for the rate of change of real gross domestic product**

In percent



Note: For 2019, corresponding intervals cannot be calculated because there are insufficient predictions for this horizon.

Source: Authors' own calculations.

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surplus will plateau at around eight percent during the forecast horizon.

The high level of global investment since the beginning of 2017 may also be due to the dissolution of many risks that previously reduced companies' willingness to invest. For example, euroskeptical parties did not gain traction in the elections in France and the Netherlands as feared, and the Chinese economy is experiencing unexpectedly robust development. Additionally, the euro area's fragile growth has taken root. These brighter general conditions must have also contributed to the upturn in corporate investment in Germany. In line with continued robust

demand from outside Germany, investment should follow an upward trend until the end of the forecast horizon.

The economic growth forecast is currently subject to unusual uncertainty: Germany has not yet formed a new government, which is expected to realign its policies after concluding a new coalition agreement. And in the present forecast, the development of the public budget is based on the assumption that the status quo, the applicable legal framework, will not change. Under these circumstances, public budgets will close their reporting periods with high surpluses. In relation to nominal GDP, the surplus this year will be 1.5 percent. In 2018 it will be 1.4 percent, and in 2019 it should be 1.5 percent or 54.1 billion euros.<sup>1</sup> The subsequent budgetary leeway will not remain on the sidelines in the coalition negotiations. Budgetary balances will be discernibly lower and the effects of new measures on the economy could be significant.

Euroskeptical parties gaining traction in the Italian elections next year, the course of the Brexit negotiations, and the tension between the U.S. and North Korea could harbor further risks for the present forecast. All of these factors could increase political uncertainty, burdening investment in particular.

DIW Berlin has raised its forecast for the current year by one-quarter of a percentage point. Half of this upward revision resulted from an adjustment of the official statistics on the one hand and on the other, unexpectedly robust growth in the third quarter plus more momentum than estimated in the final quarter. The 68-percent confidence interval resulting from forecasting errors in the past five years is between 2.1 and 2.5 this year and for 2018, between 2.1 and 2.6 percent (Figure 2).

<sup>1</sup> See Kristina van Deuverden, "Hohe Haushaltsüberschüsse nutzen, um Wachstumschancen in der Zukunft zu erhöhen," *DIW Wochenbericht*, no. 50 (2017): 1183-1192 (available online, accessed December 13, 2017).

