

# FACTS AND TRENDS

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### Slow economic growth

In 2002, Germany's gross domestic product increased by 0.2% in real terms compared to the previous year. Leaving aside a decline in growth in 1993, this was the lowest economic growth rate since German reunification. A comparison with other industrialized countries in the rest of the world and in Europe shows that Germany was one of the countries with the lowest economic growth rate in 2002. According to Eurostat forecasts, the Netherlands are the only other country within the EU to record a similarly low rate (+0.3%). However, the growth rates in Italy (+0.4%), Luxembourg (+0.4%) and Portugal (+0.5%) are only marginally higher than the rate recorded in the Federal Republic of Germany.

In 2002, according to an EU Commission forecast, Germany nominally achieved a gross domestic product of 2 108 billion Euros, which represents a 30% share of the eurozone gross domestic product.

The list of countries with the highest economic growth rates in the European Union is headed by Ireland with a forecast of 6.0% and Greece with 4.0%. Denmark, Finland, France, Austria, Spain,

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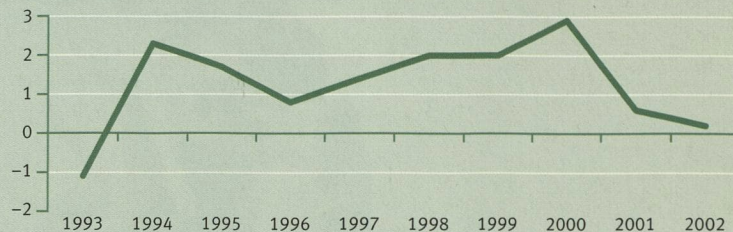
Sweden and the United Kingdom all have growth rates ranging between 1 and 2%, whilst Belgium has a predicted rate of 0.7%. Whereas EU economic growth amounted to 1.1% in 2002 – following a rate of 1.6% the year before –, the USA managed to increase its economic performance by 2.5%, significantly improving on their 2001 growth rate of just 0.3%. Japan's economy grew by 0.3% in 2002, a slightly lower rate than in 2001 (0.4%).

### Additional public debt

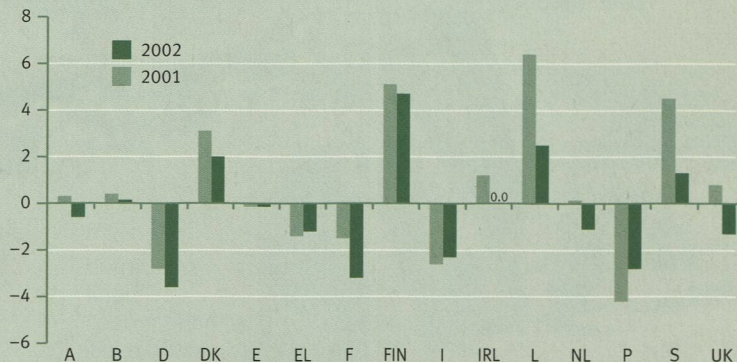
In 2002, the budget deficit in Germany amounted to a total of 76 billion Euros. In relation to the gross domestic product at current prices this represents a share of 3.6% and is the largest budget deficit ratio recorded since reunification. Alongside France, which recorded a budget deficit ratio of 3.2%, this meant that Germany exceeded the 3% reference value set out in the Maastricht treaty.

### Germany's gross domestic product at 1995 prices

Percentage change on previous year



### General government net lending or borrowing as % of gross domestic product in the EU member states



Source: Eurostat: EC economic data pocket book, April 2003.



### ■ Increase in the household saving ratio

Over the last two years, household reluctance to purchase goods has increased. This trend contributed to the low level of economic growth in 2002.

The final consumption expenditure of households at current prices, which in 2002 increased by 0.8% on the previous year (2001: +3.5%), rose less than the households' disposable income (2002: +1.0%, 2001: +3.8%). At the same time, the saving ratio rose from 10.1% in 2001 to 10.4% in 2002.

Private consumption expenditure at constant 1995 prices even recorded a drop of 0.6% in 2002. In the years 1991 to 2000 the percentage increase in private consumption expenditure always exceeded the increase in the disposable income of households.

