

THE NEW LÄNDER AND GERMAN GDP - Effects on the Community

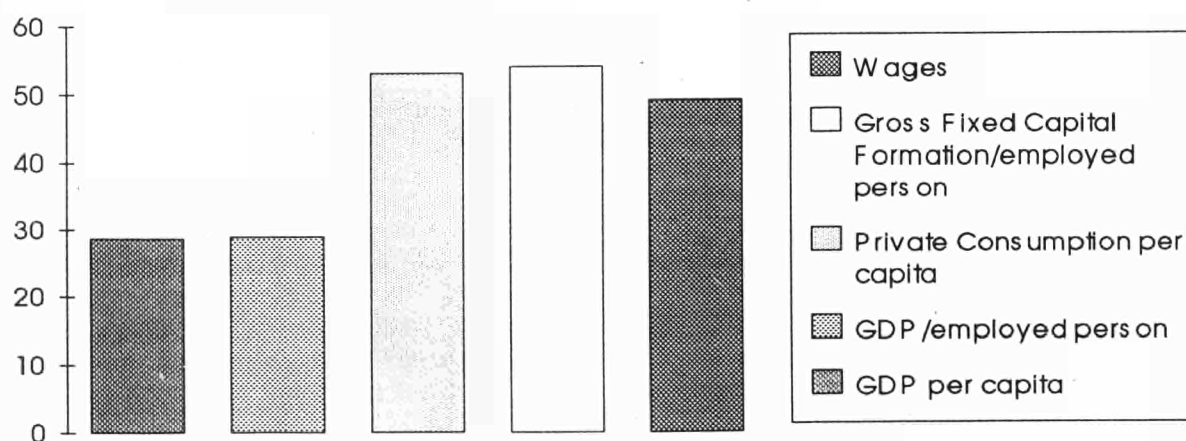
The Statistisches Bundesamt has just published the national accounts aggregates for the new Länder and East Berlin, thus enabling gross domestic product (GDP) to be calculated for the whole of Germany. These data are at present available for the second half of 1990 (date of entry

into force of economic and monetary union) and for the years 1991 and 1992.

The purpose of this bulletin is to outline the effects of taking the national accounts aggregates of the new Länder into consideration, on both Germany as a whole and the Community.

Relative Position of the new Länder

Key-figures 1991
(previous territory of FRG = 100)



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For the former territory of the Federal Republic prior to 3 October 1990, including West Berlin, and the new Länder, including East Berlin, a detailed analysis will be carried out of the various components of GDP, while the comparison with the other Member States will be based solely on GDP.

Since the detailed German data were compiled according to the national system, there may be discrepancies (this is the case, for example, for private consumption and collective consumption) with the data given in Eurostat publications. Other discrepancies with these publications, and this is true for all countries, can arise from the fact that the 1991 data of this bulletin have already been revised.

NATIONAL ACCOUNTS AGGREGATES FOR GERMANY IN 1991

at current prices and current exchange rates

	Germany total	previous Federal Republic	new Länder	
	Mrd. ECU	Mrd. ECU	Mrd. ECU	in % of total
Gross value added	1326,0	1229,3	96,7	7,3
. Agriculture, forestry, fishing	17,2	16,0	1,2	7,0
. Industrial production	513,7	479,6	34,1	6,6
. Marked services	609,0	570,2	38,8	6,4
. Non-market services	186,1	163,4	22,7	12,2
Gross domestic product	1364,8	1274,0	90,8	6,7
Gross national product	1378,3	1283,0	95,3	6,9
Private consumption	783,8	692,8	91,0	11,6
Collective consumption	270,3	228,3	42,0	15,5
Gross fixed capital formation	316,0	275,6	40,4	12,8
Change in stocks	-2,9	-4,2	1,3	-
Final uses	1367,2	1192,4	174,8	12,8
Balance of exports and imports	-2,4	81,6	-84,0	-
Compensation of employees	635,3	566,6	68,7	10,8
Disposable income	897,1	799,7	97,5	10,9
Saving of households	113,4	107,0	6,4	5,7
Aggregates related to population and employment				
Population (1000)	80046	64074	15972	20,0
Unemployment (1000)	2602	1689	913	35,1
Occupied population (1000)	39060	30678	8382	21,5
GDP per head (ECU)	17067	19880	5705	-
GDP by occupied person (ECU)	37498	43594	12629	-
Compensation by occupied person (ECU/month)	1614	1804	883	-

The data reveal considerable differences between new and old Länder, not only in the levels, but also in the structures involved in the production and use of GDP.