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## NATIONAL ACCOUNTS DATA

### The main national accounts data for the Federal Republic of Germany

Forecast for 2017 to 2019

	2017	2018	2019	2017		2018		2019	
				1. half year	2. half year	1. half year	2. half year	1. half year	2. half year
<b>1. Origin of GDP</b>									
<b>Percentage change over previous year</b>									
Domestic employment	1.5	0.9	0.6	1.5	1.5	1.1	0.8	0.7	0.6
Hours worked, per working day	0.9	0.3	0.0	0.0	1.9	0.4	0.3	0.6	-0.5
Working days	-1.2	-0.3	0.0	0.0	-2.3	-0.5	-0.1	-0.8	0.8
Labor volume, calendar-monthly	1.3	1.0	0.6	1.5	1.0	1.0	1.0	0.4	0.8
Labor productivity <sup>1</sup>	1.0	1.2	1.0	0.7	1.3	1.3	1.2	1.0	0.9
<b>Gross domestic product, price adjusted</b>	<b>2.2</b>	<b>2.2</b>	<b>1.6</b>	<b>2.2</b>	<b>2.3</b>	<b>2.3</b>	<b>2.2</b>	<b>1.5</b>	<b>1.7</b>
<b>2. Disposition of GDP in Current Prices</b>									
<b>a) Billion EUR</b>									
Final consumption expenditure	2 374.4	2 447.5	2 520.6	1 160.5	1 213.8	1 193.8	1 253.8	1 227.6	1 293.0
Private consumption expenditure <sup>2</sup>	1 738.3	1 790.0	1 843.3	850.5	887.7	873.9	916.1	898.4	945.0
Government consumption expenditure	636.1	657.5	677.2	310.0	326.1	319.8	337.7	329.2	348.0
Gross fixed capital formation (GFCF)	665.5	702.7	736.9	320.8	344.7	338.2	364.5	354.7	382.2
Machinery and equipment	215.1	229.4	238.5	101.7	113.3	109.1	120.3	113.1	125.4
Construction	324.8	342.0	361.4	157.8	167.0	165.0	177.0	174.7	186.8
GFCF in other products	125.7	131.4	137.0	61.3	64.3	64.2	67.2	67.0	70.1
Change in Stocks <sup>3</sup>	-23.7	-22.7	-21.8	-6.4	-17.3	-2.6	-20.1	-3.1	-18.7
Domestic uses	3 016.2	3 127.6	3 235.6	1 475.0	1 541.2	1 529.4	1 598.2	1 579.2	1 656.4
Balance of exports and imports	247.0	264.7	272.4	127.5	119.5	140.0	124.7	144.0	128.4
Exports	1 537.2	1 632.1	1 715.1	761.2	776.0	808.0	824.1	847.4	867.7
Imports	1 290.2	1 367.5	1 442.7	633.7	656.5	668.0	699.5	703.4	739.3
<b>Gross domestic product</b>	<b>3 263.2</b>	<b>3 392.3</b>	<b>3 508.0</b>	<b>1 602.5</b>	<b>1 660.7</b>	<b>1 669.4</b>	<b>1 722.8</b>	<b>1 723.2</b>	<b>1 784.8</b>
<b>b) Percentage change over previous year</b>									
Final consumption expenditure	3.7	3.1	3.0	3.9	3.5	2.9	3.3	2.8	3.1
Private consumption expenditure <sup>2</sup>	3.8	3.0	3.0	4.0	3.6	2.8	3.2	2.8	3.2
Government consumption expenditure	3.4	3.4	3.0	3.5	3.2	3.2	3.5	2.9	3.1