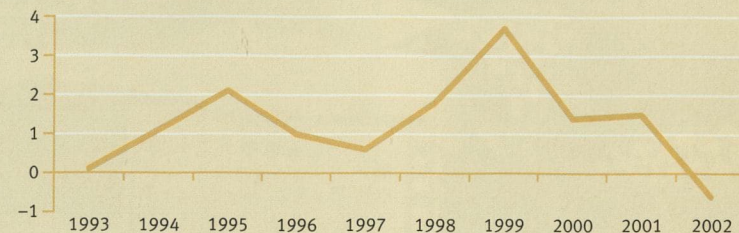
In 2002, private consumption expenditure at current prices amounted to 1242 billion Euros, representing a 58.9% share on the expenditure side of gross domestic product expenditure. In 2002, a little less than a quarter of this sum (24.6%) was spent on housing, water, electricity, gas and other fuels. This represents a 1.5% increase on the previous year's expenditure.



Transport and communications expenses ranked second with a share of 16.6%. These expenses rose by 2.1% compared to 2001 due to the widespread use of mobile phones and the internet. In 2002, households spent less money than they did in 2001 on clothing and footwear (−1.0%), furniture and household equipment (−2.5%), leisure, entertainment and culture (−0.9%) and on hotel and restaurant services (−2.0%).

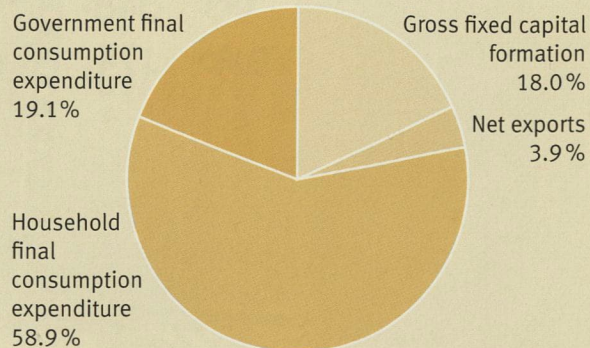
### Final consumption expenditure of households and non-profit institutions serving households\*

Percentage change on previous year



\*at 1995 prices

### Expenditure of gross domestic product (2 108 bill. EUR) 2002





### Moderate increase in consumer prices

In 2002, consumer prices increased by an average of 1.4% on the previous year following a 2.0% increase in 2001. Prices for fuel oil and fuel increased by a smaller margin than the overall index. On average, they merely rose by 0.3% on the previous year. In 2002, the increase in food prices was below average, too (+1.0%). Despite a significant increase in the price of fruit and vegetables at the beginning of the year, on average prices remained more or less stable over the year as a whole (fruit: 0.0%, vegetables: -1.2%). While prices for meat and meat products showed a slight decrease in 2002 (-0.2%), consumers had to spend more money on fish and fish products (+4.8%), milk products and eggs (+2.0%) as well as on bread and cereals (+2.8%).

### Slight decrease in producer prices

Compared to 2001, average producer prices for industrial goods decreased slightly in 2002 (-0.5%). This was mainly due to a drop in energy prices. 2002 saw the producer price for energy decrease by 3.2%. On average, prices for petroleum products

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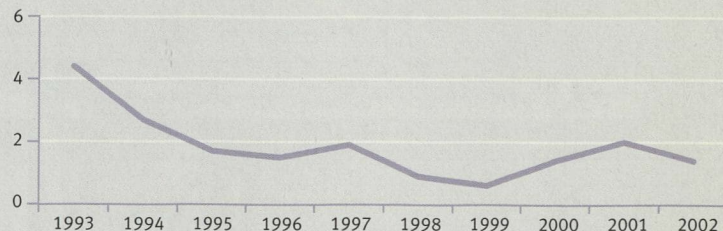
decreased by 0.3%. Listed below are the average price changes for selected energy sector products in 2002: fuels +1.5%, light fuel oil -7.9%, heavy fuel oil +6.3 %, liquid gas -7.0%, natural gas -11.1% and electricity +1.3%.

### Lowest inflation rate in the European Union

Both Germany and the United Kingdom had an inflation rate of 1.3% in 2002, as measured by the harmonized consumer price index. This is the lowest rate of all EU member states. The EU as a whole recorded an inflation rate of 2.1%, whereas the eurozone rate was 2.3%.