Effects on levels

The figures show that in 1991, the new Länder, whose population represented 20% of the total

population of Germany (and 21.5% of the working population) accounted for only 6.7% of Germany's total GDP, a figure which rose to 7.8% in 1992.

In the new Länder, per capita GDP in 1991 did not amount to even one third of that of the former Federal Republic, while monthly earnings per employee were less than 50% of those of the former Federal Republic, rising to 64% in 1992.

NATIONAL ACCOUNTS AGGREGATES FOR GERMANY IN 1992

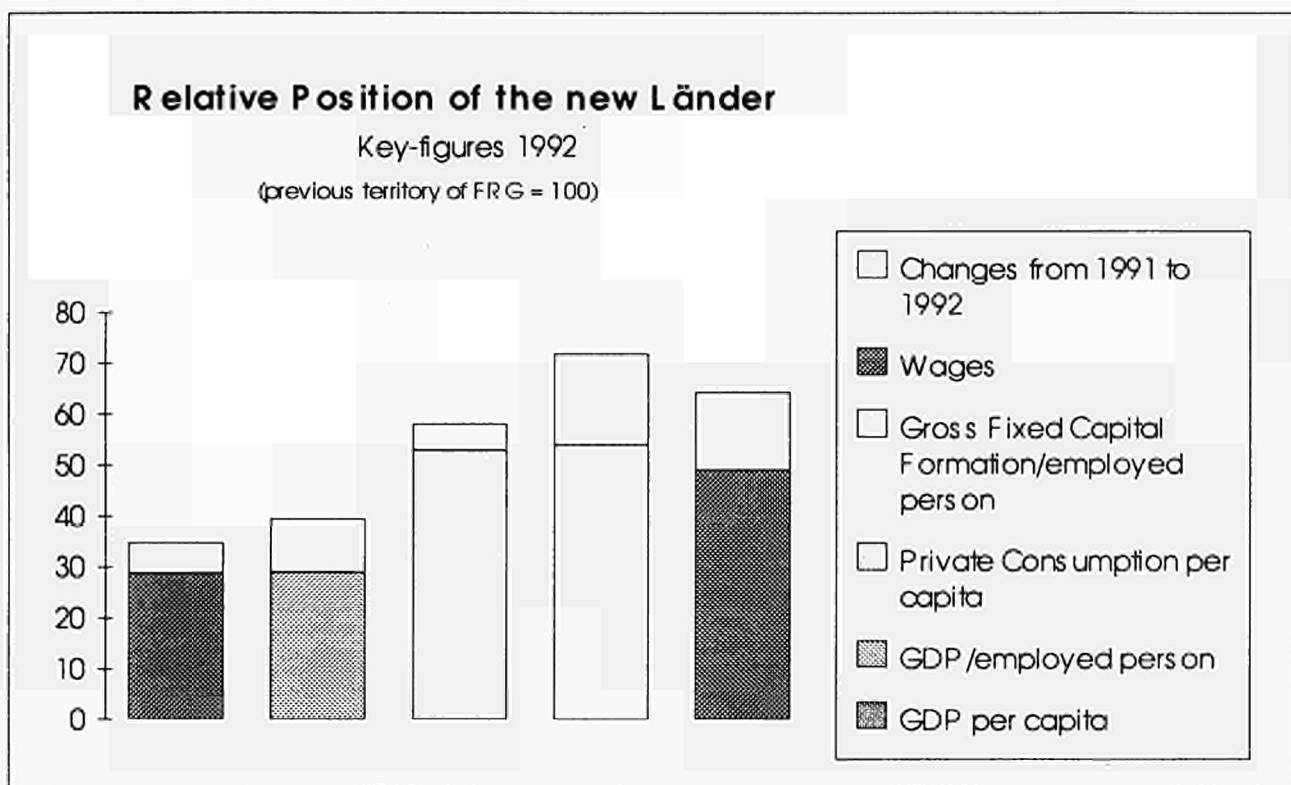
at current prices and current exchange rates

