Stabilitätsrat
Unabhängiger Beirat

Brief Statement of 21 October 2020

on compliance with the upper limit to the structural general government budget deficit

pursuant to Section 51 (2) of the Budgetary Principles Act (HGrG)

1. Overview of the macroeconomic projection by the federal government

In its interim projection of September, the federal government expects price-adjusted Gross Domestic Product (GDP) to decrease by 5.8% in the current year. In the wake of the corona pandemic, adverse effects emerge from a substantial decline in domestic absorption as well as the sharpest downturn in the world economy since World War II. Within the scope of domestic expenditure components, this is illustrated by the drastic decline in consumer spending, down by 6.9%, while the collapse in investing activities (decline in gross fixed capital formation by 3.7%) actually typical for macroeconomic crises has turned out lower. In the coming year, the previously sharply declining use-side aggregates show very high expansion rates, which is a reflex of the catching-up process likely to have already begun in the year 2020. In the coming year, the previously sharply declining use-side aggregates show very high expansion rates, which is a reflex of the catching-up process likely to have already begun in the year 2020. **According to the federal government's estimate, economic output in 2021 will increase by 4.4%.** The decline in the current year will therefore not be compensated in terms of the annual average by far. On average next year, utilisation of macroeconomic capacities will remain substantially below the pre-crisis level. The labour market is being heavily impacted by the crisis. This means that for the first time since 2005 there will be an – even significant – decline of the labour force. On average for the year 2021, the pre-crisis level in employment and the volume of work will fall appreciably short of pre-crisis levels. The federal government expects growth rates of potential output to reflect rates of 1.0% (2020) and 1.1% (2021). In line with demographic developments, however, the trend of the growth rate of potential output points downwards, with as little as 0.8% being reached in the year 2024. Owing to the severe economic downturn, the federal government forecasts an output gap equivalent to -5% of potential output in the current year. This output gap will decline to just under -2% in 2021 and is assumed to close completely by the end of the projection period.

Compared to the projection published at the end of April 2020, in which the federal government had estimated the macroeconomic consequences of the pandemic for the very first time, **the interim projection for the current year represents a moderate upward revision.** The GDP decline in the current year has now turned out to be lower by 0.6 percentage points. On the other hand, this will be offset by a weaker recovery next year (downward revision by 0.8 percentage points), which means that economic output in the year 2021 will turn out slightly weaker. In terms of the use side of the national accounts, the pandemic in the current year is expected to shift to the exports business (downward revision by 0.5 percentage points), while domestic absorption (in particular, consumer spending and investments in building construction) appears to be slightly more robust (upward revision by 0.8 percentage points). The slightly stronger negative emphasis on the external trade channel this year is in harmony with the substantially lowered outlook for the world economic environment compared to the spring projection. For the current year, a countermovement of stronger exports is anticipated amid simultaneously weaker domestic absorption.

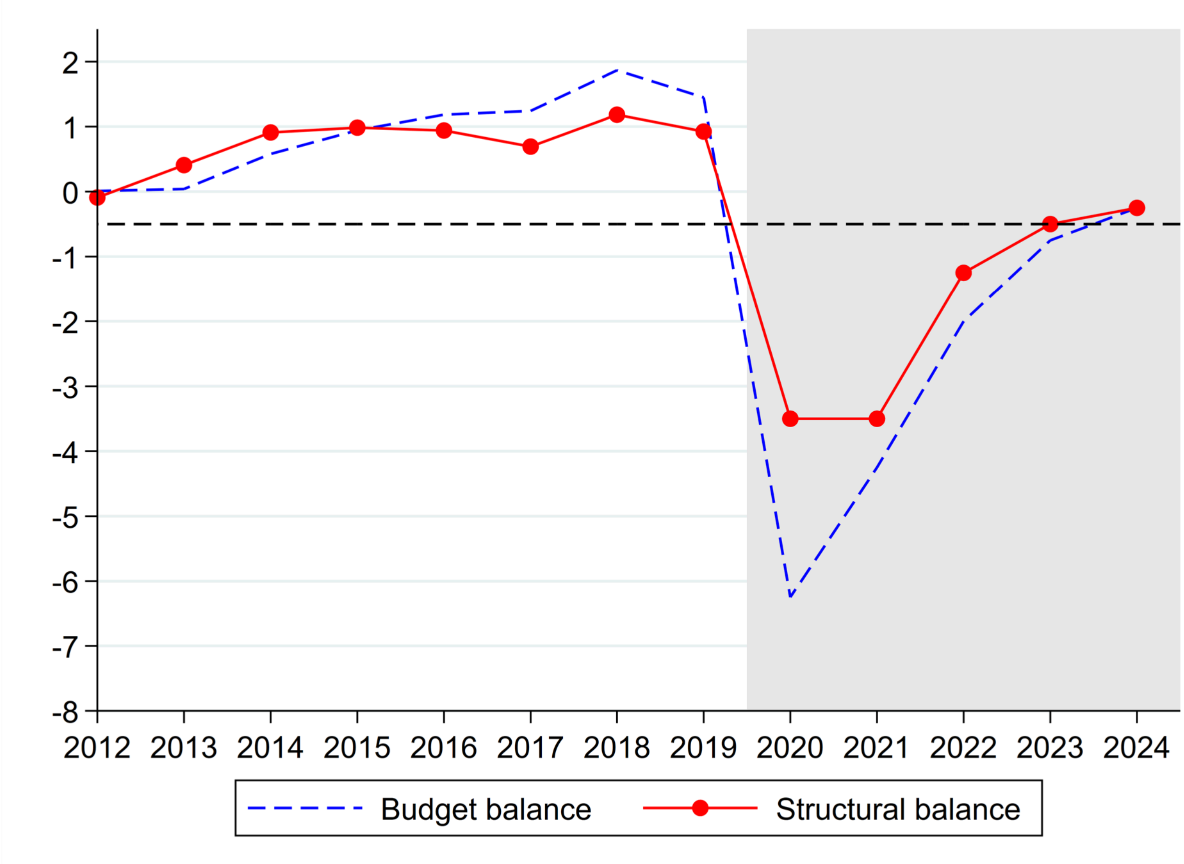
2. Overview of the BMF's fiscal projection