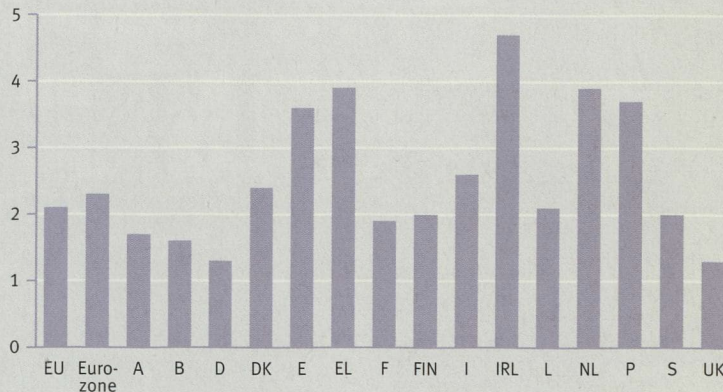
### Inflation rate

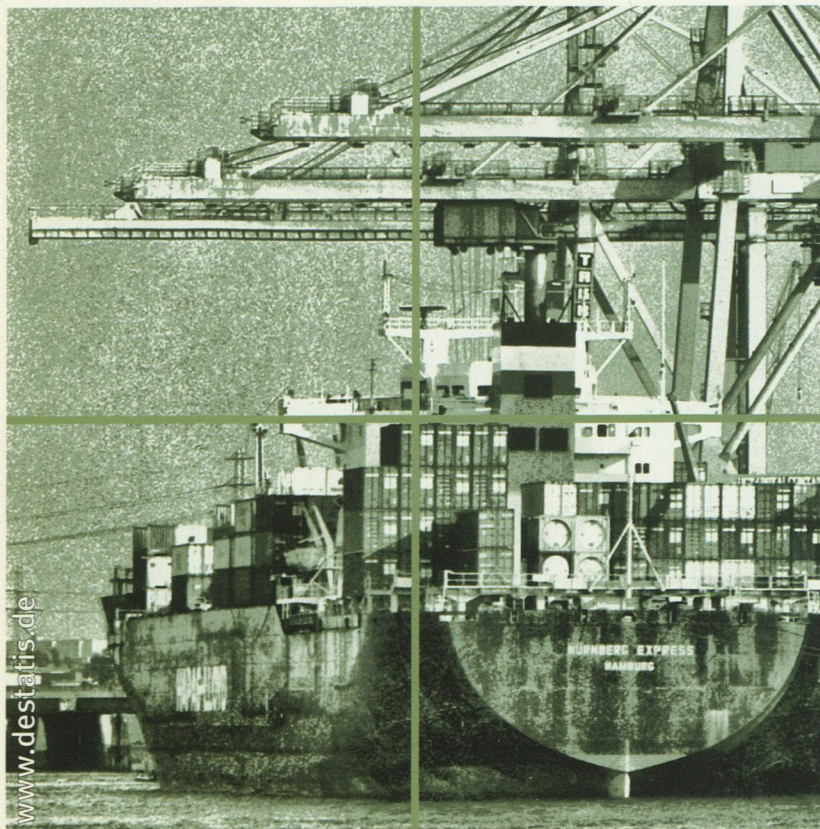
Consumer price index for Germany; percentage change on previous year



### Harmonized indices of consumer prices in the EU member states

Annual average rate of change 2001/2002 in %





### France is Germany's most important trading partner

As in the previous year, France was again Germany's most important trading partner in 2002. Over the last 40 years, external trade turnover with France has increased, rising from 5.5 to 119.2 billion Euros in 2002. This means that German-French trading has nominally increased more than twentyfold over this period. Last year, commodities worth 69.8 billion Euros were exported to France – a figure which corresponds to a 10.8% share of Germany's total exports. As far as imports are concerned, it is again France that ranks first among all trading partners: in 2002, commodities worth more than 49.4 billion Euros – a 9.5% share of all German imports – were imported from this country.

Germany's second largest trading partner for imports in 2002 were the Netherlands with commodities worth 43.1 billion Euros (8.3%) being imported, followed by the United States with 40.0 billion Euros (7.7%).

On the exports side, the United States ranks second with 66.6 billion Euros (10.3%), followed by Great Britain, to which commodities worth 54.2 billion Euros (8.4%) were exported.



