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**Joint economic forecast: German economy on track – economic policy needs to be realigned**

Thanks to a stable job market and solid consumption, the German economy is experiencing a moderate upswing. The GDP is expected to increase by 1.9 percent this year, 1.4 percent in 2017, and 1.6 percent in 2018, according to the *Gemeinschaftsdiagnose* (GD, joint economic forecast) that was prepared by five of Europe's leading economic research institutes on behalf of the Federal Government. The most recent GD, which was released in April, predicted a GDP growth rate of 1.6 percent for 2016 and 1.5 percent for 2017.

"The job market is still in good shape and continues to support private spending, while public spending has been boosted by refugee-related expenditure. This means that domestic activity overall is very strong," said Ferdinand Fichtner, Head of the Department of Forecasting and Economic Policy at the German Institute for Economic Research (DIW Berlin). In 2017, the number of registered unemployed individuals will rise somewhat, but the unemployment rate should remain at its historical low of 6.1 percent. The number of employees will continue to increase, with nearly half a million new jobs expected in the coming year. Contrary to previous economic upswings, industry's contribution in this instance is below average. On the other hand, investment – which has been subdued for a long time – as well as exports will pick up over the course of the year.

Nevertheless, there remain risks for the German economy. "In various parts of the world, political and social movements are seeking to unravel the integration of the global economy" said Fichtner. The Brexit decision for instance could impact the German economy in the coming years if the resulting uncertainty about the future relations between the EU and the UK affects business decisions. Skepticism toward global economic integration has been growing in other parts of the world as well, which could start to have a stronger influence on policy. Such changes could in turn impact the German, European, and global economies.

The GD also offers a detailed discussion of the prognosis's implications for economic policy.

The GD is a joint project of the German Institute for Economic Research (DIW Berlin) in cooperation with the Austrian Institute of Economic Research (WIFO); the ifo Institute - Leibniz Institute for Economic Research at the University of Munich in cooperation with the KOF Swiss Economic Institute – ETH Zürich; the RWI Leibniz Institute for Economic Research in cooperation with the Institute for Advanced Studies in Vienna; the Halle Institute for Economic Research (IWH) – Member of the Leibniz Association; and the Kiel Institute for the World Economy (IfW).