	Germany total	previous Federal Republic	new Länder	
	Mrd. ECU	Mrd. ECU	Mrd. ECU	in % of total
Gross value added	1448,4	1326,1	122,1	8,4
. Agriculture, forestry, fishing	18,0	16,2	1,8	9,9
. Industrial production	545,7	504,6	41,2	7,5
. Marketed services	678,0	627,6	50,3	7,4
. Non-market services	206,7	177,7	29,1	14,0
Gross domestic product	1488,5	1372,0	116,5	7,8
Gross national product	1495,7	1373,5	122,2	8,2
Private consumption	845,8	738,8	107,0	12,6
Collective consumption	299,4	247,0	52,4	17,5
Gross fixed capital formation	349,0	295,1	53,9	15,4
Change in stocks	-2,7	-2,9	0,2	-
Final uses	1491,6	1278,1	213,5	14,3
Balance of exports and imports	-3,1	93,9	-97,0	-
Compensation of employees	696,2	611,6	84,6	12,2
Disposable income	967,5	846,1	121,5	12,6
Saving of households	121,8	107,3	14,5	11,9
Aggregates related to population and employment				
Population (1000)	/	/	/	/
Unemployment (1000)	2978	1808	1170	39,3
Occupied population (1000)	38794	30923	7871	20,3
GDP per head (ECU)	18511	21234	7375	-
GDP by occupied person (ECU)	41576	46575	18363	-
Compensation by occupied person (ECU/month)	1802	1935	1242	-

For private and collective consumption and for gross fixed capital formation, the share of the new Länder in the German total is relatively high compared with that of GDP (11.6%, 15.5% and 12.8% respectively compared with 6.7% for GDP in 1991).

As regards the job market, the situation deteriorated, with the number of people actively seeking employment rising from 913 000 in 1991 to 1 170 000 in 1992, giving an unemployment level of 14.9%.

Examination of selected key - figures (see graph below) shows that in 1992 there was a sharp change compared with 1991. The figures for the new Länder compared with those for the old Länder was as follows. GDP per head : 28 % in 1991, 35 % in 1992 ; compensation of employees : 49 % in 1991, 64 % in 1992 ; gross fixed capital formation per employed person : 54 % in 1991, 72 % in 1992.



