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Article

World Economy Autumn 2024: Momentum remains weak

Kiel Institute Economic Outlook, No. 116

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KIEL INSTITUTE **ECONOMIC OUTLOOK**

World Economy
Autumn 2024

Finalized September 10, 2024

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No. 116 (2024|Q3)

*Klaus-Jürgen Gern, Stefan Kooths, Jan Reents
und Nils Sonnenberg*

Forecasting Center

MOMENTUM REMAINS WEAK

Klaus-Jürgen Gern, Stefan Kooths, Jan Reents und Nils Sonnenberg

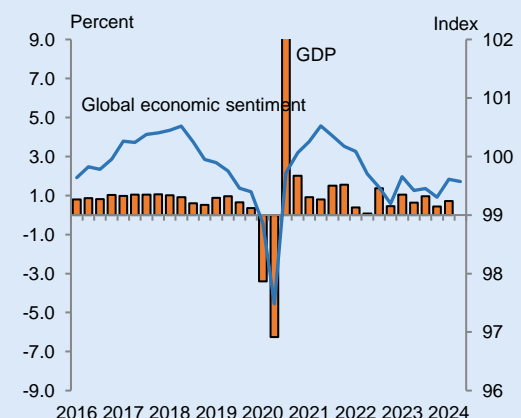
The global economy continues to expand at a moderate pace. The somewhat faster pace in the spring appears to have slowed again in the summer. In the United States, the economy is gradually losing momentum. At the same time, economic momentum in Europe remains low and a sustained economic recovery in China is still not in sight. Although world trade in goods has risen again in the course of the year to date, trade momentum remains weak amid signs that global manufacturing production is currently slowing down again. Monetary policy is still restrictive for the time being, but a turnaround in interest rates has been initiated and tailwinds from more favorable financing conditions will increasingly support economic going forward. Against this backdrop, global economic expansion is likely to continue this year and next at an almost unchanged, moderate pace, with private consumption in Europe in particular strengthening amid rising real wages. We expect global output - measured on the basis of purchasing power parity - to increase by 3.2 percent this year. Next year, growth will be slightly lower at 3.1 percent. We have thus left our expectations unchanged compared to our summer forecast for this year and revised them slightly downwards - by 0.1 percentage points - for 2025. For 2026, we expect a gradual acceleration and growth of 3.3 percent. Although unemployment in the advanced economies will rise slightly this year and next, it will remain at historically low levels. The decline in inflation has been slow of late, mainly due to the persistent rise in prices for services and the fact that energy prices are no longer falling year-on-year. The expected further decline towards the target of 2 percent is likely to be slow, and there remains a risk that monetary policy will have to remain restrictive for longer than currently expected. Further risks for the global economy lie in a possible escalation of geopolitical conflicts and arise from the uncertainties in connection with the US presidential elections. In particular, intensified trade disputes would have a negative impact on global economic activity.

Overview

The global economy recently resumed its moderate expansion. After a significant uptick at the beginning of the year, global economic output grew again at a rather modest pace in the second quarter (Figure 1). This was largely due to fluctuations in production growth in the emerging markets, especially in China. In contrast, the growth of gross domestic product (GDP) in advanced economies accelerated in the spring. Business sentiment, which had significantly improved at the turn of the year, has recently deteriorated somewhat. The global economic climate indicator, calculated by the Kiel Institute for the World Economy (IfW Kiel) based on sentiment indicators from 42 countries, suggests only moderate production growth for the third quarter of 2024.

In terms of industrial production and trade in goods, the recent recovery has stalled. While services continue to underpin global growth, industrial production also showed a noticeable upward trend in the first half of the year. However, there are signs that momentum in

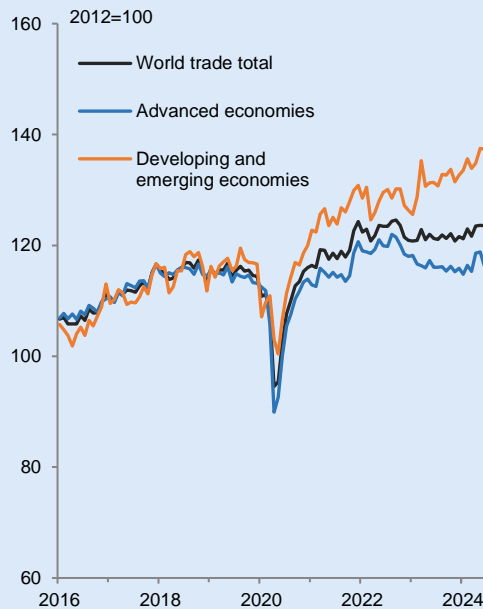
Figure 1:
World Economic Activity



Quarterly data, seasonally adjusted. Global economic sentiment is based on business expectations in 42 economies. GDP: price adjusted, change over previous quarter, 46 countries, weighted by purchasing power parities.

Source: OECD, Main Economic Indicators; national sources; Kiel Institute calculations.

**Figure 2:
World Trade**



Monthly Data.

Source: CPB, World Trade Monitor, Kiel Institute calculations.

this sector has slowed recently. In June, a slight decline in global goods production was recorded, concentrated in advanced economies, and business sentiment among purchasing managers deteriorated significantly in July. Global goods trade, which had picked up in the spring, has also shown little upward movement recently (Figure 2). Maritime freight capacity has been increasingly utilized, not only due to the revival of global trade but also because a significant share of vessels have been rerouted for security reasons from the Suez Canal to the much longer route around the Cape of Good Hope since last November. As a result, the number of ship passages through the Suez Canal remains at only 30 percent of the levels seen before November 2023, when attacks on merchant ships by Yemeni rebels began ([Kiel Trade Indicator](#)). This has contributed to a sharp increase in freight rates worldwide, but particularly on routes between Europe and East Asia. As of early July, shipping a container was nearly four times as expensive as in the previous fall, according to the Drewry World Container Index. However, freight rates have since fallen by more than ten percent, indicating a slowdown in global trade activity.

Capacity utilization in the global manufacturing sector remains low and has recently declined again. Global capacity utilization in manufacturing has been on a downward trend since the fall of 2022. After a slight increase in the second quarter, available data for the third quarter point to another decline, according to Kiel Institute calculations based on data from 38 countries, mostly advanced economies but also including some larger emerging economies. Comparable data for China is not available, although the country appears to be struggling with overcapacity and thus does not alter the overall picture.

Advanced economies picked up in the spring. In the second quarter, GDP in advanced economies accelerated significantly (Table1). This was due to a strong expansion in the United States, driven mainly by an acceleration in private consumption, and a recovery of the Japanese economy from the sharp contraction in the first quarter. In Europe, the economic expansion continued at a steady pace of 0.3 percent in the euro area and 0.6 percent in the United Kingdom. Overall, the pronounced economic gap between the United States on the one hand and Europe and Japan on the other that was prevalent in 2023 has narrowed noticeably this year.

In the emerging economies growth momentum was uneven. After strong growth at the beginning of the year, production in the emerging economies slowed again in the second quarter, largely due to a sharp deceleration in China. Growth in India also slowed, but remained high. In Southeast Asia, output remained robust. In Latin America, some countries, notably Brazil, also posted strong GDP growth, although momentum was weaker in others, such as Mexico. Meanwhile, Russia's production growth has slowed, with the reported year-on-year growth rate of 4 percent primarily reflecting production gains in previous quarters.

Table 1:
Real gross domestic product, consumer prices and unemployment rate in advanced economies

	Weights	Real GDP				Consumer prices				Unemployment rate			
		2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
European Union	40.2	0.5	1.0	1.4	1.6	5.6	2.6	2.3	2.2	6.0	6.0	5.7	5.4
Euro area	34.0	0.4	0.9	1.2	1.4	5.4	2.3	2.0	2.1	6.6	6.4	6.1	5.8
Sweden	0.9	0.1	0.5	1.4	1.5	5.9	2.1	2.0	2.1	7.7	8.3	8.0	7.5
Poland	2.2	0.1	3.4	3.7	3.5	10.9	3.4	3.5	2.6	2.8	2.9	2.8	2.7
United Kingdom	5.1	0.1	1.0	1.2	1.4	7.3	2.6	2.2	2.0	3.7	4.0	4.3	4.1
Switzerland	1.0	0.7	1.3	1.5	1.6	2.1	1.3	1.0	1.0	4.3	4.1	4.2	4.0
Norway	0.6	0.7	2.4	2.3	2.0	5.5	3.4	2.7	2.5	3.4	3.6	3.8	3.7
United States	35.3	2.5	2.6	1.6	1.8	4.2	3.1	2.4	2.3	3.6	4.1	4.5	4.4
Canada	3.1	1.2	1.1	1.8	2.0	3.9	2.6	2.3	2.1	5.4	6.4	6.6	6.3
Japan	8.5	1.7	-0.2	1.0	1.2	3.3	2.2	2.3	1.4	2.6	2.5	2.4	2.4
South Korea	3.8	1.4	2.5	2.3	2.8	3.6	2.6	2.1	2.2	2.8	2.6	2.8	2.6
Australia	2.3	2.0	2.0	1.1	2.1	5.6	3.7	2.8	2.5	3.7	4.1	4.3	4.1
Total	100.0	1.4	1.6	1.5	1.7	4.8	2.7	2.3	2.1	4.5	4.7	4.8	4.6

