

Economic Outlook

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German Economy in Winter 2025

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Business Cycles and Growth

German Economy in Winter 2025: Structural headwinds meet fiscal tailwinds

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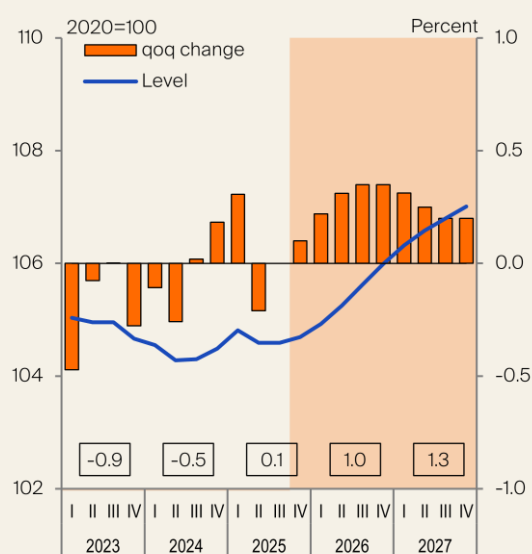
The German economy has stabilized at a low level, but more than modest growth is currently out of reach. From next year onward, expansionary fiscal policy will boost economic activity. However, the high GDP growth rates projected for the coming years mask the weak underlying economic conditions. Excluding the fiscal impulse and the additional boost from calendar effects, the fundamental pace of expansion will remain subdued. The scope for a cyclical recovery is narrower than current capacity-utilization indicators suggest. In manufacturing, in particular, low utilization reflects the erosion of competitiveness and may precede further reductions in productive capacity. German exporters are expected to continue losing global market share, even though the phase of declining exports is coming to an end. Overall, we forecast GDP growth of 1.0 percent in 2026 (autumn forecast: 1.3 percent) and 1.3 percent in 2027 (autumn forecast: 1.2 percent), following an increase of 0.1 percent this year. For next year, we assume a somewhat smaller fiscal impulse than in the autumn projection, alongside stronger structural headwinds compared to the autumn forecast. In particular, firms show no sign of significantly increasing investment. As economic activity strengthens, the labor market is expected to stabilize, with the unemployment rate declining from 6.3 percent this year to 5.9 percent in 2027. However, employment gains will be increasingly constrained by demographically driven labor shortages. The public deficit is projected to rise from 2.4 percent of GDP in 2025 to 4 percent in 2027. Public debt is expected to increase to 65.4 percent of GDP by 2027.

Expansionary fiscal policy is set to provide impulses from next year onward—though the speed and magnitude of its impact remain uncertain. The recent revision of the fiscal framework has significantly expanded the budgetary room for maneuvering of the government. Assuming defense spending will increase to 3.5 percent of GDP, deficits above 4 percent of GDP are likely over the coming decade. However, the fiscal impulses that could lift economic activity relative to 2024 levels are expected to be far smaller within the forecast horizon (Boysen-Hogrefe and Jannsen 2025). Part of the new fiscal space will be used to avoid the consolidation that would have been required under the previous framework, while major public investment projects typically require long planning and implementation lead times. Against this backdrop, we expect expansionary fiscal impulses of 0.7 percent of GDP next year and 0.5 percent in 2027. Overall, we now anticipate a somewhat smaller effect on GDP than in the autumn forecast. One reason is that we assume a slightly weaker fiscal impulse (autumn forecast: 0.9 percent of GDP). Moreover, leading indicators currently offer no evidence of a broad-based recovery. While orders in civil engineering have been trending upward and increases in government consumption—which will reflect part of the planned expenditure expansion—may only gradually show up in leading indicators, business

expectations have recently moved sideways at a low level after rising earlier in the year. Neither business sentiment nor consumer confidence has shown a decisive improvement. Investment sentiment remains weak and does not suggest that firms are preparing to expand investment in anticipation of stronger demand. In addition, the composition of fiscal measures has shifted: instead of focusing primarily on expenditure increases, the package now includes a mix of different instruments. Although empirical findings on the relative macroeconomic effects of various fiscal measures are inconclusive—and tax cuts, in particular, may generate larger effects than spending increases (Ramey 2019)—the package also contains reductions in indirect taxes, investment grants, and subsidies, whose real economic impact we assess as comparatively modest (Boysen-Hogrefe and Groll 2024; Gaddatsch et al. 2016; Hinterlang et al. 2023; Gechert and Rannenberg 2018). All in all, we expect expansionary fiscal policy to raise GDP by 0.4 percentage points in 2026 (autumn forecast: 0.6 percentage points) and by 0.3 percentage points in 2027.

