FACTS AND TRENDS

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Economy

Economic growth declines slightly in 2003

In 2003, Germany's gross domestic product in real terms decreased slightly by 0.1% compared with 2002. This is the second time since reunification – 1993 being the first – that Germany's economic performance has declined. In 2002 and 2003, the German economy as a whole was not in a recession but in a phase of stagnation. In the third and fourth quarter of 2003, a slight economic recovery was recorded.

A comparison with other developed nations shows that Germany was one of the countries with the lowest economic growth rate in 2003. According to estimates by the EU Commission, Portugal (–0.8%) and the Netherlands (–0.9%) were the only countries within the EU to record even lower growth rates.

The list of countries with the highest economic growth rates in the European Union is headed by Greece with a forecast of 4.1%, Spain with 2.3% and the United Kingdom with 2.0%. Luxembourg, Sweden, Finland and Ireland have growth rates ranging between 1.2% and 1.6%, whilst the rates in France, Italy, Belgium, Denmark and Austria range from 0.1% to 0.9%.

In 2003, Germany's gross domestic product in nominal terms amounted to 2 130 billion Euros, which according to an EU Commission forecast corresponds to a 29% share in the gross domestic product of the eurozone.

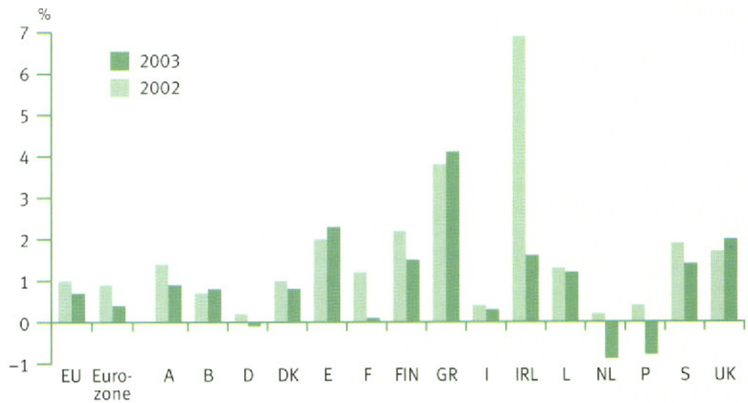
Whereas EU economic growth as a whole amounted to 0.7% in 2003 – following a rate of 1.0% the year before – the USA increased its economic performance by 2.8%, compared to the 2.5% it achieved in 2002. Japan's economy grew by 2.6% in 2003 as compared with –0.4% in 2002.

Additional public debt

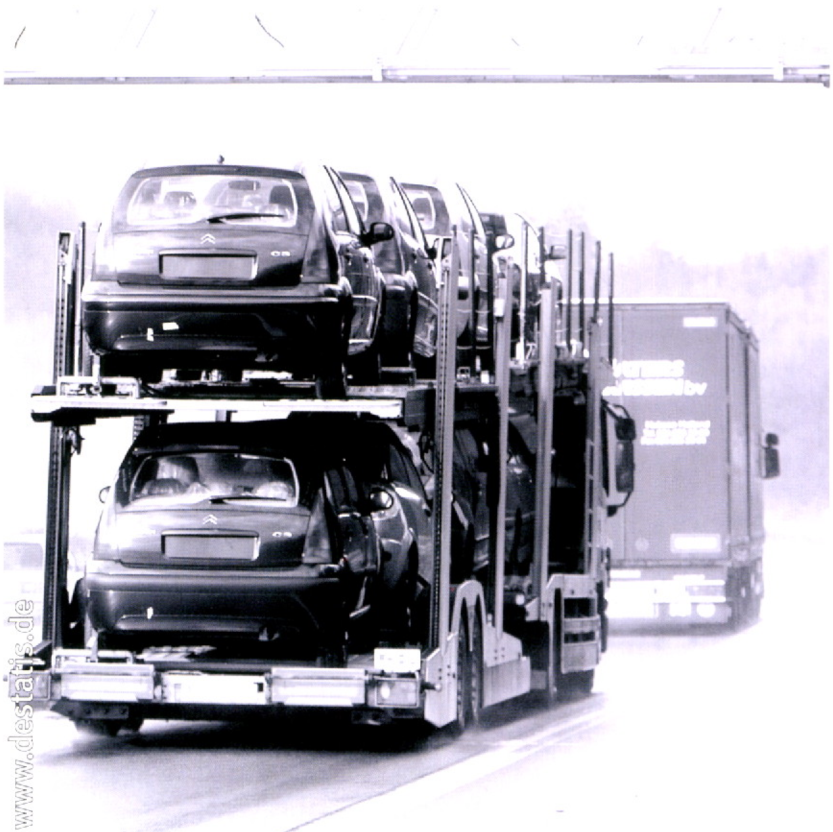
In 2003, the German budget deficit (including central, state and local government as well as social security funds) amounted to approximately 86 billion Euros. In relation to the gross domestic product at current prices this represents a share of 4.0% and is the largest budget deficit ratio recorded since reunification, exceeding the 3% reference value stipulated in the Maastricht treaty on stability and economic growth.

