

# Wages and inflation in Germany

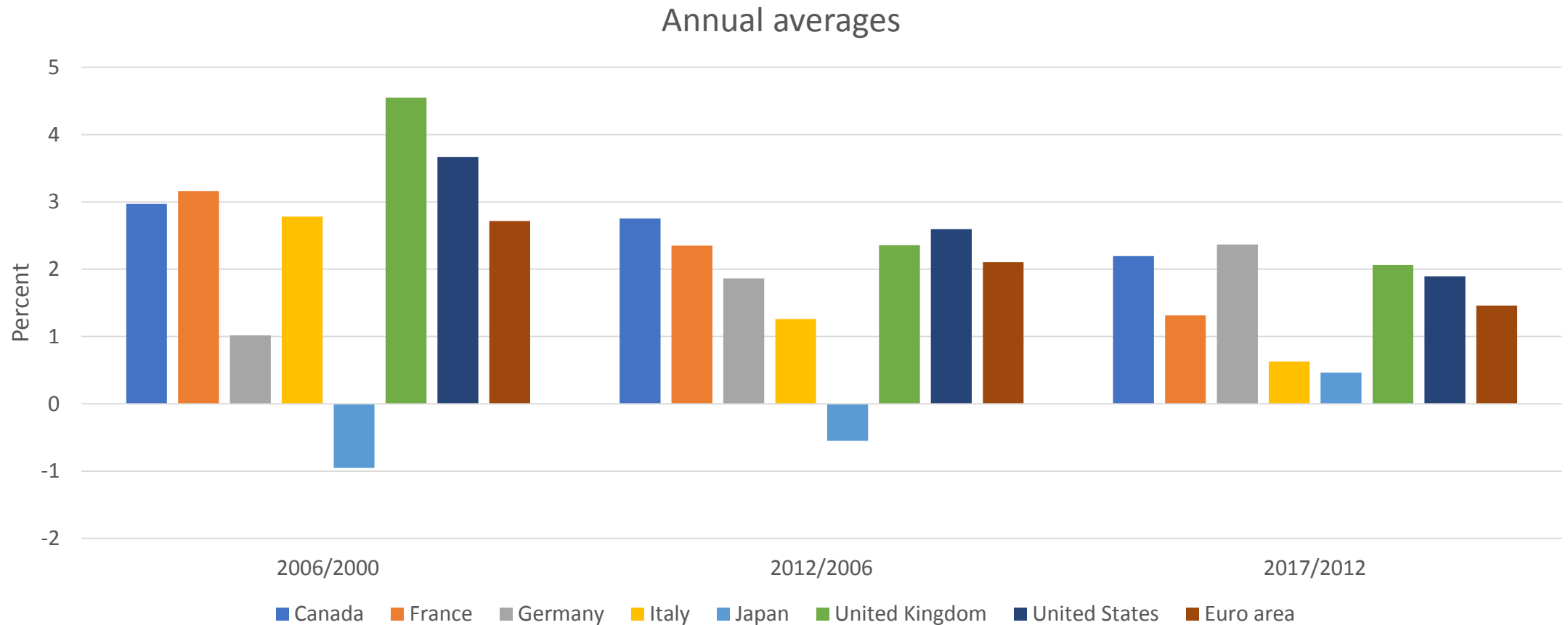
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