



Federal Ministry
of Finance

Draft budgetary plan

according to Regulation (EU) No 473/2013

October 2013



Draft budgetary plan

according to Regulation (EU) No 473/2013

October 2013



Content

	Page
Public Finances in Germany until 2014	5

Tables:

Table 1: General government balance and debt.....	6
Table 2: Technical assumptions	6
Table 3a: Forecast of macroeconomic trends.....	7
Table 3b: Price developments - deflators.....	8
Table 3c: Labour market trends	9
Table 3d: Sectoral balances.....	10
Table 4a: General government budgetary targets broken down by subsector.....	11
Table 4b: General government debt developments ("Maastricht"-debt).....	12
Table 5: Expenditure and Revenue Projections under the no-policy change scenario.....	13
Table 6a: General government expenditure and revenue targets	14
Table 6b: Amounts to be excluded from the expenditure benchmark.....	15
Table 7a: Discretionary measures of General Government.....	16
Table 7b: Discretionary measures of Federal Government.....	16
Table 8: Divergence from latest Stability Programme.....	17
Table 9: Methodological aspects.....	18



Public Finances in Germany until 2014

Background information to the draft budgetary plan according to Regulation (EU) No 473/2013 of the European Parliament and of the Council

Background

The federal government submits the draft budgetary plan (DBP) for the first time within the framework of European budgetary surveillance according to Regulation No 473/2013 of the European Parliament and of the Council (Twopack). The regulation's aim is to strengthen the mechanisms of budgetary surveillance of Member States in the euro area during preparation of budgets and it therefore goes beyond the mechanism already in practice for the European semester.

Main results

The situation of public finances in Germany in 2013 is slightly better – also because of positive results of national accounts for the first half of this year – in comparison with the projections published in the 2013 update of the German Stability Programme. Germany remains the stability anchor in the euro area:

- **Structural balance in surplus:** In 2012, general government structural balance – i.e. the cyclically-adjusted balance net of one-off and temporary measures – has been in surplus for the first time. This sound shape will persist also in 2013 and 2014 ($\frac{1}{2}\%$ of GDP): Germany fulfills its medium-term budgetary objective (structural deficit no higher than 0.5% of GDP) by clear margins.
- **Declining debt ratio:** The debt-to-GDP-ratio (Maastricht definition) declines by $1\frac{1}{2}$ percentage points to 79 $\frac{1}{2}\%$ in 2013. The decrease is driven – also in 2014 – by the positive development of the fiscal balances of central, state and local governments together with the continued winding up of portfolios at the resolution agencies.
- **Balanced budget:** General government budget stays balanced in 2013 and in the upcoming year.

Table 1: General government balance and debt

	2012	2013	2014
	% of GDP		
Net lending (+)/net borrowing (-)	0.1	-0	0
Structural balance	0.3	½	½
Debt	81.0	79½	77

Rounded to half percentage points for projection years.

Basis of the projection

The projection for the draft budgetary plan is based on the fiscal medium-term projection of the Federal Ministry of Finance presented at the Working Party of the Stability Council on 4 July 2013. This again built on the supplementary federal budget 2013, the government draft of the 2014 federal budget and the main parameters of the draft budgets for all the other subsectors of general government. Underlying assumption common to all subsectors of general government are the results of the macroeconomic forecast (April 2013) and the results of the 142th meeting of the Working Party on Tax Revenue Estimates (May 2013).

The projection presented in July has been updated with information now available on the development of public finances. In particular, results of national accounts for the first half-year and revisions for past years, also concerning Maastricht debt, are considered.

Table 2: Technical assumptions

	2012	2013	2014
Short-term interest rate (annual average in %)	0.9	0.75	0.75
USD/€ exchange rate (annual average)	1.29	1.31	1.30
Growth of German sales markets (in %) ¹	2 1/4	3 1/2	5
Oil price (Brent, USD/barrel)	112	109	107

1) Rounded to quarters.