Germany's gross domestic product at 1995 prices (change on previous year)

Gross domestic product of the EU Member States in real terms
(forecasted change on previous year)



Source: Eurostat NewCronos, December 2003, and 'European Economy', No. 5/2003



Foreign trade volume increases yet again in 2003

According to an estimate based on figures for January to November 2003, Germany exported commodities worth approximately 660 billion Euros and imported commodities with a total value of approximately 530 billion Euros in 2003. These figures lead to an estimated export surplus of approximately 130 billion Euros. German exports are expected to increase by more than 1%, German imports by 2% compared with the year 2002.

As in recent years, France was again Germany's most important trading partner in 2003. Between January and October the two countries traded in commodities worth 99 billion Euros (import plus export). Goods worth 58 billion Euros were exported to France during this period, whilst goods worth 41 billion Euros were imported from this country to Germany. Compared with the same period last year, this corresponds to a 1.7% increase in exports and a 1.0% increase in imports.

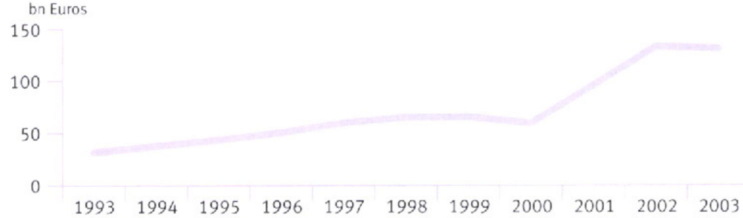
Germany's 15 most important trading partners again include the Czech Republic, Poland and Hungary – three countries that are set to join the EU in 2004. The foreign trade turnover (import plus export) with these three countries has increased continuously in recent years, reaching more than 28 billion Euros with the Czech Republic, approximately 27 billion Euros with Poland and just under 20 billion Euros with Hungary in the period from January to October 2003.

Foreign trade with China experienced a significant boost in 2003 with exports to this country increasing by 26.9% to around 15 billion Euros and imports rising by 17% to approximately 20 billion Euros in the January to October 2003 period.

Cars in pole position

Germany's largest foreign trade turnover was achieved with cars, vehicle parts and other vehicles. Between January and October 2003, exports for this product group amounted to 106 billion Euros, whilst imports totalled 47 billion Euros. Chemical products rank second with exports amounting to 69 billion Euros and imports reaching 47 billion Euros. Machinery and mechanical appliances are in third position with commodities worth 75 billion Euros being exported from Germany and imports reaching a total value of 31 billion Euros in the first ten months of 2003.

Export surplus of German foreign trade



Germany's most important foreign trade partners in 2003

		Foreign trade turnover in Euros January to October 2003
1	France	98.7 bn
2	USA	85.2 bn
3	United Kingdom	72.5 bn
4	Netherlands	69.9 bn
5	Italy	68.4 bn
6	Belgium	48.8 bn
7	Austria	46.3 bn
8	Spain	40.3 bn
9	Switzerland	37.5 bn
10	China	35.3 bn
11	Czech Republic	28.4 bn
12	Poland	26.6 bn
13	Japan	25.7 bn
14	Russian Federation	20.8 bn
15	Hungary	19.9 bn

Decrease in number of persons in employment

In 2003, according to first preliminary estimations an average of approximately 38.3 million persons were in employment in Germany. This is about 390 000 or 1.0% less than in 2002 – a year in which employment figures had decreased by 0.6% for the first time since 1997.