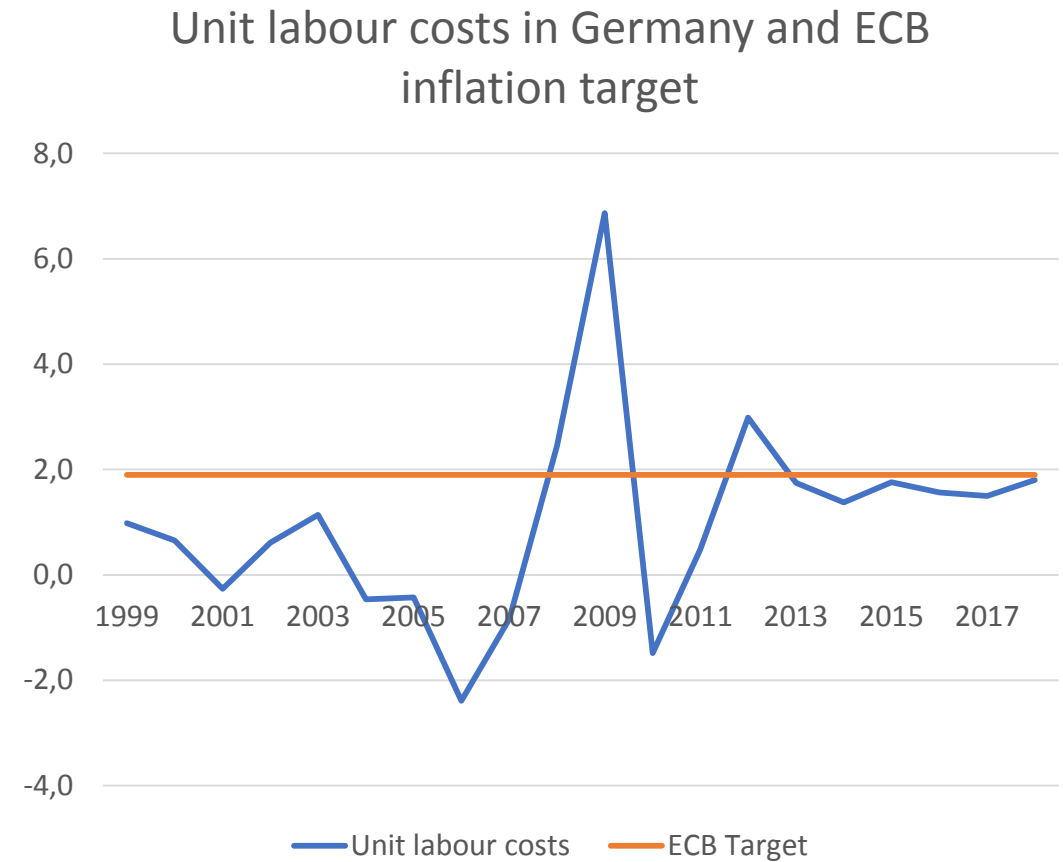
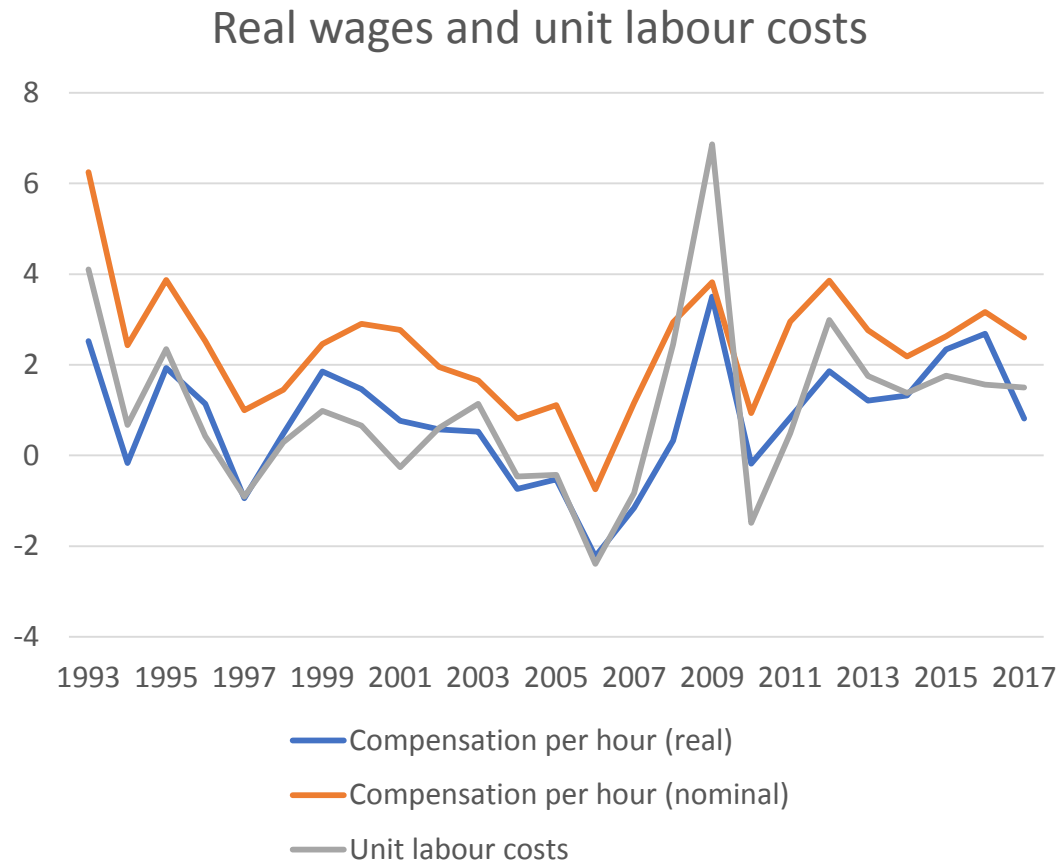
# German wage moderation is a thing of the past