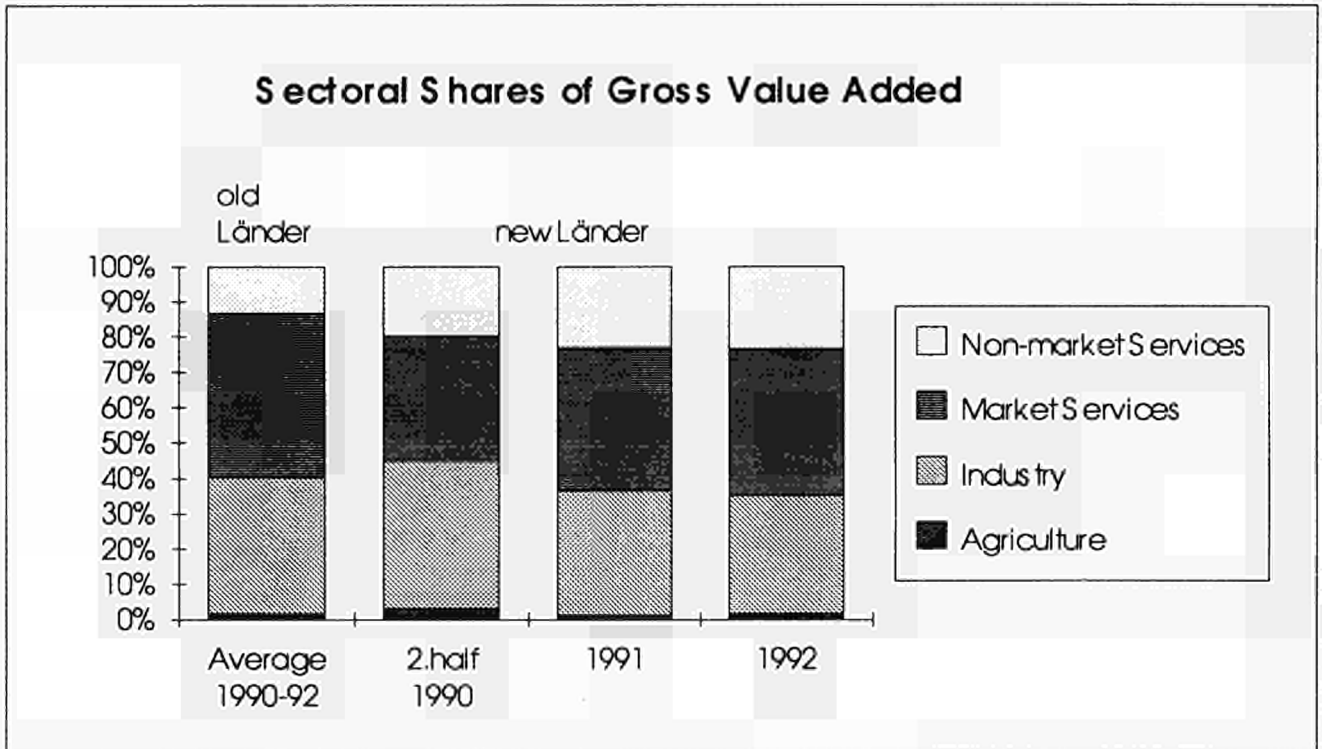
Differences in structure

An analysis of the structures of GDP from the point of view of production and use also reveals appreciable differences between the two parts of Germany. Furthermore, while in the former Federal Republic the structure, although possibly affected by reunification, remained relatively stable, fairly significant changes have already taken place in the new Länder in the three years under review, though no trend towards economic convergence is noticeable.

Data on the value added of the various sectors compared with total value added reveal substantial differences for industrial products (39% for the former territory of the Federal Republic, 35.3% for the new Länder in 1991 dropping to 33.6% in 1992), for market services (47.3% compared with 40.1% for the new Länder, rising to 41.2% in 1992) and, in particular, for non-market services, which in 1991 accounted for 23.4% of value added in the new Länder compared with only 13.3% in the former Federal Republic (these figures are illustrated in the graph which follows).

The same type of observation can be made for the use of GDP: the structure is very different (with significant changes from one year to the next) in the eastern Länder compared with those of the west, in particular as regards private consumption (58.1% of final uses in the west in 1991 compared with 52.1% (50.1 % in 1992) in

the new Länder) and collective consumption (19.1% in the former Federal Republic in 1991 compared with 24.0% in the new Länder. Here, Gross fixed capital formation raised from 23.1% in 1991 to 25.2% in 1992.



Furthermore, for the new Länder, the balance between the exports and imports (which concern mostly the exchanges between the old and the new Länder) is very negative and almost corresponding to the figure for GDP. This can be explained on the one hand by the negative effect of the poor level of competitiveness of new Länder products on the export market and, on the other, by the increase in the money available to households in the new Länder (gradual adaptation of income and pay to the level of the former Federal Republic) which resulted in increased purchases of imported products.