Compared with the previous year, the number of unemployed persons (calculated on the basis of the International Labour Organisation definition) increased by 265 000 (7.8%) in 2003, reaching a total of 3.7 million. Accordingly, the number of unemployed persons as a percentage of the total labour force rose from 8.1% (2002) to 8.7%.

As in 2002, wage and salaried earners were again more affected by the decline in employment than the persons in employment as a whole: compared to the previous year, the number of wage and salaried earners (including civil servants) decreased by 1.3% to 34.1 million in 2003, whereas the number of self-employed persons and unpaid family workers rose by 1.3% to nearly 4.2 million.

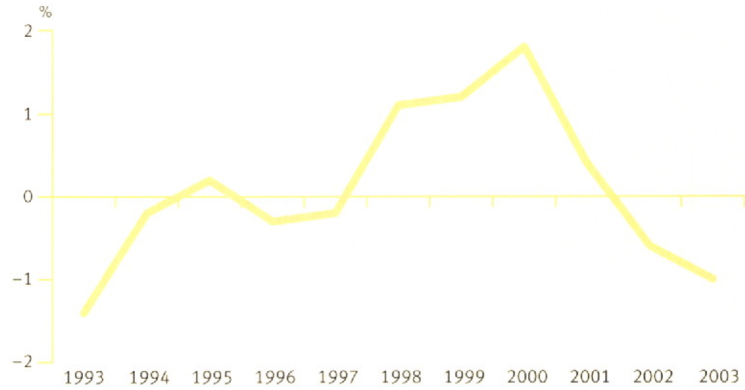
In the manufacturing industry (including energy) the reduction in employment figures witnessed in 2002 continued at an ever greater pace in 2003 with average employment figures decreasing by 2.6%. In contrast, the decline in employment that the construction industry has experienced since 1996 was less pronounced in 2003 (–5.1%) than it was in 2002 (–6.2%). In the agriculture, forestry and fisheries sector, the decrease in employment (–1.3%) was almost the same as in 2002.

In 2003, the service sector recorded a decrease in employment (–0.1%) on the previous year for the first time since reunification, having increased by 0.5% in 2002.

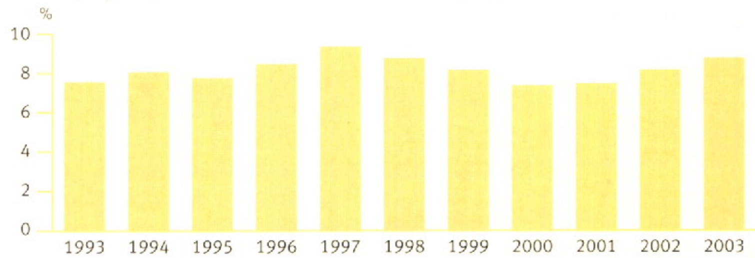
German economy undergoing significant structural change