Table 3a: Forecast of macroeconomic trends

	ESA Code	2012 Index 2005=100	2012 rate of change	2013 rate of change	2014 rate of change
1. Real GDP, chain index	B1*g	111.12	0.7	0.5	1.6
2. Potential GDP (€bn)		2472.4	1.4	1.4	1.3
contributions:					
- labour			0.6	0.5	0.4
- capital			0.4	0.4	0.4
- total factor productivity			0.4	0.5	0.5
3. Nominal GDP (€bn)	B1*g	2666.4	2.2	2.2	3.3
Components of real GDP, chain index					
4. Private consumption expenditure¹	P.3	106.53	0.8	0.6	1.0
5. Government consumption expenditure	P.3	112.34	1.0	1.4	1.1
6. Gross fixed capital formation	P.51	112.19	-2.1	-0.2	4.1
7. Changes in inventories (GDP growth contributions)	P.52 + P.53	-	-0.5	0.0	0.0
8. Exports	P.6	140.30	3.2	1.6	5.0
9. Imports	P.7	137.77	1.4	2.2	5.3
contributions to GDP growth in %					
10. Domestic demand (excluding stocks)		-	0.3	0.7	1.5
11. Changes in inventories	P.52 + P.53	-	-0.5	0.0	0.0
12. External balance of goods and services	B.11	-	0.9	-0.2	0.1

2012: Federal Statistical Office, August 2013

2013 and 2014: results of the short-term forecast for the 2013 spring projection, April 2013.

1) Including private non-profit organisations serving households

Table 3b: Price developments - deflators

	2012 Index (2005=100)	2012	2013	2014
		rate of change		
1. GDP	107.87	1.5	1.7	1.7
2. Private consumption expenditure¹	110.17	1.6	1.7	1.9
3. HICP	113.50	2.2	-	-
4. Government consumption expenditure	109.72	2.0	2.9	1.7
5. Gross capital formation	107.20	1.6	1.4	1.5
6. Exports	107.10	1.3	-0.3	0.7
7. Imports	110.55	1.7	-0.2	0.8

2012: Federal Statistical Office, August 2013

2013 and 2014: results of the short-term forecast for the 2013 spring projection, April 2013.

1) Including private non-profit organisations serving households.

Table 3c: Labour market trends

	ESA Code	2012 Index (2005=100)	2012 rate of change	2013 rate of change	2014 rate of change
1. Employment - persons¹		41.6	1.1	0.5	0.3
2. Employment - hours worked ² (bn hours)		58.0	0.2	-0.1	0.6
3. Unemployment rate (%)³		-	5.5	5.1	4.8
4. Labour productivity - persons⁴		104.1	-0.4	0.0	1.4
5. Labour productivity - hours worked ⁵		106.9	0.5	0.5	1.1
6. Compensation of employees (€bn)	D.1	1375.9	3.9	3.0	3.1
7. Compensation per employee (thousand €)		37.1	2.6	2.4	2.8

1) Employed persons, domestic concept national accounts definition.

2) National accounts definition.

3) Harmonised definition, Eurostat; levels.

4) Real GDP per person employed; (2005=100).

5) Real GDP per hour worked; (2005=100).

Table 3d: Sectoral balances

	ESA Code	2012	2013 % of GDP	2014
1. Net lending/net borrowing vis-à-vis the rest of the world	B.9	7.0	6.0	6.0
of which:				
- Balance on goods and services		5.9	5.3	5.3
- Balance of primary incomes and transfers		1.1	0.7	0.8
- Capital account		-0.1	-0.1	0.0
2. Net lending/net borrowing of households	B.9	5.1	5.4	5.2
3. Net lending/net borrowing of general government	B.9	0.1	-0	0
4. Statistical discrepancy		-	-	-

Table 4a: General government budgetary targets broken down by subsector

	ESA Code	2013	2014
% GDP			
Net lending (+)/net borrowing (-) (B.9) by subsector¹			
1. General government	S. 13	-0	0
2. Central government	S. 1311	- 1/2	-0
3. State government	S. 1312	-0	0
4. Local government	S. 1313	1/2	1/2
5. Social security funds	S. 1314	0	0
General government (S.13)			
6. Interest expenditure	D.41	2 1/2	2
7. Primary balance²		2 1/2	2 1/2
8. One-off and other temporary measures³		-0	-0
9. Real GDP growth (%)		0.5	1.6
10. Potential GDP growth (%)		1.4	1.3
contributions (percentage points):			
- labour		0.5	0.4
- capital		0.4	0.4
- total factor productivity		0.5	0.5
% of potential GDP			
11. Output gap		-1.1	-0.8
12. Cyclical budgetary component		- 1/2	- 1/2
13. Cyclically-adjusted balance (1 - 12)		1/2	1/2
14. Cyclically-adjusted primary balance (13 + 6)		3	3
15. Structural balance (13 - 8)		1/2	1/2

1) TR - TE = B.9.