Over the next two years, economic activity will be shaped not only by fiscal policy but also by several special factors—yet underlying momentum will remain weak. The higher number of working days in the coming years will lift GDP growth by 0.25 percentage points in 2026 and by 0.1 percentage points in 2027; this year, by contrast, calendar effects reduce growth by 0.1 percentage points. In addition, the tariff increases imposed by the United States are dampening economic activity. Based on trade-model estimates (Hinz et al. 2025; Kiel Institute for the World Economy 2025) and the associated macroeconomic adjustments, we quantify the negative impact on the level of GDP at 0.3 percent, with the annual growth rate being reduced by roughly equal amounts in 2025 and 2026. Moreover, US tariff policy has likely added to trade and economic-policy uncertainty, which is known to weigh on economic activity (Baker et al. 2016; Bernd and Jannsen 2024). These effects, however, are difficult to disentangle and have likely already manifested themselves in weaker economic outcomes. Despite comparatively strong headline GDP growth of 1.0 percent in 2026 and 1.3 percent in 2027 (Figure 1), we expect underlying momentum to remain subdued (Figure 2). Excluding these special influences—and despite the currently low level of activity, with GDP this year roughly matching its 2019 level—GDP would rise only from 0.4 percent this year to 0.5 percent in 2026 and 0.8 percent in 2027. This largely reflects structural weaknesses, which are mirrored in the repeated downward revisions to potential output estimates in recent years and in the low potential growth rates expected for the years ahead.

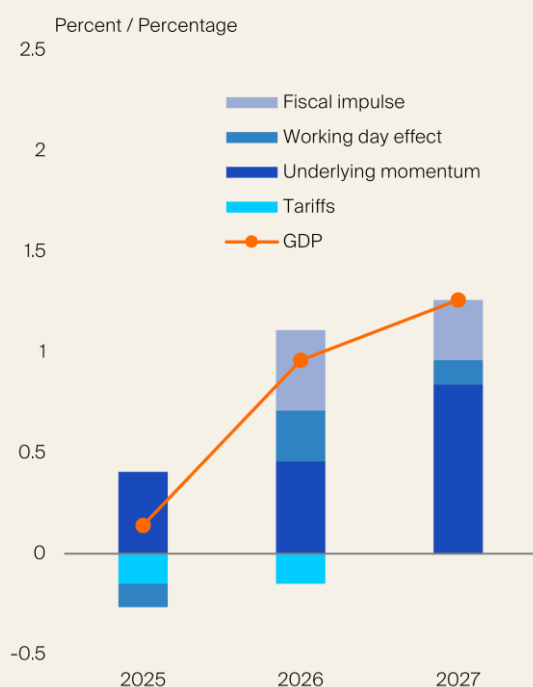
Figure 1:
Gross domestic product



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.

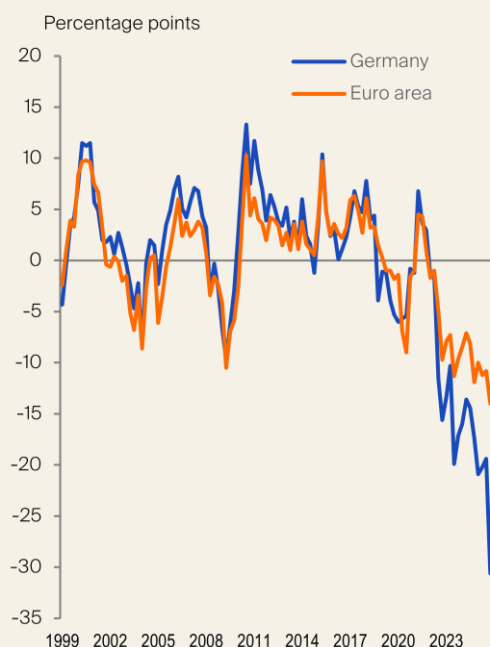
Figure 2:
Contributions to GDP growth



Annual data. Impact of tariffs, calendar effects, and fiscal impulses on GDP growth, in percentage points. Underlying momentum: GDP growth excluding these special factors.

Source: Calculations and forecasts of the Kiel Institute.

Figure 3:
Change in competitive position



Quarterly data. Change in competitive position outside of the European Union: balance of the shares of firms that report an improvement or a deterioration in their competitive position vs. the previous quarter.

Source: European Commission.