In October the Federal Ministry of Finance (BMF) published the first medium-term fiscal projection reflecting the impacts of the corona crisis.[1] Evidently **a high deficit ratio of over 6% is expected for the general government budget in the current year** (cf. Fig. 1, in delineation from the national accounts). **Next year the deficit ratio is expected to exceed 4%.** It will then decline to 2% in the year 2022 and below 1% in 2023. **In the year 2024, the general government budget is expected to be almost balanced.** The lion's share of deficits in the years 2020 and 2021 is attributed to the federal government. Less than a third of deficits is related to federal states, municipalities and social security funds. For the years 2021-2024, evidently stronger outflows of funds are planned regarding the federal government's extra-budgetary funds, such as the *Kommunalinvestitionsförderungsfonds* (municipal investment promotion fund), *Aufbauhilfefonds* (reconstruction aid fund), *Digitale Infrastruktur* (digital infrastructure) and *Ausbau ganztägiger Bildungs- und Betreuungsangebote für Kinder im Grundschulalter* (extension of full-day educational and care offerings for children at primary school age) as well as the *Energie- und Klimafonds* (energy and climate fund).

The fiscal impacts of the pandemic and the stabilisation measures adopted are shown **in comparison with the fiscal projections prior to the pandemic's outbreak** (autumn 2019, cf. Fig. 2). The figures show revenue shortfalls in the current year by more than € 90 billion. Whereas revenue will also remain substantially below the previous year's projection in the coming years, the gaps are declining. A similar development is evident on the expenditure side. For the year 2020, the expenditure currently estimated exceeds the previous estimate by roughly € 136 billion. In 2021, expenditure will be around € 80 billion higher, with the gap decreasing in the further course of time.

[1] At the time of the Stability Council's resolution regarding the upper limit pursuant to Section 51 (2) HGrG on 22 June 2020, no current fiscal projection was available. As part of its Stability Programme, in April 2020 the BMF published a projection for the general government budget deficit for the year 2020. At the end of May, the BMF prepared a calculatory update for the 2020 structural deficit: included were (1) the effects of the macroeconomic projection by the federal government of end-April, (2) the official tax estimate of mid-May based on this projection as well as (3) additional measures of federal states and municipalities by end-April. In particular, the extensive economic stimulus package agreed by the federal government thus was not taken into account. Compared to the macroeconomic projection of April, in the now underlying macroeconomic projection of September, economic development in the current year is assessed as slightly more favourable.