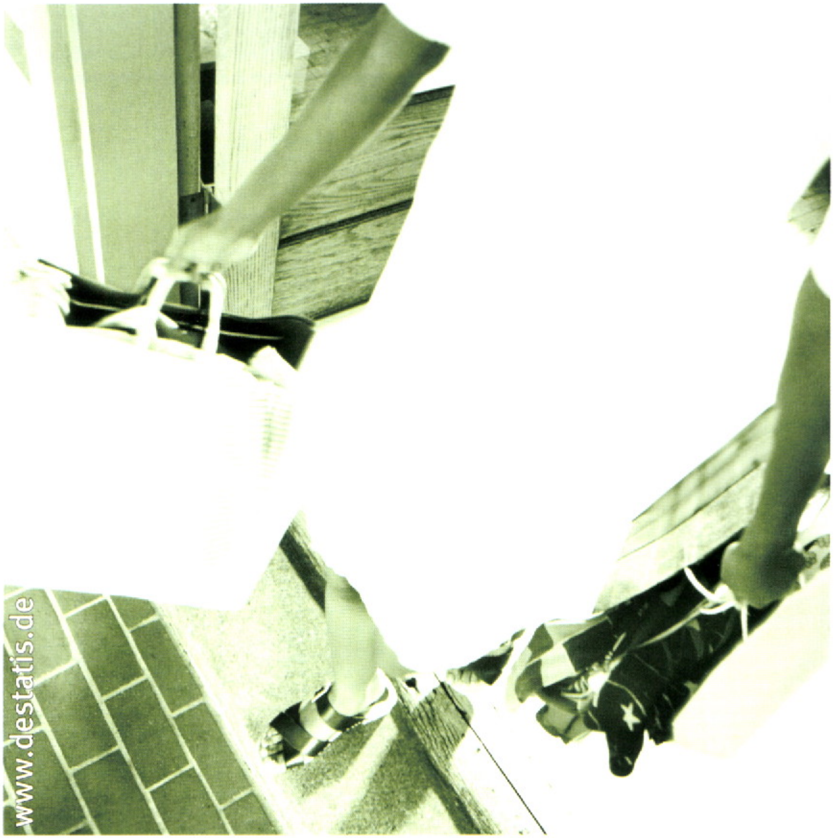
Over the last ten years, employment has been strongly affected by a change in the structure of the German economy: the proportion of all persons in employment working in the service sector has continued to rise from approximately 63% in 1993 to more than 70% in 2003, whereas the proportion of people employed in the primary and secondary sector has decreased during this period. The percentage of all persons in employment working in the agriculture, forestry and fisheries sector decreased from 3.3% (1993) to 2.4% in 2003. This proportion also decreased from 26% (1993) to 21.2% in the manufacturing industry (including energy) and in the construction industry with a drop from 8.1% (1993) to 6% in 2003.

Employed persons in Germany (change on previous year)



Unemployed persons (according to ILO-definition) **as proportion of the labour force**





Moderate increase in consumer prices

In 2003, consumer prices in Germany increased by an average of 1.1%. This means that the inflation rate decreased for the third year in succession. In 2001, the annual average inflation rate was 2.0%, followed by 1.4% in 2002.

The continued reduction in the rate of inflation is mainly due to significant price reductions for technical goods, such as information processing equipment (on average –20.4% in 2003) and household appliances (–0.7%) as well as the stable prices for food (–0.1%).

In 2003, prices for alcoholic beverages and tobacco increased by 5.3% on the previous year, which was mainly caused by a rise in the tobacco tax in January 2003 and the corresponding increase in tobacco prices of approximately 8.4%.

Other prices with a higher than average increase compared to 2002 include prices for electricity (5.0%), gas (5.1%) and light fuel oil (3.7%), which are generally subject to a high degree of fluctuation, as well as the prices for passenger rail travel (3.5%).

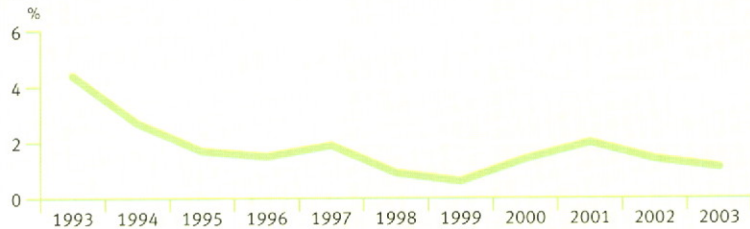
Price development in the mobile phone sector

Prices for mobile phone services in Germany increased by an annual average of 1.1%. The people most affected by the increase were infrequent callers, i.e. people with an average call duration of 16 minutes per month. Compared with 2002, they had to pay 10.9% more for mobile phone services, whereas occasional callers (42 minutes per month) paid 1.6% and average callers (96 minutes per month) paid 3.2% less for their telephone bills.

Calls in the conventional telephone network have also become slightly more expensive (1.4%) owing to increased connection charges. Whereas prices for conventional telephone calls decreased by an average of 1.4% compared with 2002, connection charges increased by 5.8% during the same period.

