

THE ROLE OF NOMINAL WAGES IN TRADE AND CURRENT ACCOUNT SURPLUSES

An econometric analysis for Germany¹

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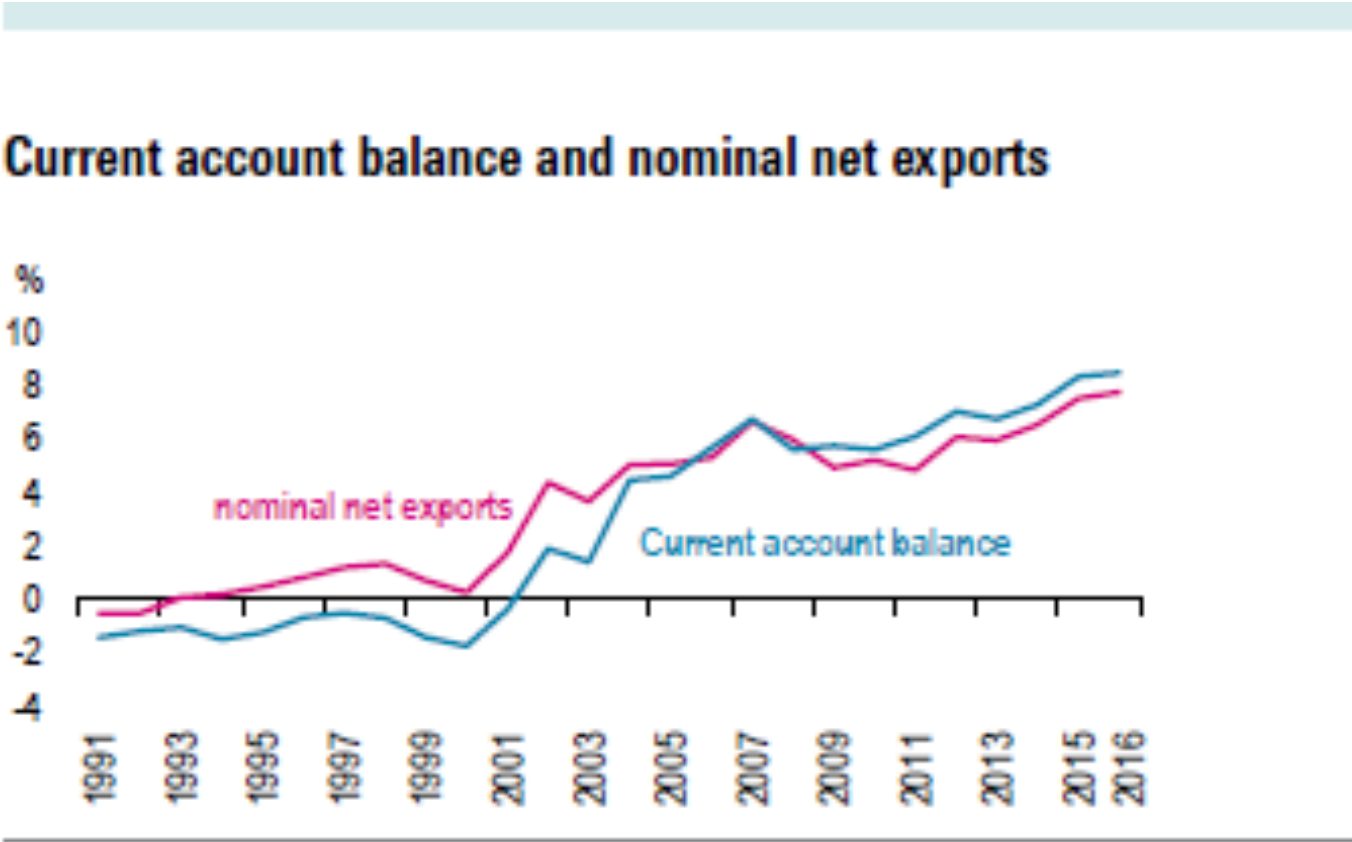
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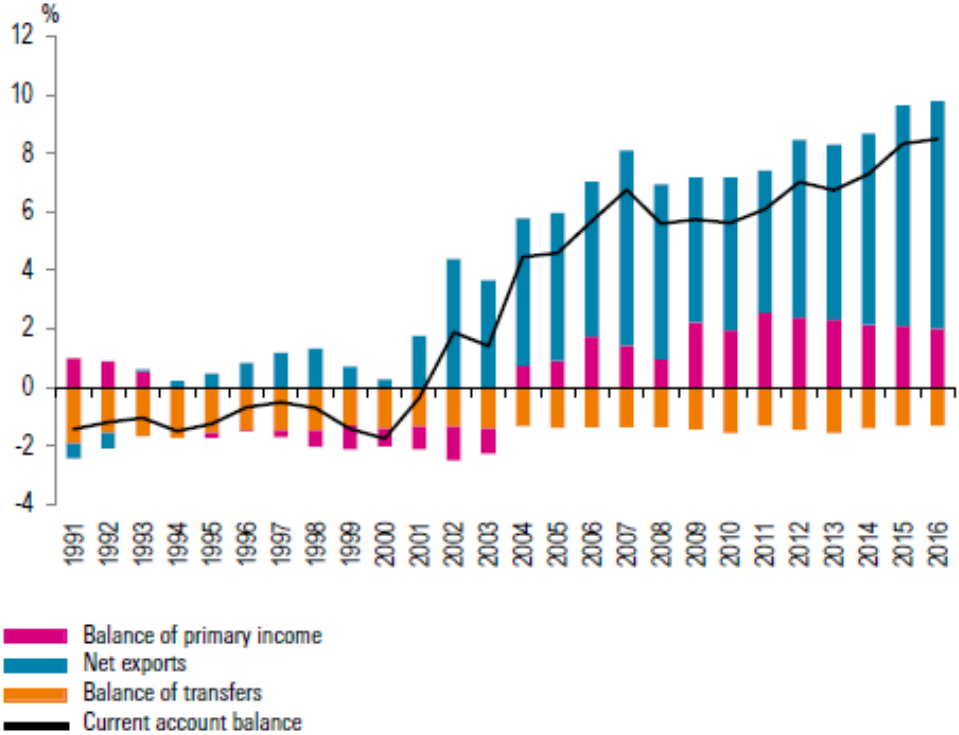
1. Some stylized facts on Germanys External Imbalance
2. Wages and External Imbalances
3. Simulation on IMK Model
4. Conclusions

