

Boysen-Hogrefe, Jens et al.

**Article**

## German Economy in Spring 2025: Fiscal policy turns up the heat

Kiel Institute Economic Outlook, No. 122

**Provided in Cooperation with:**

Kiel Institute for the World Economy – Leibniz Center for Research on Global Economic Challenges

*Suggested Citation:* Boysen-Hogrefe, Jens et al. (2025) : German Economy in Spring 2025: Fiscal policy turns up the heat, Kiel Institute Economic Outlook, No. 122, Kiel Institute for the World Economy (IfW Kiel), Kiel

This Version is available at:

<https://hdl.handle.net/10419/319704>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*

# KIEL INSTITUTE **ECONOMIC OUTLOOK**

## **German Economy** Spring 2025

Finalized March 12, 2025

© Angela Husfeldt / ifw Kiel

**No. 122 (2025 | Q1)**

*Jens Boysen-Hogrefe, Dominik Groll, Timo Hoffmann, Nils Jannsen,  
Stefan Kooths, Johanna Krohn, Jan Reents und Christian Schröder*

# GERMAN ECONOMY IN SPRING 2025: FISCAL POLICY TURNS UP THE HEAT

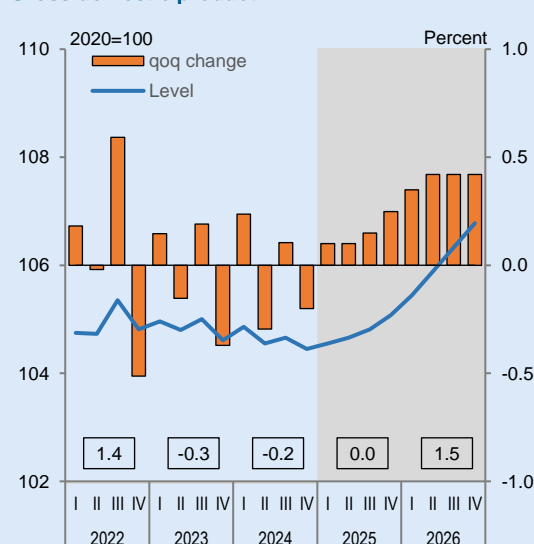
*Jens Boysen-Hogrefe, Dominik Groll, Timo Hoffmann, Nils Jannsen, Stefan Kooths, Johanna Krohn, Jan Reents und Christian Schröder*

*Economic momentum will remain weak for the time being. There are few signs of a significant economic upswing. The German economy primarily suffers from structural problems that are unlikely to abate in the short term. If the US administration raises tariffs on German imports, as assumed in this forecast, this will further dampen GDP. The uncertainty caused by erratic US trade policy alone is likely to have a negative impact. At the same time, the German export industry has already become noticeably less competitive and has lost market share in recent years. Our forecast for next year assumes that some of the plans agreed in the initial negotiations between the political parties CDU/CSU and SPD will be implemented and that fiscal policy will be much more expansionary. Against this background, we have revised our forecast upwards and expect GDP to grow by 1.5 percent in 2026 (December forecast: 0.9 percent). In the current year, GDP will stagnate (December forecast: 0.0 percent). Investment is expected to bottom out after four consecutive years of decline and start growing again in 2026, due to less restrictive monetary policy, an improving economic environment, and an increase in public investment. Employment is expected to pick up again next year after falling this year. However, demographic change will increasingly limit the scope for higher employment. The budget deficit is expected to rise to 3.4 percent of GDP in 2026, after falling to 2.4 percent this year (2024: 2.8 percent). The debt-to-GDP ratio is projected to increase from 63.3 percent in 2024 to 65.4 percent in 2026. The impact of a more expansionary fiscal policy on debt levels will only become increasingly apparent in the years thereafter.*

**GDP will stagnate this year.** With the decline in the fourth quarter, the period of alternating increases and decreases in GDP has continued (Figure 1). There are still few signs that economic activity will soon emerge from stagnation and return to noticeable growth. However, leading indicators suggest that GDP will not fall again in the first quarter. Business sentiment has stabilized recently and was slightly better than in the fourth quarter. The purchasing managers' index also points to a slight increase in GDP. Industrial production in January was well above its fourth quarter level, although leading indicators suggest that it could fall again in February. A factor weighing against a stronger increase is that the German government's provisional budget management, necessitated by the end of the coalition, is likely to dampen GDP growth in the first quarter. All in all, we expect GDP to rise by 0.1 percent in the first quarter. For the rest of the year, GDP is expected to grow only moderately. As assumed in this forecast, the United States will likely impose additional tariffs on imports from Germany, which will dampen output. All in all, we expect a negative impact on output of around 0.3 percent. In addition, economic policy uncertainty is likely to remain high for the time being, further diminishing economic activity (Berend and Jannsen 2024). Finally, the German economy suffers mainly from structural problems that are unlikely to ease in the short term. Accordingly, business expectations remain at an extremely low level.

**In 2026, expansionary fiscal policy will boost economic activity.** In our winter forecast, we expected that GDP would moderately recover in 2026. One reason behind this was the easing of monetary

**Figure 1:**  
Gross domestic product



Quarterly data: Volumes, seasonally and calendar adjusted.  
Annual data (boxes): Volumes, change in percent.

Source: Federal Statistical Office, *Fachserie 18, Series 1.2 and 1.3*, shaded: Kiel Institute forecast.

policy in the next year (Boysen-Hogrefe et al. 2024). For this forecast, we assume that fiscal policy will be much more expansionary than expected in winter. According to the results of the first negotiations between the political parties CDU/CSU and SPD, we expect an additional fiscal impulse of around 1 percent relative to GDP in 2026. Various methods have been used in the extensive literature to estimate the impact of such a stimulus on the economy, ranging from purely empirical approaches to theory-based models.<sup>1</sup> Many studies find an impact on GDP of around 0.5 to 1 percent for a fiscal impulse of 1 percent relative to GDP. However, there are also studies that report lower or higher effects. On the one hand, the specific effects depend on the design of the spending program. It can make a difference whether it takes the form of a one-off stimulus or a longer-term increase in spending, how fast spending is increased, or how it is financed. On the other hand, the macroeconomic environment also influences the impact. For example, it is a plausible assumption that the effects could be larger in an economy with low capacity utilization, although the results in the literature on this point are ambiguous. In this context, the extent to which prices react to additional government spending also plays a role. If prices rise noticeably, the ECB will likely tighten monetary policy and dampen the impact of expansionary fiscal policy. This factor would become more important if fiscal policy in other euro area countries were also to become more expansionary in order to increase military spending. Against this background, we assume that the more expansionary fiscal policy will add around 0.7 percentage points to GDP growth in 2026. Overall, we expect GDP to grow by 1.5 percent (calendar-adjusted: 1.2 percent) in the next year.

**Exports barely pick up.** German exports fell substantially in the fourth quarter. Exports of goods, especially capital goods, decreased by 3.4 percent, while exports of services increased by just under 1.5 percent. Goods exports to China and – to a lesser extent – the United States saw sharp declines, while goods exports to the EU fell only slightly. Overall, German exports fell by 2.2 percent. The recovery of German exports has been slow, and business confidence in export markets remains weak. Export expectations among German companies continue to be gloomy. Competitiveness within and outside the EU fell to the lowest levels ever reported, and the OECD index on German export performance continued along its downward trend of the past decade. The threat of trade wars and higher tariffs, particularly from the United States, will dampen German exports, with the uncertainty surrounding US trade policy already having a negative effect. We assume tariff increases on EU imports by 10 percentage points from the second quarter onward; based on predictions by trade models, we estimate that German exports will fall by around 0.8 percent as a result of these increases alone. Despite these challenges, the global economy's relatively robust nature and Germany's improving price competitiveness are expected to have a stabilizing effect. We anticipate a gradual recovery of exports without significant momentum. Overall, we forecast a decline in exports by 2.3 percent for the current year, and an increase by 1.8 percent for the following year. German imports grew by 0.5 percent in the past quarter, with a strong 4.2 percent increase in imports of services offsetting a 1 percent decline in imports of goods. However, due to weak economic momentum, imports are expected to remain stagnant in the first quarter and only increase modestly by 1.5 percent in 2025 before picking up further and rising by 2.8 percent in the following year as the economy improves. Import prices rose more strongly than export prices, resulting in a slight decrease in the terms of trade, which are expected to continue falling throughout the year and in the next year.

**Private consumption will grow only moderately.** Last year, private consumption rose by 0.3 percent, barely making up for the decline in 2023. The main reason was the persistently poor consumer sentiment of private households. Although it improved somewhat during last year, it remained at a very low level. The high level of economic policy uncertainty, the weakening labor market and the aftermath of the energy crisis still seem to be weighing on consumer sentiment. Real disposable income of private households increased strongly by 1.6 percent. As a result, the savings rate has risen markedly. The period of high real income growth appears to have come to an end for the time being. This year and the next, gross wages and salaries will rise much more slowly than in previous years, as wages have caught up to the strong increases of consumer prices in recent years. Growth of net wages will also be dampened this year due to the abolition of the inflation compensation premium. Monetary social benefits will rise strongly again this year, not least as a result of substantial increases in pensions. However, there are signs that the increase will be significantly lower next year. Given the rather weak economic environment, property and entrepreneurial income is unlikely to develop much momentum, especially as the

<sup>1</sup> Ilzetzi (2025) provides an up-to-date overview of the empirical literature, particularly with regard to defense spending. Gadatsch et al. (2016), for example, have developed a theory-based model specifically tailored to Germany.



decline in self-employment will continue to have a dampening effect. Against this background, nominal disposable income is not expected to rise faster than consumer prices over the forecast period. All in all, we expect real household disposable income to rise by 0.2 percent this year and by 0.8 percent in 2026. Consumer sentiment is likely to remain subdued due to the high level of economic policy uncertainty. As a result, households are unlikely to reduce their savings significantly. In our forecast, we assume that the savings rate will remain more or less unchanged. Against this backdrop, we expect private consumption to increase by 0.3 percent this year and by 0.7 percent in 2026.

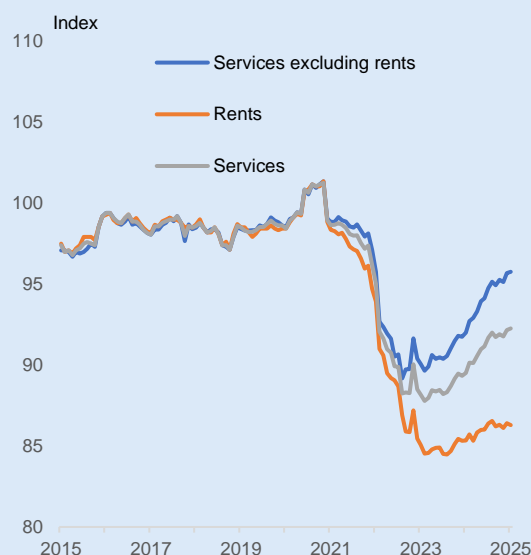
**Investment in construction are bottoming out in the current year.** After two declines in the second and third quarters of last year, investment in construction rose by 1 percent in the last quarter. Nevertheless, investment in construction fell by 3.3 percent in 2024, marking the fourth consecutive year of decline. Over this period, investment in construction have fallen by a total of approximately 13 percent. For the first quarter of the current year, leading indicators largely suggest a further decline in construction investment of 0.9 percent. However, construction investment will bottom out in the course of the year. The recovery in housing, which is sensitive to interest rates, will contribute to this, but tighter financing conditions remain an obstacle to a rapid recovery of housing investment to the levels seen before the interest rate turnaround in 2022, especially in light of the sharp rise of construction prices in recent years. Other construction is expected to increase this year, supported by infrastructure investment, although the weak financial situation of local authorities will initially dampen the momentum. All in all, we expect investment in construction to fall by 0.9 percent in 2025. In 2026, investment in construction is likely to increase substantially over the course of the year (+3.8 percent), partly because public construction activity will continue to increase given the new expansionary fiscal policy. However, higher demand is also likely to lead to higher prices, dampening the increase in construction volume.