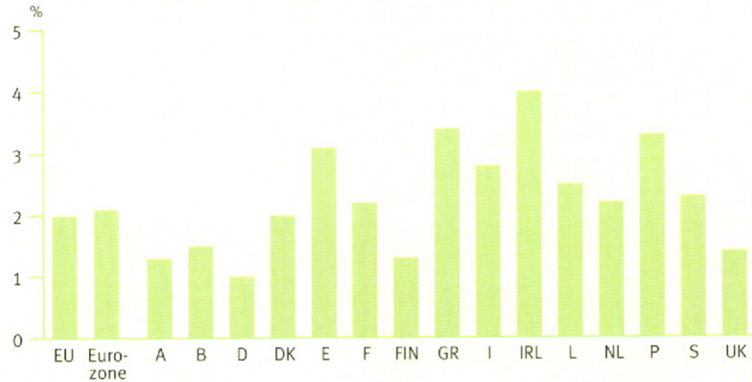
Inflation rate in Germany

(consumer price index for Germany; average change on previous year)



Inflation rate in the EU Member States 2003

(harmonized indices of consumer prices; average change on previous year)



Source: Eurostat press release of 21.01.2004

Long-term shift in population structure expected

Over the past 30 years, Germany's population has increased by approximately 3.7 million to 82.5 million in 2003. Though population figures are set to increase slightly in the near future, reaching 83 million in 2012, they are expected to drop to about 75 million by the year 2050, which is approximately the level last recorded in 1963.

According to the most recent coordinated population forecast the main reason for this long-term population decline in Germany is that more people will die during the next five decades than children will be born – a trend that began as early as 30 years ago.

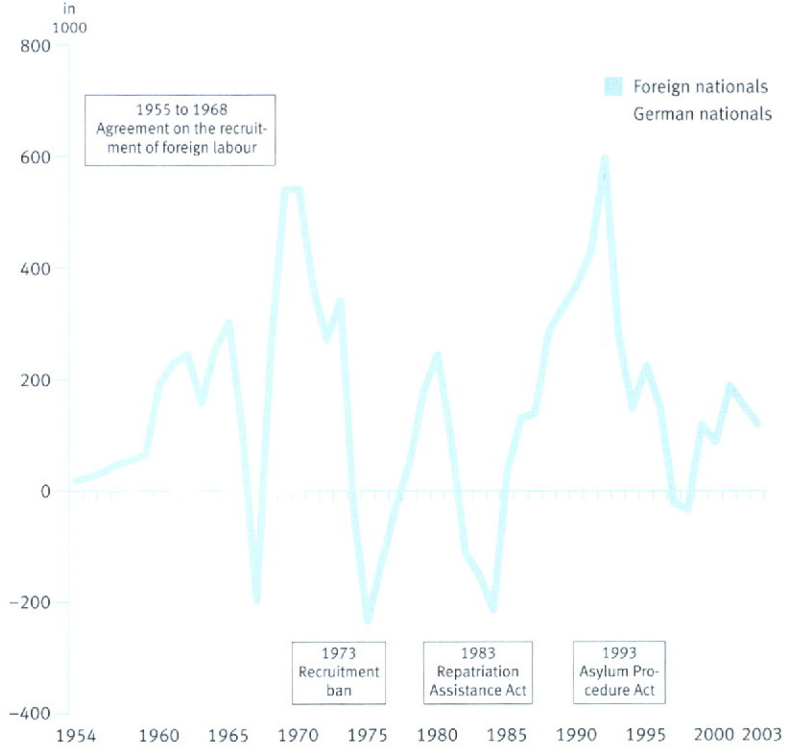
The low birth rate is expected to lead to a situation whereby in the year 2050 each one-year birth cohort up to the age of 50 will be smaller than the respective one year older birth cohort. The number of the under-20s is expected to drop from 17 million to 12 million. With the group of those aged 60 or more amounting to approximately 28 million in 2050, this age cohort is set to be more than twice as large as the group of under-20s. In 2050, approximately 9 million people will be 80 years old or more – a figure corresponding to 12% of the total population. At present, this proportion is just below 4%.