External Balance



Current Account Balance

Structure of Germany's current account balance as a % of GDP

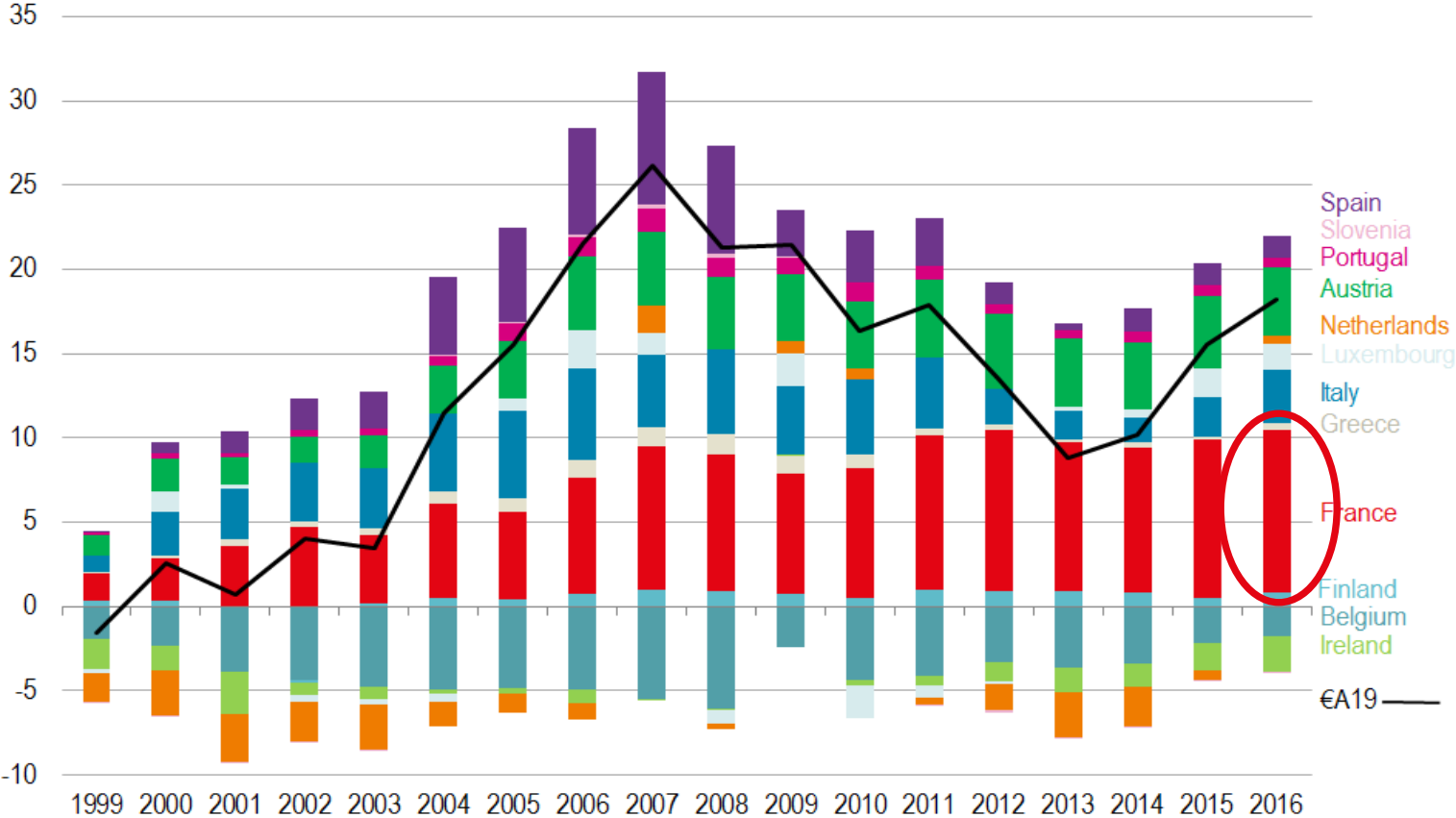


Sources: Deutsche Bundesbank; Destatis; IMK calculations.