**The weak economy and high levels of uncertainty continue to weigh on private investment in machinery and equipment, at least initially.** As in the previous three quarters of the year, investment in machinery and equipment fell in the fourth quarter of 2024, seeing a decline of 0.3 percent. Overall, this amounts to a decline of around 6 percent in 2024. The decline in private investment in equipment (–7 percent) is a key driver of the annual outcome. The reasons for this decline likely include weak capacity utilization and tighter financing conditions. The high level of uncertainty about economic policy – as indicated by media analyses and company surveys – is also likely to have a negative impact (Baker et al. 2016, DIHK 2025), as it causes investors to remain on hold (Junker and Michelsen 2024, Grimme and Stöckli 2017). As a result, business investment is increasingly being channeled into maintenance rather than capacity expansion or new products (DIHK 2025). Public investment in machinery and equipment expanded (+5 percent), supported by spending from the Bundeswehr special fund. At the beginning of the year, leading indicators point to an increase in private investment in equipment of 0.3 percent, which would represent a rebound from the weak fourth quarter. Investments in machinery and equipment are likely to increase moderately as the year progresses. In line with the slight improvement in economic activity, we do not expect pro-cyclical private investment in machinery, equipment and vehicles to pick up until the second half of the year, although investment is likely to be supported by the effects of an expansive fiscal policy. As a result of the increased procurement of major defense equipment compared to 2023 and 2024, public investment in equipment, machinery, and vehicles will increase again throughout the forecast period, exceeding the already strong momentum of 2024. Overall, investment in machinery, equipment and vehicles are likely to decline by 0.9 percent in 2025. For 2026, we expect an increase of 4.9 percent. Investment in other products continues to grow strongly. Investment in other products (mainly expenditure on software as well as research and development) rose sharply by 3.9 percent in 2024 and by more than 10 percent since 2021. It is expected to continue to grow strongly over the forecast period, also supported by additional public investment. In 2025 and 2026, we expect increases of 2.8 and 5.7 percent.

**Core inflation remains elevated.** After declining sharply from the high levels of previous years to just under 3 percent in 2024, core inflation (consumer prices excluding energy) has remained in the range of 2.5 to 3 percent for about a year. Service prices, which rose at a rate of around 4 percent last year, were the main driver of the still relatively strong price increases. Within services, rents – which account for about a third of the services component – rose at a much lower rate. Overall, rents tend to change slowly as existing rents are infrequently adjusted. However, at just over 2 percent year-on-year, the price increase for rents was already high by historical standards. Prices for other services have recently

risen by around 5 percent. After falling sharply relative to other consumer price components during the period of high inflation, services prices (excluding rents) have now come close to their previous relative price position (Figure: 1). Against this background, we expect the upward trend in services prices excluding residential rents to slow. Most recently, average growth rates have already slowed somewhat on a month-on-month basis. Rents are likely to continue to rise at relatively high rates, partly due to the enduring tightness of the housing market. Food and non-energy goods are expected to rise at slightly above-average rates compared to the pre-crisis period. The share of firms planning price increases has risen somewhat recently, and producer prices in the manufacturing sector have recently shown a slight upward trend. Overall, the core rate is expected to decline only slightly over the forecast period to 2.4 percent (2025) and 2.3 percent (2026). Energy prices are expected to decline by around 3 percent this year and by 2 percent in 2026. One major reason for this is that the new government will likely subsidize electricity prices. In this forecast, we assume that the subsidies will start in the middle of this year. Overall, we expect inflation to only slightly fall to 2 percent this and next year (Table 1). The economic recovery, combined with an expansionary fiscal policy and a less restrictive monetary policy, speaks against a further slowdown in core inflation. The trade conflicts triggered by the United States could have ambiguous effects on consumer prices. On the one hand, unilateral tariff increases by the United States could lead to a depreciation of the euro and thus tend to push up inflation. If the European Union were to take significant countermeasures, the prices of imports from the United States would rise. On the other hand, lower shipments to the United States as a result of tariff increases would lead to an increase in the supply of goods, especially as other major trading partners, such as European Union member states and China, would also be affected. In addition, higher US tariffs would reduce capacity utilization in Germany. Both would have a dampening effect on prices. Overall, this forecast assumes that the trade conflicts will have no major impact on consumer prices.

**Figure 1:**  
Relative prices of services



Monthly data: seasonal adjusted; Relative price compared to consumer prices excluding services.

Source: Deutsche Bundesbank; Kiel Institute calculations.

**Table 1:**

**Key indicators**

	2023	2024	2025	2026
Gross domestic product (GDP), price-adjusted	-0.3	-0.2	0.0	1.5
Gross domestic product, deflator	6.1	3.1	1.6	2.4
Consumer prices	5.9	2.2	2.0	2.0
Labor productivity (per hour worked)	-0.6	-0.1	0.1	0.8
Employment (1000 persons)	46,011	46,082	46,020	46,152
Unemployment rate (percent)	5.7	6.0	6.2	5.9
<i>in relation to nominal GDP</i>				
Public sector net lending	-2.5	-2.8	-2.4	-3.4
Gross public debt	62.7	63.3	64.4	65.4
Current account balance	5.8	5.8	4.4	3.9

GDP, consumer prices, labor productivity: percentage change on previous year; unemployment rate: as defined by the Federal Employment Agency.

Source: Federal Statistical Office, *Fachserie 18, Series 1.2*; Federal Employment Agency, *Monthly Bulletin*; Federal Employment Agency, *Employment Statistics*; shaded: Kiel Institute forecast.

**Wage dynamics normalize.** According to the Deutsche Bundesbank's negotiated pay rate statistics, negotiated wages and salaries rose by 6.1 percent in 2024, compared to 4 percent in 2023. This was the highest hike since 1993. The higher increase compared to the previous year is partly due to basic pay rates, which accelerated from 2.6 percent to 4.9 percent. In addition, the once again stronger increase in total negotiated wages and salaries compared to basic pay rates indicates that one-off payments were also higher in 2024 than in 2023. According to the Federal Statistical Office, 86.3 percent of all employees covered by collective bargaining agreements received inflation compensation bonuses averaging 2,680 euros between October 2022 and December 2024. The discontinuation of inflation compensation bonuses will ensure that the increase in negotiated wages and salaries will be significantly dampened in 2025 (+3.6 percent), although basic pay rates are set to accelerate once again (+5.9 percent). In 2026, negotiated wages and salaries are likely to slow further due to the past decline in inflation and the weak economic development that will continue in the current year, as well as the fact that collective bargaining agreements can only react to these conditions with a time lag due to contract terms of at least two years. Accordingly, the economic expansion we expect in the coming year will be reflected in negotiated wages and salaries only in subsequent years. Effective earnings (gross wages and salaries per employee) generally react faster to changes in economic conditions than negotiated wages and salaries. Accordingly, in 2026, the economic expansion should already lead to a slight acceleration in effective earnings.

**A recovery in the labor market is in sight.** Employment began to decline last year but has recently stabilized somewhat. The number of employees working exclusively in low-paid part-time jobs fell, while employment subject to social security continued to rise, albeit at a slower pace. The increase in employment subject to social security continued to take place exclusively in the service sector – the strongest growth in absolute figures took place in healthcare, social services, public administration, transport and education, where a total of 230,000 new jobs were added last year. In manufacturing and construction, on the other hand, companies cut 100,000 and 25,000 jobs respectively; in temporary employment, the number of employees fell by 80,000. Self-employment continued to trend downwards as well. The rise in unemployment continued unabatedly. In February, a seasonally adjusted 2.89 million people were registered as unemployed (unemployment rate: 6.2 percent). This implies that unemployment has increased by around 390,000 people since summer 2022. The number of unemployed with a Ukrainian citizenship has remained largely constant over the same period. The ratio of unemployed to job vacancies indicates that the rise in unemployment is primarily due to a decline in labor demand by companies and not so much to a structural deterioration in the labor market. Leading indicators for the labor market have deteriorated further. According to the ifo Employment Barometer, the willingness to hire in the private sector is now as low as it was before the Hartz reforms in the early to mid-2000s – with the exception of severe economic crises such as the Great Financial Crisis and COVID-19. The low willingness to hire is particularly pronounced in the manufacturing sector, where companies are looking to cut more and more jobs. According to the IAB Labour Market Barometer, local employment agencies are also taking a more pessimistic view of both employment and unemployment from month to month. Against this backdrop, we expect declines in employment and further increases in unemployment for the remainder of this year. Due to the significantly brighter outlook for economic activity in 2026, unemployment should then fall more sharply than previously expected over the course of the coming year. Employment is likely to increase as a result; we previously expected a stagnation. However, the increase in employment is likely to be smaller than the reduction in unemployment, as the potential labor force is set to decline due to the demographic transition. All in all, we expect the unemployment rate to rise from 6 percent (2024) to 6.2 percent (2025) before falling to 5.9 percent (2026.)

**Fiscal policy becomes even more expansionary.** Our projections are based on the assumption that the German constitution will be amended to allow additional debt for financing defense spending and infrastructure investments. In the medium term, we assume that this amendment will align with a structural deficit of approximately 3.5 percent, enabling a substantial increase in gross fixed capital formation and government consumption. In 2025, the public deficit is expected to decrease. The constitutional amendment will not significantly impact spending in this year, as investment and defense expenditures are typically planned in advance. The unexpected nature of this change means it was not included in the budgeting process. As a result, only minor effects will be visible before the end of the year. Meanwhile, higher social security contributions will create a mildly restrictive effect. Overall, the deficit will decline. Public expenditure will rise sharply in 2026. The additional fiscal flexibility will lead to increased investment spending. Since a significant portion of defense spending is classified as government consumption, this component will also see a strong increase. We estimate that the structural deficit will rise

by approximately 1.5 percentage points. However, due to business cycle effects of the expansionary fiscal policy, the overall deficit will increase by only 1 percentage point.



## Literatur

- Baker, S. R., N. Bloom and S. J. Davis (2016). [Measuring Economic Policy Uncertainty](#). The Quarterly Journal of Economics 131(4): 1593–1636.
- Berend, L. and N. Jannsen (2024). [Zum Einfluss der wirtschaftspolitischen Unsicherheit auf die deutsche Konjunktur](#). Kiel Insight 2024.11.
- Boysen-Hogrefe, J., D. Groll, T. Hoffmann, N. Jannsen, S. Kooths, C. Schröder and N. Sonnenberg (2024). [German Forecast in Winter 2024: No Recovery in Sight](#). Kieler Konjunkturbericht 120. Kiel Institut für Weltwirtschaft.
- DIHK (2025). [Wachstum? – Fehlanzeige!](#). DIHK-Konjunkturumfrage Jahresbeginn 2015.
- Gadatsch, N., K. Hauzenberger and N. Stähler (2016). [Fiscal policy during the crisis: A look on Germany and the Euro area with GEAR](#). Economic Modelling 52(Part B): 997–1016.
- Grimme, C. and M. Stöckli (2017). [Makroökonomische Unsicherheit in Deutschland](#). ifo Schnelldienst 70(6): 41–50.
- Ilizetzi, E. (2025). [Guns and Growth: The Economic Consequences of Defense Buildups](#). Kiel Report 2. Kiel Institut für Weltwirtschaft.
- Junker, S. and C. Michelsen (2024). [Wirtschaftspolitische Unsicherheit: Investitionen bleiben aus](#). vfa Economic Policy Brief 11.24.