## Compensation per employee in G7 countries



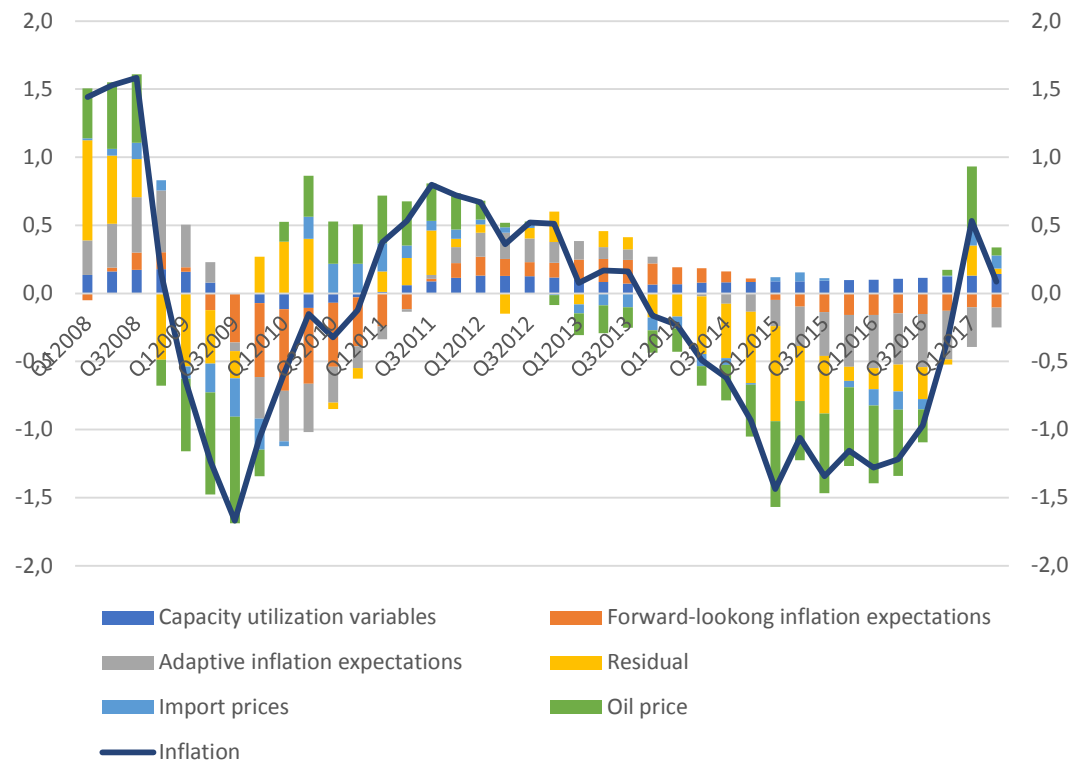
Source: OECD

# Increasing real wages and unit labour costs

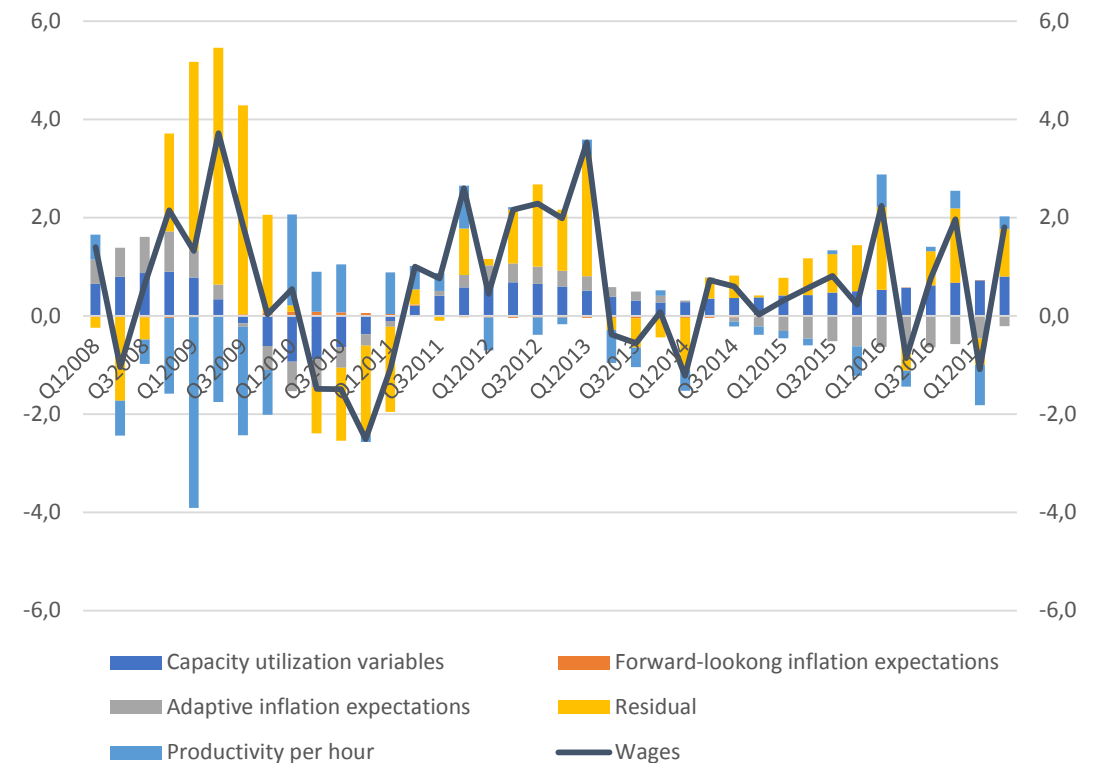


# Estimated Phillips curves are still good at explaining