Fig. 1: Development of the general government budget balance



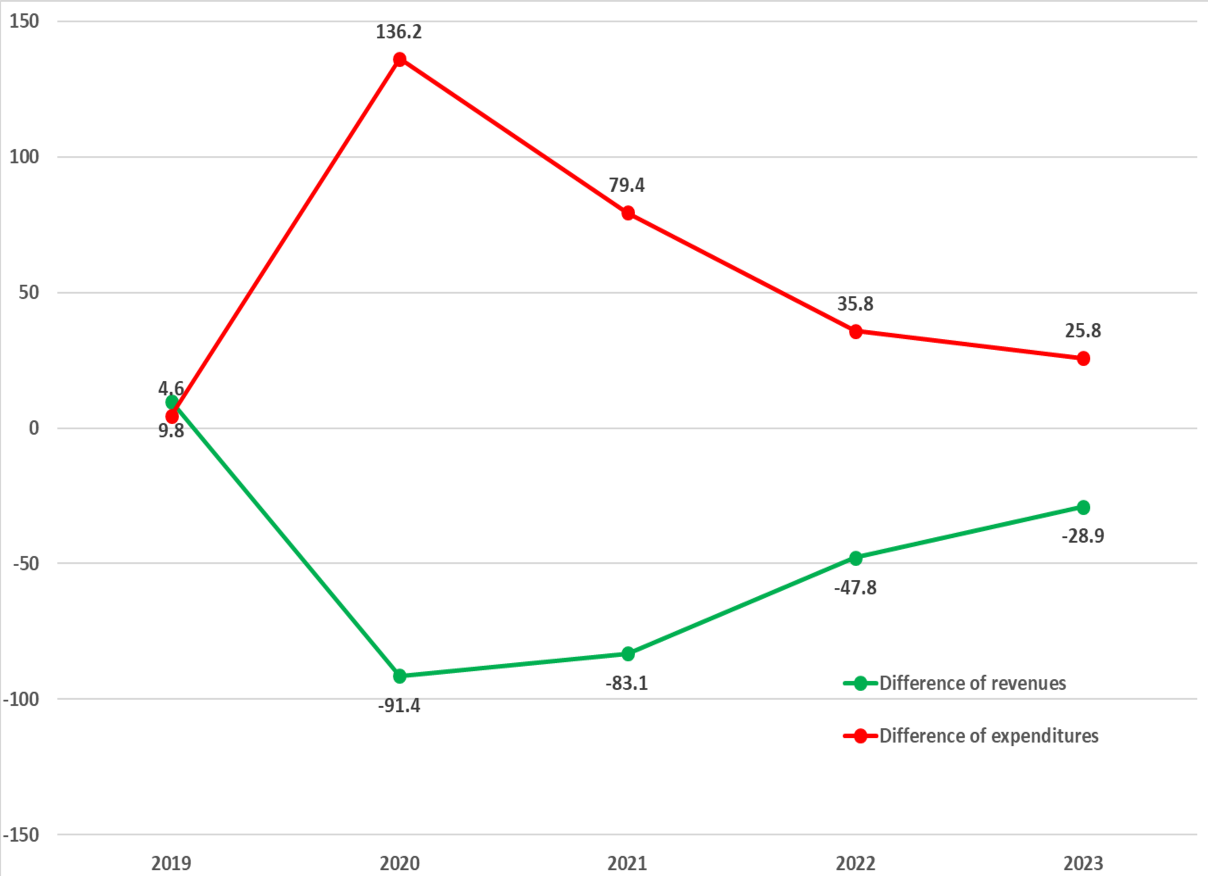
The solid red line reflects the development of the structural general government budget balance in % of GDP (cf. Overview A5, 1.). The dotted blue line shows the unadjusted budget balance in % of GDP. Until the year 2019, the values reflect the current figures of the European Commission. As of 2020, the figures from the current projection by the BMF are displayed.

In the current year, the deficit is primarily being driven upwards by extensive stabilisation measures[2] **in relation to the previous year**. **In addition, automatic stabilisers have a deficit-raising influence.** In the subsequent period, first of all a substantial share of the temporary stabilisation measures is expiring (transfers to companies and households as well as tax relief measures, such as the reduced value added tax rate). Secondly, in the wake of the economic recovery the cyclical component of the deficits will decline – with the automatic stabilisers having a relief effect on public finances. Thirdly, consolidation measures have evidently been included in the projection, without these actually having been agreed or adopted. This holds for the federal government, based on the budgetary planning

[2] According to the 2021 Draft Budgetary Plan 2021 of October, the following measures are involved, namely “Strengthening the economy and activating Germany’s economic growth potential – tax measures”, “Strengthening the economy and activating Germany’s economic growth potential – further measures”, “Cushioning economic and social hardship”, “Strengthening the *Länder* and local authorities”, “Supporting young people and families”, “Strengthening research and accelerating digitalisation”, “Making mobility sustainable and driving the energy transition forward”, “Strengthening the healthcare system and improving protection against pandemics”, “International pandemic response programme”, “Cushioning economic and social hardship and supporting families”, “Ensuring health protection during the pandemic”, “Strengthening research, accelerating digitalisation and driving the energy transition forward”, “Emergency aid for Germans abroad”, “International pandemic response”, “Compensation related to guarantees”, “Further federal measures related to revenue and expenditures”, “Acquisition of capital instruments and holdings”, “Refinancing of KfW on-lending programmes” by the federal government, “Bavaria’s Special Corona-virus Pandemic Fund”, “BayernFonds (Bavarian Fund)”, “Securing a Positive Future for Hesse”, “Mecklenburg-Western Pomerania Protection Fund”, “Lower Saxony’s special fund to tackle the effects of the coronavirus pandemic”, “North Rhine-Westphalia Rescue Package”, “Saxony’s Coronavirus Response Fund”, “Thuringian Coronavirus Pandemic Aid Fund” by the indicated federal states, as well as measures by the Federal Employment Agency, the statutory pension insurance, the statutory health insurance system and the social long-term care insurance.

of the federal cabinet of September. In other words, the projection is based on the assumption that as of the year 2022 (no further specified) measures will be taken to comply with the debt brake of the federal government.