Immigration levels are fluctuating

Immigration to Germany has been subject to a large degree of fluctuation over the last 50 years. In certain phases immigration exceeded emigration, whilst other phases witnessed an emigration surplus. On average, since 1998 some 850 000 immigrants have entered Germany every year, whilst about 670 000 people a year have left Germany to move abroad. More than two in three immigrants came from within Europe, most of them moving from East-European countries such as Poland (an average of 94 000 per year since 1998) and the Russian Federation (71 000). On average, some 53 000 people per year have moved from Turkey to Germany.

Since 1998, the largest group of immigrants from outside Europe has come from the former Soviet countries located in Asia (161 000 people per year on average). During the last five years, every year the number of immigrants to Germany has included a mean of 89 000 ethnic German resettlers. During the same period, the average number of immigrants from African states amounted to 36 000 per year.

Net cross-border migration in Germany



More and more people living alone

Over the last ten years, Germany has witnessed a steady rise in the number of single-person households. Whereas in 1993 approximately 33% of all households were one-person households, this percentage rose to 36% in 2003. In absolute figures this means that Germany now has approximately 24 million multi-person households and 14 million single-person households. Nearly two out of three people living in one-person households are women.

Couples without dependent children (29%) represent the second largest group as far as household composition is concerned. Adding the number of single-person households to the number of households in which couples live without dependent children shows that at present almost two thirds of all households are childless.

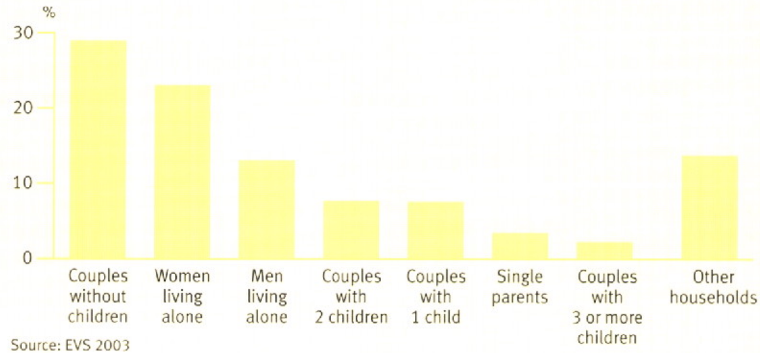
More than 15% of all households consist of couples with one or two dependent children (about 8% each), whereas couples with three children make up as little as 2% of the total. The proportion of single-parent households which dropped from 4.1% in 1993 to 3.1% in 1998 has again risen over the past five years to 3.5% (2003).

In 2003, an average German household was made up of 2.1 persons as compared with 2.2 persons five years ago and 2.3 persons in 1993. Thirty years ago the average household size was as high as 2.7 persons.

Households in Germany are ageing

The steady increase in life expectancy and continuing decrease in the average birth rate per woman have led to a process known as “demographic ageing”, which has had a significant impact on household composition. In early 2003, 26% of the main income recipients in German households were 65 years old or above compared to 24% in 1993. 18% of the main income recipients had indeed reached or exceeded the age of 70. In contrast, the number of households, whose main income recipients were less than 35 years old, decreased from 23% in 1993 to 15% in 2003.

Household composition by household type in 2003



Source: EVS 2003

Household composition by age of main income recipient

Aged ...	1998	2003
under 25 years	3.6 %	3.1 %
25–35	18.0 %	12.1 %
35–45	20.5 %	22.6 %
45–55	16.6 %	20.0 %
55–65	18.4 %	16.5 %
65–70	6.3 %	8.0 %
70–80	in total 16.7 %	13.5 %
80 years and above		4.3 %

Source: EVS 2003

Record number of students

In the winter term of 2003/2004, more students were enrolled at German institutions of higher education than ever before. The total number of university students exceeded 2 million for the first time, representing an increase of almost 87000 on last year.

Most students (71%) are enrolled at universities or comparable institutions, a little more than a quarter study at specialized colleges of higher education (27%), whilst 2% attend colleges of art and music. Compared with last year, the proportion of women amongst all university students, which has continuously risen over the last ten years, remained unchanged at approximately 47%.