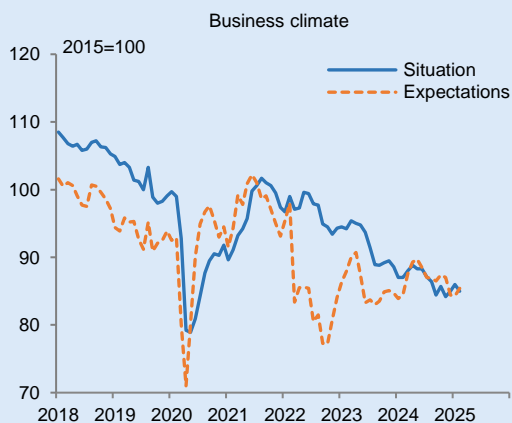
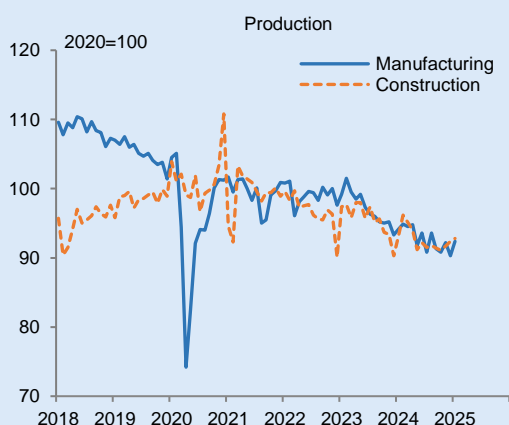
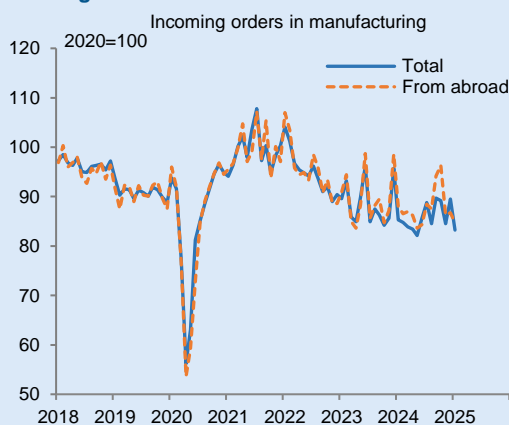
## **Data annex**

# Contents

1. Leading indicators .....	10
2. Monetary conditions and prices .....	11
3. External trade.....	13
4. Domestic expenditure.....	15
5. Industries.....	18
6. Wages.....	19
7. Employment.....	20
8. Public finances.....	21
9. GDP and its components.....	23
10. The German economy, 2023–2026 .....	24
11. National accounts.....	25

## 1. Leading indicators

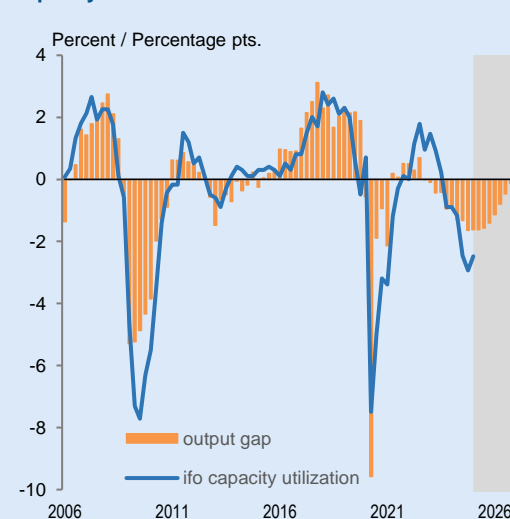
**Figure 1.1:**  
Leading indicators



Monthly data; seasonally adjusted.

Source: Deutsche Bundesbank, *Seasonally Adjusted Business Statistics*, ifo, *Konjunkturperspektiven*; Kiel Institute calculations.

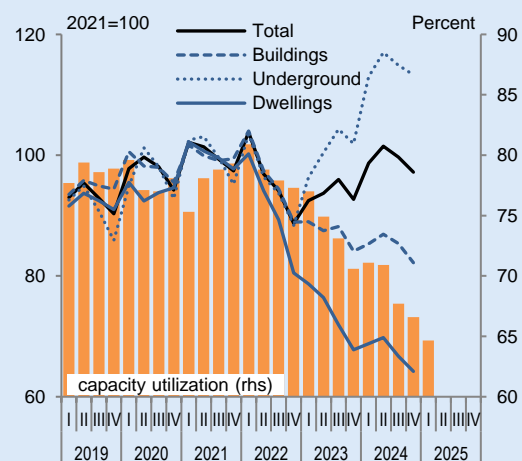
**Figure 1.2:**  
Capacity utilization



Quarterly data: GDP deviation from potential output, estimation of potential output from the medium-term projection Spring 2025 (Boysen-Hogrefe et al. 2025), deviation of ifo capacity utilization indicator from the mean (2005 bis 2019).

Source: Federal Statistical Office; ifo Institute - Leibniz Institute for Economic Research; Kiel Institute forecast.

**Figure 1.3:**  
Order stocks and capacity utilization in construction industry

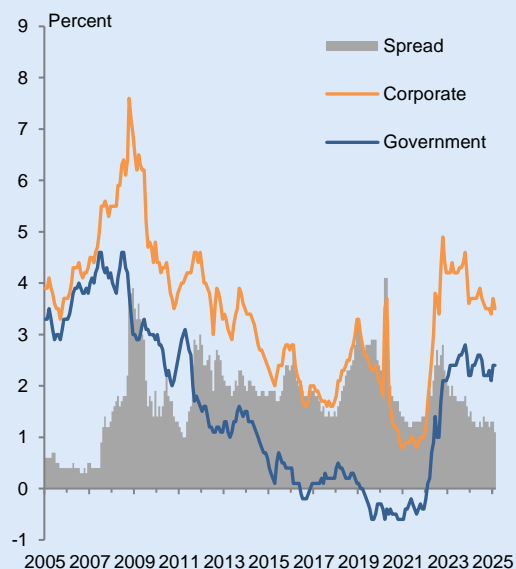


Quarterly data. Capacity utilization (deviation from normal level): seasonally adjusted; order stocks: price, seasonally and working-day adjusted.

Source: Federal Statistical Office, *GENESIS database*; ifo, *Konjunkturperspektiven*.

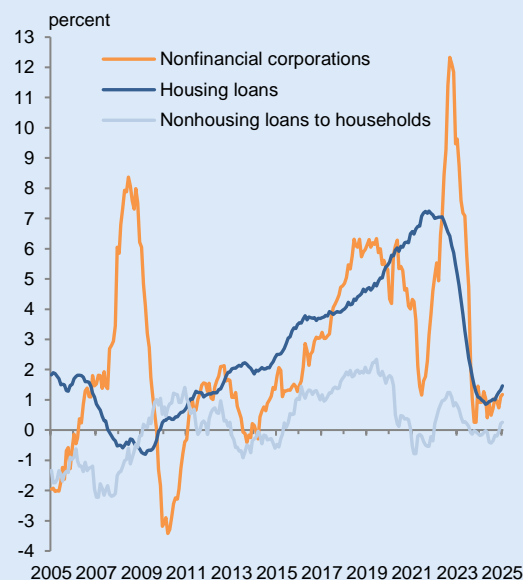
## 2. Monetary conditions and prices

**Figure 2.1:**  
Bond yields



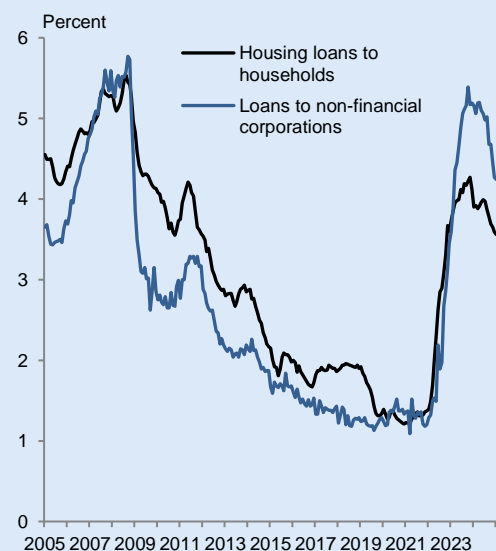
Source: Deutsche Bundesbank, *Monthly Reports*; Kiel Institute calculations.

**Figure 2.3:**  
Credit growth



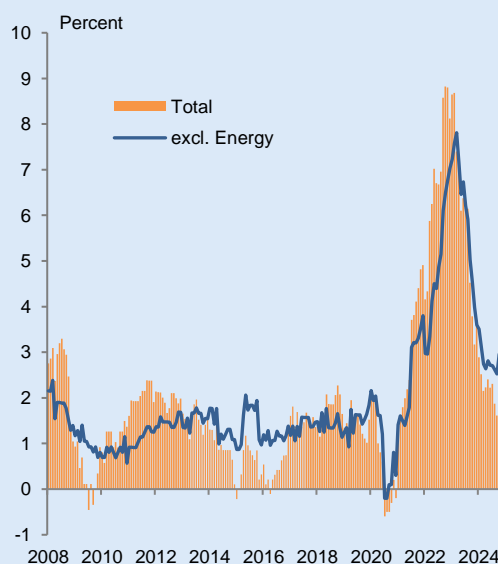
Source: Deutsche Bundesbank, *Seasonally Adjusted Business Statistics*; Kiel Institute calculations.

**Figure 2.2:**  
Loan interest



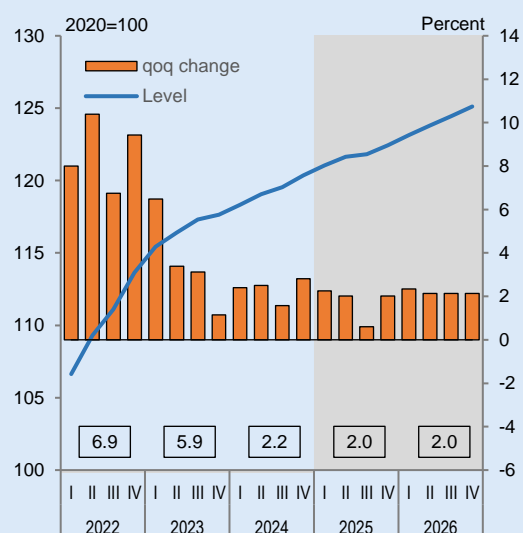
Source: Deutsche Bundesbank, *MFI interest rate statistics*.

**Figure 2.4:**  
Consumer prices



Source: Deutsche Bundesbank, *Time series databases*; Kiel Institute calculations.

**Figure 2.5:**  
Consumer price index



Quarterly data: seasonally adjusted; quarter-on-quarter change: annualized.

Annual data (boxed): Volumes, change in percent.

Source: Federal Statistical Office, *Fachserie 17, Series 7*; shaded: Kiel Institute forecast.

**Tabelle 2.1:**  
Projections and assumptions on the international environment

	2024				2025				2026			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
ECB key interest rate	4.00	3.75	3.50	3.00	2.50	2.25	2.25	2.25	2.25	2.25	2.25	2.25
Long-term interest rate	2.3	2.5	2.3	2.2	2.5	2.8	2.8	2.8	2.8	2.8	2.8	2.8
US-dollar/euro exchange rate	1.09	1.08	1.10	1.07	1.04	1.05	1.05	1.05	1.05	1.05	1.05	1.05
Price competitiveness	91.8	92.1	92.2	91.5	90.7	90.3	90.0	89.9	89.8	89.7	89.7	89.7
Export markets	0.5	0.5	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.6
Oil price	81.9	85.0	78.7	73.5	75.8	69.9	68.8	68.0	67.4	67.1	66.8	66.6
Gas price	27.4	31.7	35.4	43.3	48.4	42.1	42.3	41.5	39.9	33.3	32.7	33.4
Electricity price	69.2	72.9	78.3	118.4	121.4	96.1	96.1	96.1	83.0	83.0	83.0	83.0

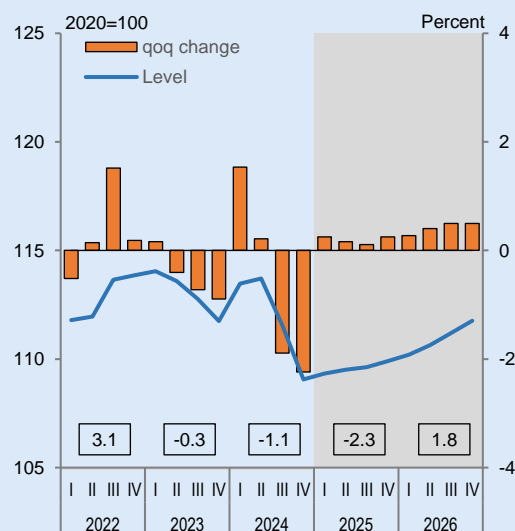
ECB key interest rate: deposit facility rate (end of quarter); long-term interest rate on 9–10 year bonds (quarterly average); price competitiveness: against 60 trading partners, based on consumer price inflation, index: 1991:I = 100, increasing values indicate deterioration of price competitiveness; export markets: GDP growth in 41 countries, weighted with shares in German exports, change over previous quarter; oil price: US-Dollar per barrel North Sea Brent; gas price: Euro per MWh (TTF); electricity price (Phelix, Baseload).