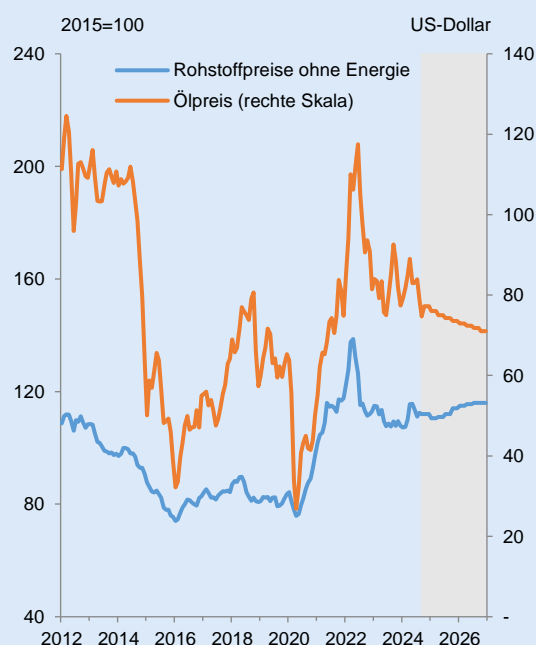
Based on GDP at prices and exchange rates of 2023 in percent. Change over previous year in percent. European Union and Norway: Harmonized Index of Consumer Prices (HICP). Standardized unemployment rate in percent (ILO); country groups weighted according to the size of the labor force in 2023.

Source: Eurostat. VGR; OECD. Main Economic Indicators; IMF World Economic Outlook Database; Statistics Canada. Canadian Economic Account; shaded: Kiel Institute forecast.

Oil prices are under pressure due to waning compliance with OPEC quotas and weak demand growth.

In spring, oil prices surged, driven by concerns over supply security amid the Middle East conflict, historically low inventories, and expectations of continued restrictive supply policies by Saudi Arabia. By mid-April, the price of Brent crude oil had risen above 90 Dollar per barrel. However, prices have since fallen significantly to around 75 Dollar in early September. This is due to downward revisions to the demand forecasts and improved supply prospects. While the OPEC+ group extended through 2025 the production quotas introduced in 2020 to support prices, substantial additional voluntary production cuts by individual countries (notably Saudi Arabia) are set to expire in September, meaning production could increase sooner than previously expected. Moreover, OPEC+ members have shown less compliance with quotas in recent months. Nonetheless, geopolitical uncertainties remain high, with rising risks of escalation in the Middle East occasionally leading to temporary price spikes. Meanwhile, oil production outside OPEC+ continues to rise swiftly. All in all, we expect oil prices to gradually decline over the forecast period, in line with futures market expectations (Figure 3). Gas prices, by contrast, have risen significantly in recent months, especially in Europe and Asia, from very low levels in March. Non-energy commodity prices have trended downward recently, particularly metals, as industrial demand appears to be weakening. However, prices for some agricultural commodities (cocoa, coffee, orange juice) remain historically high due to supply constraints.

Figure 3:
CPI Inflation in Industrial Countries

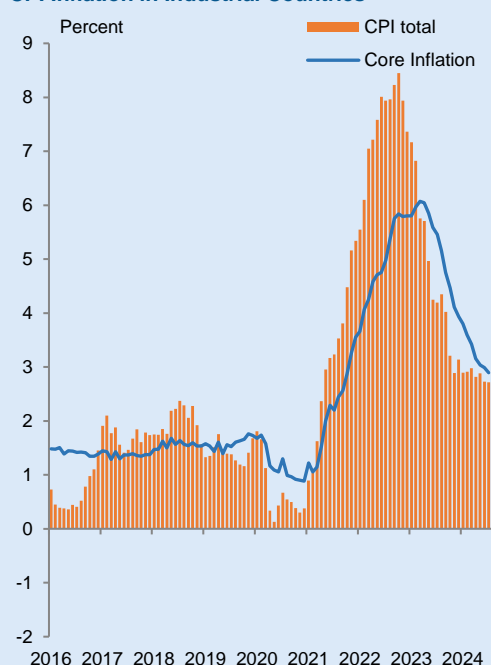


Monthly data, data edge: shaded: forecast.
Raw materials ex energy: HWWI-Index, USD-based; Crude Oil: Spot market, Brent.

Source: International Petroleum Exchange; HWWI, Rohstoffpreisindex, Kiel Institute forecast.

The decline in inflation is continuing, albeit slowly. Inflationary pressures have eased only slightly this year. In the G7 countries, inflation has declined only modestly since the end of 2023, standing at 2.7 percent in July (Figure 4). The slow progress is mainly due to a reduced dampening effect of energy

Figure 4:
CPI Inflation in Industrial Countries



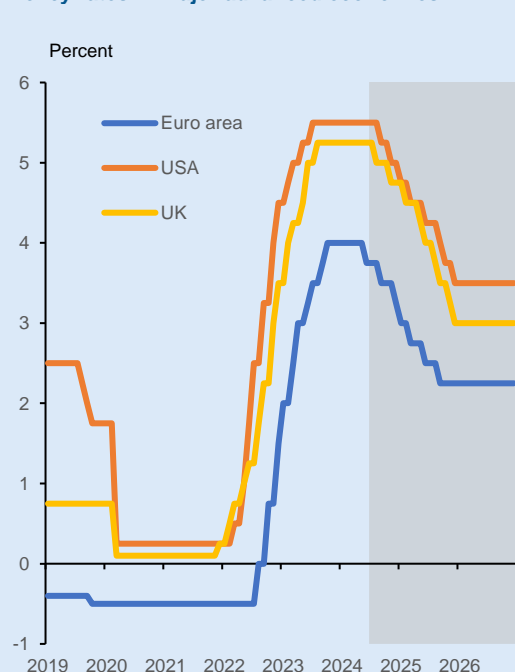
Monthly Data; yoy change.

Source: OECD, *Main Economic Indicators*; Kiel Institute calculations.

prices. In fact, energy prices were temporarily higher this summer than a year ago, contributing positively to the inflation rate in some countries. However, the core inflation rate (excluding energy and food) has continued to decline, reaching 2.9 percent for the group of countries as a whole in July. Prices for services, in particular, have continued to rise strongly and persistently, while prices for industrial goods have shown only weak increases in most countries.

Interest rates in advanced economies are being gradually reduced. In the spring, the Swiss National Bank and the Swedish Riksbank cut their policy rates by 0.25 percentage points. On June 6, the European Central Bank (ECB) lowered its key deposit rate from 4 to 3.75 percent, and on August 1, the Bank of England made its first rate cut, earlier than expected in our summer forecast. The US Federal Reserve has so far stayed on hold, but Federal Reserve Chairman Jerome Powell signaled at the Jackson Hole central banking conference that a rate cut would be decided at its next meeting in mid-September and that the Fed would begin gradually easing its restrictive monetary policy ("The time has come for policy to adjust"). Powell also emphasized that the labor market, alongside stabilizing inflation rates, would play an increasingly important role in monetary policy decisions. This marks the beginning of the rate-cutting cycle, with further cuts expected. However, both the ECB and the Fed are likely to ease monetary policy cautiously, as inflationary pressures, especially in services, remain strong, and there is concern that a rapid reduction in short-term rates could jeopardize the achievement of inflation targets. We expect two more rate cuts from the ECB by the end of the year, bringing the key interest rate down by 0.5 percentage points to 3.25 percent. The Fed is expected to make its first rate cut in September, as anticipated in the summer forecast. We still expect only one more 0.25 percentage point cut by the end of the year, implying a more cautious approach than financial markets currently anticipate (Figure 5). The slow decline of interest rates means that monetary policy will continue to have a restrictive effect in major currency areas for the time being. It is only over the course of next year that monetary policy will shift to a neutral stance. By the end of the year, the key interest rate will be 2.25 percent in the euro area and between 3.25 and 3.5 percent in the United States.

Figure 5:
Policy rates in major advanced economies



Monthly data. Euro area: Deposit Facility Rate, USA: Federal Funds Rate, UK: BoE base rate.

Source: LSEG Datastream, shaded area: forecast of IfW Kiel.

Japan's different monetary policy stance has caused financial market turbulence. Unlike other central banks, the Bank of Japan barely tightened its

monetary policy in response to the inflation surge of 2022 and 2023. It only ended its negative interest rate policy in March of this year. and while other central banks have begun to cut rates. the Bank of Japan raised its key interest rate to 0.25 percent at the end of July. In early August. stock prices fell sharply worldwide. and Japan's Nikkei index plunged by 25 percent within days. The turmoil was likely caused by the unwinding of carry trades. where low-interest loans in yen were used to invest in higher-yielding currencies. particularly the US dollar. This strategy became less attractive after the Bank of Japan raised its key interest rate while weak economic data from the United States fueled expectations of swift dollar rate cuts. This initially led to a sharp appreciation of the yen—which had previously depreciated significantly. boosting the profitability of carry trades—and finally triggered the stock market crash as large-scale asset sales were made to close open positions and limit losses. While stock prices on international exchanges generally recovered quickly. the Nikkei remained nearly 10 percent below its July all-time high.