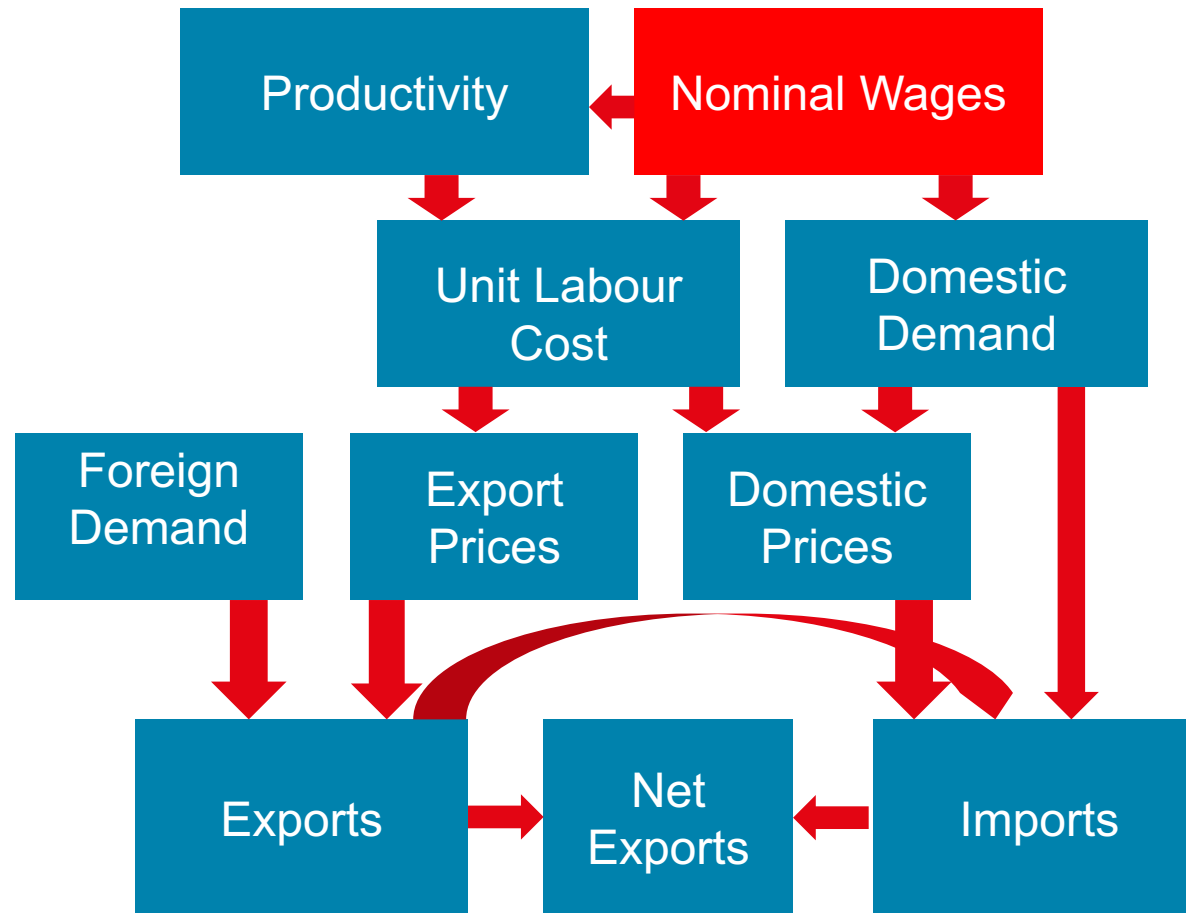


Germany's Current Account Surplus within EMU