Germany and the other Member States

While in 1991 the GDP of the new Länder accounted for 6.7% of the GDP of the whole of

Germany, it represented only 1.75% of Community GDP. The share of the whole of Germany of the EUR 12 GDP amounted to 26.4% in 1991 and 27.5% in 1992. Following the inclusion of the new Länder, the GDP of EUR 12 rose from ECU 5071.4 billion (a billion is taken to mean 1 000 million) to ECU 5162.2 billion in 1991. The United States' GDP amounted to ECU 4581.7 billion and that of Japan ECU 2725.3 billion, i.e. roughly 89% and 53% respectively of Community GDP.

As regards per capita GDP, (the analysis is limited to 1991) the effect of the new Länder on the Community average is nevertheless quite significant, with the figure dropping from ECU 15 426 to ECU 14 973. This fall is particularly striking for Germany as a whole. At

ECU 17 067, per capita GDP was ECU 2 813 down on that of the former Federal Republic.

A comparison with the other Community countries shows that the per capita GDP of the new Länder (ECU 5 705) is between that of Greece (ECU 5 626) and Portugal (ECU 5 927).

If the purchasing power parity rather than the rates of exchange of the ECU is used in the international comparison, the data obtained are expressed in terms of the Purchasing Power Standard (PPS), which gives a better indication of

GROSS DOMESTIC PRODUCT - International comparison

at current prices, exchange rates and purchasing power parities

	Total Mrd ECU		Evolution : % / t-1		Per capita - ECU		1991 - in PPS	
	1991	1992	Vol.	Prix	1991	1992	Mrd SPA	Per capita
EUR 12	5162,2	5401,6	0,92	3,26	14973	15588	5162,2	14973
Belgium	159,2	169,2	1,00	3,66	15959	16928	161,7	16213
Denmark	105,4	110,0	1,14	1,92	20444	21278	86,0	16607
Germany	1364,8	1488,5	1,9	3,8	17067	18511	1260,2	15743
- old Länder	1274,0	1372,0	1,6	3,8	19880	21234	1176,4	18338
- new Länder	90,8	116,5	6,1	4,0	5705	7375	83,8	5262
Greece	57,1	61,1	1,50	15,57	5626	5969	75,1	7406
Spain	426,5	442,8	0,98	6,05	10925	11321	467,7	11981
France	967,5	1020,2	1,20	2,33	17063	17728	976,6	17224
Ireland	35,1	37,6	2,90	2,92	9973	10563	38,1	10817
Italy	930,4	944,8	0,93	4,68	16099	16314	919,1	15902
Luxemburg	7,6	8,1	2,41	3,56	19510	21047	7,7	19793
Netherlands	235,2	247,3	1,56	1,91	15611	16283	234,5	15568
Portugal	55,5	65,1	1,09	13,42	5927	6941	84,9	9076
United Kingdom	817,9	807,0	-0,62	4,46	14209	13978	850,7	14780
United States	4581,7	4584,2	2,11	2,65	18130	-	5336,0	21115
Japan	2725,3	2856,7	1,53	1,82	21993	-	2226,2	17965

the volume of goods and services which make up GDP. Unlike the purchasing power parity, which is obtained from the price ratios between countries for a basket of comparable, representative goods and services, exchange rates do not necessarily reflect the real purchasing power of a currency in a state's economic territory.

