

No austerity

Germany slightly expansionary

Cyclically adjusted primary balances as a percentage of potential GDP					
	2014	2015	2016	2017	2018
Germany	2,4	2,4	2,2	1 $\frac{3}{4}$	1 $\frac{3}{4}$
Spain	1,5	0,3	-0,5	-0,6	-0,8
France	-0,8	-0,7	-0,8	-0,6	-1,0
Italy	3,8	3,2	2,5	2,0	1,7

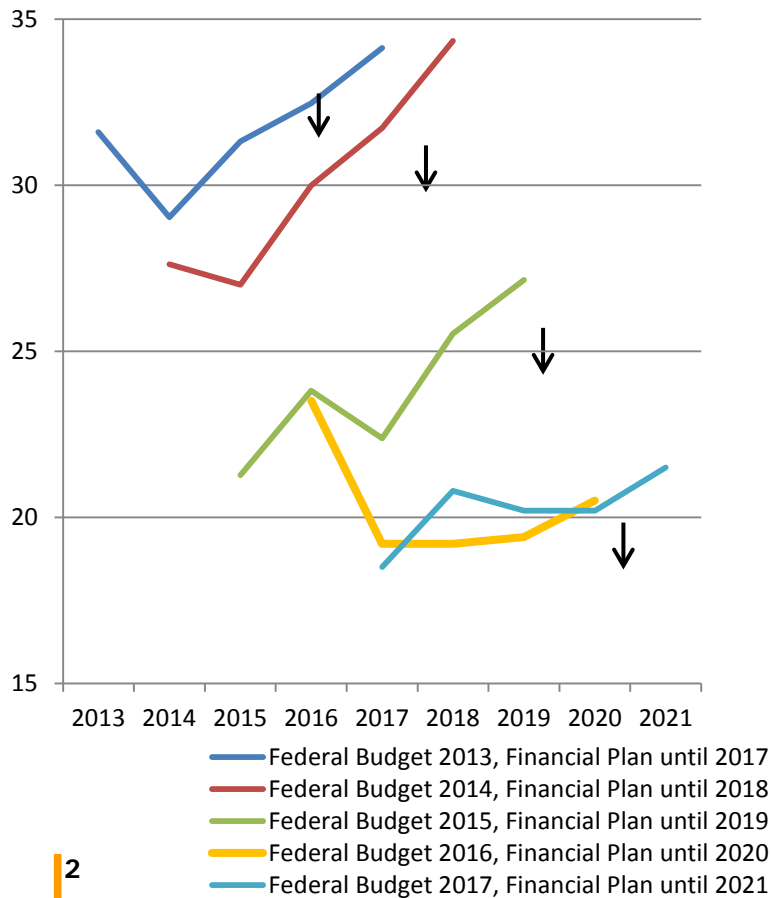
Source: European Commission Autumn Forecast (9th November 2017); For 2007-2009: AMECO; 1999-2009: Euro area excluding EST and GRC (16 countries); Germany: 2014 – 2016: Federal Statistical Office; 2017 – 2018: Draft Budgetary Plan 2018, rounded to $\frac{1}{4}$ percentage points.

Fiscal space is a budgetary illusion

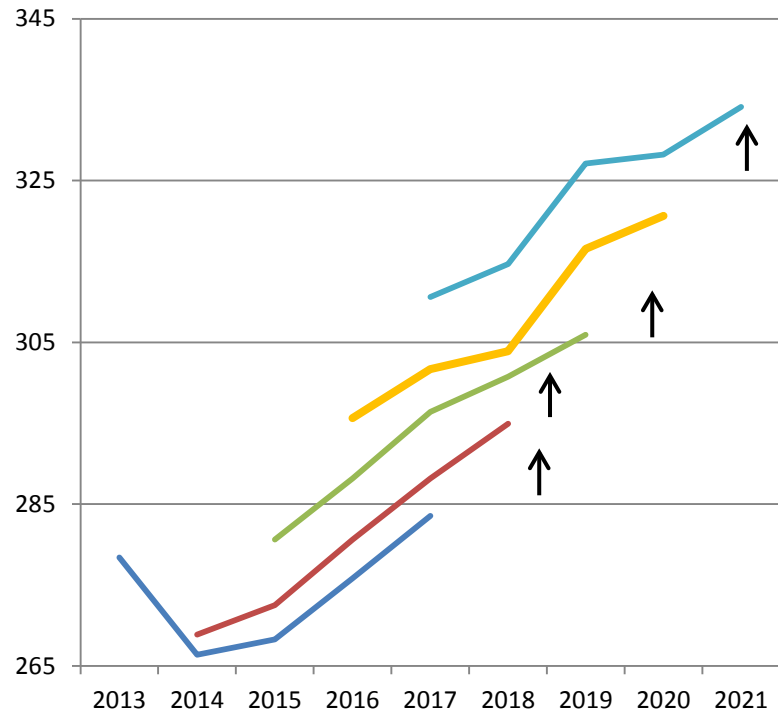
Strong primary expenditure dynamics in Germany

all measures in billion Euro, federal government

Lower interest payments



Higher primary expenditure



Big governments and aging populations in Europe

Old-age dependency ratio

(ratio of population 65+ per 100 population 15-64)

	2015	2050
Korea	18,0	65,8
USA	22,3	36,9
China	13,0	46,7
Germany	32,2	58,6
France	30,6	46,3
Italy	35,1	67,6
Japan	43,3	70,9
<i>Euro area*</i>	29,3	52,0

Source: UN World Population Prospects: The 2015 Revision.