Gross fixed capital formation (GFCF)	5.6	5.6	4.9	5.2	6.1	5.4	5.7	4.9	4.9
Machinery and equipment	4.5	6.7	4.0	2.7	6.1	7.2	6.1	3.7	4.2
Construction	6.7	5.3	5.7	7.0	6.4	4.6	6.0	5.9	5.5
GFCF in other products	5.0	4.5	4.3	4.9	5.1	4.6	4.5	4.4	4.2
Domestic uses	4.2	3.7	3.5	4.3	4.2	3.7	3.7	3.3	3.6
Exports	6.0	6.2	5.1	6.0	6.0	6.1	6.2	4.9	5.3
Imports	7.6	6.0	5.5	8.8	6.4	5.4	6.5	5.3	5.7
<b>Gross domestic product</b>	<b>3.8</b>	<b>4.0</b>	<b>3.4</b>	<b>3.4</b>	<b>4.1</b>	<b>4.2</b>	<b>3.7</b>	<b>3.2</b>	<b>3.6</b>
<b>3. Disposition of GDP, adjusted for prices</b>									
<b>a) Chain-linked estimated in Billion EUR</b>									
Final consumption expenditure	2 158.1	2 189.5	2 214.0	1 061.7	1 096.4	1 075.6	1 113.9	1 086.7	1 127.4
Private consumption expenditure <sup>2</sup>	1 599.6	1 623.7	1 645.0	784.8	814.8	795.6	828.0	804.8	840.2
Government consumption expenditure	558.3	565.6	569.0	276.7	281.5	279.8	285.8	281.7	287.3
Gross fixed capital formation (GFCF)	593.7	614.9	632.8	286.9	306.8	296.7	318.2	305.4	327.4
Machinery and equipment	208.1	221.1	229.0	97.9	110.2	104.7	116.4	108.1	120.8
Construction	272.9	278.4	285.3	133.5	139.4	135.2	143.1	138.8	146.4
GFCF in other products	113.4	116.9	120.2	55.6	57.9	57.3	59.6	58.9	61.3
Domestic uses	2 717.8	2 771.7	2 815.5	1 340.6	1 377.1	1 367.4	1 404.4	1 387.0	1 428.4
Exports	1 455.0	1 531.9	1 598.1	720.5	734.5	759.8	772.1	790.8	807.3
Imports	1 254.6	1 320.4	1 383.9	613.2	641.3	645.7	674.7	675.2	708.6
<b>Gross domestic product</b>	<b>2 918.8</b>	<b>2 984.5</b>	<b>3 032.1</b>	<b>1 447.5</b>	<b>1 471.3</b>	<b>1 481.4</b>	<b>1 503.1</b>	<b>1 503.0</b>	<b>1 529.1</b>
<b>b) Percentage change over previous year</b>									
Final consumption expenditure	1.8	1.5	1.1	2.0	1.7	1.3	1.6	1.0	1.2
Private consumption expenditure <sup>2</sup>	2.1	1.5	1.3	2.2	2.0	1.4	1.6	1.1	1.5
Government consumption expenditure	1.1	1.3	0.6	1.4	0.8	1.1	1.5	0.7	0.5
Gross fixed capital formation (GFCF)	3.7	3.6	2.9	3.4	4.0	3.4	3.7	2.9	2.9
Machinery and equipment	4.3	6.3	3.5	2.5	5.9	6.9	5.7	3.3	3.8
Construction	3.4	2.0	2.5	4.0	2.9	1.3	2.7	2.7	2.3
GFCF in other products	3.7	3.0	2.9	3.7	3.7	3.0	3.0	2.9	2.8
Domestic uses	2.3	2.0	1.6	2.4	2.2	2.0	2.0	1.4	1.7
Exports	4.3	5.3	4.3	4.1	4.5	5.5	5.1	4.1	4.6
Imports	4.8	5.3	4.8	5.0	4.7	5.3	5.2	4.6	5.0
<b>Gross domestic product</b>	<b>2.2</b>	<b>2.2</b>	<b>1.6</b>	<b>2.2</b>	<b>2.3</b>	<b>2.3</b>	<b>2.2</b>	<b>1.5</b>	<b>1.7</b>