Interest rates in emerging economies are being reduced already for some time. Several central banks in emerging economies began cutting interest rates last year. particularly where monetary tightening was also implemented early. For example. Brazil's central bank reached the peak of its interest rate cycle. with a rate of 13.75 percent. in August 2022. That rate held for a year. but since then. rates have been cut by 3.25 percentage points. In Chile. the central bank has cut rates by 5.5 percentage points to 5.75 percent since July 2023. Eastern European central banks also began raising rates relatively early and reached their respective peaks by the fall of 2022. Rates have been reduced in these countries for almost a year now. most strongly in Hungary. where they were cut by a total of 6.25 percentage points. although rates had been also raised more sharply there than in Poland or the Czech Republic. In some other emerging economies—including India or South Africa—central banks have kept rates for some time now. while only a few raised rates recently in response to mounting inflationary pressures. with particularly sharp hikes in Russia and Turkey. In Turkey. the government abandoned its low-interest-rate policy last year and raised the key interest rate from 8.5 percent to 50 percent between May 2023 and March 2024 to combat high inflation. However. rate cuts have predominated in emerging economies since last fall. a trend expected to continue throughout the remainder of the year.

The supportive effects of fiscal policy are fading. but significant consolidation efforts remain absent. In recent years. fiscal policy has been expansionary to mitigate the economic impact of the pandemic and rising energy prices. Many governments have also implemented programs with industrial policy objectives. such as infrastructure development and renewable energy expansion. While the crisis measures are now being withdrawn. there are no significant efforts to reduce the still-high structural deficits in many countries. Such efforts would be necessary to ensure the sustainability of public finances. particularly given the sharp rise in government debt. which has become significantly more expensive to finance in the current interest rate environment compared to previous years. Fiscal consolidation is needed to restore fiscal space for future crises (IMF. 2024a). In Europe. political pressure for consolidation is mainly exerted through fiscal rules. Under the EU budget surveillance. an excessive deficit procedure has been initiated for seven countries to reduce their deficits in line with the reimposed fiscal rules. Similarly. the UK's fiscal rule requires measures to reduce the currently high budget deficit. Nonetheless. we expect only modest contractionary effects from fiscal policy in 2025 and 2026.

Outlook: World economy remains lackluster

Global economy struggles to gain momentum as economic policy stances and structural challenges are weighing on growth. While the outlook for private consumption has improved—with real wages rising in general thanks to easing inflation and higher growth of compensations—this often comes at the expense of corporate profit margins. which in turn tends to dampen investment. Moreover. monetary policy remains restrictive and will only be eased gradually. Fiscal policy is also expected to be somewhat restrictive over the forecast period. Additionally. the absence of momentum in China—often

a key driver of global economic growth over the past two decades—due to unresolved structural issues. is weighing on the global economy. Europe continues to experience very low productivity growth, with economic dynamism hampered by structural bottlenecks such as labor shortages and excessive regulation. Lastly, increasingly interventionist industrial and trade policies are creating uncertainties and weighing on the global economic sentiment.

Global economic growth remains moderate, with diminishing regional differences. For this year, we expect global production (based on purchasing power parities) to increase by 3.2 percent, a rate slightly lower than last year (Table 2). Next year, growth will decline marginally to 3.1 percent. Our forecast remained unchanged for this year and is slightly lower, by 0.1 percentage points, for 2025 compared to our summer forecast. For 2026, we expect a gradual recovery with growth of 3.3 percent. Based on market exchange rates, global production is expected to grow by 2.7 percent this year, 2.6 percent next year, and 2.7 percent in 2026. These rates are moderate compared to the expansion rates recorded before the pandemic. However, the pace of potential growth in the global economy appears to have slowed. Persistently low unemployment in advanced economies suggests that the economy is growing more or less in line with the expansion of production capacities in the whole economy at the current pace. Global trade, which shrank by 1.1 percent in 2023, is expected to grow by just 1.3 percent this year. We expect a further recovery in 2025 and 2026, with growth of 2.2 percent and 2.7 percent, respectively. This suggests that trade growth will again be more in line with the expansion of global economic activity, as economic momentum increasingly shifts towards manufacturing. The regional cyclical gap is also expected to narrow: While the US economy will lose momentum next year, production in Europe and Japan is expected to accelerate during the forecast period.

Tabelle 2:
Real GDP and consumer prices in the global economy

	Weight	Gross domestic product				Consumer prices			
		2023	2024	2025	2026	2023	2024	2025	2026
World economy total	100	3.2	3.2	3.1	3.3	7.6	7.1	5.1	4.2
including									
Advanced economies	59.3	1.6	1.8	1.5	1.7	4.6	2.8	2.3	2.1
China	18.4	5.6	4.8	4.5	4.6	0.2	0.7	1.8	2.0
Latin America	4.8	2.1	1.7	2.3	2.5	23.9	28.4	10.0	6.6
India	7.3	7.7	7.3	6.8	6.9	5.3	4.5	4.0	4.2
East Asian emerging economies	5.0	3.4	3.8	3.7	4.4	3.5	2.6	2.4	2.4
Russia	2.9	3.6	3.9	1.5	1.0	5.9	7.9	8.0	7.0
Africa	2.4	3.1	3.2	3.7	3.8	15.4	17.0	16.5	13.8
<i>Memorandum item:</i>									
World trade volume (goods)		-1.1	1.2	2.2	2.7				
World economy (GDP weights using current US-dollar exchange rates)		2.8	2.7	2.6	2.7	6.1	5.3	3.8	3.2

Percent. Weights according to GDP in 2023 based on purchasing power parities. GDP, consumer prices: change over previous year. East Asian emerging economies: Thailand, Malaysia Indonesia and Philippines. Africa: Egypt, Nigeria, South Africa, Algeria, Ethiopia.

Source: IMF, International Financial Statistics; OECD, Main Economic Indicators; Kiel Institute calculations; shaded area: Kiel Institute forecast.

In advanced economies, growth differentials are further narrowing. The economic gap between the United States on the one hand and Europe and Japan on the other is expected to continue to narrow over the forecast period. While the US economy will slow as fiscal policy support wanes and household consumption is likely to lose steam, growth in the euro area, the United Kingdom, and Japan will continue, although at a moderate pace. In these regions, terms-of-trade losses due to higher energy prices have weighed more heavily on the economies, and with lower commodity prices and rising real wages, private consumption is expected to contribute to a continued economic recovery. Next year, more favorable financing conditions and an upturn in global trade will -PLÄÖ. However, overall growth in advanced economies is expected to remain moderate. This year's growth rate is expected to be 1.6 percent, slightly higher than last year. For 2025 and 2026, we expect growth rates of 1.5 percent and

1.7 percent, respectively (Table 3). Consumer price inflation is expected to continue decline under these assumptions but is likely to remain slightly above the central bank target of 2 percent through 2026. While unemployment in advanced economies is expected to rise slightly this year and next, it will remain at historically low levels.

Expansion in emerging markets is uneven and moderate overall. The weak economic expansion in China remains a drag on emerging markets, dampening economic activity through trade and lower commodity revenues. Resulting headwinds for economic activity are particularly felt in Latin America and some countries of Southeast Asia, where commodity exports play a significant role. In contrast, the Indian economy continues to expand dynamically, recovering the losses incurred during the COVID-19 crisis and embarking on an elevated growth path. The outlook for Russia remains uncertain due to the ongoing war in Ukraine, but evidence is accumulating that capacities are now fully utilized and smaller production gains are likely.

The escalation of trade policy conflicts poses a risk to the forecast. China's industrial policy aims to upgrade industrial production and climb up the value-added chain, with the goal of achieving greater self-sufficiency in advanced technological sectors ("Made in China 2025"). This policy was updated and reaffirmed at the National People's Congress in spring 2024 with the new economic policy vision of "New Quality Productive Forces". Subsidies, credit allocation, and other incentives have led to the creation of overcapacity in several industries deemed strategically important, resulting in increased export pressure on global markets. In response, the United States, followed by the European Union and most recently Canada, has introduced high tariffs on electric cars and other goods such as solar panels and wind turbines to prevent domestic production from being displaced. There are concerns that the Chinese government may retaliate with countermeasures, leading to a broader deterioration in global trade conditions as trade barriers are erected between major economic blocs, which could significantly dampen global economic dynamism. Uncertainty over international relations is also heightened by the upcoming US presidential elections.