Source: ECB, *Monthly Bulletin*; Deutsche Bundesbank, *Monthly Bulletin*; IMF, *International Financial Statistics*, *LSEG Datastream*, *EEX*, *ENDEX*; Kiel Institute calculations; shaded: Kiel Institute forecast or assumption.



### 3. External trade

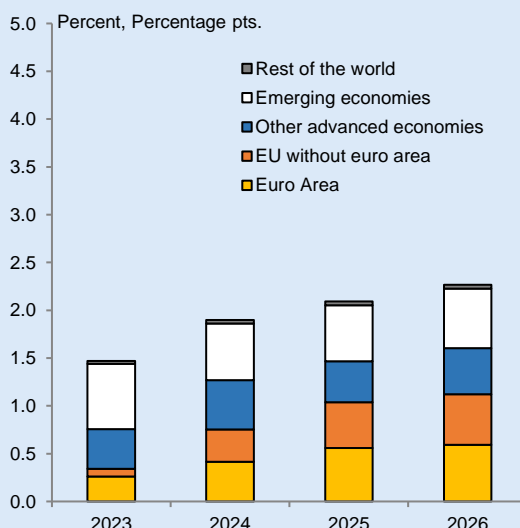
**Figure 3.1:**  
Exports



Quarterly data: Volumes, seasonally and calendar adjusted.  
Yearly data (boxed): Volumes, change in percent.

Source: Federal Statistical Office, *Fachserie 18, Series 1.2 and 1.3*; shaded: Kiel Institute forecast.

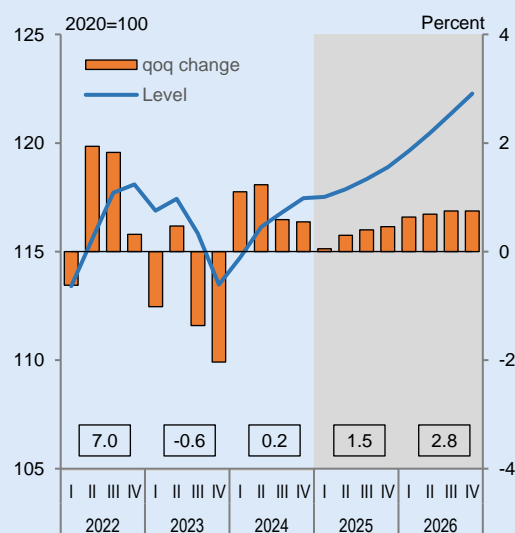
**Figure 3.3:**  
German export markets



Annual data, volumes; GDP growth in 64 countries, weighted with shares in German exports.

Source: Federal Statistical Office, *Fachserie 7 Series 1*; national sources; Kiel Institute calculations and forecast.

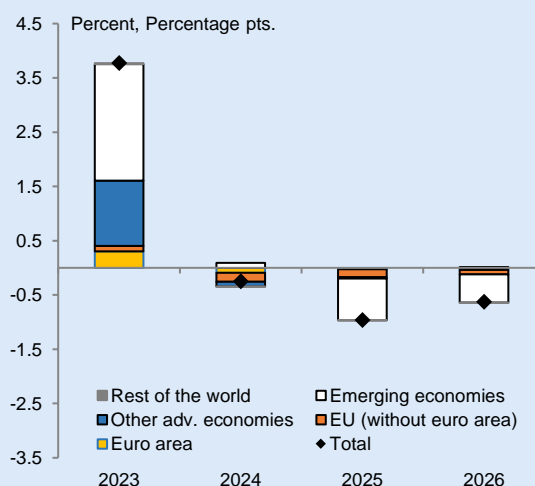
**Figure 3.2:**  
Imports



Quarterly data: Volumes, seasonally and calendar adjusted.  
Annual data (boxed): Volumes, change in percent.

Source: Federal Statistical Office, *Fachserie 18, Series 1.2 and 1.3*; shaded: Kiel Institute forecast.

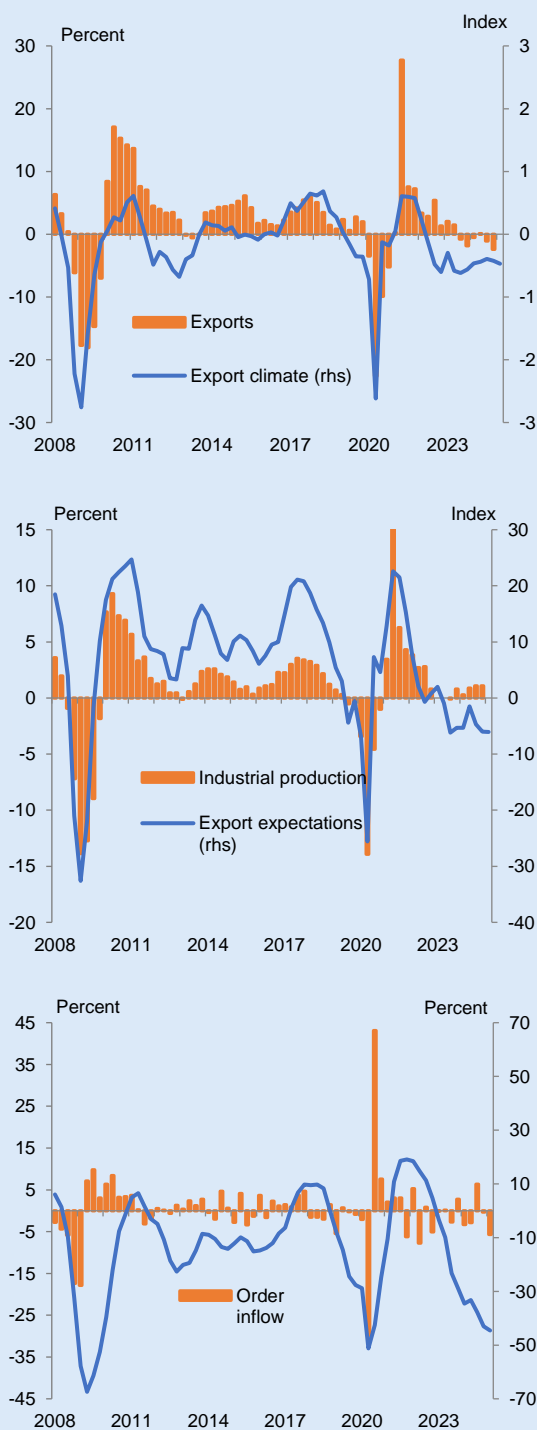
**Figure 3.4:**  
Germany's price competitiveness



Annual data; vis-à-vis 57 countries based on consumer prices and exchange rates; weights according to Germany's price competitiveness indicator vis-à-vis 60 trading partners based on consumer price indices from the Deutsche Bundesbank. Increase reflects worsening of price competitiveness.

Source: Bundesbank, *Monthly Report* 11.2023; national sources; Kiel institute calculations and forecast.

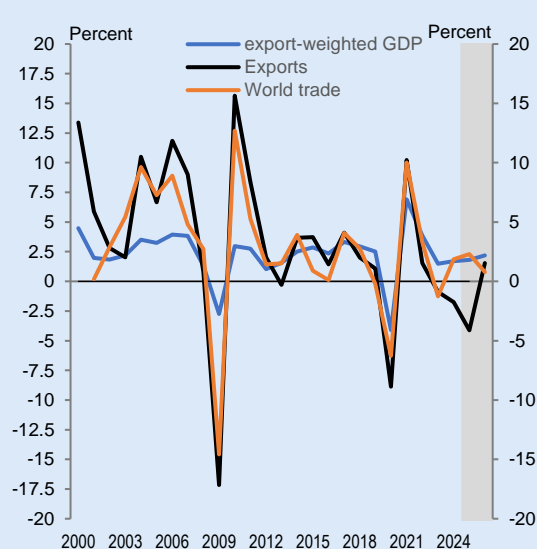
**Figure 3.5:**  
Export indicators



Quarterly data; exports, industrial production, volumes, change on previous year; order inflow: volumes, change on previous quarter; export expectations, foreign orders on hand: volumes; business expectations, industrial production: based on 42 countries weighted by shares of German exports.

Source: Deutsche Bundesbank; CPB, *World Trade Monitor*; Thomson Reuters Datastream; ifo, *Konjunkturperspektiven*; Kiel Institute calculations.

**Figure 3.6:**  
Export-weighted GDP, exports and world trade

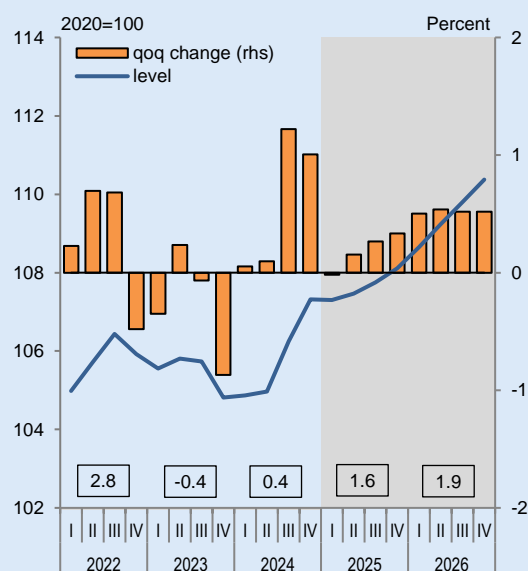


Annual data; price-adjusted; growth rate; trade in goods.

Sources: CPB, Destatis; international statistical offices; shaded gray: Kiel Institute forecast.

## 4. Domestic expenditure

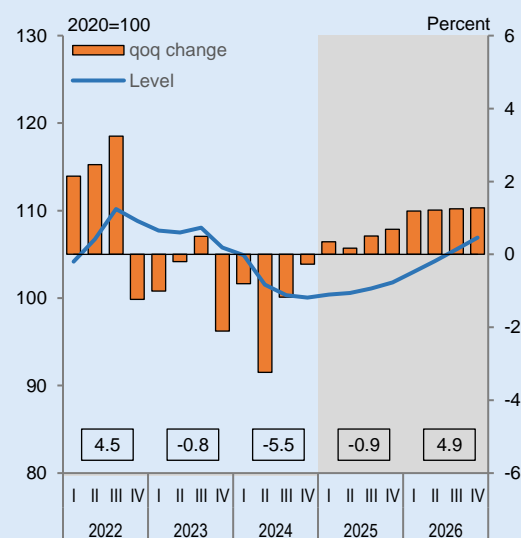
**Figure 4.1:**  
Final domestic expenditure



Quarterly data: price, seasonally and calendar adjusted, quarter-on-quarter change.  
Annual data: price adjusted, annual rate (boxed).

Source: Federal Statistical Office, *Fachserie 18, Series 1.2 and 1.3*; shaded: Kiel Institute forecast.

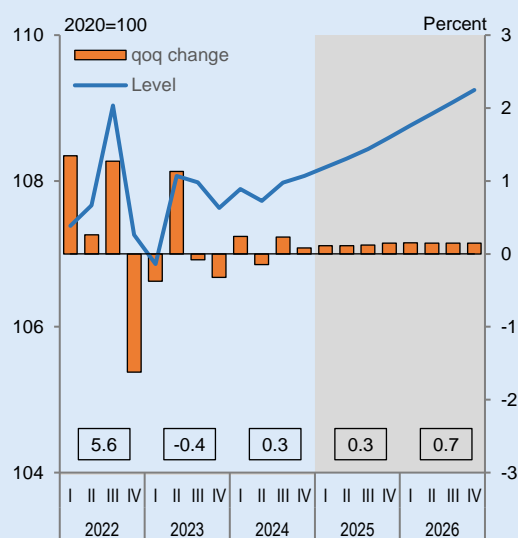
**Figure 4.3:**  
M&E investment



Quarterly data: Volumes, seasonally and calendar adjusted.  
Annual data (boxed): Volumes, change in percent.

Source: Federal Statistical Office, *Fachserie 18, Series 1.2 and 1.3*; shaded: Kiel Institute forecast.