Fig. 2: Expenditure and revenue compared to the previous year's projection in € billion



The red line shows the difference in general government expenditure, in delineation from the national accounts, between the current Draft Budgetary Plan and the report of October 2019. The green line shows the corresponding difference for revenue. Own calculations.

A structural deficit ratio of 3½% is estimated for each of the current and the following year (cf. Fig. 1). The extraordinarily robust fiscal expansion is reflected in the fact that an appreciable structural surplus ratio was still achieved in the year 2019. The immense impact of the stabilisation measures in the structural general government budget balance is due to the fact that these are not excluded as temporary measures, even though they partly are only temporary in nature.[3] **For the year 2022, the structural general government deficit ratio, at 1¼%, is expected to exceed the threshold of 0.5% considerably. However, the structural general government budget deficit ratio will decrease by almost 2 percentage points compared with the year 2021.** In 2023, the structural general government deficit

[3] In order to determine the structural general government budget balance, adjustments are made for cyclical influences as well as one-off and temporary measures. The latter practically do not play any part at all in the BMF's statistics for the period under review. In accordance with the recommendations by the European Commission of April, the temporary stabilisation measures are not recorded as temporary and are therefore included in the structural general government budget balance.

ratio will be in the region of ½%, followed by ¼% in the year 2024. **Accordingly, in the last two years of the projection period, a more or less balanced budget is expected in structural terms.**

The BMF projection shows that the debt-to-GDP ratio will rise by over 10 percentage points in the current year, to reach 71%. By the year 2024 it will decline to 67½%, not least on account of the assumed macroeconomic growth. The increase and the subsequent reduction path will be driven by the development of the structural budget deficit and cyclical factors. Support measures play an additional role, not affecting the deficit, but the debt level. This concerned such items as loans granted under state guarantees as well as state equity aid to companies. Their financing via borrowing increases the Maastricht debt level. The (national accounts) deficit is not affected by this because the higher debt level is juxtaposed against higher state financial assets (receivables and equity interests of the state) – in accounting terms, these are classified as financial transactions.

The estimate by the BMF of the prospects for public finances – like all other projections at present – is subject to a high degree of uncertainty. The outlook for the general government budget balance and, in particular, the Maastricht debt, are heavily dependent on the uncertain course of economic development. Moreover, the budget and debt level effects of fiscal policy are difficult to predict in several respects: for instance, the uncertainty concerns the utilisation of the measures adopted (such as the guarantee programmes); in addition, new measures could be adopted for crisis management purposes or the assumed consolidation might not be implemented. In particular, elections to the Bundestag are scheduled for autumn 2021; the new government and the new parliament will determine the future fiscal stance of the federal government.

The federal government should provide transparent information on what assumptions the projection is based, especially in this uncertain environment. Material information is still lacking in this regard, however. **In particular, the projection does not indicate the potential need for action in fiscal policy terms in order to comply with the fiscal rules; after all, it was apparently not prepared on the basis of the measures adopted at present or specifically formulated.** For instance, the underlying budgetary planning of the federal government reflects a need to action to comply with the debt brake of the federal government to an extent of € 10 billion for the year 2022 and just over € 16 billion for the years 2023 and 2024. Presumably these gaps were "closed" within the scope of the national accounts estimate by deficit-reducing global positions, but this is not evident at present. Whether (and if so, to what extent) a similar procedure was used for the federal states and municipalities is not discernible. The deviations between the BMF and federal state projection in delineation from the financial statistics for the core federal state budgets indicate that this would tend not to be the case (general government budget balance 2024 in BMF estimate: -€ 9½ billion; according to federal state estimate: € 0 billion).

The projection for social security funds cannot be broken down more precisely either. As the reserves will have been used up in the further course of time, substantial contribution rate increases are likely to have been assumed. The federal government has announced plans to make special transfers to these funds. It is known from the federal government's cabinet resolution that it wants to close funding gaps of social security funds partly with additional replenishment payments: these are partly to flow as loans and partly in the form of transfers. In the national accounts, the share of the funding gap closed by a loan will be visible in the balance of social security funds, but not in the balance of the lender. (The granting of a loan represents a financial transaction with no impact on the balance; in contrast, a transfer is effective as far as the deficit is concerned, i.e. it narrows the funding gap of the social security funds at the expense of the federal budget. A possible waiver of a loan receivable would be expected to be recorded as a transfer.)