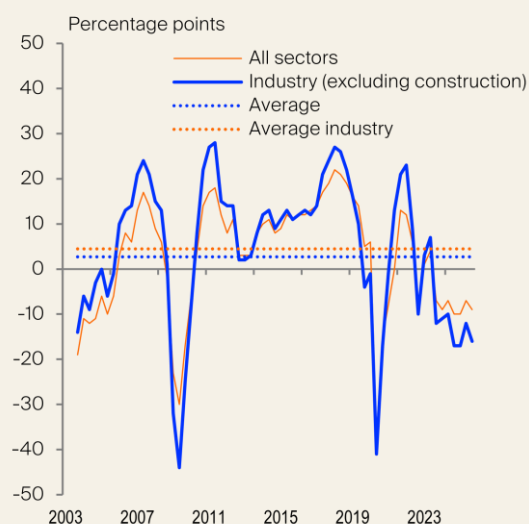
Export growth will remain subdued. Exports fell by 0.7 percent in the third quarter, with goods exports remaining broadly stable while services exports dropped by 2.6 percent after increasing by 2.3 percent in the second quarter. Nominal goods exports to China continued their multi-year downward trend, and nominal goods exports to the USA also fell sharply by 15.7 percent compared to the previous year. US import duties and the appreciation of the euro limit recovery prospects, and Germany's competitive position relative to China continues to weaken. Industry surveys show rising export expectations but a deterioration in competitiveness, particularly outside the EU. (Figure 3) After a sideways movement in the fourth quarter, exports are projected to resume only slow growth, rising by 0.9 percent in 2026 and 1.6 percent in 2027. Imports of goods increased moderately in the third quarter, driven in particular by higher imports from China, while services imports fell; we expect imports to increase by 0.2 percent in the current quarter before growing by 2.5 percent in 2026 and 2.9 percent in 2027. The terms of trade improved slightly in the third quarter and are likely to do so again in the fourth quarter but are expected to gradually revert toward their long-term average starting in 2026.

Private consumption will continue to expand as real disposable income increases. Household spending had risen markedly since early 2024, supported by a strong rebound in real disposable income following the high-inflation period. This increase reflected the delayed adjustment of negotiated wages and social benefits to earlier price pressures, combined with a noticeable easing in consumer price inflation, which helped restore purchasing power. By now, however, most of these adjustments have been completed, and the inflation compensation premium expired at the

beginning of the year. As a result, real disposable income showed little year-on-year growth in the first three quarters. In line with weaker income dynamics, consumption barely increased in the second quarter and fell by 0.3 percent in the third. Nonetheless, owing to the elevated starting level at the beginning of the year, private consumption is expected to grow by roughly 0.8 percent in 2025. With real disposable income essentially stagnating, this increase is largely driven by a significantly lower average saving rate. From 2026 onward, real disposable income is expected to pick up again. A key reason is that the drag from the expiration of the inflation compensation premium will drop out of the annual comparison, and the upward pressure from social-contribution increases will ease. Overall, we project real disposable income to increase by around 1 percent in both 2026 and 2027. The savings rate, which rose again in the third quarter after its sharp decline earlier in the year, is now close to the average level observed over the past four quarters and before the pandemic. One-off payments—such as those linked to the inflation compensation premium or recent severance payments—can contribute to notable fluctuations. For the forecast, we assume that the saving rate remains close to its third-quarter level of a seasonally adjusted 10.7 percent. Against this backdrop, private consumption is expected to grow by 0.7 percent in 2026 and by 1 percent in 2027.

Investment in machinery and equipment is being restrained by structural obstacles, while public procurement and tax incentives provide support. In the third quarter, investment in machinery, equipment, and vehicles rose by 1.1 percent. However, the downward trend in investment in machinery and equipment that began in mid-2022 continued (-0.7 percent), whereas investment in vehicles increased strongly (+5.3 percent). Leading indicators suggest that investment in machinery and equipment will grow by 0.9 percent in the fourth quarter, supported by producers' assessments and higher capacity utilization. For 2025, investment in machinery and equipment is expected to decline by 2.3 percent. Private investment will likely fall again by about 3.6 percent after a steep drop in 2024, while public investment will rise by around 10 percent, driven mainly by higher defense spending. Large military procurement orders have already boosted order volumes. Private investment in machinery and equipment is expected to recover only slowly despite the closing of the output gap, reflecting declining investment intentions and structural weaknesses such as reduced international competitiveness (Figure 4). Domestic orders (excluding large orders) have stagnated at a very low level. New tax depreciation rules will provide positive

Figure 4:
Investment intentions



Three surveys per year, balance of the share of companies that intend to increase or decrease their investment in Germany over the next 12 months, in percentage points; dotted line: average, in percentage points.