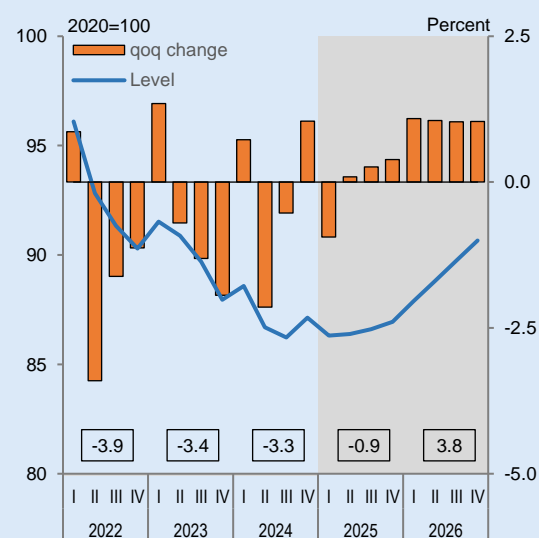
**Figure 4.2:**  
Private consumption



Quarterly data: Volumes, seasonally and calendar adjusted.  
Annual data (boxed): Volumes, change in percent.

Source: Federal Statistical Office, *Fachserie 18, Series 1.2 and 1.3*; shaded: Kiel Institute forecast.

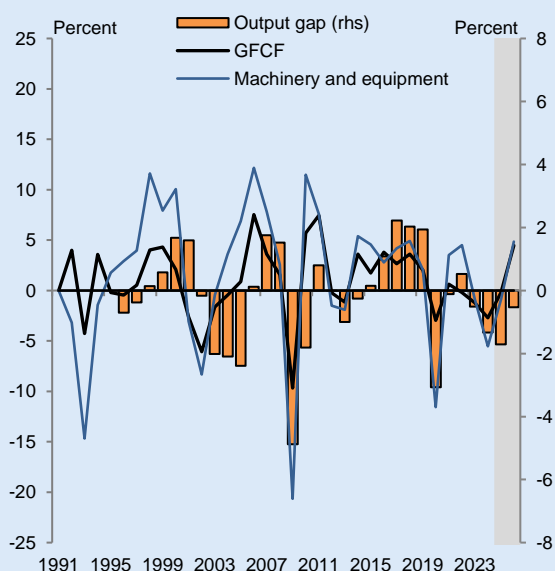
**Figure 4.4:**  
Construction



Quarterly data: Volumes, seasonally and calendar adjusted.  
Annual data (boxed): Volumes, change in percent.

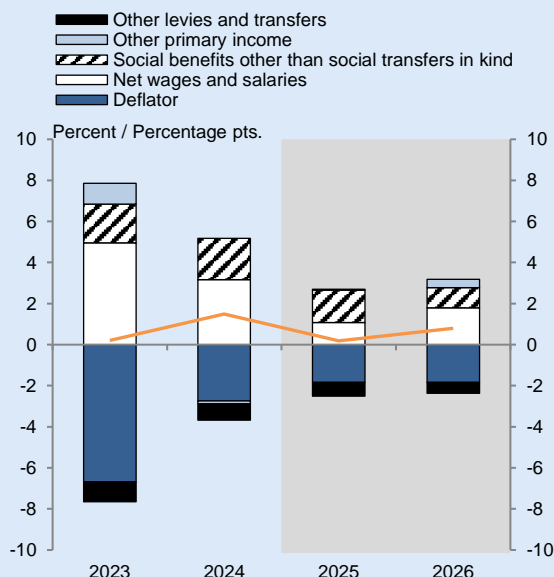
Source: Federal Statistical Office, *Fachserie 18, Series 1.2 and 1.3*; shaded: Kiel Institute forecast.

**Figure 4.5:**  
Investment cycles



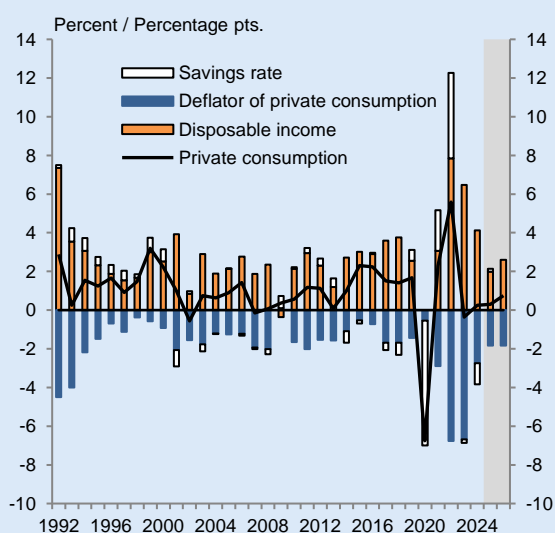
Source: Federal Statistical Office, *Fachserie 18, Series 1.2*; Kiel Institute calculations; shaded: Kiel Institute forecast.

**Figure 4.7:**  
Contributions to changes in real disposable income



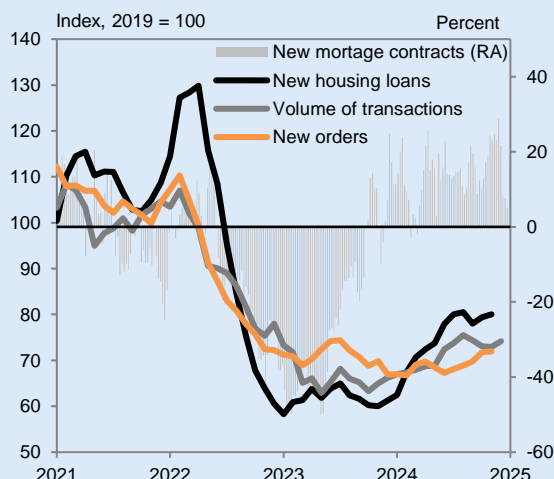
Source: Federal Statistical Office, *Fachserie 18, Series 1.2*; Kiel Institute calculations.

**Figure 4.6:**  
Decomposition of growth in private consumption



Source: Federal Statistical Office, *Fachserie 18, Series 1.2*; Kiel Institute calculations; shaded: Kiel Institute forecast.

**Figure 4.8:**  
Housing indicators



Source: SCHUFA Holding AG, Federal Statistical Office, Federal ministry of finance, vdp real estate price index, Kiel Institute calculations.

**Table 4.1:**

**Gross fixed capital formation**

	2023	2024	2025	2026
Total	-2.2	1.5	2.9	5.5
Corporate investment	-5.5	2.1	3.1	7.0
Machinery and equipment	-11.2	3.4	3.0	10.6
Construction (non-dwellings)	-0.7	1.2	1.2	1.6
Other	1.0	0.7	4.7	5.7
Dwellings	3.4	1.3	3.2	3.1
Public (non-dwellings)	4.9	-3.5	-0.4	4.5
<i>Memorandum item:</i>				
Construction	2.5	0.7	2.2	2.9

Volumes; change over previous year in percent.

Source: Federal Statistical Office, *Fachserie 18, Series 1.2*;  
shaded: Kiel Institute forecast



## 5. Industries

**Table 5.1:**

**Gross value added for industries**

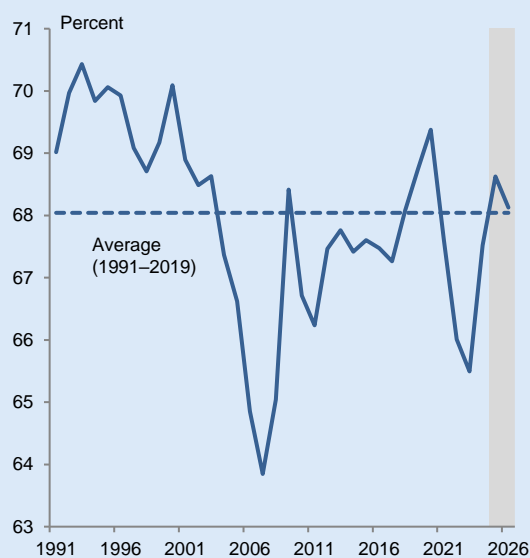
	2024				2025				2026			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Seasonally and calendar-adjusted, quarter-on-quarter change in percent												
Gross domestic product	0.2	-0.3	0.1	-0.2	0.1	0.1	0.1	0.2	0.3	0.4	0.4	0.4
Gross value added	-0.4	-0.3	-0.4	-0.3	0.1	0.1	0.1	0.2	0.3	0.4	0.4	0.4
Industry excl. construction	-3.4	-0.5	-1.8	-1.1	0.5	0.0	0.0	0.2	0.3	0.3	0.3	0.3
Manufacturing	-0.1	-0.7	-1.4	-0.6	0.5	0.0	0.0	0.2	0.2	0.3	0.3	0.3
Energy, Water etc.	-20.7	0.5	-3.7	-3.4	2.0	0.0	0.1	0.2	0.3	0.3	0.3	0.3
Construction	2.3	-3.2	-1.3	-0.9	-1.0	0.0	0.3	0.5	1.0	1.0	1.0	1.0
Trade, transport, accomodation, food services	0.5	-0.8	-0.1	0.5	0.1	0.1	0.1	0.2	0.3	0.3	0.4	0.4
Information and communication	2.1	-0.1	-0.4	0.4	0.2	0.2	0.5	0.8	1.2	1.2	1.2	1.2
Financial and insurance services	1.1	-0.4	-1.0	-2.1	-0.5	-0.1	0.0	0.1	0.1	0.1	0.1	0.1
Real estate activities	0.6	0.2	-0.6	-0.5	-0.1	0.1	0.1	0.1	0.2	0.3	0.3	0.3
Business services	-0.3	0.2	-0.6	-0.3	0.0	0.1	0.2	0.3	0.4	0.5	0.5	0.5
Public services, education, health	0.5	0.4	1.4	0.3	0.1	0.1	0.1	0.2	0.3	0.3	0.3	0.3
Other services	1.0	0.0	0.1	-0.3	0.0	0.1	0.2	0.2	0.3	0.3	0.3	0.3

Quarterly data, volumes.

Source: Federal Statistical Office, *Fachserie 18, Series 1.3*; shaded: Kiel Institute forecast.

## 6. Wages

**Figure 6.1:**  
Real unit labor costs



Annual data; compensation of employees per hour (nominal) in relation to gross value added per hour (nominal).

Source: Federal Statistical Office, *Fachserie 18, Series 1.2*; shaded: Kiel Institute forecast.

**Table 6.1:**  
Wages and productivity

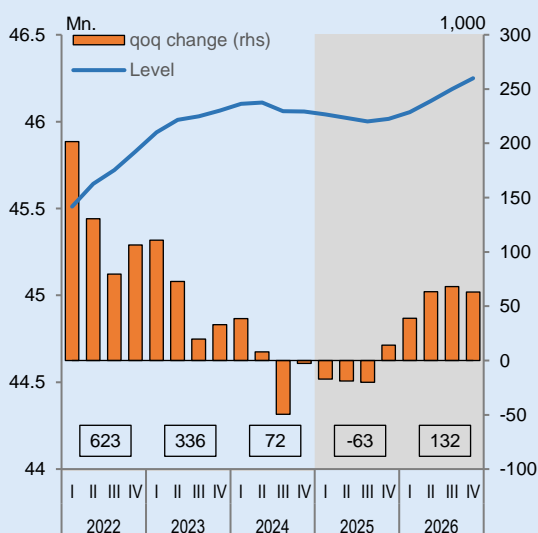
	2023	2024	2025	2026
<i>Per hour</i>				
Negotiated wages	4.0	6.1	3.6	3.1
Gross wages and salaries	6.6	5.4	3.0	2.6
Wage drift	2.6	-0.7	-0.6	-0.5
Compensation of employees	6.0	5.3	3.3	2.6
Labor productivity	-0.6	-0.1	0.1	0.8
Unit labor costs	6.7	5.5	3.3	1.8
Unit labor costs (real)	0.5	2.3	1.7	-0.6
<i>Per capita</i>				
Negotiated wages	4.0	6.1	3.6	3.1
Gross wages and salaries	6.4	5.3	3.1	3.2
Wage drift	2.4	-0.7	-0.5	0.1
Compensation of employees	5.9	5.2	3.5	3.2
Labor productivity	-1.0	-0.4	0.2	1.2
Unit labor costs	6.9	5.6	3.3	1.9
Unit labor costs (real)	0.7	2.5	1.7	-0.4

Change over previous year in percent; wage drift: difference between change of negotiated wages and change of gross wages and salaries in percentage points; labor productivity: real GDP per hour or per capita; unit labor costs: compensation of employees (per hour or per capita) in relation to labor productivity; unit labor costs (real): unit labor costs deflated by GDP deflator.