2) The primary balance is calculated as (B.9, item 1) plus (D.41, item 6).

3) A plus sign means deficit-reducing one-off measures.

Figures for the forecast years are rounded to half a percentage point of potential GDP.



Table 4b: General government debt developments
("Maastricht"-debt)

	ESA Code	2013	2014
		% of GDP	
1. Gross debt		79 1/2	77
2. Change in gross debt ratio		1/2	-0
Contributions to changes in gross debt			
3. Primary balance		2 1/2	2 1/2
4. Interest expenditure	D.41	2 1/2	2
5. Stock-flow adjustment		1/2	0
p.m.: Implicit interest rate on debt¹		3	3

1) Proxied by interest expenditure divided by the debt level of the previous year.

Figures for the forecast years are rounded to half a percentage point of GDP.

Table 5: Expenditure and revenue projections under the no-policy change scenario*

General government (S. 13)	ESA Code	2013 % GDP	2014
1. Total revenue at unchanged policies	TR	45	44 1/2
of which			
1.1. Taxes on production and imports	D.2	11	11
1.2. Current taxes on income, wealth, etc	D.5	12 1/2	12 1/2
1.3. Capital taxes	D.91	0	0
1.4. Social contributions	D.61	16 1/2	16 1/2
1.5. Property income	D.4	1	1
1.6. Other¹		4	3 1/2
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)²		40 1/2	40
2. Total expenditure at unchanged policies	TE ³	45	44 1/2
of which:			
2.1. Compensation of employees	D.1	7 1/2	7 1/2
2.2. Intermediate consumption	P.2	5	5
2.3. Social payments	D.62 ⁶ D.632	24 1/2	24
of which: Unemployment benefits⁴		1 1/2	1 1/2
2.4. Interest expenditure	D.41	2 1/2	2
2.5. Subsidies	D.3	1	1
2.6. Gross fixed capital formation	P.51	1 1/2	1 1/2
2.7. Capital transfers	D.91	1	1
2.8. Other⁵		2 1/2	2

* Please note that the no-policy change scenario involves the extrapolation of revenue and expenditure trends before adding the impact of the measures included in the forthcoming year's budget.

1) Under ESA95: D6311_D63121_D63131pay; in ESA2010 D632pay.

2) Including those collected by the EU and including an adjustment for uncollected taxes and social contributions (D.995), if appropriate.

3) TR-TE= B.9.

4) Includes cash benefits (D.621 und D.624) and in kind benefits (D.631, nach ESVG: D.632) related to unemployment benefits.

5) D.29pay + D.4pay (other than D.41pay) + D.5pay + D.7pay + P.52+P.53+K.2+D.8.

6) Under ESA95: D6311_D63121_D63131pay; in ESA 2010: D632pay.

Figures for the forecast years are rounded to half a percentage point of GDP.

Table 6a: General government expenditure and revenue targets

	ESA Code	2013	2014
General government (S. 13)		% GDP	
1. Total revenue	TR	45	44 1/2
of which			
1.1. Taxes on production and imports	D.2	11	11
1.2. Current taxes on income, wealth, etc	D.5	12 1/2	12 1/2
1.3. Capital taxes	D.91	0	0
1.4. Social contributions	D.61	16 1/2	16 1/2
1.5. Property income	D.4	1	1
1.6. Other¹		4	3 1/2
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995) ²		40 1/2	40
2. Total expenditure	TE ³	45	44 1/2
of which:			
2.1. Compensation of employees	D.1	7 1/2	7 1/2
2.2. Intermediate consumption	P.2	5	5
2.3. Social payments	D.62 ⁶ D.632	24 1/2	24
of which: Unemployment benefits ⁴		1 1/2	1 1/2
2.4. Interest expenditure	D.41	2 1/2	2
2.5. Subsidies	D.3	1	1
2.6. Gross fixed capital formation	P.51	1 1/2	1 1/2
2.7. Capital transfers	D.91	1	1
2.8.. Other⁵		2 1/2	2

1) P.11+P.12+P.131+D.39rec+D.7rec+D.9rec (other than D.91rec).