Quelle: DIHK economic surveys, calculations by the Kiel Institute.

impulses, though the impact may be partly offset by earlier front-loaded investments. Overall, investment in machinery and equipment is expected to be boosted by the new tax depreciation rules by 2 percent in 2026 and 3 percent in 2027, with overall growth of 4.0 percent and 4.8 percent, respectively.

Investment in construction will continue to decline in 2025 and is expected to recover only slowly afterward. In the third quarter, investment in construction fell by 0.5 percent. Residential construction (-0.5 percent) and commercial construction (-2.4 percent) declined, while public construction increased markedly (+2.1 percent). Leading indicators point to a slight rise in the fourth quarter: construction output in October exceeded the previous quarter, though capacity utilization and business sentiment in the sector were weaker. Overall, a 0.4 percent increase is expected for the fourth quarter, implying a 1.2 percent decline for 2025 as a whole. The downturn is mainly driven by tighter financing conditions since the interest rate turnaround in 2021 and sharp increases in construction prices. From next year onward, investment in construction should increase slightly, though the split between building construction and civil engineering is likely to persist. Civil engineering is expected to expand noticeably due to strong order books and higher public investment linked to expansionary fiscal policy, although capacity constraints may limit the pace of expansion and raise prices. Building construction will pick up modestly from a very low level, supported by improved financing conditions. Residential construction is expected to rise moderately, with orders up by 12 percent and permits up by 20 percent since early 2024. Commercial construction will benefit from rising investment in machinery and equipment and expansionary fiscal policy. Overall, investment in construction is expected to grow by 1.8 percent in 2026 and 2.3 percent in 2027 – still around 13 percent below pre-2021 levels.

While investment in machinery and equipment is losing relative importance, investment in other products is trending upward. Investment in other products – mainly software and research and development – increased by 0.9 percent in the third quarter. For the full year, investment in machinery and equipment is expected to decline by 2.3 percent, whereas investment in other products is likely to expand by 3.8 percent. This trend is expected to continue over the forecast period, supported in particular by additional public-sector investment and expanding research funding. We expect investment in other products to rise by 4.3 percent in 2026 and by 5.2 percent in 2027.

Inflation is hovering close to 2 percent. Following an increase in September, the inflation rate eased again in October and November and most recently stood at 2.3 percent. Core inflation (excluding energy) declined to 2.5 percent, its lowest level since September 2024. However, it remains above its long-term average, mainly due to still-elevated price pressures in services. Energy prices are expected to continue to decline over the forecast horizon. Compared with the autumn forecast, futures market quotations for crude oil and gas point to slightly lower prices. Electricity quotations, by contrast, are higher than in the autumn, although we continue to expect a broadly downward trend over the forecast period. With regard to administered price components, it is still assumed that grid fees will be reduced by 1.5 cents per kWh from the beginning of 2026 and that the gas levy will be abolished from January next year. Price declines are partly

offset by the increase in the CO₂ price by EUR 10 per ton next year. For 2027, we no longer assume a further increase, as the transition of the national emissions trading system into the European system has been delayed by at least one additional year, until 2028. Overall, after a decline of 2.3 percent this year, energy prices are expected to fall by 2.8 percent in 2026 and by 1.0 percent in 2027. Core inflation remains elevated but is expected to ease somewhat as service prices (excluding rents) normalize in relative terms. The reduction in VAT in the hospitality sector from 19 to 7 percent at the beginning of next year is expected to lower inflation in 2026 only slightly, by around 0.1 percentage points. With stronger economic momentum, however, price pressures are expected to pick up again over the course of next year. Overall, inflation is expected to remain close to 2 percent. After increasing by 2.2 percent this year, inflation is projected to decline to 1.9 percent in 2026 (Table 1). This is primarily because core inflation, at 2.3 percent, is expected to rise less strongly than in the current year (2.6 percent), while energy prices are set to exert a similar disinflationary impulse as in the current year. In 2027, inflation is likely to edge up again to 2.1 percent, as core inflation rises somewhat with the cyclical upturn (2.4 percent), while energy is expected to provide only small disinflationary impulses (-0.1 percent).

Table 1:
Key indicators

	2024	2025	2026	2027
Gross domestic product (GDP), price-adjusted	-0.5	0.1	1.0	1.3
Gross domestic product, deflator	3.1	3.0	2.6	2.6
Consumer prices	2.2	2.2	1.8	2.1
Labor productivity (per hour worked)	-0.3	0.4	0.5	0.7
Employment (1000 persons)	45,987	45,977	46,002	46,114
Unemployment rate (percent)	6.0	6.3	6.2	5.9
<i>in relation to nominal GDP</i>				
Public sector net lending	-2.7	-2.4	-3.5	-4.0
Gross public debt	62.1	62.6	63.9	65.4
Current account balance	5.9	4.6	4.1	3.5

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.

