

KfW SUSTAINABILITY INDICATOR 2013: PROGRESS FOR THE ENVIRONMENT, SOCIAL COHESION AND THE ECONOMY

Executive Summary

The KfW Sustainability Indicator calculated by the KfW Bankengruppe provides quantitative information on the progress of sustainable development in Germany. It analyses the three dimensions of sustainability – economy, environment and social cohesion – and shows their performance over time. The most important results are as follows:

- Following the previous year's good result, with a score of 0.2 the KfW Sustainability Indicator 2013 beats the benchmark by no more than a narrow margin.
- While the economy and social cohesion dimensions continued to record above-average figures, the environment dimension worsened substantially.

German economy defies the euro crisis

- The sustainability performance of Germany's economy was once again above the average during the 2012 reporting year. The benchmark, which is standardised to a score of zero, has been perceptibly exceeded over the average of all eight basic indicators for the fifth consecutive year despite the fact that the euro crisis continues to smoulder. However, the aspiration level was not exceeded by as much as it was in 2011: The group score of the sustainability dimension in economy deteriorated on the five-level scale ranging from -2 to 2 by 0.4 points to a score of 0.6.
- Positive trends were shown by R&D expenditure and in the labour participation rate. The employment rate rose to an all-time high in 2012. On the other hand, despite very favourable financing conditions the net investment ratio remains extremely weak. The continuing high level of sovereign debt by historical standards illustrates the strain resulting from the financial market and euro crisis.

Ecological progress becomes more difficult

- The sustainability situation in the environment dimension clouded over perceptibly in 2012. The group score fell to a level of -0.5 particularly as a result of the weather-related rise in energy consumption and the rising use of coal to generate electricity together with the resultant rise in greenhouse gas emissions. The benchmark based on the average value of the past ten years was thus missed.

- Following a few years of positive performance there are signs of a decline in momentum with regard to the key issues of climate protection, renewable energies and energy productivity. At the same time, subindicators such as biodiversity are still not showing signs of a turnaround. In particular, the decline in raw material productivity gives cause for concern.

Falling unemployment helps participation and integration

- The sustainability dimension of social cohesion in 2012 continued the positive performance recorded over the previous years. The performance of this sustainability dimension exceeded that of the previous ten years (score: 0.4) although it was slightly (0.1 points) below the pre-year figure. This is once again mainly due to the persistently positive economic performance, which had a positive effect on the labour market, in particular, and resulted in an increased participation of different population groups in the economy.
- Despite all progress made, however, there is still considerable need for action in the areas of integration and equality if the political targets of the national Europe 2020 Strategy and Germany's sustainability strategy are to be reached. The impact of the demographic change is shown in the key issue of health, which records a persistently negative valuation trend.