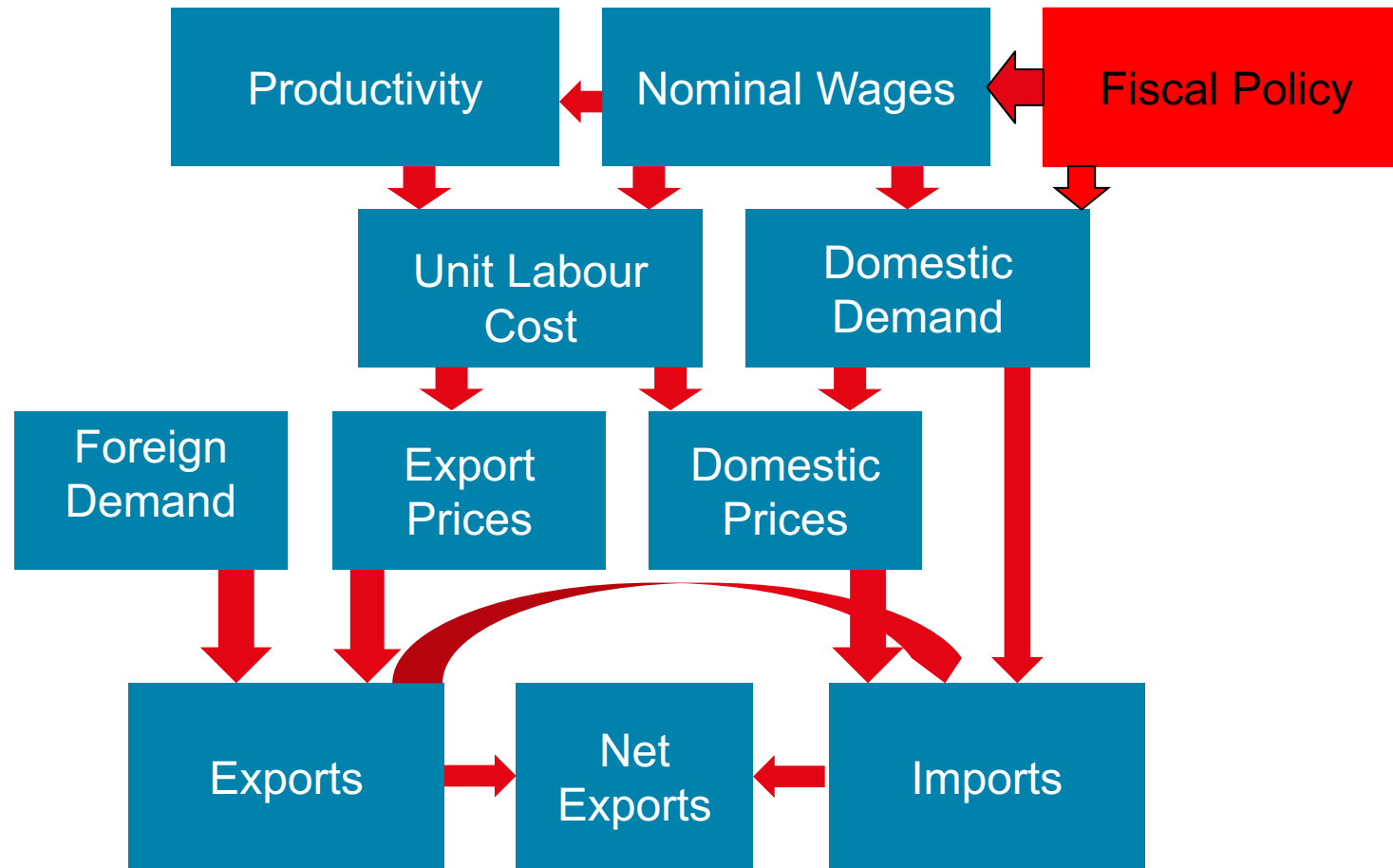
Billions EUR