Wages and salaries are rising very strongly in view of the overall economic conditions. Effective earnings (gross wages and salaries per employee) have accelerated from quarter to quarter in the current year. We now expect wages to increase by 4.5 percent for the year as a whole. This is not much lower than last year (+5.2 percent) and much higher than the increase in negotiated wages and salaries. These earnings are expected to rise by only 2.6 percent in the current year, following 6.2 percent last year. A difference in the growth rate between effective earnings and collectively agreed earnings of 2 percentage points is exceptionally large by historical standards. Similarly high values have only been observed in the past when short-time work was phased out after a sharp increase (after the Great Recession and after the pandemic) and during the catch-up process following the surge in inflation. Neither of these factors is currently relevant. Overall economic development remains weak, and unemployment has been rising for over three years. One reason for the high wage increases could be high severance

payments. Manufacturing companies in particular are undergoing a profound restructuring process, with some extensive job cut plans. Large companies with works councils typically agree to avoid collective dismissals. In addition to early retirement models and not filling vacant positions, severance payments are frequently used. Although there is a lack of representative data, media reports suggest that the severance payments offered are sometimes very high. According to calculations by Handelsblatt (a German newspaper) based on company balance sheets, DAX companies alone spent around 6 billion euros on restructuring (mainly severance payments and early retirement schemes) in the first three quarters of this year. This corresponds to 0.4 percent of the total gross wages and salaries. Wage growth is expected to be lower going forward. Due to high real wage increases and weak productivity growth, real unit labor costs have now reached a level that is slightly above the long-term average. Against this backdrop, we assume that real wage growth will be more in line with labor productivity. We expect effective earnings per employee to rise by 3.9 percent (2026) and 3.7 percent (2027).

Unemployment is set to decline as economic activity picks up and facilitated by the age-related decline in the labor force. Between May and October (latest figure), the number of people in employment fell by a total of 79,000 on a seasonally adjusted basis. Between May and November (latest figure), the number of registered unemployed rose by 47,000 to 2.97 million (unemployment rate according to the national definition: 6.3 percent). The rise in unemployment has slowed somewhat recently. However, this is unlikely to be a sign of increasing demand for labor from businesses. This is because the number of unemployed has so far only improved under the citizen's benefit legislation (SGB II). Here, unemployment has even declined slightly. By contrast, the number of unemployed in the unemployment insurance regime (SGB III) continued to rise. An economic upturn with an increasing willingness to hire new staff typically first becomes apparent in unemployment insurance. These persons have generally not been unemployed for long, are closer to the labor market, and are therefore likely to find new jobs first when demand for labor rises. Unemployed persons receiving citizen's benefit, on the other hand, have been unemployed for longer and are further away from the labor market. The recent decline in unemployment in this group is likely to have structural (rather than cyclical) reasons. In particular, the number of unemployed persons of Syrian nationality declined. Leading indicators for the labor market have hardly changed in recent months. Against this backdrop, we do not expect any major changes in the labor market for the near future. Due to the upturn in economic activity we expect and the associated increase in labor demand, unemployment is likely to begin falling over the course of the coming year and employment is likely to rise. Given that the labor force is beginning to shrink due to aging, the decline in unemployment will be greater than the increase in employment. All in all, we expect the unemployment rate to fall from 6.3 percent (2025) to 6.2 percent (2026) and 5.9 percent.

Fiscal policy is shifting toward a more expansionary course. In the spring, Germany amended its constitution to permit additional borrowing, mainly for defense and infrastructure, while also significantly expanding fiscal room for maneuver. Over the

