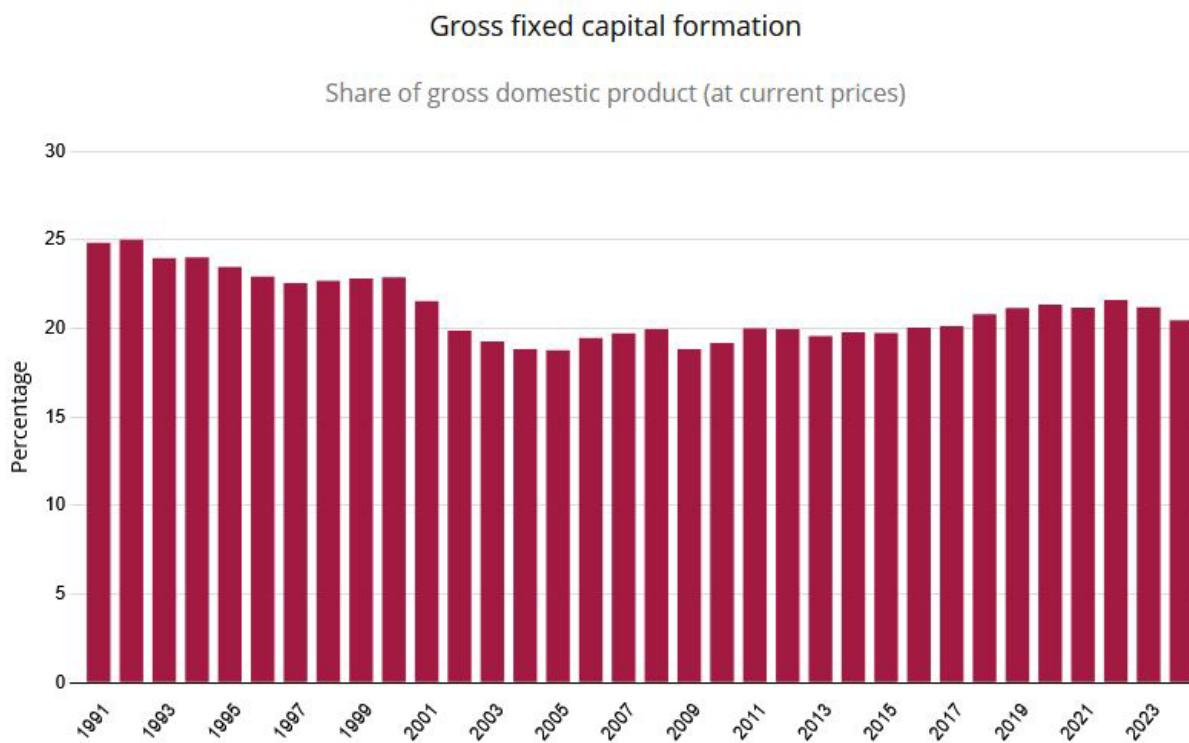




Provision for future economic stability – *Creating favourable investment conditions – Securing long-term prosperity*

8.3 Gross fixed capital formation in relation to gross domestic product (GDP) (investment ratio)



Note(s):

2021 to 2024 provisional data.

Data source(s):

Federal Statistical Office

Definition

The indicator represents the share of gross fixed capital formation in nominal gross domestic product (GDP).

Intention

The future economic performance and competitiveness of an economy depend crucially on the investments made by companies and the state.

Target

Appropriate development of the ratio; To be maintained until 2030

Content and progress

The investment ratio is regarded as a key macroeconomic indicator for future economic development. It represents the ratio of gross fixed capital formation (GFCF) to Gross



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Domestic Product (GDP) at current prices. Gross fixed capital formation includes the value of acquisitions less disposals of fixed assets, excluding depreciation, by resident institutional units. These assets are either purchased or produced for own use and are intended to be used in the production process for more than one year.

GFCF comprises: equipment (machinery and equipment, including military weapon systems), buildings (residential and non-residential structures), and other fixed assets, which notably include research and development, software, and databases. Losses in value due to depreciation are not considered; however, significant improvements to existing fixed capital assets are included. The investment ratio is calculated by the Federal Statistical Office as part of the National Accounts in accordance with internationally harmonised standards, particularly based on the European System of Accounts (ESA).

At the beginning of the 1990s, the investment ratio stood at just under 25%, but within around ten years it declined to its previous low of 18.8%. Since 2009, moderate and relatively steady growth in the investment ratio could be observed until 2022. Between 2022 and 2024, however, the ratio declined comparatively sharply, amounting most recently to 20.9%, according to preliminary data. Gross fixed capital formation in 2024 totalled 898 billion euros; of this, 126 billion euros was attributable to the general government sector, and 772 billion euros to the non-governmental sectors.

While around 50% of investments have consistently been allocated to construction since 1991, the shares of equipment and other investments have changed significantly: whereas in 1991, 40% of investments were directed towards equipment goods, this share had declined to 29% by 2024. Over the same period, the share of investment in research and development, as well as software and databases, increased from 11% to 19%.

In addition to classification by type of asset, gross fixed capital formation can also be broken down by economic sector in which the investment was made. In 2023, the lowest share was recorded in the agriculture, forestry, and fishing sector, at 1.4%. The manufacturing and production industries accounted for around 22% of investment (1991: over 28%), while the remaining 76% was invested in the services sector (1991: 70%). Within the services sector, real estate and housing activities were the most prominent, accounting for 33% of total investment.

Despite rising nominal investment levels, Germany remains investment-weak in international comparison. Since 1996, the investment ratio has continuously remained below the average of the Organisation for Economic Co-operation and Development (OECD), which stood at 22.4% in 2023.

Type of target

Directional target

Assessment

The target allows for various interpretations. For the present assessment, it is assumed that the ratio of gross fixed capital formation to gross domestic product should increase.

According to the target formulation, it is irrelevant whether this increase is achieved through a rise in the numerator or a decline in the denominator. However, the values of



indicator 8.3 fell both in 2024 and on average over the period 2019 to 2024, thus moving in the opposite direction. Indicator 8.3 is therefore assessed as thunderstorm for 2024.

