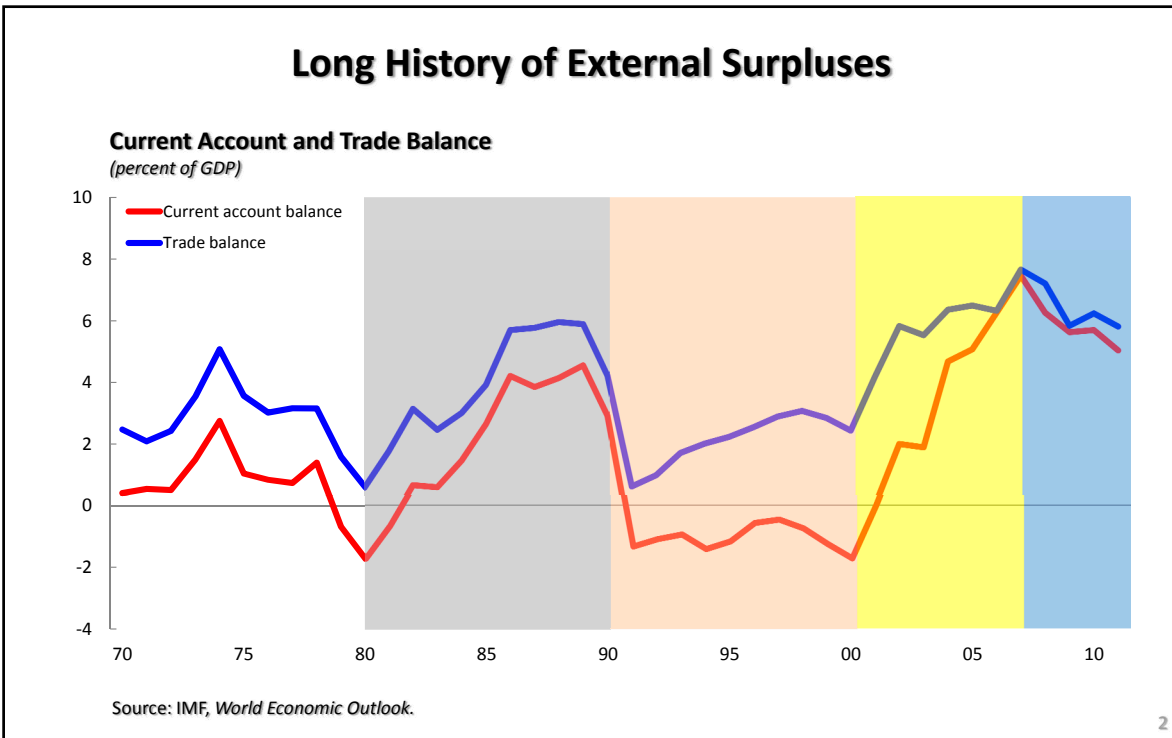




International Monetary Fund
February 2, 2012

Germany

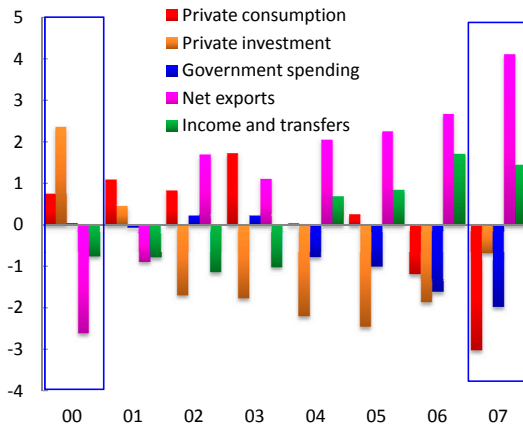
Presented by
Vladimir Klyuev
Research Department



Why Did the Current Account Balance Strengthen Dramatically in the 2000s?

National Accounts Perspective

Components of Gross National Disposable Income
(percent of GNDI; deviation from 1992-2010 average)



Components of Gross National Disposable Income
(percentage points of GNDI)

Component	Change from 2000 to 2007
Net exports	6.7
Income and transfers	2.2
Private consumption	-3.8
Private investment	-3.1
Government spending	-2.0

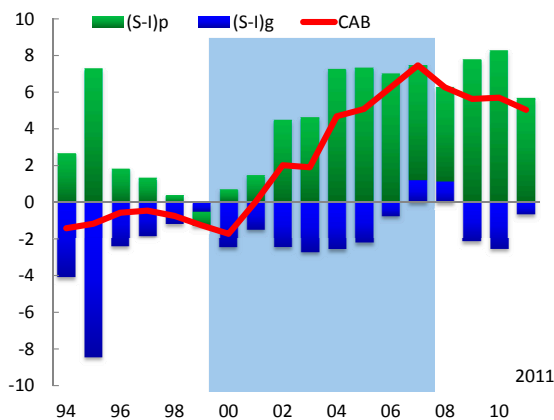
Sources: IMF, *World Economic Outlook*; and Haver Analytics.