## NATIONAL ACCOUNTS DATA

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

Forecast for 2017 to 2019

	2017	2018	2019	2017		2018		2019	
				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>	1.7	1.5	1.6	1.7	1.6	1.3	1.6	1.6	1.7
Government consumption expenditure	2.2	2.0	2.4	2.1	2.4	2.0	2.0	2.2	2.5
Gross fixed capital formation (GFCF)	1.8	1.9	1.9	1.7	1.9	2.0	1.9	1.9	1.9
Machinery and equipment	0.2	0.4	0.4	0.3	0.2	0.3	0.4	0.4	0.4
Construction	3.1	3.2	3.1	2.9	3.4	3.3	3.2	3.1	3.1
Exports	1.6	0.9	0.7	1.9	1.4	0.7	1.0	0.8	0.7
Imports	2.6	0.7	0.7	3.7	1.6	0.1	1.3	0.7	0.6
<b>Gross domestic product</b>	<b>1.5</b>	<b>1.7</b>	<b>1.8</b>	<b>1.2</b>	<b>1.8</b>	<b>1.8</b>	<b>1.5</b>	<b>1.7</b>	<b>1.8</b>
<b>5. Distribution of Income</b>									
<b>a) Billion Euro</b>									
Primary income of private households <sup>2</sup>	2 277.2	2 358.9	2 440.5	1 120.0	1 157.2	1 159.9	1 199.0	1 199.1	1 241.4
Employers' social contributions	301.0	312.2	324.0	145.1	155.9	150.6	161.6	156.5	167.5
Gross wages and salaries	1 369.6	1 424.4	1 478.3	653.2	716.4	680.2	744.2	706.6	771.8
Other primary income of private households <sup>4</sup>	606.6	622.3	638.2	321.6	284.9	329.1	293.2	336.0	302.1
Primary income of other institutional sectors	474.0	499.8	517.7	219.0	255.0	235.6	264.2	241.3	276.5
<b>Net national income (primary income)</b>	<b>2 751.1</b>	<b>2 858.6</b>	<b>2 958.2</b>	<b>1 338.9</b>	<b>1 412.2</b>	<b>1 395.5</b>	<b>1 463.1</b>	<b>1 440.4</b>	<b>1 517.9</b>
Consumption of fixed capital	571.3	594.5	615.0	283.3	288.0	294.9	299.6	305.5	309.5
<b>Gross national income</b>	<b>3 322.5</b>	<b>3 453.2</b>	<b>3 573.2</b>	<b>1 622.2</b>	<b>1 700.2</b>	<b>1 690.4</b>	<b>1 762.7</b>	<b>1 745.9</b>	<b>1 827.4</b>
<i>Memorandum item:</i>									
Net national income (factor costs)	2 433.3	2 533.2	2 623.6	1 180.6	1 252.7	1 233.4	1 299.8	1 273.8	1 349.8
Property and entrepreneurial income	762.7	796.6	821.2	382.3	380.4	402.5	394.0	410.7	410.5
Compensation of employees	1 670.6	1 736.6	1 802.4	798.3	872.3	830.8	905.8	863.1	939.3
<b>b) Percentage change over previous year</b>									
Primary income of private households <sup>2</sup>	4.6	3.6	3.5	4.6	4.6	3.6	3.6	3.4	3.5
Employers' social contributions	4.2	3.7	3.8	3.8	4.6	3.8	3.6	3.9	3.7
Gross wages and salaries	4.4	4.0	3.8	4.5	4.4	4.1	3.9	3.9	3.7
Other primary income of private households <sup>4</sup>	5.1	2.6	2.6	5.0	5.3	2.3	2.9	2.1	3.1