3. Statement on the projections submitted

The Advisory Board considers the macroeconomic projection and the official tax estimate on which the BMF fiscal estimate is based as acceptable. This is the macroeconomic interim projection by the federal government and the official tax estimate of September based on that projection. The macroeconomic projection is within the spectrum of other current projections. The projection until the year 2021 was approved by the Joint Economic Forecast and classified as plausible for the Advisory Board in a readily understandable manner.[4] The official tax estimate is based on this macroeconomic projection. Taking account of additional relevant information, it projects a plausible tax revenue path under applicable tax law and the amendments to tax regulations already adopted.

The derivation of potential output from the macroeconomic projection is acceptable in the opinion of the Advisory Board. The federal government uses the approach by the European Commission because it is relevant for the EU fiscal rules and for the upper limit under Section 51 (2) HGrG. In this context, there is currently a special uncertainty as regards estimates and methods. For instance, in view of the difficulties associated with purely statistical models, the approach adopted by the European Commission partly calls for discretionary methodological interventions in order to capture the extraordinary downturn in economic activity in the current year. This provides leeway for the results capable of being derived. In future, adjustments are to be expected, especially in uncertain times. Transparency and comprehensibility are indispensable in this respect. Good coordination between the federal government and the European Commission is necessary in order to achieve a monitoring procedure that is as stringent as possible.

The Advisory Board has reservations as far as the fiscal projection is concerned. For instance, a more precise breakdown of the reconciliation of data material in delineation from the financial statistics to the national accounts would be desirable. Assumptions have partly not been published. The projection evidently takes account of **fictitious measures**, at least for the federal government. Medium-term planning for the federal budget provides for measures equivalent to a total of around € 32 billion; these are measures still to be adopted by a new government and the next Bundestag for the period as of the year 2022 in order to comply with the national debt brake of the federal government. Accordingly, consolidation measures have already been included in the estimate that have not yet been specifically defined, let alone adopted. A projection that does not take such measures into account would probably lead to deficit ratios that would turn out about ½ percentage point higher.

[4] Cf. Project Group Joint Economic Forecast (2020): "Stellungnahme der Projektgruppe Gemeinschaftsdiagnose zur Interimsprojektion der Bundesregierung (August 2020)" (Statement by the Joint Economic Forecast project group on the interim projection by the federal government (August 2020).

4. Statement on the application of the budgetary rules

Section 51 (2) HGrG provides for a value of 0.5% of GDP as an upper limit for the structural general government budget deficit. This upper limit is currently being significantly exceeded and will be complied with again only as of the year 2023 according to the fiscal projection. On the other hand, the regulation refers to the EU fiscal rules. A general exception applies to these in the years 2020 and 2021.[5] The Advisory Board already determined in its 13th statement of June 2020 that it considers the utilisation of the escape clauses of the fiscal rules in the current year to be justified owing to the extraordinary and crisis-like circumstances. Moreover, in view of the current increase in corona case numbers, a quick end to these circumstances is not in sight, which means that the utilisation of the escape clause will likewise be justified next year. **The Advisory Board therefore takes it for granted that the limit defined in Section 51 (2) HGrG can again be exceeded next year without violating the fiscal rules.**

However, the Advisory Board points out once again that the escape clauses are intended to ensure the government's ability to take action in crisis cases. **Fiscal policy must therefore be analysed to establish whether it is necessary and suitable to overcome the crisis.** Essentially, the Advisory Board considers that this does apply to the years 2020 and 2021. Indications at present are that some measures are utilised to a lesser degree than estimated in the budgets. On the other hand, this could change if development turns out less favourable than expected, and additional fiscal policy stabilisation measures might turn out to be expedient. In view of the high level of uncertainty, it certainly made sense to provide for rather cautious calculations in supplementary budgets, i.e. a larger outflow of funds was assumed. It remains difficult to determine the extent to which additions to equity capital or loan guarantees will be utilised. If loan authorisations are not needed, however, they should be allowed to expire in view of the intention of the escape clause. This calls for the principle of annuality, which protects the parliamentary autonomy to decide on the budget.

For the year 2022, the fiscal projection indicates a structural general government budget deficit ratio of 1¼% , which means that the regular upper limit laid down in Section 51 (2) HGrG will be exceeded (according to the current project status, by about € 30 billion). On the other hand, the quota in the projection is down on that of 2021 by almost 2 percentage points. As a rule, on the adjustment path to the regular limit a decline in the structural deficit by 0.5% of GDP is sufficient to meet the requirements of what is termed the preventive arm of the European fiscal rules.[6] Besides, the medium-term outlook is highly uncertain and it cannot be ascertained as yet whether the escape rule will remain in place for the year 2022 or whether special provisions may be defined by the European Commission. **Whether a need for consolidation exists and how high it might turn out to be cannot be reliably estimated at present. Accordingly, it is quite acceptable not to adopt, initiate or announce any**