and forecasting the rate of headline inflation

Estimated contributions to consumer price inflation



Estimated contributions to wage growth



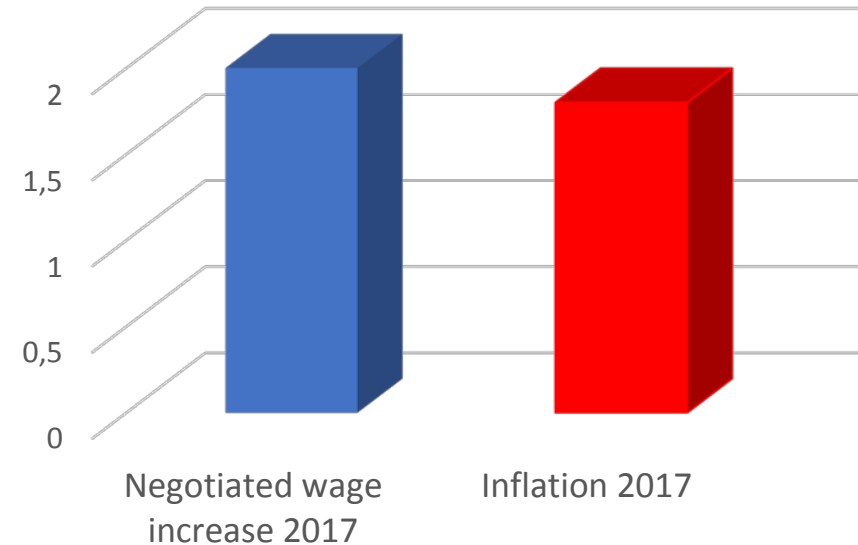
Source: German Council of Economic Experts, Annual Report 2017/18