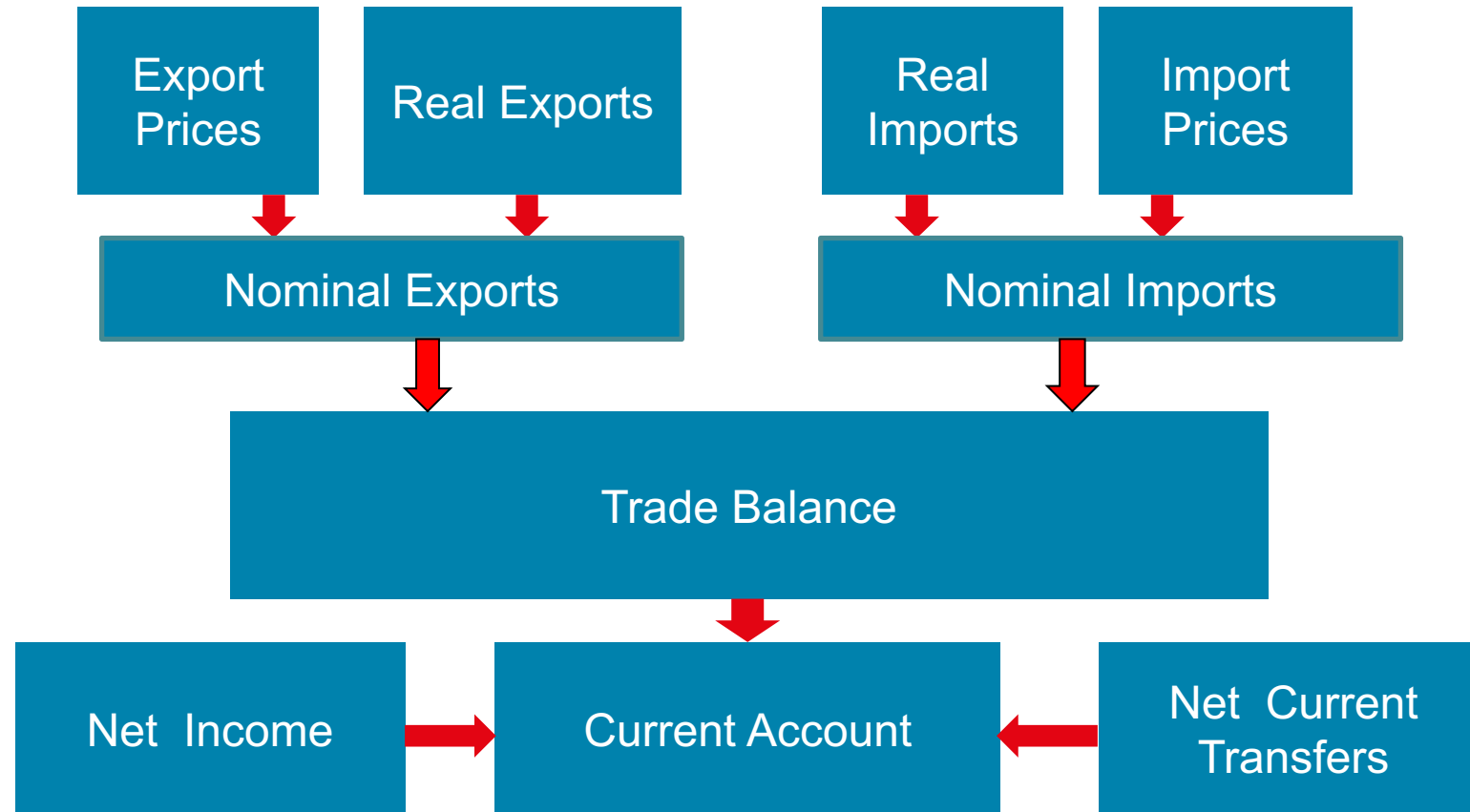
Wages and Net Exports



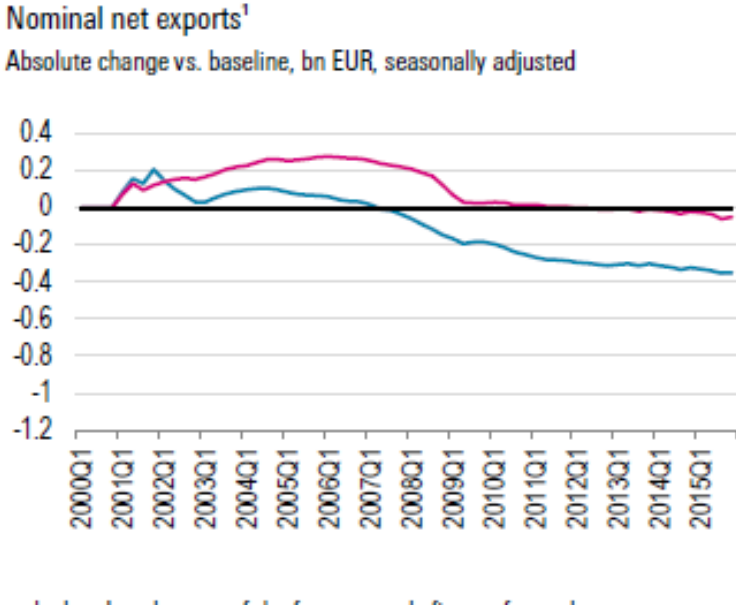