Source: Federal Statistical Office, *Fachserie 18, Series 1.2*; Deutsche Bundesbank, *Negotiated Pay Rate Statistics*; shaded: Kiel Institute forecast.

## 7. Employment

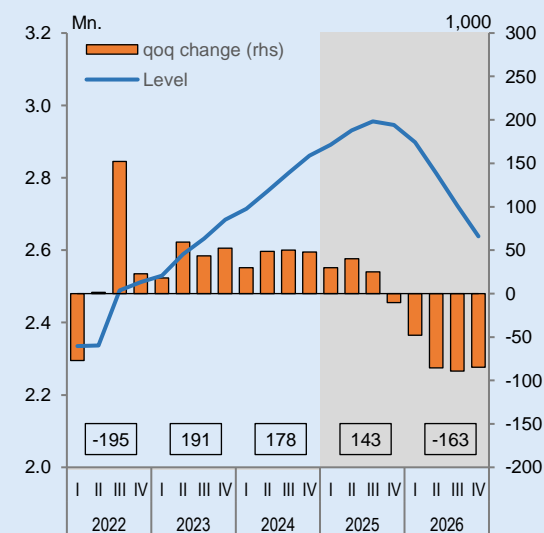
**Figure 7.1:**  
Persons employed



Quarterly data: seasonally adjusted.  
Annual data (boxed): year-on-year change in 1,000.

Source: Federal Statistical Office, *Fachserie 18, Series 1.3*; shaded: Kiel Institute forecast.

**Figure 7.2:**  
Unemployed persons (registered)



Quarterly data: seasonally adjusted.  
Annual data (boxed): year-on-year change in 1,000.

Source: Federal Statistical Office, *Fachserie 18, Series 1.3*; shaded: Kiel Institute forecast.

**Table 7.1:**  
Employment (1,000 persons)

	2022	2023	2024	2025	2026
Hours worked (domestic concept, mn. hours)	61,211	61,437	61,372	61,317	61,748
Persons in employment (domestic concept)	45,675	46,011	46,082	46,020	46,152
Self-employed	3,895	3,847	3,774	3,733	3,713
Employees (domestic concept)	41,781	42,163	42,308	42,287	42,439
Employees subject to social security contributions	34,525	34,799	34,936	34,982	35,178
Minijobs	4,127	4,199	4,177	4,097	4,053
Net commuting	211	210	205	200	200
Persons in employment (national concept)	45,464	45,801	45,878	45,819	45,952
Employees (national concept)	41,570	41,954	42,104	42,086	42,239
Unemployed persons (registered)	2,418	2,609	2,787	2,930	2,767
Unemployment rate (registered; percent)	5.3	5.7	6.0	6.2	5.9
Unemployment rate (ILO; percent)	2.9	2.8	3.2	3.4	3.4

Self-employed: including family workers; unemployed persons (registered): definition of the Federal Employment Agency (BA).

Source: Federal Statistical Office, *Fachserie 18, Series 1.2*; Federal Employment Agency, *Monthly Bulletin*; Federal Employment Agency, *Employment Statistics*; shaded: Kiel Institut forecast.

## 8. Public finances

Table 8.1:

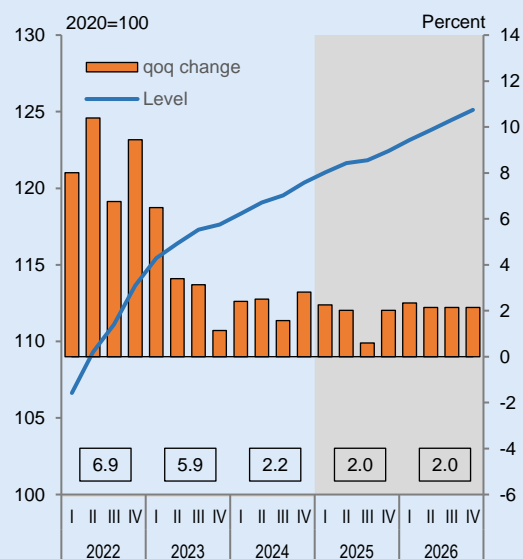
Revenues and expenditures of the general government (bn. Euro)

	2022	2023	2024	2025	2026
<b>Revenues</b>	<b>1,852.6</b>	<b>1,917.4</b>	<b>2,011.6</b>	<b>2,102.5</b>	<b>2,171.4</b>
→relative to GDP	46.9	45.8	46.6	47.7	48.0
Taxes	960.8	957.6	992.2	1,024.8	1,052.5
→relative to GDP	24.3	22.9	23.0	23.3	23.3
Social contributions	667.1	709.9	753.7	803.4	835.2
→relative to GDP	16.9	17.0	17.5	18.2	18.5
Other revenues	224.7	250.0	265.7	274.3	283.8
→relative to GDP	5.7	6.0	6.2	6.2	6.3
<b>Expenditures</b>	<b>1,937.5</b>	<b>2,025.0</b>	<b>2,093.6</b>	<b>2,179.3</b>	<b>2,248.1</b>
→relative to GDP	49.0	48.4	48.5	49.5	49.7
Compensation of employees	320.7	337.6	353.1	365.9	375.3
Intermediate consumption	252.2	264.0	272.8	280.3	287.3
Social transfers in kind	354.6	362.1	391.5	409.9	425.7
Gross capital formation	112.2	117.1	128.5	135.9	139.8
Capital transfers	27.9	36.6	45.0	46.7	45.9
Social benefits	613.9	657.0	699.1	734.0	759.7
Subsidies	67.5	84.5	49.5	51.9	52.9
Other current transfers	111.3	91.9	87.6	91.6	97.5
Other capital transfers and invest- ment grants	77.9	74.4	66.7	63.3	64.1
Other expenditures	-1.0	-0.5	-0.5	-0.5	-0.5
<b>Net lending/net borrowing</b>	<b>-84.9</b>	<b>-107.5</b>	<b>-82.0</b>	<b>-76.7</b>	<b>-76.6</b>
→relative to GDP	-2.1	-2.6	-1.9	-1.7	-1.7
<b>Revenues of central, state, and lo- cal governments</b>	<b>1,229.5</b>	<b>1,244.9</b>	<b>1,291.5</b>	<b>1,335.1</b>	<b>1,344.2</b>
Net of transfers from social security funds	1,218.7	1,239.6	1,289.4	1,331.9	1,341.0
Transfers from social security funds	10.8	5.3	2.1	3.2	3.2
<b>Expenditures of central, state, and local governments</b>	<b>1,323.1</b>	<b>1,361.4</b>	<b>1,367.1</b>	<b>1,406.9</b>	<b>1,415.0</b>
Net of transfers to social security funds	1,144.7	1,211.9	1,224.6	1,266.0	1,273.8
Transfers to social security funds	178.4	149.5	142.5	140.9	141.2
<b>Net lending/net borrowing central, state, and local governments</b>	<b>-93.7</b>	<b>-116.6</b>	<b>-75.6</b>	<b>-71.8</b>	<b>-70.8</b>
<b>Revenues of social security funds</b>	<b>812.3</b>	<b>827.3</b>	<b>864.7</b>	<b>911.5</b>	<b>919.1</b>
Net of transfers from central, state, and local governments	633.9	677.8	722.2	770.6	778.0
<b>Expenditures of social security funds</b>	<b>803.5</b>	<b>818.3</b>	<b>871.1</b>	<b>916.5</b>	<b>926.7</b>
Net of transfers to central, state, and local governments	792.8	813.1	868.9	913.3	923.5
<b>Net lending/net borrowing social security funds</b>	<b>8.8</b>	<b>9.0</b>	<b>-6.4</b>	<b>-4.9</b>	<b>-7.6</b>

Sums may deviate due to rounding. Relative to GDP in percent.

Source: Federal Statistical Office, *internal worksheet*; Kiel Institute calculations; shaded: Kiel Institute forecast.

**Figure 8.2:**  
**Structural budget balance**



Quarterly data: seasonally adjusted; quarter-on-quarter change: annualized.

Annual data (boxed): Volumes, change in percent.

Source: Federal Statistical Office, *Fachserie 17, Series 7*; shaded: Kiel Institute forecast.



## 9. GDP and its components

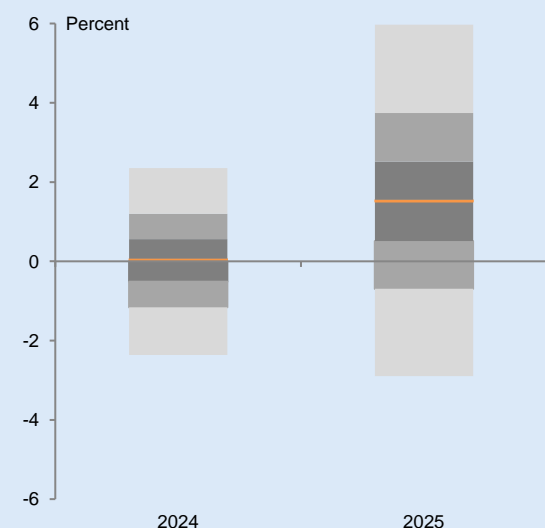
**Table 9.1:**  
Quarterly data

	2024				2025				2026			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Gross domestic product	0.2	-0.3	0.1	-0.2	0.1	0.1	0.1	0.2	0.3	0.4	0.4	0.4
Private consumption	0.2	-0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Government consumption	0.1	1.9	1.5	0.4	-0.2	0.4	0.3	0.7	0.8	0.8	0.8	0.8
Machinery and equipment	-0.8	-3.2	-1.2	-0.3	0.3	0.2	0.5	0.7	1.2	1.2	1.2	1.3
Constructions	0.7	-2.1	-0.5	1.0	-0.9	0.1	0.3	0.4	1.1	1.1	1.0	1.0
Other investment	1.4	0.6	0.6	-0.2	1.0	1.0	1.0	0.9	1.7	1.7	1.6	1.6
Change in inventories	-0.2	0.2	0.8	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic expenditure	0.1	0.1	1.2	1.0	0.0	0.2	0.3	0.3	0.5	0.5	0.5	0.5
Exports	1.5	0.2	-1.9	-2.2	0.3	0.2	0.1	0.2	0.3	0.4	0.5	0.5
Imports	1.1	1.2	0.6	0.5	0.1	0.3	0.4	0.5	0.6	0.7	0.7	0.7
Net exports	0.2	-0.4	-1.1	-1.2	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Employment (domestic)	46,102	46,110	46,061	46,058	46,041	46,022	46,002	46,016	46,055	46,118	46,187	46,250
Unemployment (registered)	2,714	2,763	2,813	2,861	2,891	2,931	2,956	2,946	2,898	2,812	2,723	2,639

Volumes, seasonally and working-day adjusted. Change on previous quarter in percent; change in inventories, net exports: Lundberg component (contribution to GDP growth); employment, unemployment: seasonally adjusted, 1,000 persons; unemployment: as defined by the Federal Employment Agency (BA).

Source: Federal Statistical Office, *Fachserie 18, Series 1.3*; Federal Employment Agency, *Monthly Bulletin*; shaded: Kiel Institute forecast.

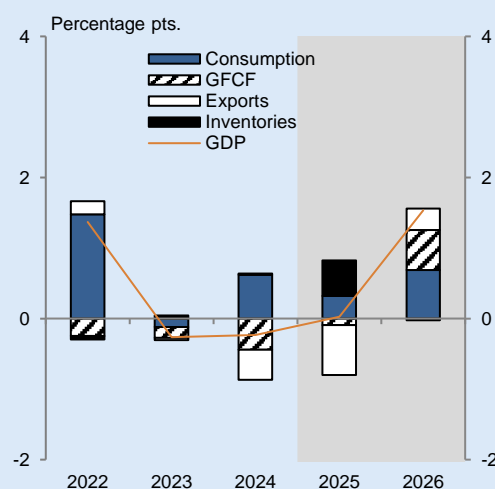
**Figure 9.1:**  
Forecast intervals for GDP growth



GDP: volumes, change over previous year. Point forecasts: orange lines. Forecast intervals gray shaded areas with confidence levels of 33, 66, and 95 percent. Confidence levels calculated based on historical forecast errors of the Kiel Institute in the first quarter 1994–2024.