Table 3:
Real gross domestic product, consumer prices and unemployment rate in advanced economies

	Weights	Real GDP				Consumer prices				Unemployment rate			
		2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
European Union	40.2	0.5	1.0	1.4	1.6	5.6	2.6	2.3	2.2	6.0	6.0	5.7	5.4
Euro area	34.0	0.4	0.9	1.2	1.4	5.4	2.3	2.0	2.1	6.6	6.4	6.1	5.8
Sweden	0.9	0.1	0.5	1.4	1.5	5.9	2.1	2.0	2.1	7.7	8.3	8.0	7.5
Poland	2.2	0.1	3.4	3.7	3.5	10.9	3.4	3.5	2.6	2.8	2.9	2.8	2.7
United Kingdom	5.1	0.1	1.0	1.2	1.4	7.3	2.6	2.2	2.0	3.7	4.0	4.3	4.1
Switzerland	1.0	0.7	1.3	1.5	1.6	2.1	1.3	1.0	1.0	4.3	4.1	4.2	4.0
Norway	0.6	0.7	2.4	2.3	2.0	5.5	3.4	2.7	2.5	3.4	3.6	3.8	3.7
United States	35.3	2.5	2.6	1.6	1.8	4.2	3.1	2.4	2.3	3.6	4.1	4.5	4.4
Canada	3.1	1.2	1.1	1.8	2.0	3.9	2.6	2.3	2.1	5.4	6.4	6.6	6.3
Japan	8.5	1.7	-0.2	1.0	1.2	3.3	2.2	2.3	1.4	2.6	2.5	2.4	2.4
South Korea	3.8	1.4	2.5	2.3	2.8	3.6	2.6	2.1	2.2	2.8	2.6	2.8	2.6
Australia	2.3	2.0	2.0	1.1	2.1	5.6	3.7	2.8	2.5	3.7	4.1	4.3	4.1
Total	100.0	1.4	1.6	1.5	1.7	4.8	2.7	2.3	2.1	4.5	4.7	4.8	4.6

Based on GDP at prices and exchange rates of 2023 in percent. Change over previous year in percent. European Union and Norway: Harmonized Index of Consumer Prices (HICP). Standardized unemployment rate in percent (ILO); country groups weighted according to the size of the labor force in 2023.

Source: Eurostat, VGR; OECD, Main Economic Indicators; IMF World Economic Outlook Database; Statistics Canada, Canadian Economic Account; shaded: Kiel Institute forecast.

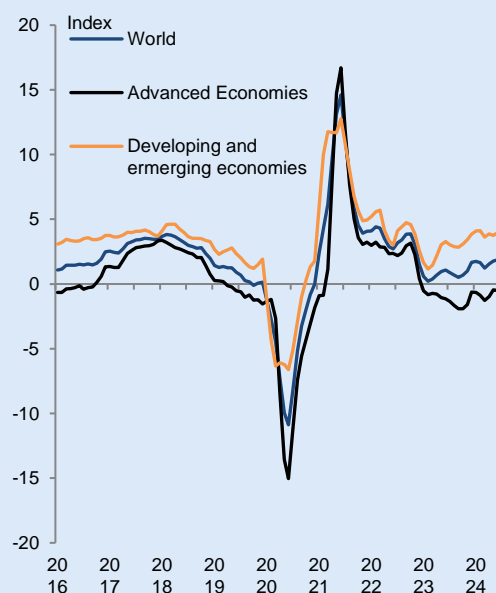
Data annex

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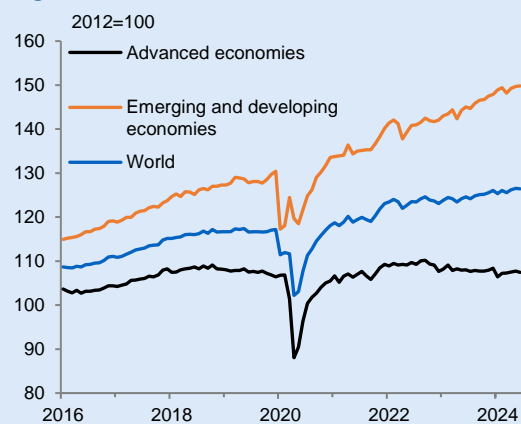
1. World Economy

Figure 1.1:
Business expectations by groups of countries

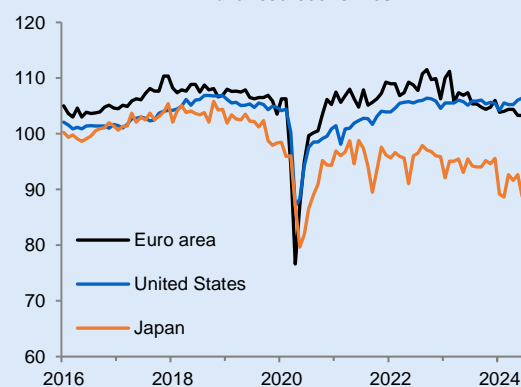


Monthly data, seasonally adjusted, previous year's rate, quarterly average.
Source: CPB, Kiel Institute calculations.

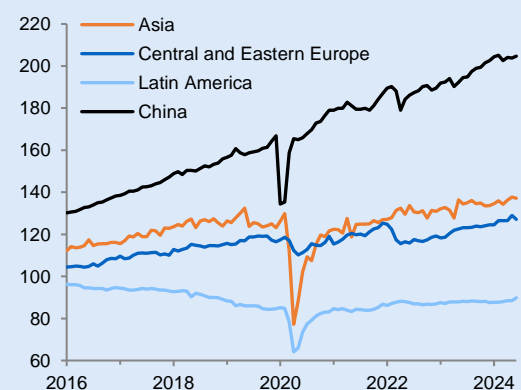
Figure 1.2:
Industrial production by groups of countries and regions



Advanced economies



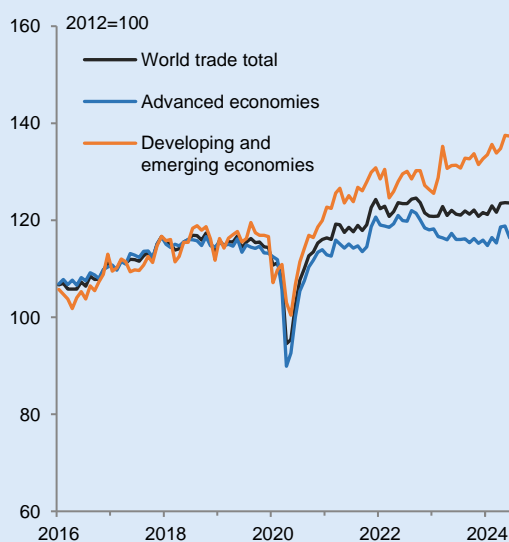
Emerging and developing economies



Monthly data. Last value: Julz 2024.

Source: CPB, World Trade Monitor; Kiel Institute calculations.

Figure 1.3:
World Trade

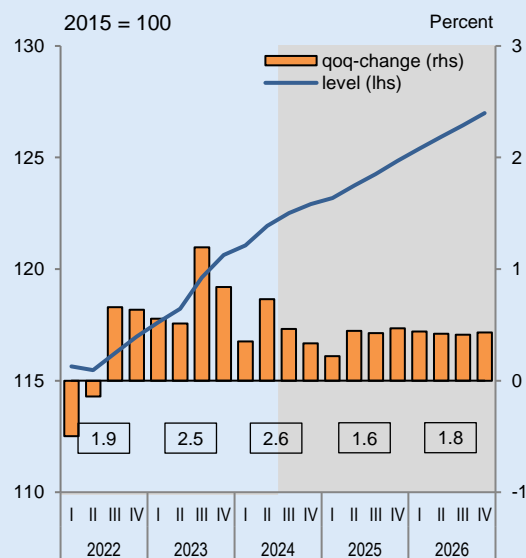


Monthly Data.

Source: CPB, World Trade Monitor; Kiel Institute calculations.

2. United States

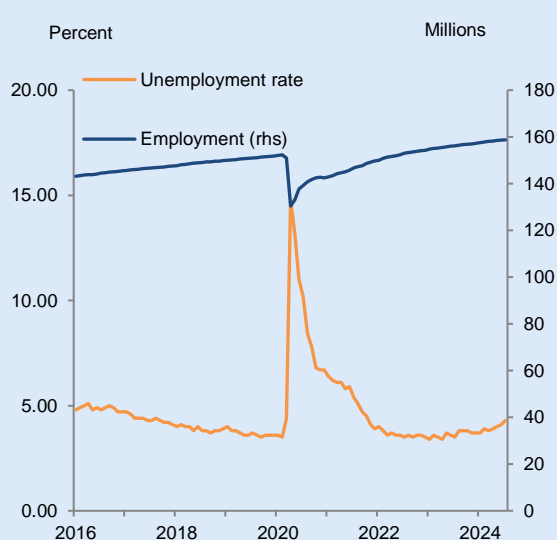
Figure 2.1:
GDP



Quarterly data, price, seasonally and calendar adjusted, qoq-change; annual rate of change (boxes).

Source: Bureau of Economic Analysis; shaded: Kiel Institute forecast.

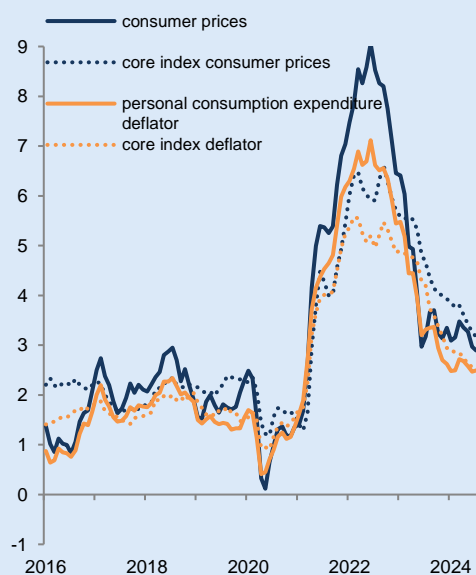
Figure 2.2:
Labor Market



Monthly data; seasonally adjusted.