[5] Cf.: Letter from the EU Vice President, Valdis Dombrovskis, and EU Commissioner Paolo Gentiloni of 19 September 2020 to the German Finance Minister, Olaf Scholz. "…, the general escape clause, which was activated in agreement between the Commission and the Council in March and does not suspend the procedures of the Pact, will remain active in 2021." What is also interesting in this context are the comments by EU Commissioner Gentiloni at the press conference of the Euro Group on 5 October 2020: "… Secondly, in terms of fiscal policy, we sent a letter last week to EU finance ministers to provide guidance as they are preparing their national budgets for 2021. The General Escape Clause will remain active in the year 2021 and fiscal policies should continue to support the recovery next year, both at the level of the euro area and in individual Member States. The appropriate fiscal measures to sustain the recovery will need to be carefully chosen. The basic principle, as explained in our letter, is that measures should be well-targeted and temporary. Their use and effectiveness should be regularly reviewed."

[6] Cf. Deutsche Bundesbank (2017): Design and implementation of the European fiscal rules), Monthly Report June 2017, pp. 29-44.

corresponding measures at this point in time. In the year 2023, the structural general government budget deficit ratio is to decline by approx. ¾ percentage points, to ½%. The upper limit for the structural general government budget balance would therefore be complied with for the years 2023 and 2024.

The federal government is evidently making an effort to comply with the debt brake once again as early as of the year 2022. The Advisory Board would welcome a corresponding announcement. Resorting to existing reserves can contribute towards mitigating the extent of the necessary adjustments to this end, or to spread it across a longer period of time. However, the deployment of reserves will not lower the national accounts deficit of relevance to Section 51 (2) HGrG. Accordingly, while the federal government's debt brake might be complied with in the year 2022, the federal government will nevertheless contribute to the regular upper limit for the general government budget balance being exceeded in the year 2022.

In the opinion of the Advisory Board it is hardly expedient to submit a fiscal estimate to the Stability Council and ultimately to the public at large in which gaps to the budgetary limits (such as the federal government's debt brake) are only closed in purely calculatory terms (without appropriate measures having been adopted of specifically defined). After all, a projection of this kind cannot provide any indications as to how the federal government assesses fiscal policy need for action from today's perspective. In other words, it should be taken for granted that future governments will indeed comply with the fiscal rules. If this is subjected to the projections, however, as such they will no longer reflect any future need for action. Yet this is exactly what the mission of budgetary monitoring by the Stability Council entails. **The Advisory Board therefore considers it necessary to submit a fiscal projection to the Stability Council in future that only includes specific and adopted fiscal measures in a transparent manner.**

The Advisory Board reiterates its opinion that the level of transparency regarding the budget situation and the budget outlook should be improved. Earlier statements contain concrete starting points in this regard.[7] This matter will become all the more urgent as it will turn out to be substantially more challenging to evaluate or assess the relevant developments in the coming years. One of the reasons for this is that the national debt brakes differ substantially between the federal government and the individual federal states. Accordingly, it will become difficult for the general government to assess whether it is doing justice to the requirements under the EU rules and, therefore, compliance with Section 51 HGrG, to an adequate degree. This involves the fact, e.g. that the debt brakes restrict budgetary net borrowing, whereas the EU rules refer to the national accounts deficit. As far as the debt brakes are concerned, therefore, it can be said in simplified terms that a gap today in relation to the upper limit for additional net borrowing can be closed by past cases of overperformance in meeting this limit. In contrast, this is not the case as far as the EU rules are concerned. Moreover, developments are becoming even less transparent on account of the numerous reserve funds and new weighty extra-budgetary funds that have been added in the current year. Transparency is lacking not least with regard to financial relations between the federal government budget and social security funds as well as between the federal states and their municipalities.

[7] In this context, cf. Eleventh Statement by the Independent Advisory Board of the Stability Council, Berlin, 2019.

It remains important from the Advisory Board's point of view to ensure that effective fiscal rules provide guidance for fiscal policy. The objective of such rules is to secure the sustainability of public finances in order to ensure that the government remains ready and able to take action whenever crises happen to strike. Germany managed to do so quite well in the pre-crisis period. Not only for this reason, German fiscal policy received accolades on numerous occasions in the present crisis for its ability to ensure a robust response to economic losses without this triggering sustainability reservations on the financial markets, for instance. Moreover, fiscal rules are intended to create transparency and thus avoid burdens being postponed unnoticed into the future. In Germany, solid budgeting is particularly important because public finances will come under immense pressure due to demographic developments. The task of ensuring sustainable public finances also calls for an eye to be kept on the new burdens resulting from the EU programmes. This is because borrowing takes place at EU level, with transfers being disbursed to the member states, in which lower national deficits and debt levels are recorded *ceteris paribus*. The problems of pubic-sector debt cannot be resolved, however, simply by shifting such debt from national to the European level in future. If future financing burdens arising from EU debt are not transparently recorded, then the fiscal rules for the member states are in danger of being eroded by indebtedness at EU level.