Primary income of other institutional sectors	1.3	5.4	3.6	-1.4	3.8	7.6	3.6	2.4	4.6
<b>Net national income (primary income)</b>	<b>4.0</b>	<b>3.9</b>	<b>3.5</b>	<b>3.6</b>	<b>4.5</b>	<b>4.2</b>	<b>3.6</b>	<b>3.2</b>	<b>3.7</b>
Consumption of fixed capital	3.5	4.1	3.4	3.3	3.6	4.1	4.0	3.6	3.3
<b>Gross national income</b>	<b>3.9</b>	<b>3.9</b>	<b>3.5</b>	<b>3.5</b>	<b>4.3</b>	<b>4.2</b>	<b>3.7</b>	<b>3.3</b>	<b>3.7</b>
<i>Memorandum item:</i>									
Net national income (factor costs)	4.1	4.1	3.6	3.5	4.7	4.5	3.8	3.3	3.8
Property and entrepreneurial income	3.4	4.4	3.1	1.6	5.2	5.3	3.6	2.0	4.2
Compensation of employees	4.4	4.0	3.8	4.4	4.4	4.1	3.8	3.9	3.7
<b>6. Income and Expenditure of Private Households</b>									
<b>a) Billion Euro</b>									
Mass income	1 350.3	1 397.8	1 442.9	650.5	699.9	673.8	724.0	695.3	747.5
Net wages and salaries	905.3	940.8	972.3	427.7	477.7	445.1	495.7	460.3	511.9
Social benefits	565.8	581.8	599.4	282.5	283.3	290.4	291.4	298.6	300.8
less levies on social benefits	120.8	124.8	128.8	59.7	61.1	61.7	63.1	63.6	65.2
Other primary income <sup>4</sup>	606.6	622.3	638.2	321.6	284.9	329.1	293.2	336.0	302.1
Other transfers received (net) <sup>5</sup>	-79.4	-83.0	-85.4	-38.7	-40.7	-40.7	-42.3	-41.9	-43.5
<b>Disposable income</b>	<b>1 877.5</b>	<b>1 937.1</b>	<b>1 995.6</b>	<b>933.4</b>	<b>944.1</b>	<b>962.2</b>	<b>974.9</b>	<b>989.5</b>	<b>1 006.2</b>
<i>Memorandum item:</i>									
Adjustment for the change in net equity of households in pension funds reserves	49.5	50.0	50.4	24.5	25.1	24.7	25.3	24.9	25.5
Private consumption expenditure	1 738.3	1 790.0	1 843.3	850.5	887.7	873.9	916.1	898.4	945.0
Saving	188.8	197.0	202.7	107.3	81.4	113.0	84.0	116.0	86.7
Saving ratio in percent <sup>6</sup>	9.8	9.9	9.9	11.2	8.4	11.4	8.4	11.4	8.4
<b>b) Percentage change over previous year</b>									
Mass income	3.9	3.5	3.2	4.2	3.7	3.6	3.4	3.2	3.3
Net wages and salaries	4.2	3.9	3.4	4.3	4.0	4.1	3.8	3.4	3.3
Social benefits	3.8	2.8	3.0	4.3	3.4	2.8	2.9	2.8	3.2
less levies on social benefits	5.2	3.3	3.2	5.6	4.8	3.3	3.3	3.1	3.4
Other primary income <sup>4</sup>	5.1	2.6	2.6	5.0	5.3	2.3	2.9	2.1	3.1
<b>Disposable income</b>	<b>4.0</b>	<b>3.2</b>	<b>3.0</b>	<b>4.2</b>	<b>3.8</b>	<b>3.1</b>	<b>3.3</b>	<b>2.8</b>	<b>3.2</b>
Private consumption expenditure	3.8	3.0	3.0	4.0	3.6	2.8	3.2	2.8	3.2
Saving	5.0	4.4	2.9	5.1	4.9	5.2	3.2	2.7	3.1