Source: US Department of Labor, *Employment Situation*.

Figure 2.3:
Consumer prices



Monthly data; change over previous year. Core index: consumer prices excluding energy and food.

Source: US Department of Labor, *Consumer Price Index*.

Table 2.1:
Key indicators for the United States

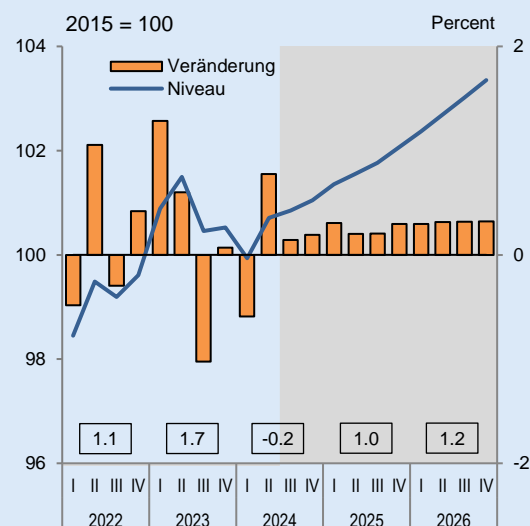
	2023	2024	2025	2026
Gross Domestic Product	2.5	2.6	1.6	1.8
Domestic expenditure	1.9	2.8	1.7	1.8
Private consumption	2.2	2.5	2.0	1.7
Government expenditure	4.1	2.9	1.4	1.7
Gross fixed capital formation	0.6	3.9	1.8	2.1
Machinery and equipment	-0.3	2.4	2.3	2.0
Intellectual property rights	4.5	4.0	2.2	2.1
Structures	13.2	5.1	1.2	1.2
Residential Investment	-10.6	4.7	1.3	3.1
Change in inventories	-0.4	0.0	-0.2	0.0
Net exports	0.6	-0.2	-0.1	0.0
Exports	2.6	1.9	1.6	2.0
Imports	-1.7	3.7	2.5	2.0
Consumer prices	4.1	3.1	2.4	2.3
Unemployment rate	3.6	4.1	4.5	4.4
Current account balance	-3.0	-3.1	-3.2	-3.2
Government budget balance	-6.5	-6.6	-6.7	-6.7

Percent. GDP: volumes. change over previous year. percent. — Net exports. inventories: contribution to growth. percentage points. — Unemployment rate: unemployed in relation to labor force. — Current account balance. government budget balance: percent of nominal GDP.— Budget balance: fiscal year.

Source: US Department of Commerce. *National Economic Accounts*; US Department of Labor. *Employment Situation and Consumer Price Index*; US Department of the Treasury. *Monthly Treasury Statement*; Kiel Institute calculations; shaded: Kiel Institute forecast.

3. Japan

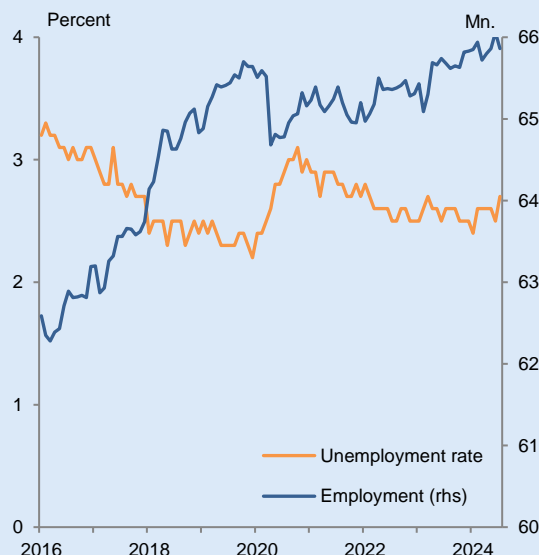
Figure 3.1:
GDP



Quarterly data, price, seasonally and calendar adjusted, qoq-change; annual rate of change (boxes).

Source: Cabinet office, *National Accounts*; shaded: Kiel Institute forecast.

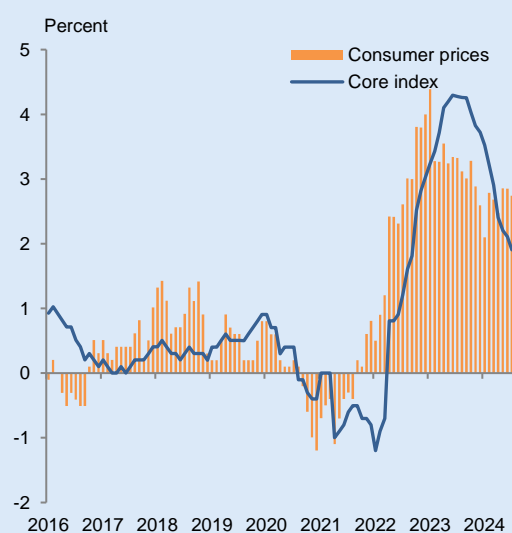
Figure 3.2:
Labor market



Monthly data; seasonally adjusted.

Source: Department of Labor.

Figure 3.3:
Consumer prices



Monthly data; change over previous year. Core index: consumer prices excluding energy and fresh food.

Source: Statistics Bureau of Japan.

Table 3.1
Key Indicators Japan

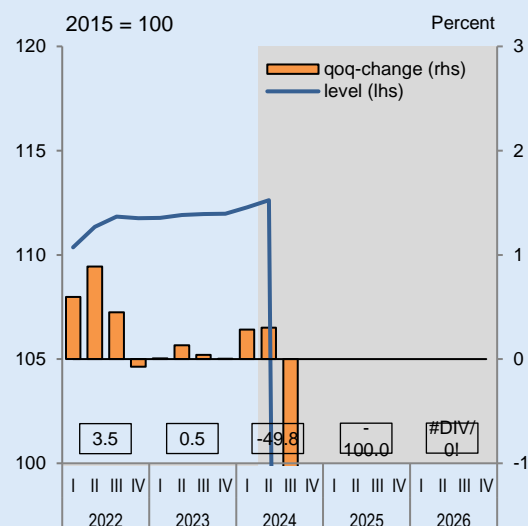
	2023	2024	2025	2026
Gross Domestic Product	1.7	-0.2	1.0	1.2
Domestic demand	0.8	-0.1	1.0	1.1
Private consumption	0.6	-0.3	1.0	0.7
Government consumption	0.0	0.4	1.1	1.2
Gross fixed investment	-0.3	2.4	0.9	1.6
Enterprises	1.9	1.3	1.7	2.4
Residential Investment	0.9	-2.5	-0.7	0.4
Public investment	2.0	-0.3	-0.9	-0.4
Inventories	-0.1	0.0	0.0	0.0
Net exports	0.5	-0.1	0.1	0.1
Exports	3.0	0.2	3.2	2.2
Imports	-1.5	0.5	2.9	1.8
Consumer prices	3.3	2.2	2.3	1.4
Unemployment rate	2.6	2.5	2.4	2.4
Current account balance	3.6	3.5	4.0	4.0
Fiscal balance	-4.2	-3.9	-3.5	-3.0

Percent. GDP: volumes. change over previous year. percent. — net exports. inventories: contribution to growth. percentage points. — Unemployment rate: Unemployed in relation to labor force. — Current account balance. fiscal balance: percent of nominal GDP.

Source: Cabinet Office, *National Accounts*; OECD, *Main Economic Indicators*; Kiel Institute calculations; shaded area: Kiel Institute forecast.

4. Euro Area

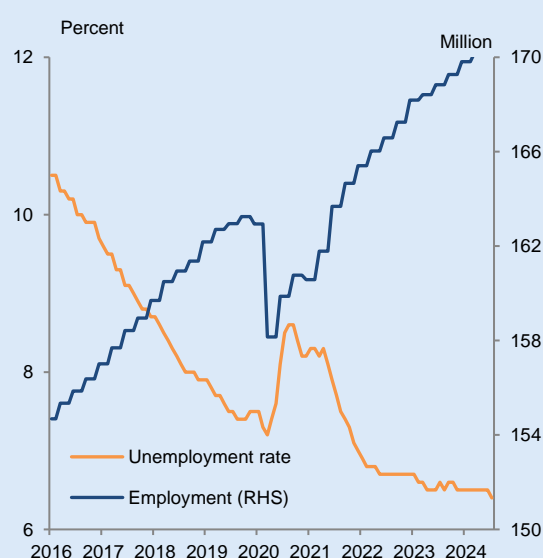
Figure 4.1:
GDP



Quarterly data, price, seasonally and calendar adjusted, qoq-change. Annual data: price adjusted, annual rate of change (boxes).

Source: Federal Statistical Office, Fachserie 18, Series 1.3; shaded: IfW forecast.