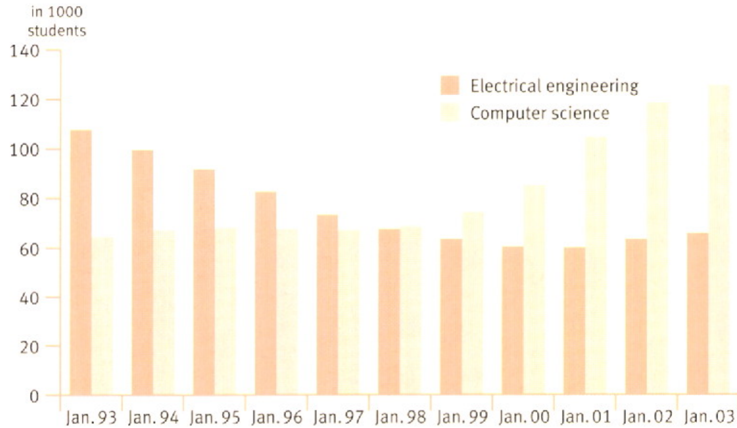
The academic year 2003/2004 saw a record number of new students enrol in higher education (approximately 385000). This represents a 7% increase on the preceding year. Whilst in 2002/2003 the number of female students entering institutions of higher education exceeded the number of male entrants for the first time ever, the 2003/2004 term saw the proportion of female entrants drop back down to 48%.

Subjects such as computer science (3.5%), mechanical or process engineering (8%) and civil engineering (7%) recorded an increase in new enrolments in the winter term 2003/2004, whereas electrical engineering saw a 3% drop in the number of new students.

Bachelor and master degrees

At the beginning of the year 2003, the most popular subjects amongst the bachelor degree courses – first introduced in 1998 – were computer science (8 100 students), business and management studies (1 800) and agricultural science (1 600). The most common master degree subjects were electrical engineering / electronics (1 900 students), international business studies / management (1 800) and mechanical engineering (1 500).

Number of students studying electrical engineering and computer science



Proportion of female students by selected subject

	All subjects (total)	Electrical engineering	Computer science	Psychology	Romance languages
Jan. 1993	39.7 %	3.9 %	13.6 %	66.1 %	79.1 %
Jan. 2003	47.4 %	7.5 %	15.9 %	74.6 %	78.6 %

Upwardly mobile

Over the past five years, mobile phones have taken the German telecommunication sector by storm. Since 1998, the number of household mobile phones has increased from 4.5 million to 43.3 million, which means that about three quarters of all households in Germany now have a cellular phone. The increase in the number of mobile phones has been accompanied by a slight drop in the number of households with access to a landline telephone. Due to the fact that more and more households of people under 25 years of age are deciding to use mobile rather than conventional phones, the proportion of households with landline telephones decreased from 96.8% in 1998 to 94.5% in 2003. This percentage of households with conventional phones was above 90% in all age groups except the under-25s with a coverage of just 74%. However, in this age group almost all households (93%) are equipped with a mobile phone.

The number of households with a PC and an internet connection has also increased sharply over the past five years. The number of PCs in households for example rose from 16.8 million in 1998 to 32.2 million in 2003; the percentage of households with a PC rising correspondingly from 39% to 61%.

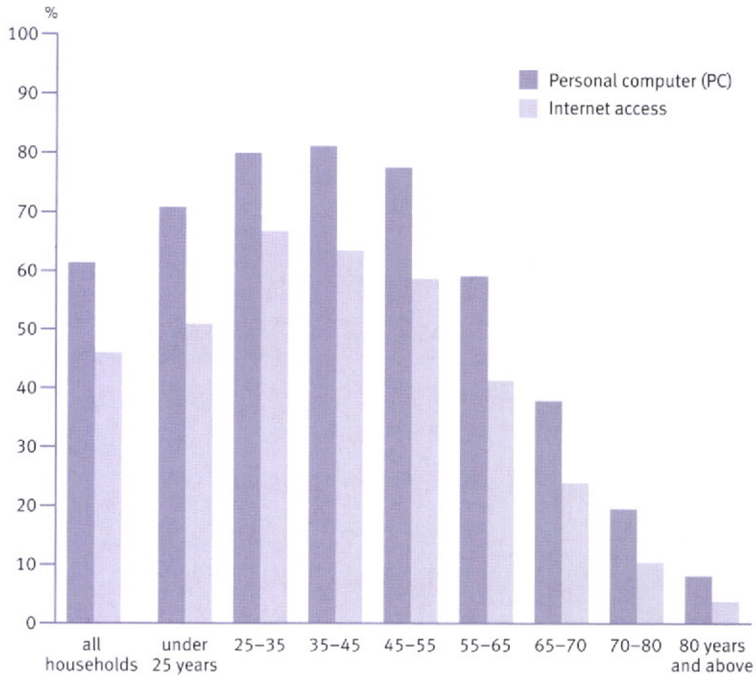
Finnish mobile phones and Chinese PCs most popular