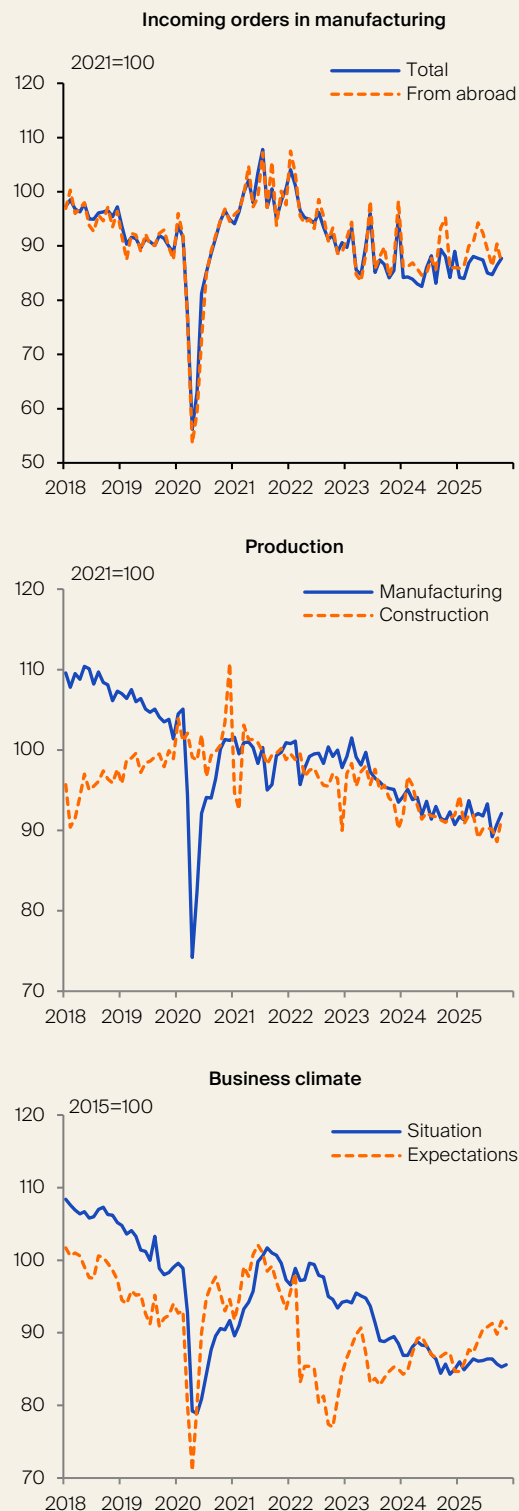
medium term, this is expected to sustain a structural deficit well above 3.5 percent of GDP, bolstering public consumption and investment. For the current year, however, the impact will be limited. The public deficit is still projected to narrow because additional investment and defense spending are set far in advance. Furthermore, higher social security contributions will reduce the deficit. A pronounced increase in the deficit is anticipated for 2026, when the new fiscal space is expected to be used for tax cuts, higher subsidies, and higher growth in defense and infrastructure spending. Still, the ramp-up of these additional outlays will likely be more gradual than currently envisaged. Full implementation will take time, so 2027 should see another—though more moderate—rise in spending, again pushing up the public deficit

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1 Leading indicators

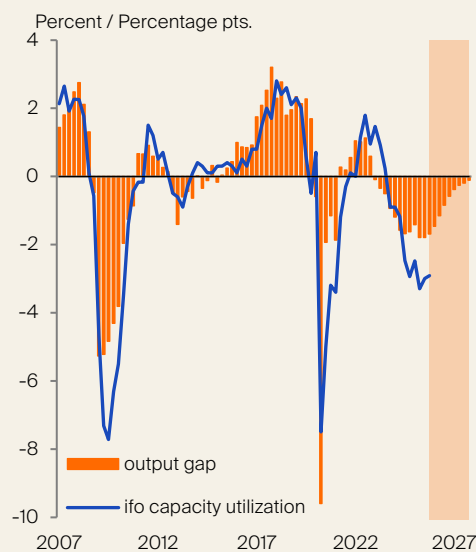
Figure 1.1:
Leading indicators



Monthly data, seasonally adjusted.

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

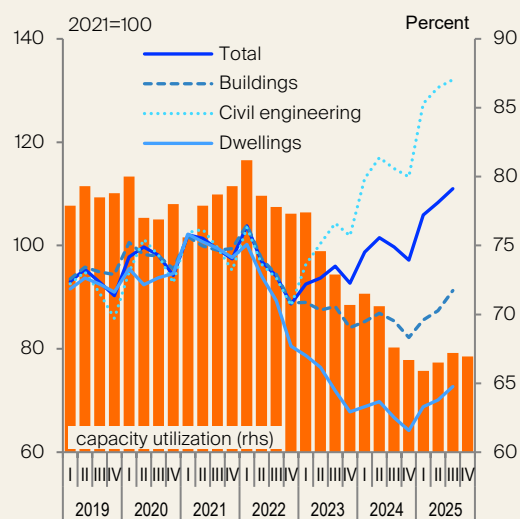
Figure 1.2:
Gesamtwirtschaftliche Kapazitätsauslastung



Quarterly data: GDP deviation from potential output, deviation of ifo capacity utilization indicator from the mean (2005 bis 2019).