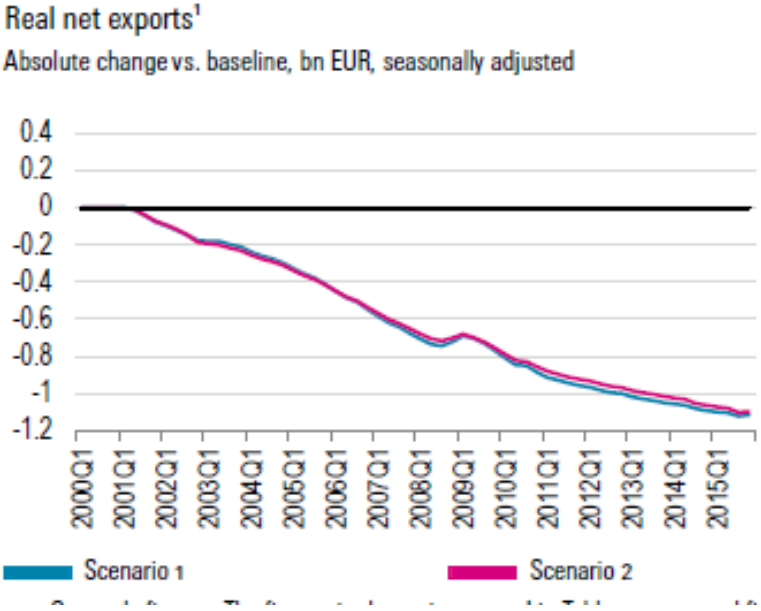
Wages and Net Exports