### Above average increase in trade with EU accession candidates

In the first half of 2002, Germany's external trade with the ten candidate countries that fulfil the political and economic criteria for accession to the EU developed more dynamically than Germany's external trade as a whole. Whereas both total exports from (-0.6%) and total imports to Germany (-8.6%) decreased in early 2002, exports to the ten accession countries increased by 4.4% on the previous year, reaching 25.9 billion Euros, whilst imports from this group of countries increased by 7.5%, reaching 25.5 billion Euros. Two of the ten accession candidates, Poland and the Czech Republic, rank among Germany's 15 most important trading partners. During the first half of 2002, transactions with EU accession candidates represented approximately 8.9% of all German imports and exports.

### Germany's most important trade partners 2002

	Country	Foreign trade turnover (import and export) in billion Euros
1	France	119.2
2	USA	106.6
3	United Kingdom	87.9
4	Netherlands	82.7
5	Italy	81.1
6	Belgium	58.2
7	Austria	54.4
8	Switzerland	46.1
9	Spain	45.4
10	China	35.6
11	Czech Republic	32.2
12	Japan	31.2
13	Poland	30.2
14	Russian Federation	24.4
15	Hungary	23.3



### Working population of 38.7 million

In 2002, an average of 38.7 million people were engaged in economic activity in Germany, 230 000 or 0.6% less than in 2001. Following the slight increase in the number of persons engaged in economic activity last year, the figure has dropped back down to the level of 2000. This decline was particularly pronounced amongst the group of employees (34.6 million), which compared to last year decreased by 0.7%.

The trend in the number of persons engaged in economic activity differed from one economic sector to the next: In 2002, the number of persons employed in the service sector increased slightly (+0.4%), whereas the figure for the industrial sector (excluding the construction industry) decreased by 2.1% on the previous year.

The largest decline was registered in the building sector, which has witnessed a continuous decrease in the number of employees since 1996. In this sector the number of employees decreased by a further 6.3% on the previous year. In 2002, the moderate expansion in employment in the service sector could not compensate for the job losses in other economic sectors.



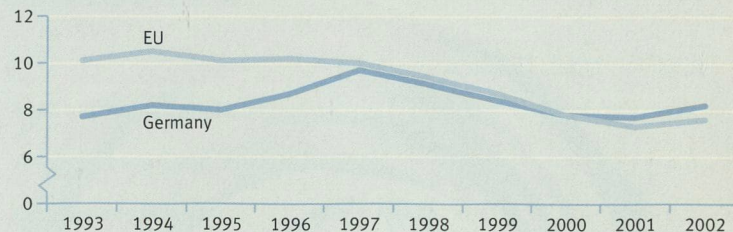
Since reunification, the development of employment by economic sectors has been marked by structural change: On average in 2002 more than two-thirds of all persons engaged in economic activity worked in the service sector. Since 1991, the percentage of economically active persons in this sector has increased by 10.5 percentage points, from 59.2% to 69.7%.

### Unemployment rate increased in 2002

According to ILO standards, approximately 3.3 million people were unemployed in Germany in 2002. This corresponds to an unemployment rate of 8.2% and represents an increase of 5.7% on the previous year. 1.4 of the 3.3 million unemployed persons in Germany were women. Compared to the 2001 figure, this means that the number of unemployed women rose by 2%. Compared with all 15 EU member states Germany's unemployment rate of 8.2% is the sixth highest. Higher unemployment rates were reported in Spain (11.4%), Greece (9.9%), Finland (9.1%), Italy (9.0%) and France (8.7%).

### Unemployment in Germany and the European Union

Number of unemployed as a percentage of the labour force (yearly average)