Source: Federal Statistical Office, ifo institue - Leipzig Institute for Economic Research, Kiel Institute forecast.

Figure 1.3:
Order stocks and capacity utilization in construction industry

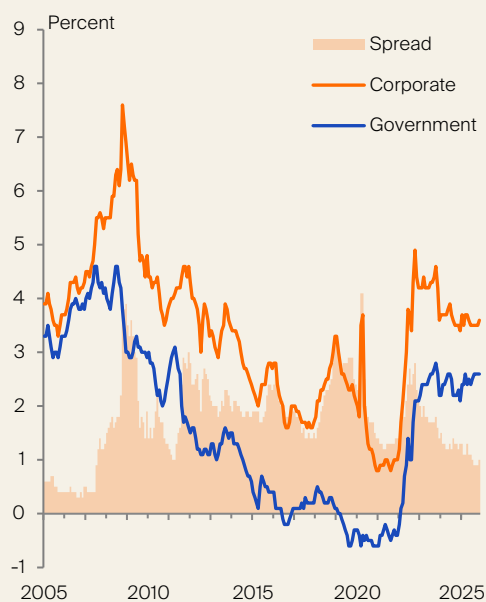


Quarterly data. Capacity utilization (deviation from normal level): seasonally adjusted; order stocks: price, seasonally and working-day adjusted.

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

2 Monetary conditions and prices

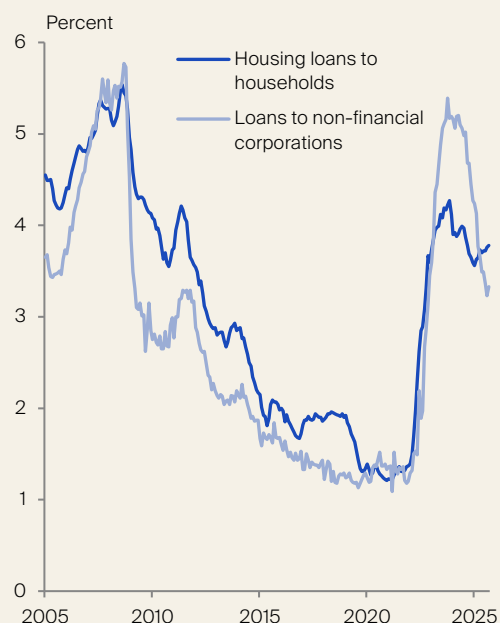
Figure 2.1:
Bond yields



Monthly data.

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

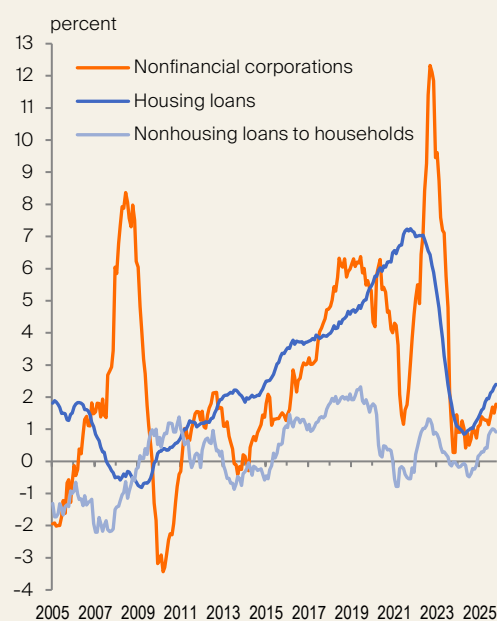
Figure 2.2:
Loan interest rates



Monthly data; Effective interest rates, new business, total loans.

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

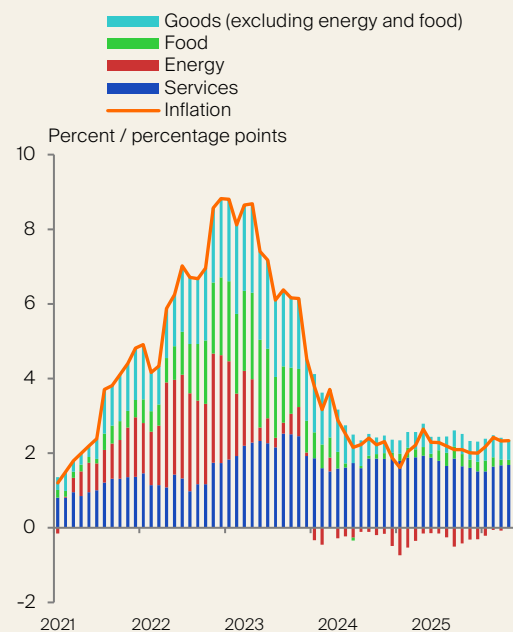
Figure 2.3:
Credit growth



Change compared to one year ago; Monthly data.