The Independent Advisory Board of the Stability Council on 21 October 2020

Prof. Dr. Thiess Büttner (Chairman)
Friedrich-Alexander Universität Erlangen-Nürnberg

Prof. Dr. Georg Milbradt (Deputy Chairman)
Minister-President (ret.)

Dr. Stephan Fasshauer
Deutsche Rentenversicherung Bund, Berlin

Prof. Dr. Dr. h.c. Lars P. Feld
Walter Eucken Institut, Universität Freiburg, and German Council of Economic Experts, Wiesbaden

Prof. Dr. Hans-Günter Henneke
Deutscher Landkreistag, Berlin

Prof. Dr. Stefan Kooths
Institute for the World Economy, Kiel

Prof. Dr. Thomas Lenk
Universität Leipzig

Prof. Dr. Silke Übelmesser
Friedrich-Schiller Universität, Jena

Karsten Wendorff
Deutsche Bundesbank, Frankfurt/Main

Annex: Overviews

Overview A1: Current[1] projections of macroeconomic development

Year-on-year percentage change (unless otherwise stated)	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
1. Federal government (interim projection, September 2020)						
1aa. GDP, price-adjusted	0.6	-5.8	4.4	1.5	1.5	1.5
1ab. GDP deflator	2.2	1.9	1.5	1.4	1.4	1.4
1ba. Private consumption, price-adjusted	1.6	-6.9	4.7	1.5	1.5	1.5
1bb. Private consumption, deflator	1.3	0.5	1.2	1.4	1.4	1.4
1c. Gross wages and salaries per employee[2]	2.9	-0.7	2.6	3.0	3.0	3.0
1d. Employees	1.2	-0.6	0.5	-0.2	-0.2	-0.2
1e. Unemployment rate in % (acc. to ILO[3])	3.0	3.7	3.2	3.5	3.6	3.6
1f. Short-term interest rates in % (technical assumption)	0.00	0.00	0.00			
2. Joint Economic Forecast (October 2020)						
2aa. GDP, price-adjusted	0.6	-5.4	4.7	2.7	1.5	1.2
2ab. GDP deflator	2.2	2.0	1.2	1.6	1.5	1.5
3. IMF (October 2020)						
3aa. GDP, price-adjusted	0.6	-6.0	4.2	3.1	1.8	1.3
3ab. BIP deflator[4]	2.2	2.0	1.9	1.4	1.4	1.7
4. OECD (interim projection, September 2020)						
4aa. GDP, price-adjusted	0.6	-5.4	4.6			
4ab. GDP deflator						

1) The projections published in the past three months are reflected in this statement. – **2)** Values at current prices. – **3)** International Labour Organization – **4)** Own calculations of the Advisory Board based on the World Economic Outlook of October.

Overview A2: Current estimates of potential output[1)] and the output gap

Year-on-year percentage change (unless otherwise stated)	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
1. Federal government (interim projection, September 2020)						
1a. Potential output	1.1	1.0	1.1	1.0	0.9	0.8
1b. Output gap (in % of the potential)	1.8	-5.0	-1.9	-1.4	-0.7	0.0
1bb. Output gap (in € billion)[2)]	59.5	-174.4	-69.0	-50.0	-27.2	0.0
2. Joint Economic Forecast (October 2020)						
2a. Potential output	1.3	0.9	1.2	1.2	1.1	1.0
2b. Output gap (in % of the potential)	0.9	-5.3	-2.1	-0.6	-0.2	-0.1
2c. Potential output according to MODEM	1.3	1.1	1.1	1.0	0.9	0.7
3. IMF (October 2020)						
3a. Potential output[3)]	1.3	-2.2	2.4	1.9	1.3	1.2
3b. Output gap (in % of the potential)	0.4	-3.5	-1.8	-0.7	-0.2	-0.1
4. OECD (interim projection, September 2020)						
4a. Potential output						
4b. Output gap (in % of the potential)						

1) Price-adjusted. **– 2)** In relation to nominal GDP. **– 3)** Own calculations of the Advisory Board based on the World Economic Outlook of October.