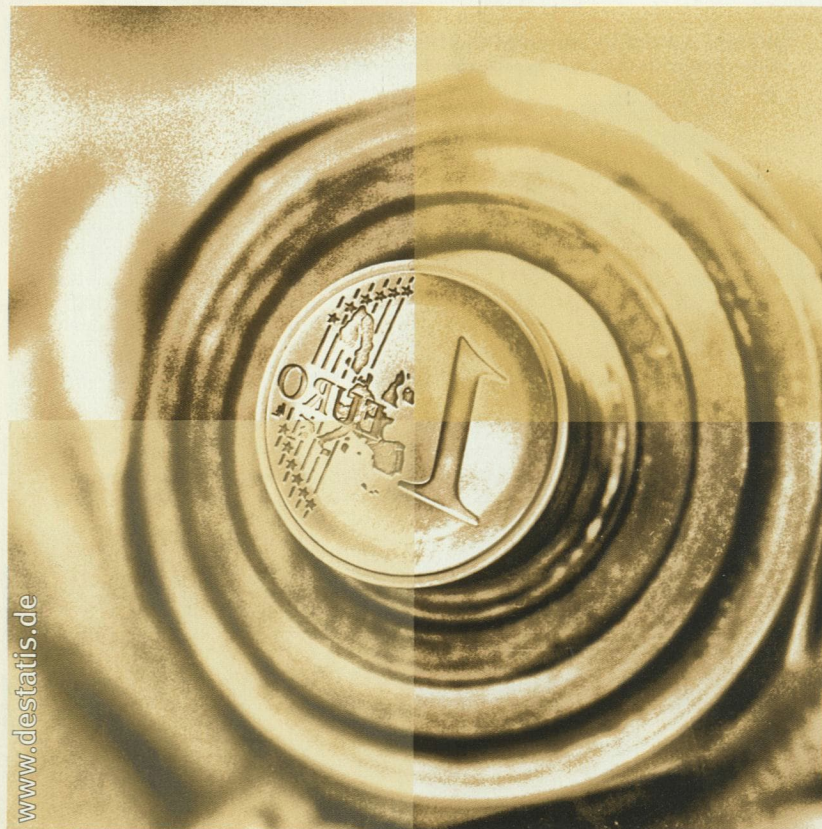


### Unemployment rate in the 15 EU member states



Source: NewCronos database, Eurostat.

## The First Year of the Euro



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### **Consumer prices remain more or less constant despite Euro introduction**

The introduction of Euro coins and banknotes on 1 January 2002 had no appreciable influence on the development of prices in 2002. In contrast to the public discussion about the Euro, which many believed had led to a significant increase in inflation, final consumption prices only increased slightly in 2002. On average, the consumer price index was only 1.4% above the level of the preceding year.

### **Other influencing factors prevalent in January 2002**

The 2.1% price increase in January 2002 was caused by a number of prevailing factors, rather than by the fact that the German mark was replaced by the Euro. Taxes on tobacco, petroleum, energy and insurance policies were raised at the beginning of the year. Together with the sharp increase in the price of fruit and vegetables after a period of extremely cold weather in the south of Europe (increase January 2002 on January 2001: fruit +6.3%, vegetables +16.9%), these factors

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caused the general price level to rise by approximately half a percentage point. Leaving these factors aside, the price increase in January 2002 would have been fully in line with the overall price development during the last few months of the preceding year.

#### **Increase in the price of services due to the Euro**

In 2002, the price of services increased considerably. In January 2002, prices were boosted by the transition to so-called attractive Euro prices (e.g. 14.99 €). In 2002, the prices for hairdresser services rose by 3.4% on the previous year, whereas prices in restaurants and cafes increased by an average of 3.9%. However, for many household goods the increase in prices was below average in 2002. Prices for housing, water and household energy, which together make up for almost a third of an average household's budget, rose by a mere 1% when compared to 2001, reducing the average overall increase in prices.

#### **Consumer price index for Germany by product groups**

Percentage change on previous year

	2000	2001	2002
Food and non-alcoholic beverages	-0.7	4.5	0.8
Alcoholic beverages, tobacco	1.5	1.7	4.0
Clothing and footwear	0.1	0.8	0.7
Housing, water, electricity, gas and other fuels	2.9	2.4	1.0
Furnishings, household equipment and routine maintenance of the household	-	0.9	1.0
Health	0.2	1.3	0.6
Transport	5.3	2.5	2.0
Communication	-11.0	-5.9	1.7
Recreation and culture	0.4	0.6	0.7
Education	1.6	1.3	2.7
Restaurants and hotels	1.1	1.9	3.6
Miscellaneous goods and services	2.5	3.0	1.9