Source: Own calculations.

**Figure 9.2:**  
Import adjusted expenditure-side contributions to GDP growth



Annual data; price-adjusted, growth contribution of each expenditure component adjusted by import content; import content is estimated based on input/output tables; see Kooths and Stolzenburg (2018).

Source: OECD, Input Output Database; Federal Statistical Office, *Fachserie 18, Series 1.2*; shaded: Kiel Institute forecast.

## 10. The German economy, 2023–2026

**Table 10.1:**  
The German economy –

	2023	2023	2024	2025	2026
	Bn. Euro	Change over previous year in percent			
Use of gross domestic product, price-adjusted					
GDP		-0.3	-0.2	0.0	1.5
Private consumption expenditure		-0.4	0.3	0.3	0.7
Public consumption expenditure		-0.1	3.5	1.9	2.7
Total fixed investment		-1.2	-2.7	-0.2	4.5
Machinery and equipment		-0.8	-5.5	-0.9	4.9
Construction		-3.4	-3.3	-0.9	3.8
Other equipment		4.7	3.9	2.8	5.7
Changes in stocks		0.1	0.0	1.0	0.0
Domestic Demand		-0.4	0.4	1.6	1.9
Exports		-0.3	-1.1	-2.3	1.8
Imports		-0.6	0.2	1.5	2.8
Net exports		0.1	-0.6	-1.5	-0.4
Use of gross domestic product at current prices					
GDP	4,185.6	5.9	2.9	1.6	3.9
Private consumption expenditure	2,205.6	6.3	3.0	2.1	2.6
Public consumption expenditure	905.2	4.1	6.2	3.2	5.3
Total fixed investment	899.9	4.9	-0.2	2.5	8.9
Machinery and equipment	275.7	4.8	-3.9	1.1	7.9
Construction	466.1	4.4	-0.3	2.4	8.8
Other equipment	158.0	6.2	6.6	5.1	10.6
Changes in stocks (€ bn.)		7.2	8.2	52.0	51.1
Domestic Demand	4,017.9	4.2	3.0	3.5	4.5
Exports	1,816.6	0.4	-0.2	0.1	2.8
Imports	1,649.0	-3.6	-0.1	4.8	4.2
Net exports (€ bn.)		167.7	166.0	89.0	67.4
Gross national income	4,332.2	5.7	2.9	1.7	4.0
	2023	2023	2024	2025	2026
	Bn. Euro	Change over previous year in percent			
Deflators					
GDP		6.1	3.1	1.6	2.4
Private consumption expenditure		6.7	2.7	1.8	1.8
Public consumption expenditure		4.2	2.6	1.3	2.5
Investment in machinery and equipment		5.7	1.7	2.0	2.9
Investment in construction		8.1	3.1	3.3	4.9
Investment in other equipment		1.4	2.6	2.2	4.6
Exports		0.7	0.9	2.4	1.0
Imports		-3.0	-0.3	3.3	1.3
Addendum: Consumer prices		5.9	2.2	2.0	2.0
Income distribution					
Net national income (factor costs)	3,132.7	6.6	1.6	1.2	3.9
Compensation of employees	2,229.0	6.8	5.6	3.4	3.6
in percent of national income		71.2	73.9	75.5	75.3
Property and entrepreneurial income	903.7	6.2	-8.1	-5.1	4.8
Disposable income	2,404.6	6.9	4.2	2.0	2.6
Saving rate		10.4	11.4	11.3	11.3
Wages and salaries	1,846.0	7.4	5.7	3.0	3.6
Wage per hour		6.6	5.4	3.0	2.6
Unit labor costs		6.7	5.5	3.3	1.8
Productivity per hour		-0.6	-0.1	0.1	0.8
Unemployment (1,000)		2,608.7	2,787.1	2,930.2	2,767.3
Rate of unemployment (percent)		5.7	6.0	6.2	5.9
Total employment (1,000)		46,010.5	46,082.2	46,019.6	46,151.8
Public sector budget balance					
Public sector budget balance (€ bn.)		-103.8	-118.8	-103.2	-154.5
Public sector budget balance (in percent of GDP)		-2.5	-2.8	-2.4	-3.4
Public debts (in percent)		62.7	63.3	64.4	65.4
Change in stocks, net exports: Lundberg-component (contribution to GDP growth); employment, unemployment: as defined by the Federal Employment Agency (BA); public debts: in relation to GDP.					
Source: Federal Statistical Office, Fachserie 18, Series 1.2; shaded: Kiel Institute forecast					

## 11. National accounts

### National Accounts

Forecast period: 2025 to 2026

Forecast period: 2020 to 2026									
	2024	2025	2026	2024		2025		2026	
				H1	H2	H1	H2	H1	H2
1. Production									
Change over the same period of the preceding year in %									
Persons in employment	0.2	- 0.1	0.3	0.3	0.0	- 0.2	- 0.1	0.1	0.5
Hours worked	- 0.1	- 0.1	0.7	- 0.7	0.5	0.0	- 0.2	0.2	1.2
Hours worked by person in employment	- 0.3	0.0	0.4	- 1.0	0.5	0.2	- 0.1	0.1	0.8
Labor productivity <sup>1</sup>	- 0.1	0.1	0.8	0.4	- 0.6	- 0.5	0.7	0.9	0.8
Gross domestic product, price-adjusted	- 0.2	0.0	1.5	- 0.3	- 0.1	- 0.4	0.5	1.1	2.0
2. Use of gross domestic product at current prices									
a) EUR bn.									
Consumption expenditure	3 233.1	3 312.6	3 425.3	1 576.4	1 656.7	1 617.5	1 695.1	1 665.3	1 760.0
Private households <sup>2</sup>	2 271.8	2 320.3	2 380.5	1 110.5	1 161.3	1 133.4	1 186.9	1 158.8	1 221.7
Government	961.3	992.3	1 044.8	465.9	495.4	484.1	508.2	506.5	538.3
Gross fixed capital formation	898.0	920.6	1 002.4	439.4	458.6	442.5	478.1	474.2	528.3
Machinery and equipment	264.8	267.8	288.9	128.6	136.3	126.2	141.6	134.2	154.8
Construction	464.7	475.8	517.7	229.9	234.8	231.8	244.0	247.8	269.9
Other products	168.4	177.1	195.8	80.9	87.5	84.5	92.5	92.2	103.6
Changes in inventories <sup>3</sup>	8.2	52.0	51.1	- 0.8	9.0	38.0	14.0	37.1	14.0
Domestic expenditure	4 139.3	4 285.2	4 478.9	2 014.9	2 124.3	2 098.0	2 187.2	2 176.6	2 302.3
Net exports	166.0	89.0	67.4	110.7	55.3	55.8	33.2	45.8	21.6
Exports	1 812.5	1 815.0	1 866.0	914.5	898.0	897.5	917.5	917.5	948.5
Imports	1 646.5	1 726.0	1 798.6	803.8	842.7	841.7	884.3	871.6	926.9
Gross domestic product	4 305.3	4 374.2	4 546.3	2 125.6	2 179.6	2 153.9	2 220.4	2 222.4	2 323.9
b) Change over the same period of the preceding year in %									
Consumption expenditure	3.9	2.5	3.4	4.2	3.7	2.6	2.3	3.0	3.8
Private households <sup>2</sup>	3.0	2.1	2.6	3.2	2.8	2.1	2.2	2.2	2.9
Government	6.2	3.2	5.3	6.7	5.8	3.9	2.6	4.6	5.9
Gross fixed capital formation	- 0.2	2.5	8.9	- 0.5	0.1	0.7	4.3	7.1	10.5
Machinery and equipment	- 3.9	1.1	7.9	- 3.1	- 4.7	- 1.9	3.9	6.3	9.3
Construction	- 0.3	2.4	8.8	- 1.5	0.9	0.8	3.9	6.9	10.6
Other products	6.6	5.1	10.6	7.0	6.2	4.5	5.7	9.1	11.9
Domestic expenditure	3.0	3.5	4.5	2.1	3.9	4.1	3.0	3.7	5.3
Exports	- 0.2	0.1	2.8	- 0.2	- 0.3	- 1.9	2.2	2.2	3.4
Imports	- 0.1	4.8	4.2	- 3.3	3.1	4.7	4.9	3.6	4.8
Gross domestic product	2.9	1.6	3.9	3.3	2.5	1.3	1.9	3.2	4.7
3. Use of gross domestic product, price-adjusted (chain-linked, 2010=100)									
a) EUR bn.									
Consumption expenditure	2 708.9	2 729.8	2 766.1	1 333.1	1 375.7	1 345.2	1 384.6	1 359.8	1 406.3
Private households <sup>2</sup>	1 886.7	1 892.3	1 906.3	928.6	958.2	929.4	962.9	934.8	971.5
Government	822.8	838.5	861.2	404.9	417.9	416.4	422.1	425.8	435.4
Gross fixed capital formation	711.1	709.7	741.3	349.2	361.9	343.2	366.4	354.4	386.9
Machinery and equipment	226.1	224.0	234.9	109.8	116.3	106.0	118.1	109.6	125.3
Construction	335.1	332.1	344.6	166.7	168.4	163.1	168.9	167.3	177.3
Other products	153.1	157.4	166.4	73.8	79.3	75.4	82.0	79.2	87.2
Domestic expenditure	3 454.8	3 510.3	3 578.3	1 694.3	1 760.5	1 729.4	1 780.9	1 754.5	1 823.8
Exports	1 509.6	1 475.6	1 502.4	765.1	744.5	732.3	743.2	740.3	762.1
Imports	1 354.6	1 374.8	1 413.8	664.8	689.8	674.1	700.7	688.1	725.7
Gross domestic product	3 607.1	3 608.0	3 663.4	1 794.0	1 813.1	1 786.2	1 821.8	1 805.1	1 858.2
b) Change over the same period of the preceding year in %									
Consumption expenditure	1.2	0.8	1.3	1.0	1.4	0.9	0.6	1.1	1.6
Private households <sup>2</sup>	0.3	0.3	0.7	0.2	0.3	0.1	0.5	0.6	0.9
Government	3.5	1.9	2.7	2.8	4.1	2.8	1.0	2.3	3.1
Gross fixed capital formation	- 2.7	- 0.2	4.5	- 2.8	- 2.6	- 1.7	1.3	3.2	5.6
Machinery and equipment	- 5.5	- 0.9	4.9	- 4.8	- 6.2	- 3.5	1.5	3.4	6.2
Construction	- 3.3	- 0.9	3.8	- 4.2	- 2.3	- 2.1	0.3	2.5	5.0
Other products	3.9	2.8	5.7	4.6	3.2	2.2	3.4	5.0	6.4
Domestic expenditure	0.4	1.6	1.9	- 0.9	1.5	2.1	1.2	1.5	2.4
Exports	- 1.1	- 2.3	1.8	- 0.5	- 1.7	- 4.3	- 0.2	1.1	2.5
Imports	0.2	1.5	2.8	- 1.8	2.2	1.4	1.6	2.1	3.6
Gross domestic product	- 0.2	0.0	1.5	- 0.3	- 0.1	- 0.4	0.5	1.1	2.0