Overview A3: Current projections of the budget balance[1)]

In % of GDP	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
1. Stability Council (October 2020)	1.5	-6¼	-4¼	-2	-¾	-¼
1a. Stability Council (June 2020)	*1.4*	*-8½[2)]*				
1b. Stability Programme (April 2020)	*1.4*	*-7¼*				
1c. Stability Council (December 2019)	*1½*	*½*	*0*	*0*	*½*	
1d. Draft Budgetary Plan (October 2019)	*1¼*	*¾*	*¼*	*¼*	*½*	
1e. Update (September 2019)	*1¼*	*¾*	*¼*	*¼*	*½*	
2. Joint Economic Forecast (October 2020)	1.5	-5.5	-3.3			
3. IMF (October 2020)	1.5	-8.2	-3.2	0.6	0.8	1.0
4. OECD (interim projection, September 2020)						

1) The values for the projection years (2020 for 1 – 1b. and, as of 2019, for 1c. - 1e.) are rounded to a quarter per cent. **– 2)** Own calculations of the Advisory Board based on the calculatory update of the structural general government budget balance of the BMF as of 26 May 2020 and the spring projection by the federal government on macroeconomic development dated 29 April 2020.

Overview A4: Means derived from the limits of the bandwidths estimated by the Federal Ministry of Finance[1)]

In € billion	2019	2020	2021	2022	2023	2024
1. General government budget balance	52.5	-204	-153½	-73	-31½	-6½
of which:						
1a. central government	22.7	-141	-106½	-39½	-12½	1
1b. federal state governments	16.0	-32½	-20½	-14½	-10	-6½
1c. local government	5.1	4½	-5	-6½	-6	-2½
1d. Social security funds	8.7	-35	-21½	-13½	-3½	1½

1) Includes the mean values from the estimate bandwidths according to the derivation of the general government budget balance of the public sector ("Maastricht Budget Balance") from the budget balance of the whole of Government Accounts of 30 September 2020. Own calculations of the Advisory Board. The values for the projection years (as of 2020) are rounded to a quarter per cent.

Overview A5: Current projections of the structural budget balance[1)]

In % of GDP or potential output	2019	2020	2021	2022	2023	2024
1. Stability Council (October 2020)	0.6[2)]	-3½	-3½	-1¼	-½	-¼
1a. Stability Council (June 2020)	*0.5*	*-5½*				
1b. Stability Programme (April 2020)	*1.3*					
1c. Stability Council (December 2019)	*1¼*	*½*	*¼*	*¼*	*½*	
1d. Draft Budgetary Plan (October 2019)	*1¼*	*½*	*¼*	*¼*	*½*	
1e. Update (September 2019)	*1¼*	*½*	*¼*	*¼*	*½*	
2a. Joint Economic Forecast (October 2020)	1.1	-2.8	-2.3	-2.2		
2b. Joint Economic Forecast (MODEM, October 2020)	0.8	-2.7	-2.3	-2.3		
3. IMF (October 2020)[3)]	1.3	-6.4	-2.3	1.0	0.9	1.1
4. OECD (interim projection, September 2020)						

1) The values for the projection years (2020 for 1 – 1b. and, as of 2019, for 1c. - 1e.) are rounded to a quarter per cent. – **2)** In departure from this, in Fig. 1 the value of 0.9 is reflected, according to the spring projection of the European Commission of May. **3)** To facilitate a better comparison with other estimates, the cyclically adjusted balance is reflected here**.** The IMF (unlike the BMF, for instance) predominantly takes account of the corona-related measures in 2020 and 2021 as temporary and omits them in the structural general government budget balance. As of 2020, the IMF does assume the existence of any further temporary measures. Own calculations of the Advisory Board based on the World Economic Outlook of October.

Overview A6: Components of the structural budget balance[1)]

In % of GDP (unless otherwise stated)	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
1. General government budget balance	1.5	-6¼	-4¼	-2	-¾	-¼
2. Cyclical component	0.9	-2¾	-1	-¾	-½	0
2.a in € billion[2)]	*30.0*	*-87.9*	*-34.8*	*-25.2*	*-13.7*	*0.0*
3. Cyclically adjusted balance[4)]	0.7	-3½	-3½	-1¼	-½	-¼
4. One-off and temporary measures	0.1	0	0	0	0	0
5. Structural budget balance[4)]	0.6	-3½	-3½	-1¼	-½	-¼
6. Cyclically adjusted primary balance[7)]	1.4	-2¾	-2¾	-¾	0	½
7. Output gap (in % of potential output)	*1.8*	*-5.0*	*-1.9*	*-1.4*	*-0.7*	*0.0*

1) The figures presented are based on the projection of the general government budget balance for the German Draft Budgetary Plan 2021, the interim projection 2020 of the federal government on macroeconomic development of 1 September 2020, as well as calculations by the Advisory Board. The values under 1., 2., 3., 4., 5 and 6. have been rounded to a quarter per cent for the projection year 2020. **– 2)** The cyclical component is calculated by multiplying the output gap (in € billion) by the budget semi-elasticity for the state as a whole (0.504). **– 3)** Difference arising from the budget balance and the cyclical component. **– 4)** Balance adjusted for cyclical factors less temporary measures / effects – **5)** Balance adjusted for cyclical factors plus interest expenditure.