### 82.5 million inhabitants

At the end of the year 2002, 82.5 million people were living in Germany. The total population has increased by 2.8 million over the last 12 years, but this figure is set to drop by the year 2050. This is mainly due to the steady decline in the birth rate. The number of births in 2002 (730 000) was approximately 5 000 below the figure for 2001. This confirms the long standing trend of a declining birth rate – the years 1996 and 1997 representing the most recent exception to this rule. On the other hand, the number of deaths increased by approximately 24 000 in 2002, which represents a rise of more than 2% on the previous year. In total, the number of deaths in 2002 amounted to 850 000. This means that in Germany the number of deaths exceeded the number of children born by approximately 120 000. In future, the surplus in the number of deaths is set to increase further still. The immigration of foreigners can and will alleviate the population decrease, but it is unlikely to reverse the present trend.



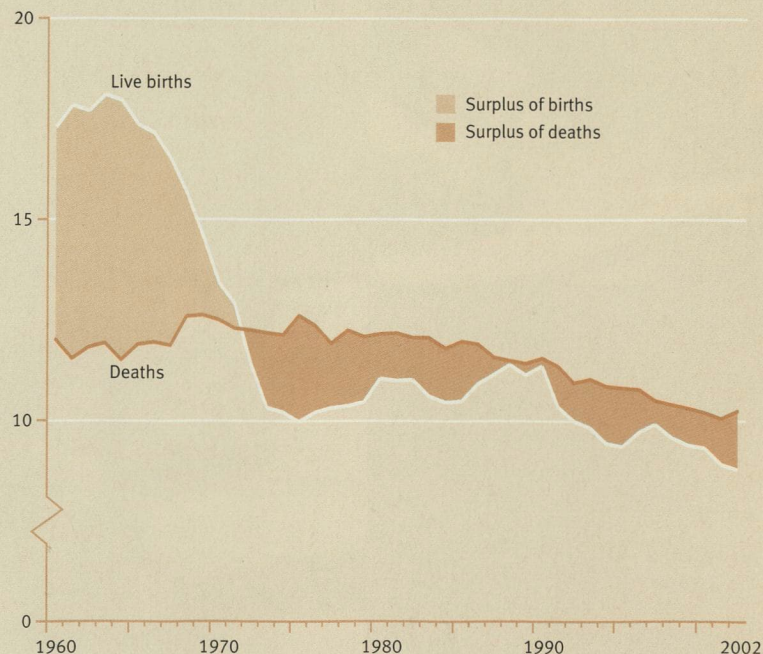
### 7.3 million foreign nationals

At the end of the year 2002 approximately 7.3 million foreign nationals were resident in Germany. This corresponds to an 8.9% share of the total population. 79.3% of the foreign population living in Germany at the end of 2002 were citizens of another European country, 12.3% were originally from Asia, 4.2% from Africa, 3.1% from America and 0.2% from Australasia. The 1.91 million Turkish nationals made up the largest group within the foreign population (26.1%). 8.3% of all foreigners resident in Germany at this point in time were from Italy, followed by 8.1% from Serbia and Montenegro. Approximately two-thirds of all foreign nationals had lived in Germany for 8 years or more by the end of 2002. Every third foreign citizen had been living in Germany for more than 20 years.

Approximately 154 000 foreign nationals were naturalized in Germany in 2002. In total the number of naturalizations amounted to 1 117 299 over the last 10 years.

### Live births and deaths in Germany since 1960

Per 1000 inhabitants





### More than 800 000 primary school entrants

The school year 2002/2003 saw more than 800 000 young pupils enrol in primary schools. Compared to the previous year this represents an increase of approximately 18 000 or 2.3%. The declining trend in the number of school enrolments which started in 1996 has thus been interrupted. Due to the foreseeable demographic development it is however estimated that the number of enrolments will drop to a level of 700 000 by the year 2015.

In 2002, approximately 360 000 pupils left school having passed their Abitur examinations (A-level equivalent). More than half of these pupils (53.2%) were female – a considerable increase on the 1992 quota (47.6%).

### Record number of university entrants

According to preliminary figures a total of 1.9 million students enrolled in university courses in the winter term 2002/2003. Compared to last year this represents an increase of 3.3%. The proportion of women amongst all university entrants was 50.3%; the women's quota amongst all students rose from 46.7% in 2001 to 47.2% in 2002.