## NATIONAL ACCOUNTS DATA

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

Forecast for 2017 to 2019

	2017	2018	2019	2017		2018		2019	
				1. half year	2. half year	1. half year	2. half year	1. half year	2. half year
<b>7. Government Revenues and Expenditures</b>									
<b>a) Billion Euro</b>									
<b>Revenues</b>									
Taxes	770.0	791.5	819.8	385.1	384.9	398.3	393.3	412.4	407.3
direct taxes	424.5	438.0	456.7	213.3	211.2	222.5	215.5	232.0	224.7
indirect taxes	345.6	353.6	363.1	171.8	173.8	175.8	177.8	180.4	182.7
Net social contributions	548.1	567.2	588.3	265.7	282.4	275.1	292.1	285.4	302.9
Property income	17.0	17.1	17.8	8.6	8.4	8.7	8.4	9.3	8.5
Other transfers	21.7	22.2	22.6	10.1	11.5	10.4	11.8	10.6	12.0
Capital transfers	11.8	10.6	10.7	5.4	6.3	4.8	5.8	4.8	5.8
Sales	109.4	114.4	120.3	52.2	57.2	54.2	60.1	57.5	62.8
Other subsidies	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
<b>Total revenues</b>	<b>1 478.2</b>	<b>1 523.1</b>	<b>1 579.6</b>	<b>727.3</b>	<b>750.9</b>	<b>751.5</b>	<b>771.6</b>	<b>780.1</b>	<b>799.5</b>
<b>Expenditures</b>									
Intermediate consumption	153.7	159.7	165.9	71.7	82.0	74.2	85.6	77.4	88.6
Compensation of employees	246.3	256.1	262.8	118.4	127.8	122.6	133.5	125.7	137.1
Social benefits in kind	278.0	286.0	296.2	138.2	139.8	142.2	143.8	147.2	149.0
Property income (interests)	39.4	39.2	38.6	19.9	19.5	19.8	19.4	19.4	19.3
Subsidies	27.8	28.1	28.5	13.5	14.3	13.7	14.5	13.8	14.6
Social benefits	506.3	520.8	536.9	253.2	253.1	260.3	260.5	267.7	269.2
Other transfers	72.1	83.8	90.7	40.9	31.2	34.0	49.8	44.5	46.2
Gross capital formation	69.0	71.6	74.0	30.1	38.8	31.4	40.2	32.3	41.7
Capital transfers	39.4	32.8	33.1	20.7	18.7	13.8	19.0	13.7	19.4
Acquisitions less disposals of non-financial non-produced assets	-1.3	-1.3	-1.3	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
Other taxes on production	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
<b>Total expenditures</b>	<b>1 430.8</b>	<b>1 477.1</b>	<b>1 525.6</b>	<b>706.1</b>	<b>724.7</b>	<b>711.3</b>	<b>765.8</b>	<b>741.1</b>	<b>784.4</b>
Balance	47.4	46.0	54.1	21.2	26.2	40.2	5.8	39.0	15.1
<b>b) Percentage change over previous year</b>									
<b>Revenues</b>									
Taxes	5.2	2.8	3.6	5.6	4.8	3.4	2.2	3.6	3.6
direct taxes	6.9	3.2	4.3	7.2	6.5	4.3	2.1	4.3	4.3
indirect taxes	3.2	2.3	2.7	3.7	2.8	2.3	2.3	2.6	2.8
Net social contributions	4.6	3.5	3.7	4.8	4.5	3.5	3.5	3.8	3.7
Property income	-5.6	0.3	3.9	-9.9	-0.7	0.9	-0.4	6.7	1.0
Other transfers	9.0	2.2	2.2	12.9	5.8	2.4	2.1	2.3	2.0
Capital transfers	-23.9	-10.3	1.1	-28.6	-19.4	-11.8	-8.9	1.2	0.9
Sales	4.3	4.5	5.2	4.8	3.8	3.9	5.1	6.0	4.5
Other subsidies	2.5	0.0	0.0	6.9	-0.9	0.0	0.0	0.0	0.0
<b>Total revenues</b>	<b>4.5</b>	<b>3.0</b>	<b>3.7</b>	<b>4.8</b>	<b>4.3</b>	<b>3.3</b>	<b>2.8</b>	<b>3.8</b>	<b>3.6</b>
<b>Expenditures</b>									
Intermediate consumption	2.5	3.9	3.9	3.0	2.0	3.5	4.3	4.3	3.5
Compensation of employees	4.1	4.0	2.6	4.4	3.9	3.5	4.4	2.5	2.7
Social benefits in kind	3.5	2.9	3.6	3.5	3.5	2.9	2.9	3.6	3.6
Property income (interests)	-5.2	-0.5	-1.5	-3.8	-6.6	-0.5	-0.5	-2.3	-0.7
Subsidies	-0.1	1.3	1.2	-0.6	0.3	1.3	1.2	1.1	1.2
Social benefits	4.1	2.9	3.1	4.8	3.5	2.8	2.9	2.8	3.3
Other transfers <sup>7</sup>	-3.6	11.7	6.9	0.9	-4.5	-6.9	18.6	10.5	-3.6
Gross capital formation	3.2	3.8	3.3	4.1	2.5	4.1	3.6	3.0	3.5
Capital transfers <sup>7</sup>	3.0	-6.6	0.4	31.9	-9.8	-33.2	1.5	-0.5	2.3
Acquisitions less disposals of non-financial non-produced assets <sup>7</sup>	0.0	0.0	0.0	-0.1	0.1	0.0	0.0	0.0	0.0
Other taxes on production <sup>7</sup>	0.0	0.0	0.0	2.4	0.0	0.0	0.0	0.0	0.0
<b>Total expenditures</b>	<b>3.0</b>	<b>3.2</b>	<b>3.3</b>	<b>4.4</b>	<b>1.8</b>	<b>0.7</b>	<b>5.7</b>	<b>4.2</b>	<b>2.4</b>

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

2 Including private organizations without pecuniary reward.

3 Including net increase in valuables.

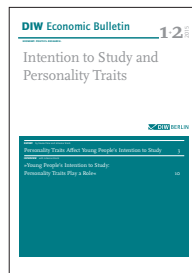
4 Entrepreneurial income/operating surplus and received minus paid asset income.

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.



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