# An example for adaptive inflation expectations

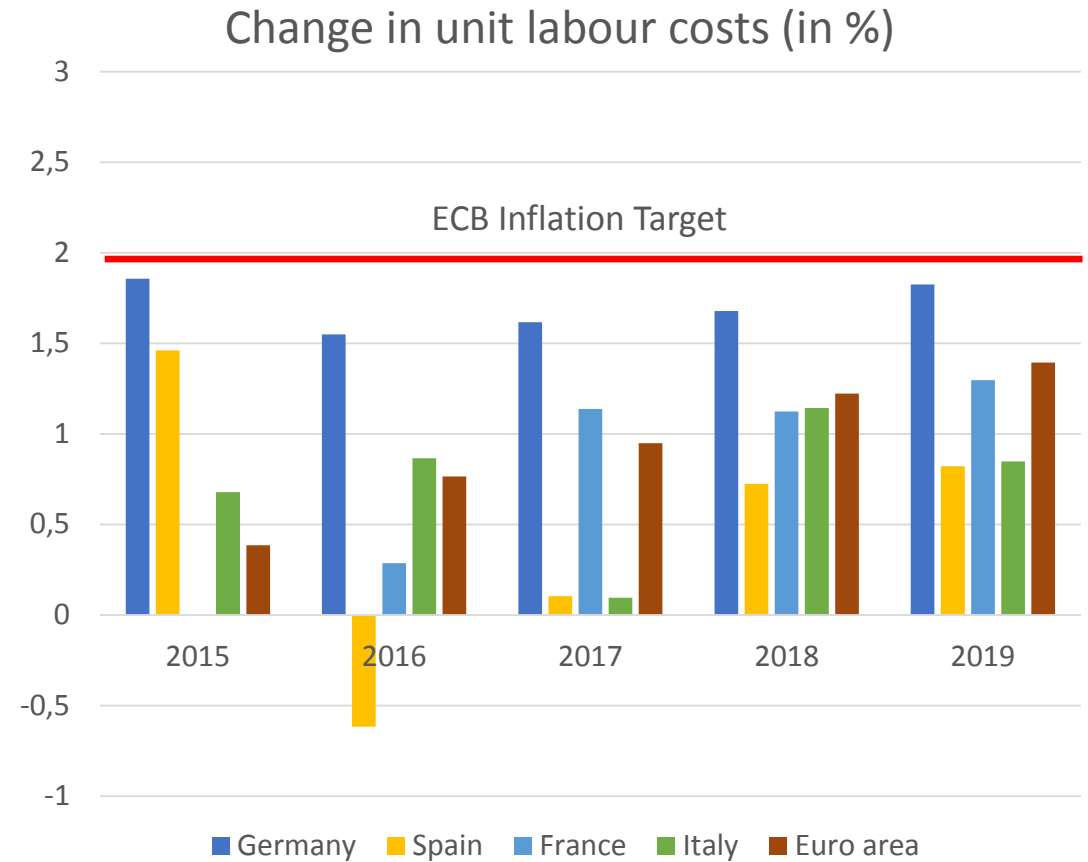
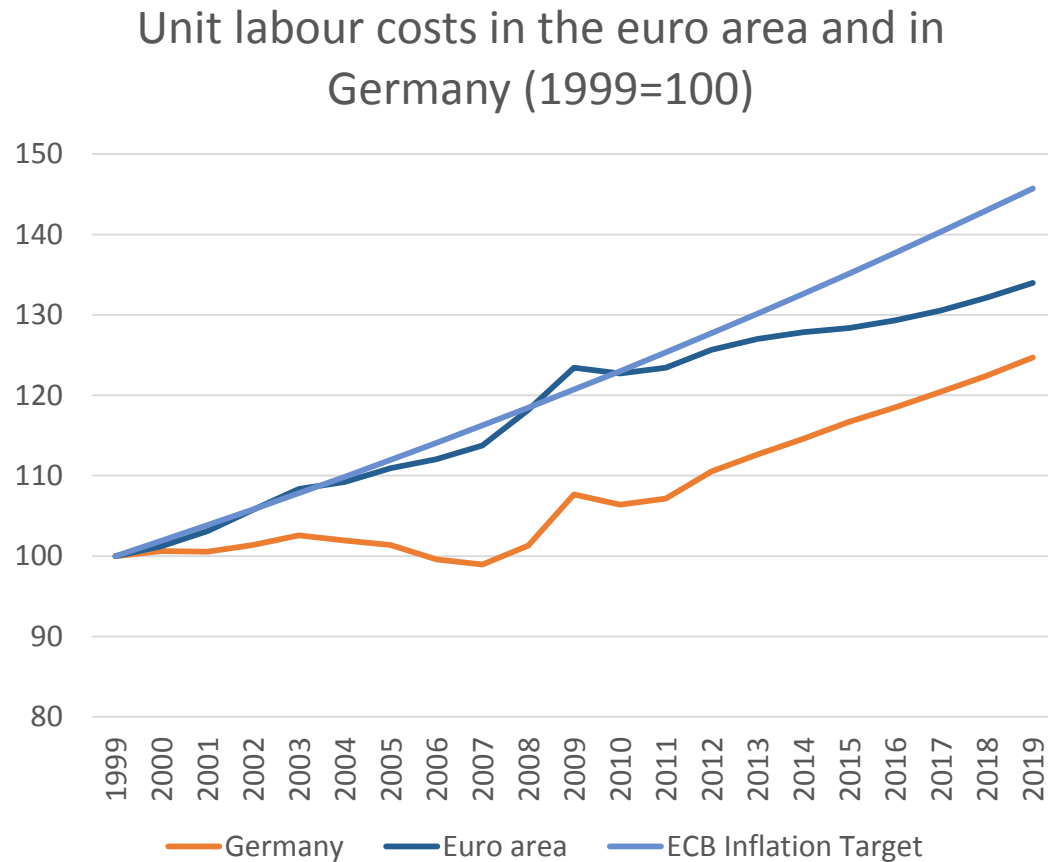


Tarifeinigung in dritter Verhandlungsrunde mit der TdL am 16./17. Februar 2017:

**Deutliche Reallohnsteigerung!**



# The problem of „wage moderation for all“



Source: AMECO

# Solutions

- German wage increases that compensate for wage moderation in other member states are unrealistic
- The return to a parity in the financing of **contributions to the statutory health insurance** envisaged by the coalition partners could provide some relief. Currently employees have to pay a surcharge of about 1 % of gross wages
- With a pronounced wage drift and strong employment growth the **minimum wage** could be adjusted by more than the increase in negotiated wages
- Wage moderation in other member states is a dangerous instrument as it makes it difficult to reach the **ECB's inflation target**