Finland is Germany's leading import trade partner for mobile phones. Between January and October 2003, mobile phones with a total value of 926 million Euros were delivered from Finland to Germany. This represents more than a quarter of this particular import market. During the same period, mobile phone imports from the People's Republic of China to Germany constituted a total of 619 million Euros (17%), whilst imports from the United Kingdom, which ranks third among the trade partners, came to a total of 515 million Euros (14%).

As far as the PC trade (including accessories) is concerned, the leading position among the countries importing to Germany is held by the People's Republic of China. From January to October 2003, this country delivered PCs worth 1.8 billion Euros to Germany. This represents almost 15% of all PC imports. The USA ranks second with PCs worth 1.3 billion Euros (11%) being imported. The third largest supplier of PCs is Taiwan with approximately 990 million Euros (8%).

Households with PCs and internet access in 2003

(by age of main income recipient)



Source: EVS 2003

More overnight tourists but number of overnight stays remains constant

Compared to the same period in 2002, the number of tourists staying in accommodation establishments or on campsites during the first ten months of 2003 rose by 1.2% in Germany.

The number of overnight tourists estimated for the year as a whole is 112 million. The total number of nights spent is expected to reach 338.5 million for 2003, which is the same level as the year before. The number of nights spent by non-resident tourists increased by 2.0%, whereas the number of nights spent by domestic tourists decreased slightly by 0.3%.

As far as nights spent in accommodation establishments are concerned, the most popular federal state in the first ten months of 2003 was Bavaria with approximately 61 million overnight stays, 1.9% less compared with the same period in 2002. Baden-Wuerttemberg and North Rhine-Westphalia are ranked in second and third place with 32 million (–3.1%) and 30 million (–2.4%) nights spent respectively. The largest growth rates in the number of overnight stays were achieved by Hamburg (7.4%) and Mecklenburg-Western Pomerania (5.5%).

Deutschland: desirable destination for the Dutch

In terms of nights spent in accommodation establishments, the largest group of non-resident tourists in 2003 came from the Netherlands. In the first ten months of 2003, the number of nights spent by Dutch tourists amounted to 5.1 million. The Dutch are followed by US tourists (3.2 million nights) and tourists from the United Kingdom (2.8 million nights). Swiss (2.8 million nights) and Italian overnight visitors (1.9 million nights) complete the top five list.

Of all nights spent by non-resident tourists almost three quarters can be attributed to European tourists, whilst tourists from European Union member states account for 56% of the total figure.

Nights spent in tourist accommodation

(January to October 2003)

		Total number of nights spent	Change on same period of previous year
	Federal Republic of Germany	277.3 mill.	−0.9 %
1	Bavaria	61.2 mill.	−1.9 %
2	Baden-Wuerttemberg	32.3 mill.	−3.1 %
3	North Rhine-Westphalia	30.2 mill.	−2.4 %
4	Lower Saxony	29.0 mill.	−1.9 %
5	Hesse	20.6 mill.	−3.6 %
6	Mecklenburg-Western Pomerania	20.5 mill.	5.5 %
7	Schleswig-Holstein	19.1 mill.	−0.2 %
8	Rhineland-Palatinate	15.8 mill.	−0.1 %
9	Saxony	12.1 mill.	4.9 %
10	Berlin	9.7 mill.	1.3 %
11	Brandenburg	7.5 mill.	−0.5 %
12	Thuringia	7.1 mill.	−1.0 %
13	Saxony-Anhalt	4.7 mill.	0.0 %
14	Hamburg	4.6 mill.	7.4 %
15	Saarland	1.8 mill.	−0.2 %
16	Bremen	1.1 mill.	1.1 %

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