2) Including those collected by the EU and including an adjustment for uncollected taxes and social contributions (D.995), if appropriate.

3) TR-TE= B.9.

4) Includes cash benefits (D.621 und D.624) and in kind benefits (D.631, nach ESVG: D.632) related to unemployment benefits.

5) D.29pay + D.4pay (other than D.41pay) + D.5pay + D.7pay +P.52+P.53+K.2+D.8.

6) Under ESA95: D6311_D63121_D63131pay; in ESA 2010: D632pay.

Figures for the forecast years are rounded to half a percentage point of GDP.

Table 6b: Amounts to be excluded from the expenditure benchmark

	2012	2012	2013	2014
	bn €		% of GDP	
1. Expenditure on EU programmes fully matched by EU funds revenue	5.1	0.2	0	0
2. Cyclical unemployment benefit expenditure	-4.6	-0.2	-0	0
3. Effect of discretionary revenue measures	2.5	0.1	-0	-0
4. Revenue changes mandated by law	-2.8	-0.1	-0	-0

Figures for the forecast years are rounded to half a percentage point of GDP.

Table 7a: Discretionary measures of general government

List of measures	Detailed description	Target (Expenditure / revenue com- ponent) ESA Code	Accounting principle	Adoption status	Budgetary impact				
					2013	2014	2015	2016	2017
					% of GDP				
Creation of extra-budgetary fund "Aufbau-hilfe"	Measures to encounter flood damages with a total of € 8 bn	mainly ESA P.51	accrual	19 July 2013	0	0	0	0	-

Table 7b: Discretionary measures of Federal Government

List of measures	Detailed description	Target (Expenditure / revenue com- ponent) ESA Code	Accounting principle	Adoption status	Budgetary impact				
					2013	2014	2015	2016	2017
					% of GDP				
Creation of extra-budgetary fund "Aufbau-hilfe"	Measures to encounter flood damages with a total of € 8 bn	mainly ESA P.51	accrual	19 July 2013	0	0	0	0	-

Table 8: Divergence from latest Stability Programme

	ESA Code	2012	2013	2014
Target general government net lending/net borrowing (% of GDP)	B.9			
Stability Programme - April 2013		0.2	- 1/2	0
Draft Budgetary Plan - October 2013		0.1	-0	0
Difference		-0.1	1/2	0
General government net lending/net borrowing projection at unchanged policies (% of GDP)				
Stability Programme - April 2013		0.2	- 1/2	0
Draft Budgetary Plan - October 2013		0.1	-0	1/2
Difference		-0.1	1/2	0

This difference can refer to both deviations stemming from changes in the macroeconomic scenario and those stemming from the effect of policy measures taken between the submission of the SP and the submission of the DBP.

Figures for the forecast years are rounded to half a percentage point of GDP.



Table 9: Methodological aspects

Estimation Technique	Step of the budgetary process for which it was used	Relevant features of the model/ technique used	Assumptions
Macroeconomic forecast	Before each tax estimation	Iterative-analytic approach: several partial models are used in the system of national accounts. Potential GDP estimation is done on the basis of the models developed and suggested by the Output Gap Working Group of the Economic Policy Committee (EPC) of the European Union.	Technical assumptions (for oil and commodity prices, foreign exchange rates and interest rates)
Tax estimation	Basis for drafting and finalising budgeting	Estimation on the basis of macroeconomic forecast and time series analysis.	Macroeconomic forecast, estimations on the fiscal impact of discretionary tax measures
Fiscal impact of discretionary tax measures	Basis for tax estimation and drafting and finalising budgeting	Microsimulation models on the basis of tax statistics and macroeconomic forecast	Macroeconomic forecast



Published by

Federal Ministry of Finance
Public Relations Division
Wilhelmstr. 97,
10117 Berlin, Germany

October 2013

Cover images

Federal Ministry of Finance/ Ilja C. Hendel

Edited by

Division I A 4

www.bundesfinanzministerium.de