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At the beginning of 2002, almost 210 000 foreign students were enrolled at German universities. Almost two-thirds of these students (61.8%) were citizens of other European countries. The proportion of foreign nationals who have grown up and been educated in Germany constituted approximately a third (62 000) of all newly matriculated foreign students.

Approximately 40 000 guest students were registered at German universities at the beginning of 2002. These students are granted access to certain courses or seminars even if they lack the respective formal qualifications. Their average age was just under 50; almost 500 of them were 80 years of age or older.

#### First-term foreign students at German universities at the beginning of 2002

	Total	Men	Women
<b>First-term foreign students (total)</b>	206,141	107,764	98,377
<b>from Europe</b>	127,441	59,239	68,202
of which Turkey	24,041	14,803	9,238
Poland	10,936	3,295	7,641
Russian Federation	8,383	2,816	5,567
<b>from Asia</b>	46,921	26,361	20,560
of which China	14,070	7,125	6,945
Iran (Islamic Republic of)	5,757	3,552	2,205
Korea (Democratic People's Republic of)	5,144	2,303	2,841
<b>from Africa</b>	20,171	16,216	3,955
of which Morocco	6,765	5,823	942
Cameroon	4,464	3,129	1,335
Tunisia	1,426	1,145	281
<b>from America</b>	9,763	4,855	4,908
of which USA	3,318	1,655	1,663
Brazil	1,509	666	843
<b>from Australasia (in total)</b>	337	135	202
of which Australia	267	107	160

## Elections



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### The Social Democrats and Greens remain in office

On the 22nd September 2002, the German Bundestag elections were held for the fourth time since reunification. 79.1% of the 61.4 million eligible voters participated in the election. Compared to 1998, this meant a decrease in turnout of 3.1 percentage points. The Social Democratic Party of Germany (SPD) gained 38.5% of the so-called second vote and can now continue the coalition government with the Green Party (8.6% of the second vote) for a second legislative term. The Christian Democratic Union (CDU) and its Bavarian sister party, the Christian Social Union (CSU), together also gained 38.5% of the second vote. The CDU/CSU and the Free Democratic Party (FDP), which received 7.4% of the second vote, now constitute the opposition in the Bundestag together with the Party of Democratic Socialism (PDS), which gained two parliamentary seats.

Whilst the incumbent governing party SPD suffered a 2.4 percentage point loss in second vote support, the Green Party managed to increase its share of the vote by 1.9 percentage points. Both the CDU/CSU (+3.4 percentage points) and the

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FDP (+ 1.2 percentage points) were also able to improve on their 1998 result. Whilst the PDS received 5.1% of the second vote in the 1998 federal elections, they failed to clear the five per cent hurdle in the 2002 election. They did however manage to win 2 direct constituency seats. Together all other splinter parties received a total second vote share of 3%.

### Electoral behaviour

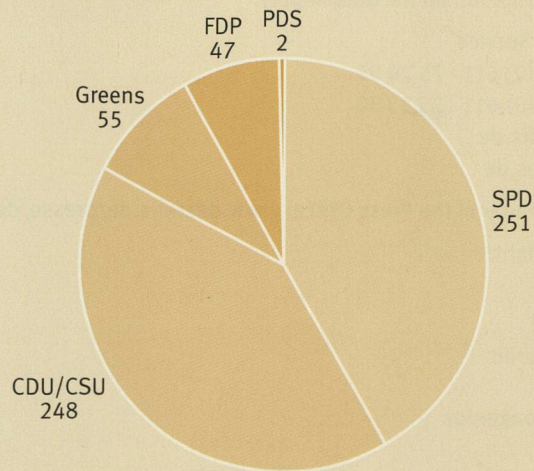
This election put an end to a trend which started in 1980 – the continual decrease in the electoral turnout amongst voters under the age of 30. The 2002 election saw the turnout within this group increase to a level of 70.3%. The SPD achieved its best second vote share (41.3%) amongst young female voters (aged 18 to 24), whereas the FDP was most successful in the corresponding male group of voters (11.5%). The Green Party's second vote share was highest in the group of women aged 35 to 44 (13.5%), whilst the CDU/CSU gained their best result amongst men aged 60 or above (46.4%). The PDS achieved their highest vote share in the group of male voters aged 45 to 59 (5.0%).