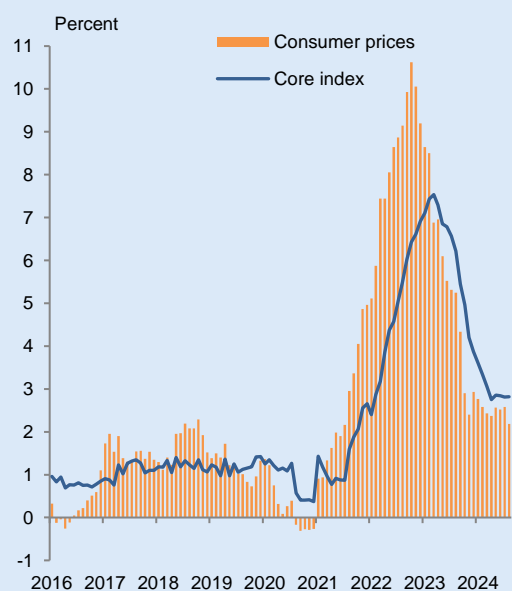
Figure 4.2:
Labor market



Monthly data; seasonally adjusted.

Source: Eurostat, Labor Statistics; ECB, Monthly Bulletin.

Figure 4.3:
Consumer prices



Monthly data; y-o-y change. Core index: HICP without energy and unprocessed food.

Source: Eurostat, Price Statistics.

Table 4.1:
Key indicators Euro Area

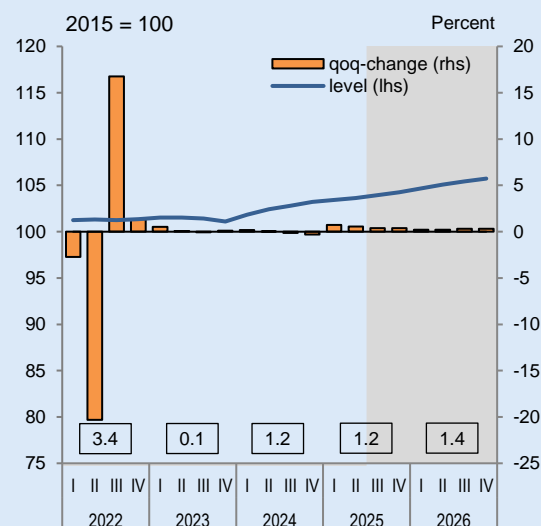
	2023	2024	2025	2026
Gross Domestic Product	0.5	0.9	1.2	1.4
Domestic expenditure	0.2	0.3	1.4	1.5
Private consumption	1.0	1.1	0.9	1.0
Government consumption	0.7	0.9	0.9	0.8
Gross fixed capital formation	1.2	-0.7	1.8	2.1
Inventories	-0.6	-0.3	0.3	0.4
Net exports	0.3	0.6	-0.1	-0.1
Exports	-0.4	1.2	2.6	2.7
Imports	-1.1	0.0	3.1	3.1
Consumer prices	5.4	2.3	2.0	2.0
Unemployment rate	6.6	6.4	6.1	5.8
Current account balance	1.0	2.5	2.6	2.7
Government budget balance	-3.6	-3.2	-2.9	-2.7

GDP: volumes. change over previous year. percent. Net ex-ports. inventories: contribution to growth. percentage points. Unemployment rate: unemployed in relation to labor force. percent. Current account balance. government budget balance: percent of nominal GDP..

Source: Eurostat, National Accounts; Kiel Institute calculations; grey shaded area: Kiel Institute forecast.

5. United Kingdom

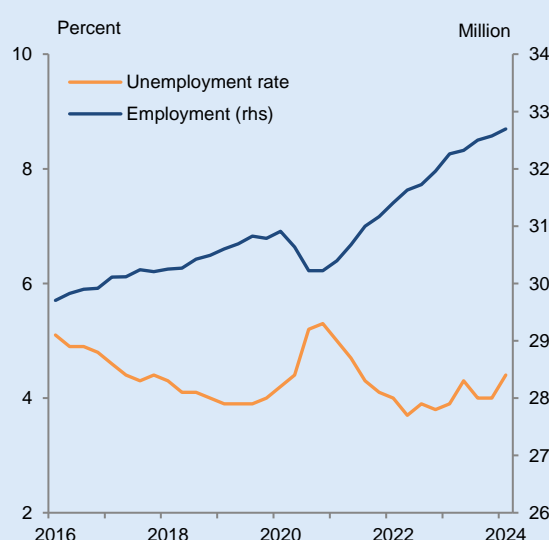
Figure 5.1:
GDP



Quarterly data, price, seasonally and calendar adjusted, qoq-change; annual rate of change (boxes).

Source: Cabinet office, *National Accounts*; shaded: IfW forecast.

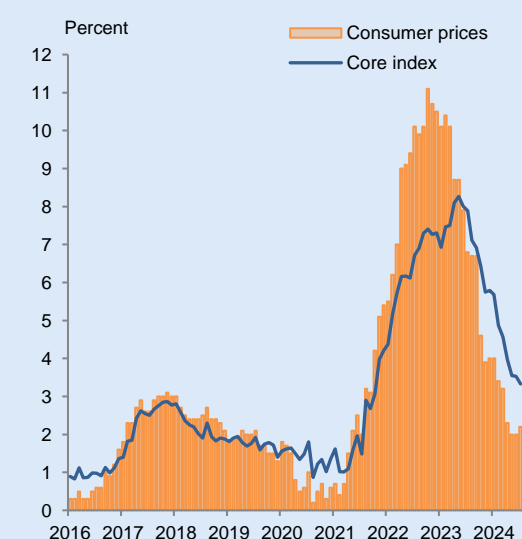
Figure 5.2:
Labor market



Quarterly data, seasonally adjusted.

Source: Office for National Statistics, *Economy*.

Figure 5.3:
Consumer prices



Monthly data, change over previous year. Core rate: consumer prices excluding energy and fresh food.

Source: Office for National Statistics, *Economy*.

Table 5.1:
Key indicators United Kingdom

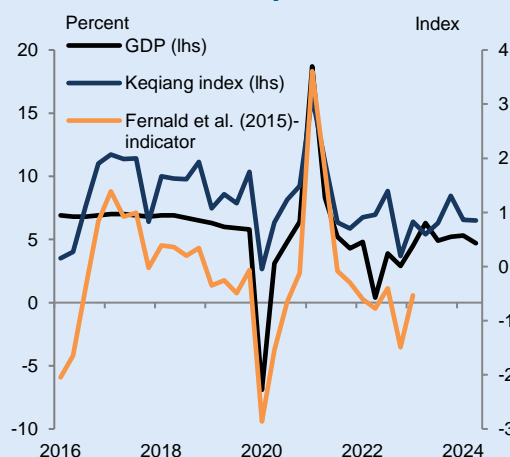
	2023	2024	2025	2026
Gross Domestic Product	0.1	1.0	1.2	1.4
Domestic expenditure	0.7	1.0	1.3	1.2
Private consumption	0.3	1.2	1.4	1.3
Government consumption	0.5	1.1	0.8	0.7
Gross fixed investment	2.2	-1.0	1.7	2.0
Inventories	-0.6	0.3	0.0	0.0
Net exports	0.4	-0.1	-0.1	-0.1
Exports	-0.5	1.8	1.7	1.9
Imports	14.1	2.0	1.8	2.2
Consumer prices	9.1	2.6	2.2	2.0
Unemployment rate	3.7	4.0	4.3	4.1
Current account balance	-3.1	-3.3	-2.0	-1.5
Fiscal balance	-5.4	-5.0	-4.5	-4.0

Percent. GDP: volumes. change over previous year. percent. — net exports. inventories: contribution to growth. percentage points. — Unemployment rate: Unemployed in relation to labor force. — Current account balance. fiscal balance: percent of nominal GDP.

Source: Office for National Statistics, *Economy*. Shaded area: IfW forecast.

6. China

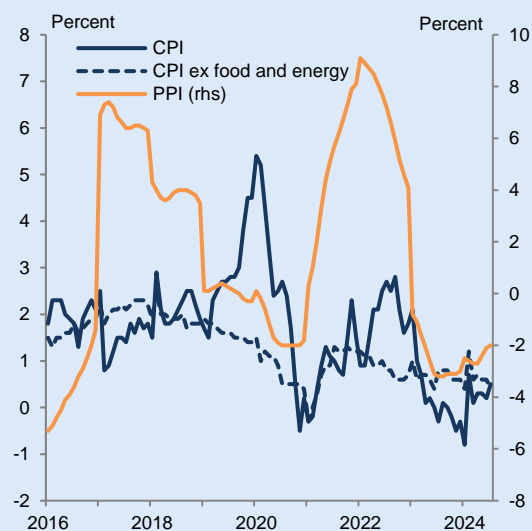
Figure 6.1:
GDP and alternative activity indicators



Quarterly data. GDP: year-on-year percentage change; Keqiang-index: arithmetic mean of the year-on-year growth rates of bank lending, electricity consumption and freight cargo; Fernald et al. (2015)-indicator: first principal component of the year-on-year growth rates of electricity production, railway cargo, retail sales and raw material prices (see Fernald et al. (2015). *Is China Fud-ging its Figures? Evidence from Trading Partner Data*. Federal Reserve Bank of San Francisco, Working Paper 2015-12).

