

PRESS RELEASE

JOINT ECONOMIC FORECAST 1/18

Berlin, 19th April 2018

Germany's Economic Experts Raise Forecast Slightly

Germany's leading economic experts raised their forecasts for 2018 and 2019 slightly in their Spring Joint Economic Forecast released on Thursday in Berlin. They now expect economic growth of 2.2 percent for this year and 2.0 percent for 2019, versus 2.0 percent and 1.8 percent respectively in their autumn forecast. "The German economy is still booming, but the air is getting thinner as unused capacities are shrinking", notes Timo Wollmershäuser, ifo Head of Economic Forecasting. Commenting on the new German government's economic policy, he adds: "It is precisely when the government's coffers are full that fiscal policy should reflect the implications of its actions for overall economic stability and the sustainability of public finances. The extension of statutory pension benefits outlined in the coalition agreement runs counter to the idea of sustainability."



PRESS EMBARGO

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PRESS CONTACT

Harald Schultz
ifo Institute, Munich
Tel +49 89 9224-1218
schultz@ifo.de

SCIENTIFIC CONTACT

Prof. Dr. Timo Wollmershäuser
ifo Institute, Munich
Tel +49 89 9224-1406
wollmershaeuser@ifo.de

www.gemeinschaftsdiagnose.de

Table

Forecast for Germany: Key Economic Indicators

	2016	2017	2018	2019
Real gross domestic product				
(percentage change over previous year)	1.9	2.2	2.2	2.0
Domestic employment (1 000 persons)	43 638	44 291	44 876	45 298
Unemployment (1 000 persons)	2 691	2 533	2 324	2 172
Unemployment rate ¹ (in % of labor force)	6.1	5.7	5.2	4.8
Consumer price index ²				
(percentage change over previous year)	0.5	1.8	1.7	1.9
Unit labor costs ³				
(percentage change over previous year)	1.6	1.6	1.9	2.1
General government balance ⁴				
in billions of euros	25.7	36.6	37.8	34.7
in % of nominal GDP	0.8	1.1	1.1	1.0
Current account balance				
in billions of euros	268.8	262.6	277.0	284.5
in % of nominal GDP	8.5	8.0	8.2	8.0

¹ Federal Employment Agency (BA) concept. – ² 2010 = 100. – ³ Hourly compensation of employees relative to real GDP per hour worked. – ⁴ According to national accounts definition (ESVG 2010).

Source: Federal Statistical Office; Federal Employment Agency; Deutsche Bundesbank; 2018 and 2019: forecast of the institutes.

Despite tax cuts and higher public spending, the fiscal surplus remains almost unchanged at 36.6 billion euros in 2017, 37.8 billion euros in 2018 and 34.7 billion euros in 2019 thanks to the German economy's strong performance and as a result growing tax revenue caused by bracket creep. The number of persons in employment grew from 44.3

million in 2017 to 44.9 million in 2018 and will increase to 45.3 million euros in the year ahead. At the same time, unemployment will drop from 2.5 million to 2.3 million persons this year and 2.2 million in 2019. This will bring the unemployment rate down from 5.7 percent last year to 5.2 percent in 2018, followed by 4.8 percent in 2019. Consumer price inflation will rise to 1.9 percent by 2019. Germany's current account surplus (goods, services and current transfers) is expected to increase slightly from 262.6 billion euros in 2017 to 277.0 billion euros this year and 284 billion euros in 2019. These figures respectively represent 8.0 percent, 8.2 percent and 8.0 percent of Germany's annual gross domestic product.

Annex

Long version (German):

Projektgruppe Gemeinschaftsdiagnose: Deutsche Wirtschaft im Boom – Luft wird dünner, Spring 2018. Munich 2018.

The report can be downloaded from the following website as of 10:00 a.m., 19th April 2018:

www.gemeinschaftsdiagnose.de/category/gutachten/.

About the Joint Economic Forecast

The Joint Economic Forecast is published twice a year in spring and in autumn on behalf of the Federal Ministry for Economic Affairs and Energy. The Joint Economic Forecast in autumn 2017 was prepared by:

- German Institute for Economic Research (DIW Berlin) in cooperation with the Austrian Institute of Economic Research (WIFO)
- ifo Institute - Leibniz Institute for Economic Research at the University of Munich in cooperation with the KOF Swiss Economic Institute – ETH Zurich
- Kiel Institute for the World Economy (IfW)
- Halle Institute for Economic Research (IWH) – Member of the Leibniz Association
- RWI - Leibniz Institute for Economic Research in cooperation with the Institute for Advanced Studies in Vienna

Scientific contacts

Dr. Ferdinand Fichtner
German Institute for Economic Research (DIW Berlin)
Tel +49 30 89789 248
FFichtner@diw.de

Professor Dr. Timo Wollmershäuser
ifo Institute – Leibniz-Institute for Economic Research at the University of Munich
Tel +49 89 9224 1406
Wollmershaeuser@ifo.de

Professor Dr. Stefan Kooths
Kiel Institute for the World Economy (IfW)
Tel +49 341 8814 579 or +49 30 2067 9664
Stefan.Kooths@ifw-kiel.de

Professor Dr. Oliver Holtemöller
Halle Institute for Economic Research (IWH) – Member of the Leibniz Association
Tel +49 345 7753 800
Oliver.Holtemoeller@iwh-halle.de

Professor Dr. Roland Döhrn
RWI - Leibniz Institute for Economic Research
Tel +49 201 8149 262
Roland.Doehrn@rwi-essen.de