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### Second vote support

	SPD	CDU/CSU	Greens	FDP	PDS	Others
<b>1998</b>	40.9%	35.1%	6.7%	6.2%	5.1%	5.9%
<b>2002</b>	38.5%	38.5%	8.6%	7.4%	4.0%	3.0%
<b>Change</b>	-2.4	+3.4	+1.9	+1.2	-1.1	-2.9

### Seats in parliament 2002



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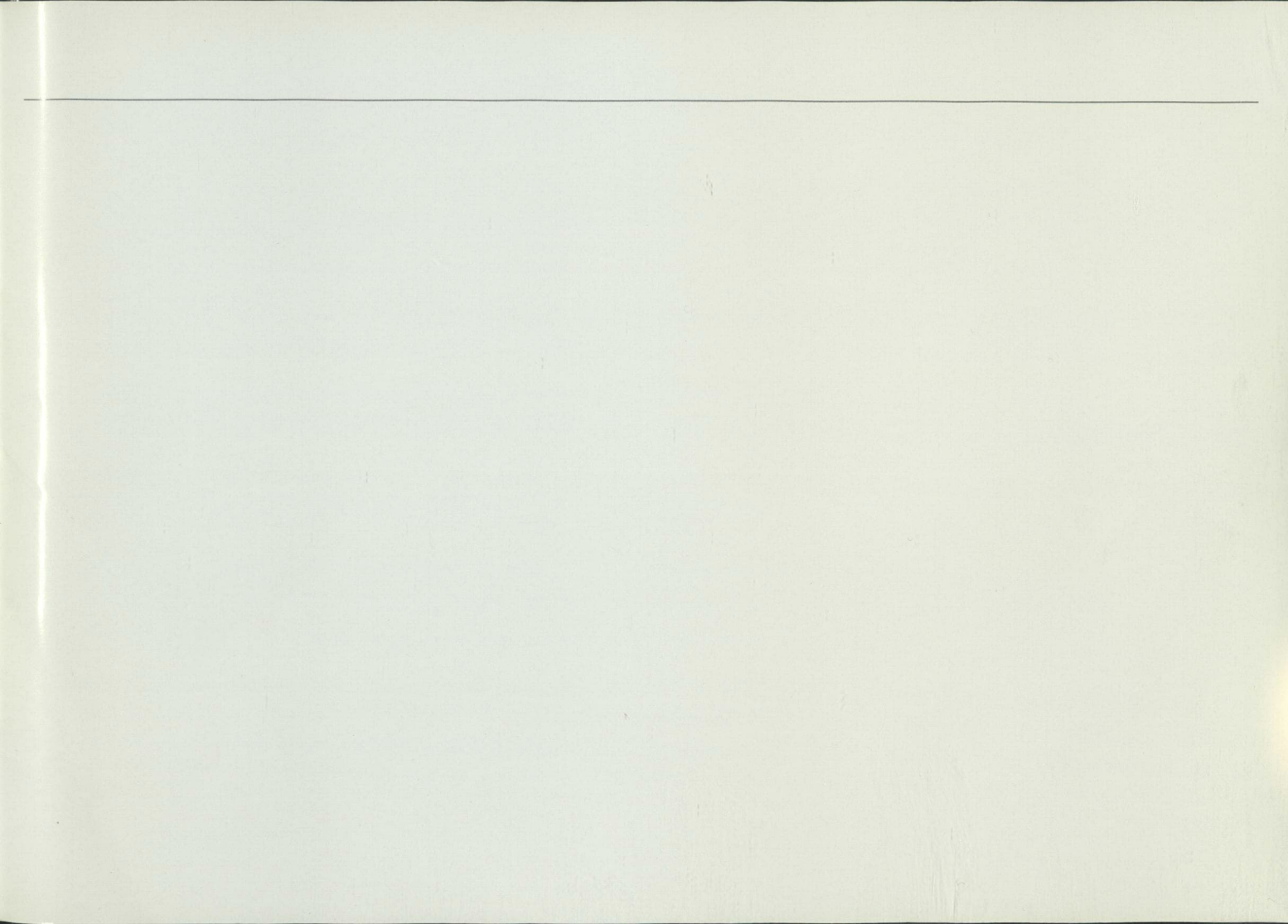
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