Source: National Bureau of Statistics; People's Bank of China; Kiel Institute calculations.

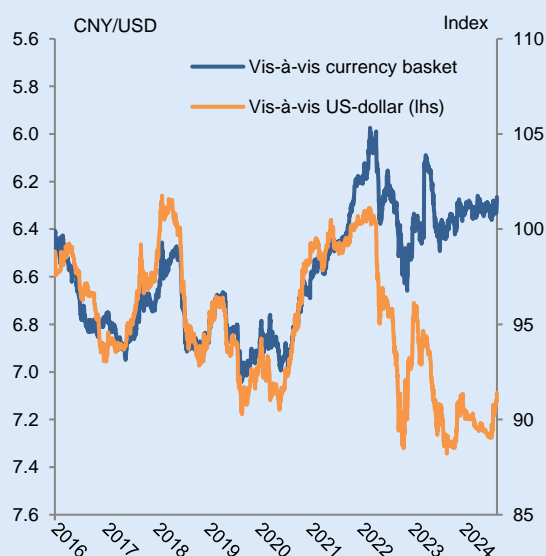
Figure 6.2:
Inflation



Monthly data; y-o-y growth rate. Core index: CPI excluding food and energy.

Source: National Bureau of Statistics.

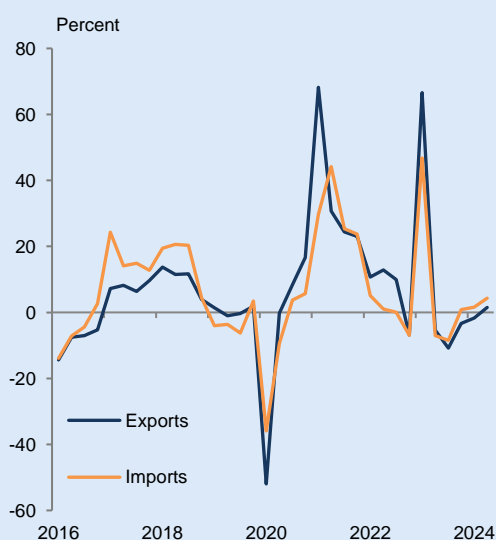
Figure 6.3:
Exchange rates



Daily data.

Source: Thomson Reuters; China Foreign Exchange Trade System; Kiel Institute calculations.

Figure 6.4:
Exports and imports

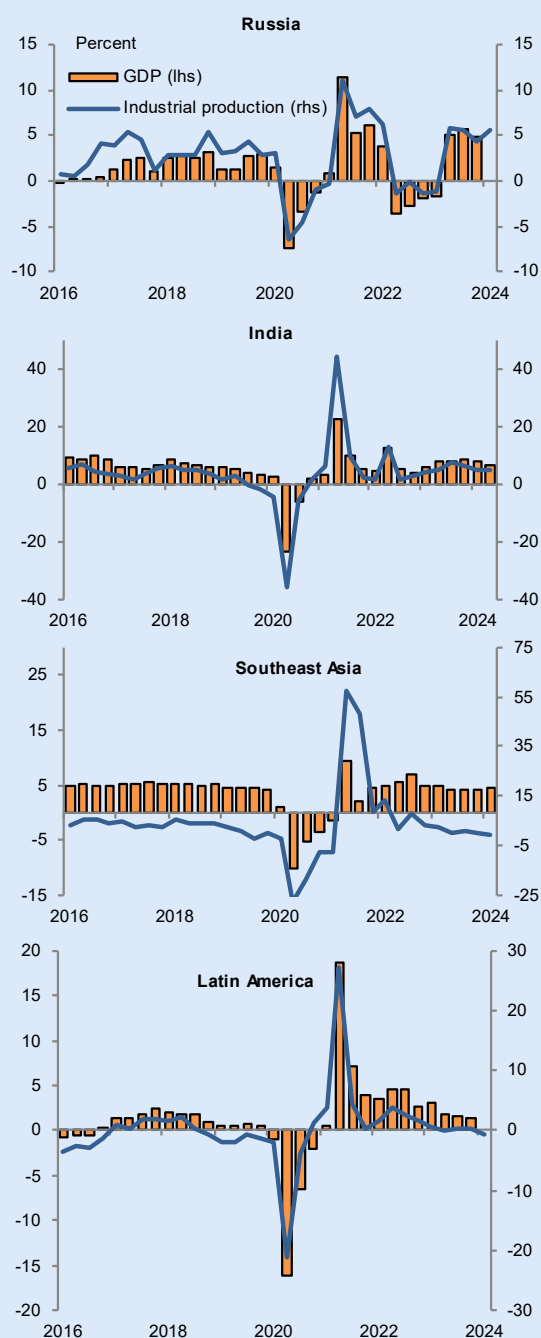


Change on a year earlier based on quarterly averages.

Source: General Administration of Customs China

7. Emerging Economies

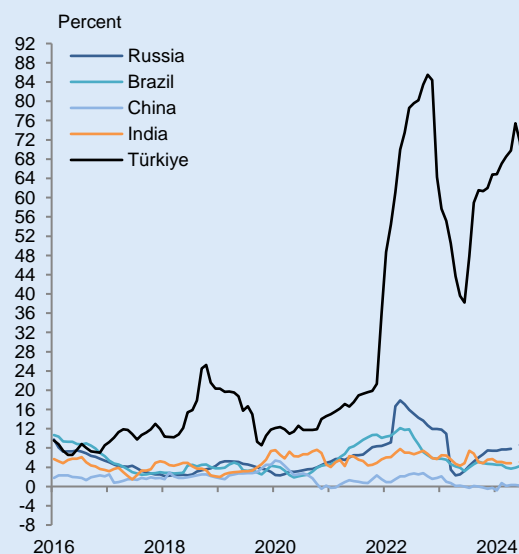
Figure 7.1:
GDP and industrial production in emerging economies



Quarterly data; volumes; seasonally adjusted; change over previous year; Southeast Asia: GDP-weighted average of Indonesia, Thailand, Malaysia and the Philippines; Latin America: GDP-weighted average of Argentina, Brasil, Chile, Colombia, Mexico and Peru.

Source: IMF, *International Financial Statistics*; national statistical offices Kiel Institute calculations.

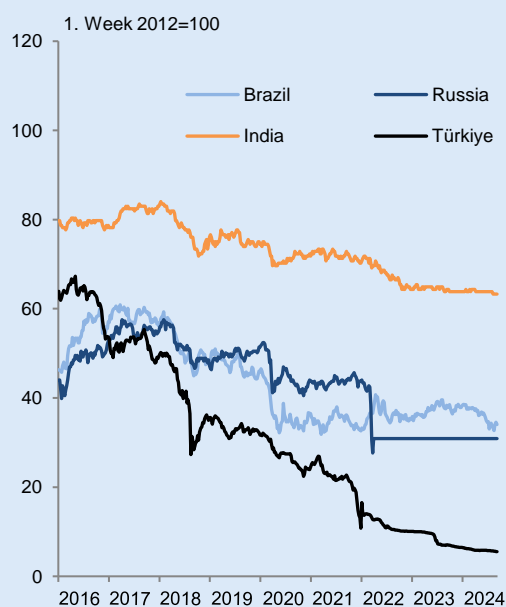
Figure 7.2:
Consumer prices



Monthly data; change over previous year.

Source: Federal State Statistics Service, *Russia*; IBGE, *Brazil*; National Bureau of Statistics, *China*; Labour Bureau, *India*.

Figure 7.3:
US-dollar exchange rates



Weekly data.

Source: LSEG

8. Forecast summary

Table 8.1:
Real gross domestic product, consumer prices and unemployment rate in advanced economies

	Weights	Real GDP				Consumer prices				Unemployment rate			
		2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
European Union	40.2	0.5	1.0	1.4	1.6	5.6	2.6	2.3	2.2	6.0	6.0	5.7	5.4
Euro area	34.0	0.4	0.9	1.2	1.4	5.4	2.3	2.0	2.1	6.6	6.4	6.1	5.8
Sweden	0.9	0.1	0.5	1.4	1.5	5.9	2.1	2.0	2.1	7.7	8.3	8.0	7.5
Poland	2.2	0.1	3.4	3.7	3.5	10.9	3.4	3.5	2.6	2.8	2.9	2.8	2.7
United Kingdom	5.1	0.1	1.0	1.2	1.4	7.3	2.6	2.2	2.0	3.7	4.0	4.3	4.1
Switzerland	1.0	0.7	1.3	1.5	1.6	2.1	1.3	1.0	1.0	4.3	4.1	4.2	4.0
Norway	0.6	0.7	2.4	2.3	2.0	5.5	3.4	2.7	2.5	3.4	3.6	3.8	3.7
United States	35.3	2.5	2.6	1.6	1.8	4.2	3.1	2.4	2.3	3.6	4.1	4.5	4.4
Canada	3.1	1.2	1.1	1.8	2.0	3.9	2.6	2.3	2.1	5.4	6.4	6.6	6.3
Japan	8.5	1.7	-0.2	1.0	1.2	3.3	2.2	2.3	1.4	2.6	2.5	2.4	2.4
South Korea	3.8	1.4	2.5	2.3	2.8	3.6	2.6	2.1	2.2	2.8	2.6	2.8	2.6
Australia	2.3	2.0	2.0	1.1	2.1	5.6	3.7	2.8	2.5	3.7	4.1	4.3	4.1
Total	100.0	1.4	1.6	1.5	1.7	4.8	2.7	2.3	2.1	4.5	4.7	4.8	4.6

Based on GDP at prices and exchange rates of 2023 in percent. Change over previous year in percent. European Union and Norway: Harmonized Index of Consumer Prices (HICP). Standardized unemployment rate in percent (ILO); country groups weighted according to the size of the labor force in 2023.