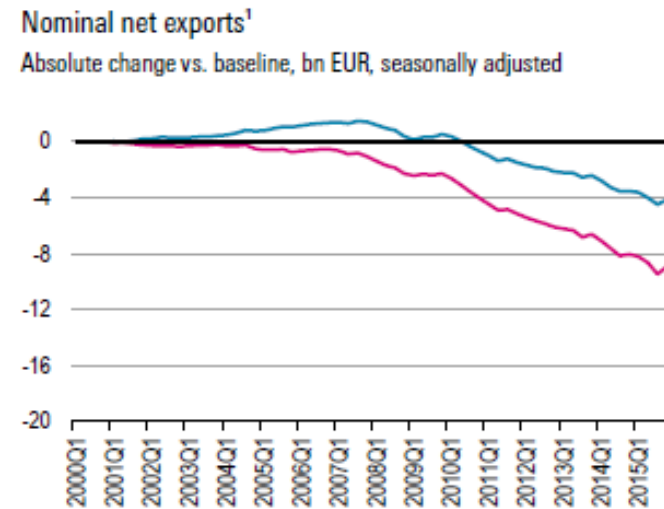
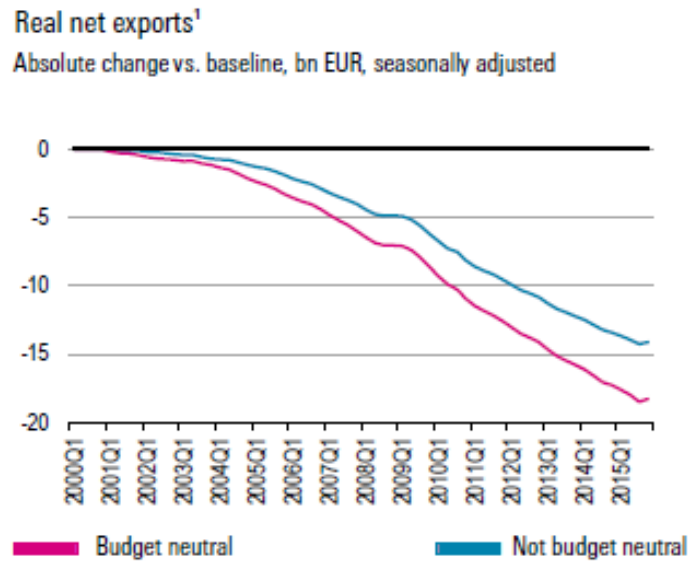
Trade Balance and Current Account



Higher Wages



Wage Shock and Fiscal Policy Shock



Conclusions

1. Wage Adjustment is not sufficient to balance the Current Account
2. Fiscal Policy must step in.
3. Combination of Fiscal Policy and Wage Policy is best.
4. It is still a lengthy process
5. As long as there is no federal fiscal level, national fiscal policy must take into account current account balance.

Thank you for your Attention

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