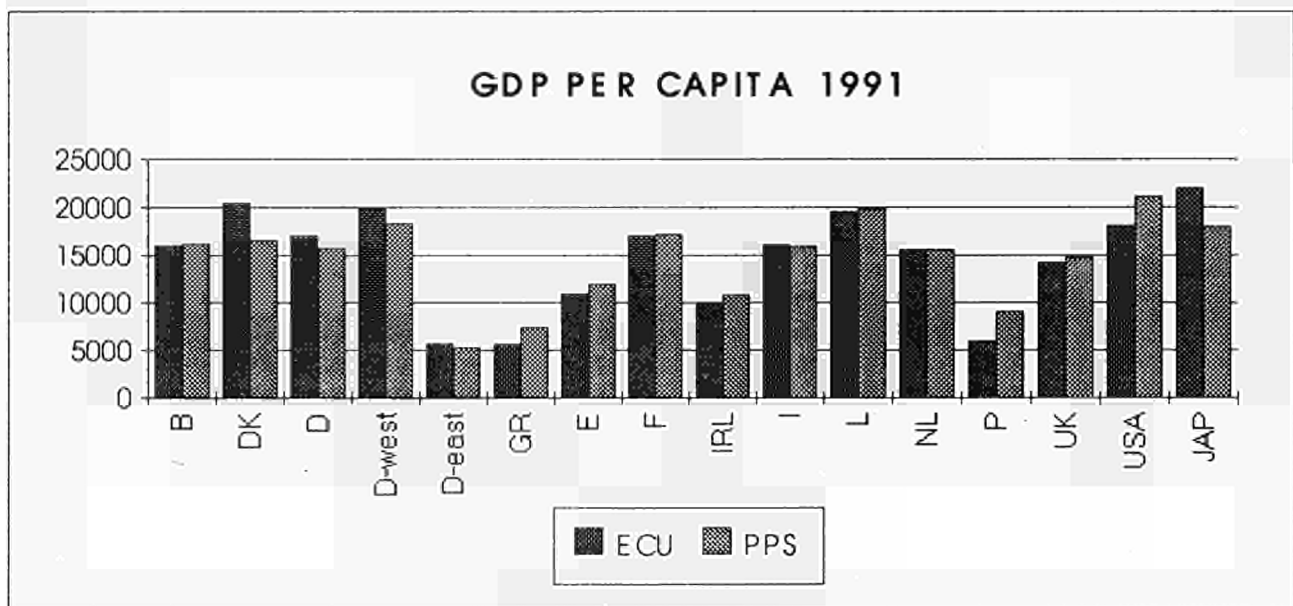
Eurostat's annual calculation of parities for the Member States does not yet include data on the new Länder. However, estimates carried out for 1991 by the Statistisches Bundesamt for final household consumption show that the DM/PPS parity barely changes when the new Länder are included.

The extrapolation of these results to the whole of GDP (household consumption is the most important aggregate of GDP), even if it appears totally acceptable, is not based on concrete data and, consequently, the comparison in terms of the

purchasing power standard compiled by Eurostat can be for guidance purposes only.

The most striking feature of this comparison is that in real terms (because they are attributed the same relatively high price level as the former Federal Republic of Germany), the new Länder, with 5262 PPS in 1991, are at a much lower level than Greece (PPS 7406) and Portugal (PPS 9076). The highest per capita GDP in the Community, namely that of Luxemburg with 19793 PPS, is almost four times that of the new Länder.

Another point which should be stressed is that the GDP of the United States, which in terms of the ECU is 11% lower than that of the Community, is 3% higher in real terms (all these phenomena are shown in the following graph).



The first data of 1992

This bulletin also contains provisional GDP figures for 1992, which have recently become available at national level except for Belgium and Ireland, where the Commission forecasts have been used. The data on volume are expressed at constant 1985 prices except for Germany, where the new basis for constant prices is 1991.

After a few years of sustained growth between 1987 and 1989, the slowing down of the Community economies, which had already begun in 1990 and 1991 (+2.8% and +1.8% respectively) continued in 1992 with a growth rate of only +0.92% for EUR12. This rate, like that of most countries moreover, was lower than the forecasts, which had predicted a 1.1% increase in terms of volume.

However, growth was slightly higher than expected in Denmark, France, Luxemburg and the United States with the best relative result being for the United Kingdom, whose growth rate rose from -2.2% in 1991 to -0.6% in 1992.

The most important growth (+ 6,1 %) was recorded in the new Länder of Germany which may be explained by the effect of equalization. Thus, growth rate, which was only 1,6 % for the old Länder, raised to 1,9 % for the whole of Germany.

As regards GDP implicit price indices, they are still highest in Greece (+15.6%) and Portugal (+13.4%).

Because of the above-mentioned problems in calculating parities for the whole of Germany, it was decided not to make a comparison in terms of PPS for 1992. Given the relative stability of parities, however, relations in real terms between countries should not undergo any great changes compared with those recorded for 1991.