Source: Eurostat, VGR; OECD, Main Economic Indicators; IMF World Economic Outlook Database; Statistics Canada, Canadian Economic Account; shaded: Kiel Institute forecast.

Tabelle 8.2:

Real gross domestic product, consumer prices and unemployment rates in the European Union

	Weights	Real GDP				Consumer prices				Unemployment rate			
		2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
Germany	24.2	-0.3	-0.1	0.5	1.1	5.9	2.2	2.0	2.0	3.0	3.4	3.3	3.2
France	16.6	1.1	1.0	0.9	1.2	5.7	2.6	2.1	2.0	7.3	7.5	7.3	7.1
Italy	12.3	1.0	0.8	1.0	1.5	5.9	1.0	1.7	2.3	7.7	6.8	6.4	6.2
Spain	8.6	2.5	2.7	1.6	1.7	3.4	3.0	2.1	2.0	12.2	11.5	10.5	9.5
Netherlands	6.1	0.1	0.6	1.5	1.4	4.1	2.9	2.2	2.0	3.5	3.6	3.4	3.3
Belgium	3.4	1.4	1.2	1.1	1.2	2.3	3.4	2.1	2.0	5.5	5.6	5.5	5.4
Austria	2.8	-0.7	0.0	1.3	1.2	7.7	2.9	2.3	2.0	5.1	5.0	4.8	4.7
Ireland	3.0	-5.7	1.7	4.3	2.5	5.2	1.9	2.0	1.9	4.3	4.4	4.3	4.3
Finland	1.6	-1.2	0.1	2.6	1.7	4.3	1.2	2.4	2.0	7.2	8.3	7.8	7.3
Portugal	1.6	2.3	1.9	2.2	2.4	5.3	2.3	2.1	2.3	6.6	6.3	6.0	5.7
Greece	1.3	2.0	2.0	1.8	1.8	4.2	2.3	1.9	2.3	11.1	10.1	9.1	8.6
Slovak Republic	0.7	1.6	2.3	2.5	2.7	11.0	2.6	2.8	2.6	5.9	5.3	4.9	4.7
Luxembourg	0.5	-1.1	0.5	1.5	1.4	2.9	2.2	1.9	2.2	5.2	5.7	5.5	5.3
Kroatien	0.4	3.1	3.8	2.8	2.9	8.4	3.5	2.8	2.2	6.1	5.1	4.9	4.8
Slovenia	0.4	1.9	1.1	2.2	2.3	7.2	2.2	1.9	2.0	3.7	3.3	3.3	3.2
Lithuania	0.4	-0.3	2.1	2.6	2.8	8.7	0.9	2.0	2.4	6.9	7.6	7.1	6.5
Latvia	0.2	0.0	0.7	2.5	2.7	9.1	1.0	2.0	2.0	6.5	6.8	6.2	5.8
Estonia	0.2	-3.1	-0.6	2.7	2.5	9.1	2.8	1.8	1.3	6.4	7.4	7.0	6.7
Cyprus	0.2	2.5	3.1	1.8	1.9	3.9	1.5	1.8	1.9	5.8	5.2	4.9	4.6
Malta	0.1	5.7	4.1	3.8	3.6	5.6	1.7	1.8	1.6	3.1	3.0	2.8	2.6
Sweden	3.2	0.1	0.5	1.4	1.5	5.9	2.1	2.0	2.1	7.7	8.3	8.0	7.5
Poland	4.4	0.1	3.4	3.7	3.5	10.9	3.4	3.5	2.6	2.8	2.9	2.8	2.7
Denmark	2.2	2.5	1.6	2.1	3.0	3.4	1.9	2.2	2.1	5.1	5.6	5.1	4.8
Czech Republic	1.9	0.0	0.9	1.9	2.2	-2.3	1.9	2.0	2.2	2.6	2.8	2.6	2.4
Romania	1.9	2.1	1.6	3.3	3.0	3.9	6.5	3.9	3.1	5.6	5.3	5.2	5.1
Hungary	1.2	-0.7	1.3	2.7	4.7	-1.4	4.3	4.3	3.1	4.0	4.3	4.2	4.1
Bulgaria	0.6	2.0	2.2	3.1	3.2	6.9	3.9	2.7	2.4	4.3	4.3	4.1	4.0
European Union	100.0	0.5	1.0	1.4	1.6	5.6	2.6	2.3	2.2	6.0	6.0	5.7	5.4
Addendum:													
European Union 11	87.4	0.5	0.8	1.2	1.4	5.3	2.3	2.0	2.1	6.6	6.5	6.2	5.9
Accession countries	12.6	0.6	2.2	3.0	3.1	6.7	3.7	3.3	2.6	4.1	4.1	3.9	3.8
Euro Area	84.7	0.5	0.9	1.2	1.4	5.4	2.3	2.0	2.1	6.6	6.4	6.1	5.8
Euro Area without Germany	60.5	0.8	1.2	1.5	1.5	5.2	2.3	2.0	2.1	7.8	7.5	7.1	6.7

Based on GDP at prices and exchange rates of 2023 in percent. Change over previous year in percent. Harmonized Index of Consumer Prices (HICP). Standardized unemployment rate in percent (ILO); country groups weighted according to the size of the labor force in 2023. Accession countries since 2004.

Source: Eurostat, National Accounts; shaded: IfW forecast.

Tabelle 8.3:

Real gross domestic product and consumer prices in selected emerging market economies

	Weights	Real GDP				Consumer prices			
		2023	2024	2025	2026	2023	2024	2025	2026
Indonesia	5.6	5.0	4.8	4.5	5.3	3.7	2.6	2.5	2.4
Thailand	2.0	1.9	2.7	3.8	3.8	1.2	0.7	1.3	1.8
Malaysia	1.5	3.5	3.5	4.2	5.5	2.5	2.8	2.5	2.3
Philippines	1.6	5.6	5.1	4.3	6.0	6.0	3.6	3.2	2.9
Total	10.7	4.3	4.3	4.3	5.2	3.4	2.4	2.4	2.3
China	41.6	5.6	4.8	4.5	4.6	0.2	0.7	1.8	2.0
India	16.6	7.7	7.3	6.8	6.9	5.3	4.5	4.0	4.2
Asia total	68.9	5.9	5.3	5.0	5.2	2.0	1.9	2.4	2.6
Brazil	5.2	2.9	2.4	2.4	2.3	4.6	4.4	3.8	3.7
Mexico	4.1	3.2	1.2	1.9	2.3	5.5	4.8	3.9	3.7
Argentina	1.6	-1.6	-3.4	2.5	2.8	133.0	221.0	43.0	19.0
Colombia	1.3	0.6	1.9	2.2	2.8	11.7	6.9	3.9	3.7
Chile	0.8	0.3	2.1	1.9	2.5	7.6	4.2	3.3	3.0
Peru	0.7	-0.6	2.3	2.8	2.8	6.3	2.6	2.4	2.4
Latin America total	13.6	1.9	1.3	2.2	2.4	20.6	29.6	8.2	5.4
Egypt	2.3	3.8	3.4	4.5	4.5	8.5	24.4	30.0	25.0
Nigeria	1.7	2.7	2.5	3.0	3.5	18.8	24.7	30.0	28.0
South Africa	1.3	0.6	0.2	0.8	1.2	6.9	5.9	5.0	4.5
Algeria	0.8	4.1	3.7	3.2	3.2	9.3	9.3	6.2	4.8
Ethiopia	0.5	7.5	6.5	6.5	6.5	33.9	30.2	25.0	18.0
Africa total	6.6	3.2	2.8	3.4	3.6	12.9	19.5	21.9	18.9
Russia	6.4	3.6	3.9	1.5	1.0	5.9	7.9	8.0	7.0
Türkiye	4.6	4.5	4.0	4.5	5.5	53.9	62.0	40.0	25.0
Total	100.0	5.0	4.5	4.3	4.5	7.8	9.9	6.6	5.3

In percent. Weights: According to 2023 GDP at purchasing power parities. — GDP: price adjusted; changes compared to the previous year. — Consumer prices: changes compared to the previous year. — Asia total, Latin America total: based on listed countries.

Source: IMF, International Financial Statistics; OECD, Main Economic Indicators; national statistics; Kiel Institute calculations; shaded: Kiel Institute forecast.