3

Why Did the Current Account Balance Strengthen Dramatically in the 2000s?

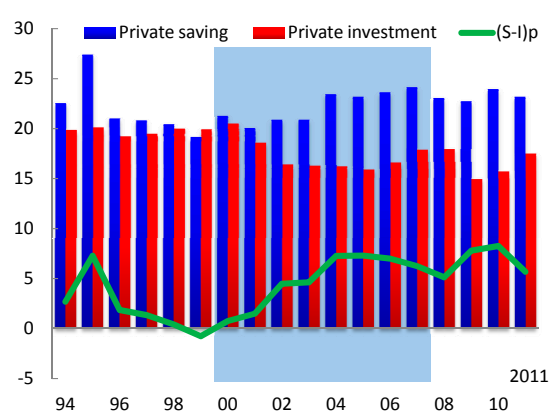
Saving Investment Perspective

Private and Public Saving Investment Balances
(percent of GDP)



Source: IMF, *World Economic Outlook*.

Private Saving and Investment
(percent of GDP)



4

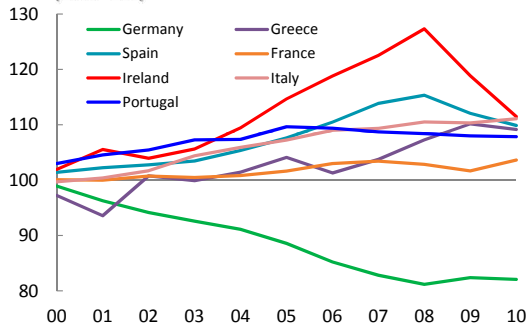
Why Did the Current Account Balance Strengthen Dramatically in the 2000s?

Underlying Reasons

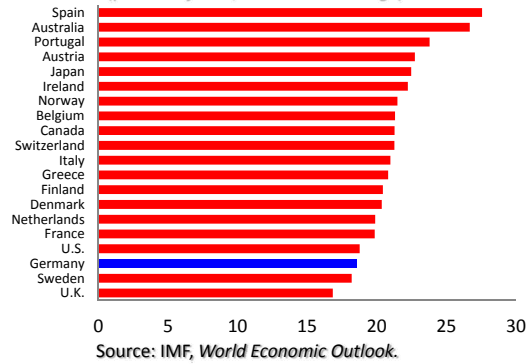
- Favorable product specialization
- Moderate wage growth
- Financial sector distortions

- Uncertainty about durability of expansion and income prospects
- Overhang from reunification boom

Relative Unit Labor Cost, Against EMU Partners
(1999=100)



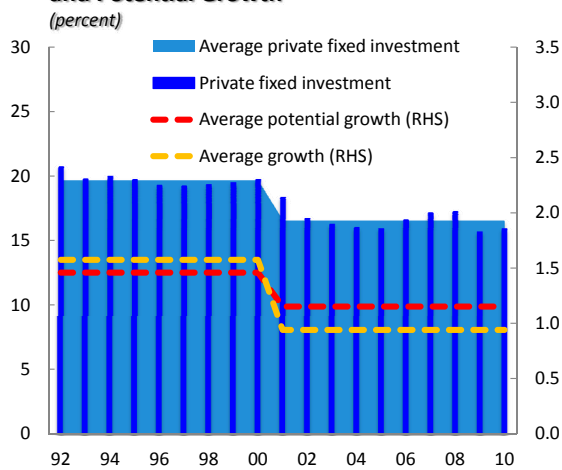
Gross Capital Formation
(percent of GDP; 2000-2010 average)



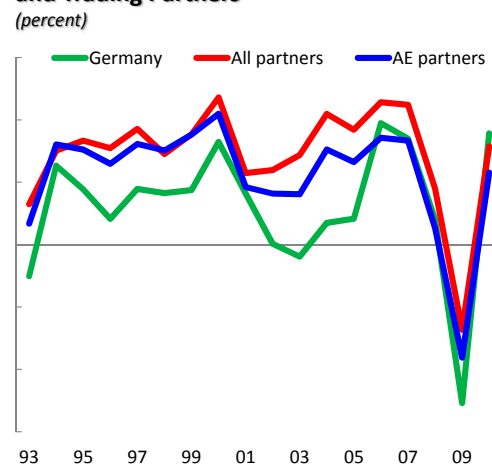
5

Are Germany's Imbalances a Problem?

Private Fixed Investment to GDP Ratio and Potential Growth
(percent)



Real GDP Growth Rates for Germany and Trading Partners
(percent)



6

How to Address the Imbalances?

Fiscal adjustment—can be small relative to partner countries

Structural policies

- Reduce corporate taxation
- Relax product and labor market regulation
- Improve education

Reduce gaps and distortions in the financial system

- Develop further venture capital and private equity markets
- Reduce state ownership in Landesbanken and Sparkassen