National Accounts (cont.)									
Forecast period: 2025 to 2026									
	2024	2025	2026	2024		2025		2026	
				H1	H2	H1	H2	H1	H2
<b>4. Deflators (2010=100)</b>									
Change on the same period of the preceding year in %									
Private consumption <sup>2</sup>	2.7	1.8	1.8	2.9	2.5	2.0	1.7	1.7	2.0
Government consumption	2.6	1.3	2.5	3.7	1.6	1.0	1.6	2.3	2.7
Gross fixed capital formation	2.6	2.7	4.2	2.4	2.7	2.5	3.0	3.8	4.6
Machinery and equipment	1.7	2.0	2.9	1.8	1.6	1.7	2.3	2.8	3.0
Construction	3.1	3.3	4.9	2.8	3.3	3.0	3.6	4.3	5.4
Exports	0.9	2.4	1.0	0.4	1.5	2.5	2.3	1.1	0.8
Imports	-0.3	3.3	1.3	-1.5	0.8	3.3	3.3	1.4	1.2
<b>Gross domestic product</b>	<b>3.1</b>	<b>1.6</b>	<b>2.4</b>	<b>3.6</b>	<b>2.6</b>	<b>1.8</b>	<b>1.4</b>	<b>2.1</b>	<b>2.6</b>
<b>5. National income</b>									
a) EUR bn.									
Primary income of private households <sup>2</sup>	3 017.4	3 099.6	3 196.1	1 476.4	1 541.0	1 519.1	1 580.4	1 561.5	1 634.6
Employers social contributions	402.4	423.9	439.0	194.5	207.9	205.6	218.3	212.4	226.6
Gross wages and salaries	1 951.3	2 010.7	2 082.1	933.2	1 018.1	964.2	1 046.5	994.5	1 087.6
Other primary income <sup>4</sup>	663.6	665.0	674.9	348.7	314.9	349.4	315.6	354.6	320.3
Primary income of other sectors	554.6	518.1	554.2	266.5	288.2	242.2	275.9	250.2	304.0
<b>Net national income</b>	<b>3 572.0</b>	<b>3 617.7</b>	<b>3 750.3</b>	<b>1 742.8</b>	<b>1 829.2</b>	<b>1 761.4</b>	<b>1 856.3</b>	<b>1 811.7</b>	<b>1 938.5</b>
Consumption of fixed capital	887.0	918.7	965.8	440.9	446.1	455.7	463.0	477.3	488.5
<b>Gross national income</b>	<b>4 459.0</b>	<b>4 536.4</b>	<b>4 716.1</b>	<b>2 183.8</b>	<b>2 275.2</b>	<b>2 217.1</b>	<b>2 319.4</b>	<b>2 289.1</b>	<b>2 427.0</b>
memorandum item:									
Net national income (factor costs)	3 184.3	3 222.6	3 347.1	1 552.1	1 632.3	1 563.9	1 658.7	1 612.6	1 734.4
Property and entrepreneurial income	830.6	788.0	825.9	424.4	406.2	394.2	393.8	405.7	420.2
Compensation of employees	2 353.8	2 434.6	2 521.2	1 127.7	1 226.1	1 169.7	1 264.9	1 206.9	1 314.3
b) Change over the same period of the preceding year in %									
Primary income of private households <sup>2</sup>	4.2	2.7	3.1	4.5	3.9	2.9	2.6	2.8	3.4
Employers social contributions	5.1	5.3	3.6	5.4	4.8	5.7	5.0	3.3	3.8
Gross wages and salaries	5.7	3.0	3.6	6.4	5.1	3.3	2.8	3.1	3.9
... per employee	5.3	3.1	3.2	5.9	4.9	3.4	2.8	3.0	3.4
Other primary income <sup>4</sup>	-0.5	0.2	1.5	-0.7	-0.3	0.2	0.2	1.5	1.5
Primary income of other sectors	-4.4	-6.6	7.0	-3.7	-5.0	-9.1	-4.3	3.3	10.2
<b>Net national income</b>	<b>2.8</b>	<b>1.3</b>	<b>3.7</b>	<b>3.1</b>	<b>2.4</b>	<b>1.1</b>	<b>1.5</b>	<b>2.9</b>	<b>4.4</b>
Consumption of fixed capital	3.6	3.6	5.1	3.6	3.7	3.3	3.8	4.8	5.5
<b>Gross national income</b>	<b>2.9</b>	<b>1.7</b>	<b>4.0</b>	<b>3.2</b>	<b>2.6</b>	<b>1.5</b>	<b>1.9</b>	<b>3.2</b>	<b>4.6</b>
memorandum item:									
Net national income (factor costs)	1.6	1.2	3.9	2.2	1.2	0.8	1.6	3.1	4.6
Property and entrepreneurial income	-8.1	-5.1	4.8	-7.2	-9.0	-7.1	-3.1	2.9	6.7
Compensation of employees	5.6	3.4	3.6	6.2	5.1	3.7	3.2	3.2	3.9
<b>6. Disposable income of private households <sup>2</sup></b>									
a) EUR bn.									
Mass income	1 971.4	2 027.3	2 091.0	947.7	1 023.7	977.5	1 049.8	1 006.1	1 084.9
Net wages and salaries	1 362.8	1 389.8	1 435.6	646.6	716.2	661.1	728.7	679.5	756.1
Social benefits other than social transfers in kind	778.6	817.9	843.4	384.6	394.1	405.1	412.8	419.5	423.9
less: Levies on social benefits, taxes on consumption	170.0	180.4	187.9	83.4	86.6	88.7	91.7	92.8	95.0
Other primary income <sup>4</sup>	663.6	665.0	674.9	348.7	314.9	349.4	315.6	354.6	320.3
Other transfers received (net) <sup>5</sup>	-128.8	-135.4	-141.5	-58.7	-70.1	-62.6	-72.8	-65.0	-76.4
<b>Disposable income</b>	<b>2 506.3</b>	<b>2 556.9</b>	<b>2 624.5</b>	<b>1 237.7</b>	<b>1 268.6</b>	<b>1 264.3</b>	<b>1 292.6</b>	<b>1 295.7</b>	<b>1 328.8</b>
Change in pension entitlements	57.7	58.0	58.3	28.0	29.7	28.2	29.8	28.3	30.0
Consumption expenditure	2 271.8	2 320.3	2 380.5	1 110.5	1 161.3	1 133.4	1 186.9	1 158.8	1 221.7
Saving	292.2	294.6	302.3	155.3	136.9	159.0	135.6	165.2	137.1
Saving ratio (%) <sup>6</sup>	11.4	11.3	11.3	12.3	10.5	12.3	10.3	12.5	10.1
b) Change over the same period of the preceding year in %									
Mass income	6.1	2.8	3.1	6.8	5.5	3.1	2.6	2.9	3.3
Net wages and salaries	5.9	2.0	3.3	6.9	5.1	2.3	1.7	2.8	3.8
Social benefits other than social transfers in kind	6.6	5.0	3.1	6.7	6.4	5.3	4.8	3.5	2.7
less: Levies on social benefits, taxes on consumption	6.8	6.1	4.1	7.7	5.9	6.4	5.8	4.6	3.7
Other primary income <sup>4</sup>	-0.5	0.2	1.5	-0.7	-0.3	0.2	0.2	1.5	1.5
<b>Disposable income</b>	<b>4.2</b>	<b>2.0</b>	<b>2.6</b>	<b>4.5</b>	<b>3.9</b>	<b>2.2</b>	<b>1.9</b>	<b>2.5</b>	<b>2.8</b>
Consumption expenditure	3.0	2.1	2.6	3.2	2.8	2.1	2.2	2.2	2.9
Saving	13.8	0.8	2.6	14.0	13.6	2.4	-1.0	3.9	1.1

**National Accounts (cont.)**

Forecast period: 2025 to 2026

	2024	2025	2026	2024		2025		2026	
				H1	H2	H1	H2	H1	H2
7. Revenue and expenditure by general government <sup>7</sup>									
a) EUR bn.									
Revenue									
Taxes	994.8	1 028.9	1 060.3	485.1	509.7	504.2	524.6	518.1	542.2
Social contributions	755.2	802.8	837.4	365.4	389.8	390.0	412.8	406.2	431.2
Property income	33.6	34.8	36.0	17.8	15.8	18.5	16.3	19.2	16.8
Other current transfers	31.3	31.8	32.4	13.8	17.5	14.0	17.8	14.3	18.1
Capital transfers	18.2	18.6	19.1	8.4	9.8	8.6	10.0	8.8	10.3
Sales	179.5	187.2	195.0	83.9	95.6	87.9	99.3	91.6	103.5
Other subsidies	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total	2 012.9	2 104.4	2 180.2	974.4	1 038.4	1 023.3	1 081.0	1 058.1	1 122.1
Expenditure									
Intermediate consumption <sup>8</sup>	674.4	698.7	736.2	322.0	352.4	337.3	361.4	354.8	381.4
Compensation of employees	355.8	366.4	384.8	172.3	183.5	177.3	189.1	183.6	201.2
Property income (interest)	45.4	49.0	51.8	22.8	22.6	24.6	24.4	26.0	25.8
Subsidies	54.4	58.7	62.3	24.8	29.7	25.5	33.2	28.5	33.9
Social benefits	703.2	737.8	761.7	347.0	356.3	365.2	372.6	379.0	382.7
Other current transfers	90.2	90.9	99.8	43.7	46.5	44.0	46.9	48.4	51.4
Capital transfers	83.7	76.7	87.8	37.1	46.6	30.9	45.8	36.4	51.3
Gross capital formation	124.8	129.8	150.7	55.2	69.6	56.6	73.1	62.5	88.2
Net acquisitions of non-produced non-financial assets	- 0.4	- 0.4	- 0.4	- 0.1	- 0.3	- 0.1	- 0.3	- 0.1	- 0.3
Total	2 131.6	2 207.6	2 334.7	1 024.8	1 106.9	1 061.3	1 146.3	1 119.1	1 215.5
Net lending	- 118.8	- 103.2	- 154.5	- 50.3	- 68.4	- 37.9	- 65.3	- 61.0	- 93.4

b) Change over the same period of the preceding year in %

Revenue									
Taxes	3.5	3.4	3.1	2.8	4.2	3.9	2.9	2.8	3.3
Social contributions	6.4	6.3	4.3	6.8	6.0	6.7	5.9	4.1	4.5
Property income	7.2	3.5	3.4	11.7	2.4	3.9	3.1	3.6	3.1
Other current transfers	- 6.2	1.6	1.6	- 5.9	- 6.5	1.6	1.6	1.6	1.6
Capital transfers	- 6.3	2.2	2.3	- 1.8	- 9.8	2.2	2.2	2.3	2.4
Sales	8.4	4.3	4.2	7.0	9.7	4.8	3.9	4.2	4.2
Other subsidies	- 22.3	0.0	0.0	- 23.8	- 21.2	0.0	0.0	0.0	0.0
<b>Total</b>	<b>4.8</b>	<b>4.5</b>	<b>3.6</b>	<b>4.6</b>	<b>4.9</b>	<b>5.0</b>	<b>4.1</b>	<b>3.4</b>	<b>3.8</b>
Expenditure									
Intermediate consumption <sup>8</sup>	7.7	3.6	5.4	7.1	8.2	4.7	2.6	5.2	5.5
Compensation of employees	5.4	3.0	5.0	7.1	3.9	2.9	3.0	3.6	6.4
Property income (interest)	24.2	7.9	5.7	32.5	16.8	7.9	8.0	5.7	5.7
Subsidies	- 35.6	7.9	6.1	- 41.5	- 29.8	2.8	12.1	11.8	1.8
Social benefits	7.0	4.9	3.2	7.2	6.9	5.2	4.6	3.8	2.7
Other current transfers	- 1.8	0.8	9.8	- 1.0	- 2.5	0.7	0.8	10.0	9.6
Capital transfers	12.4	- 8.3	14.4	25.0	4.1	- 16.7	- 1.7	17.8	12.1
Gross capital formation	6.6	3.9	16.1	9.3	4.6	2.5	5.1	10.3	20.6
Net acquisitions of non-produced non-financial assets	- 16.8	0.0	0.0	- 56.3	12.3	0.0	0.0	0.0	0.0
<b>Total</b>	<b>5.3</b>	<b>3.6</b>	<b>5.8</b>	<b>5.8</b>	<b>4.8</b>	<b>3.6</b>	<b>3.6</b>	<b>5.5</b>	<b>6.0</b>

<sup>1</sup> Price-adjusted gross domestic product per hour worked.

<sup>2</sup> Incl. nonprofit institutions serving households.

<sup>3</sup> Incl. acquisitions less disposals of valuables.

<sup>4</sup> Operating surplus/mixed income, net property income

<sup>5</sup> Received less paid other current transfers.

<sup>6</sup> Savings in percent of disposable income (incl. change in pension entitlements).

<sup>7</sup> Central, regional, local and social security funds.

<sup>8</sup> Incl. social transfers in kind and other production taxes.

Source: Federal Statistical Office, *Fachserie 18: National Accounts*; Kiel Institute calculations and forecasts.