*Euro area: year 2013, EPC Ageing Report 2015

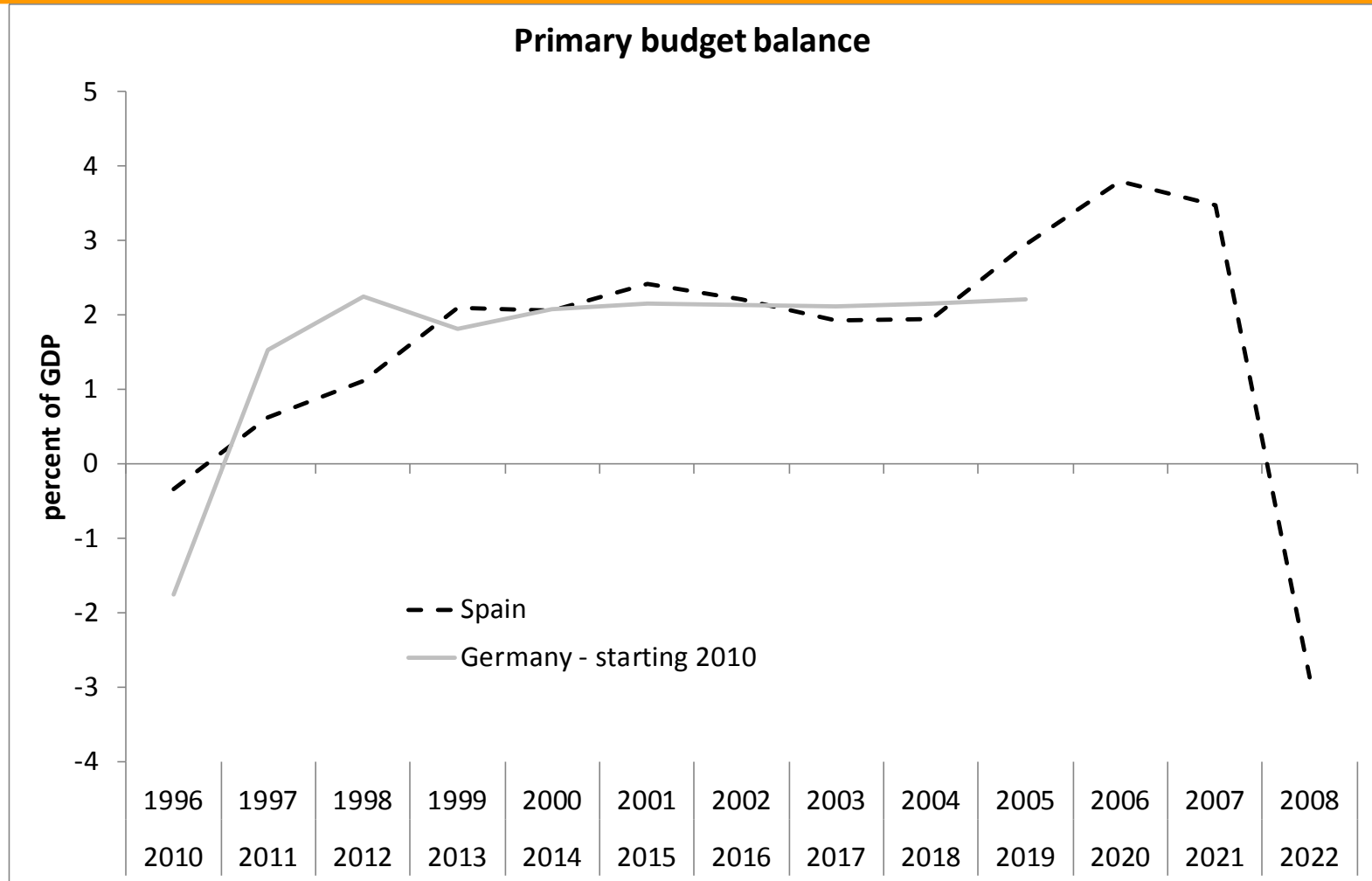
Public expenditures as a percentage of GDP

	1999	2009	2016	2018
Germany	47,7	47,6	44,2	44 ¼
Euro area	47,5	50,7	47,6	46,8
France	52,1	56,8	56,4	55,9
Italy	47,4	51,2	49,4	48,5
United Kingdom	35,4	47,5	41,5	40,3
USA	34,1	43,0	37,9	37,9
Japan	37,1	40,7	39,5	39,4
Singapore	17,7	17,3	18,7	19,6
Korea	17,2	21,3	20,7	21,1

Source: European Commission Autumn Forecast (9th November 2017); For 2007-2009: AMECO; 1999-2009: Euro area excluding EST and GRC (16 countries);

Germany: 1999 – 2016: Federal Statistical Office; 2018: Draft Budgetary Plan 2018, rounded to ¼ percentage points. For Singapore and Korea: IMF World Economic Outlook (April 2017)

Parallels between Germany and Spain?



Source: European Commission, own calculations