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

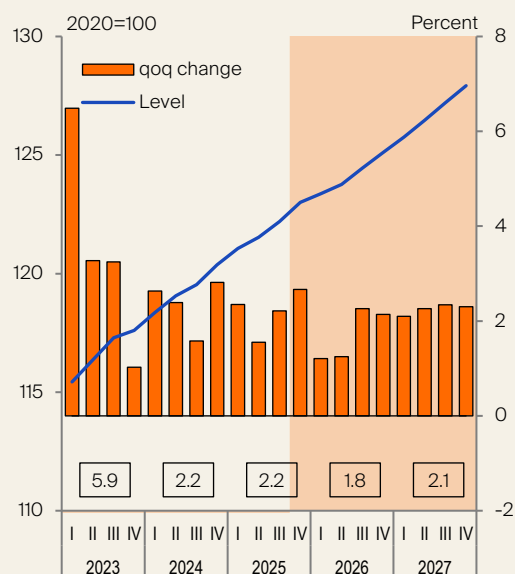
Figure 2.4:
Contributions to Inflation



Monthly data. Contributions to the year-on-year rate of consumer prices.

Sources: Federal Statistical Office; calculations by the Kiel Institute.

Figure 2.5:
Consumer prices



Quarterly data: seasonally adjusted; qoq change: annualized.
Annual data (boxes): 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

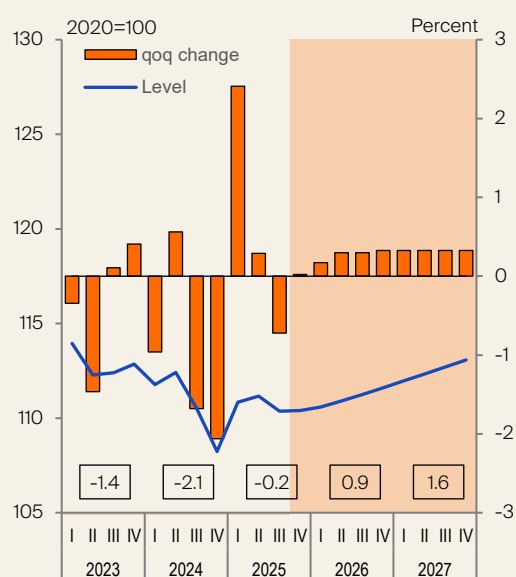
	2025				2026				2027			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
ECB key interest rate	2.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Long-term interest rate	2.5	2.5	2.6	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
US-dollar/euro exchange rate	1.05	1.13	1.17	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16
Price competitiveness	91.0	93.0	93.8	93.7	93.4	93.1	92.9	92.6	92.6	92.7	92.8	92.9
Export markets	0.4	0.5	0.6	0.5	0.4	0.4	0.5	0.5	0.6	0.6	0.6	0.6
Oil price	74.8	66.9	67.7	64.1	63.4	63.3	63.3	63.2	63.3	63.5	63.7	64.0
Gas price	46.8	35.6	31.8	31.4	31.5	29.9	29.9	30.8	31.1	27.4	27.2	28.2
Electricity price	116.1	73.4	71.7	94.0	89.3	89.3	89.3	89.3	86.0	86.0	86.0	86.0

ECB key interest rate: deposit facility rate (end of quarter); long-term interest rate on 9–10 year bonds (quarter 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

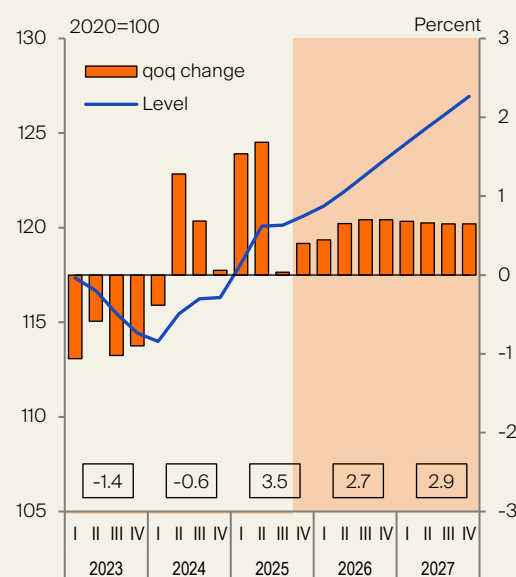
Figure 3.1:
Exports



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

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

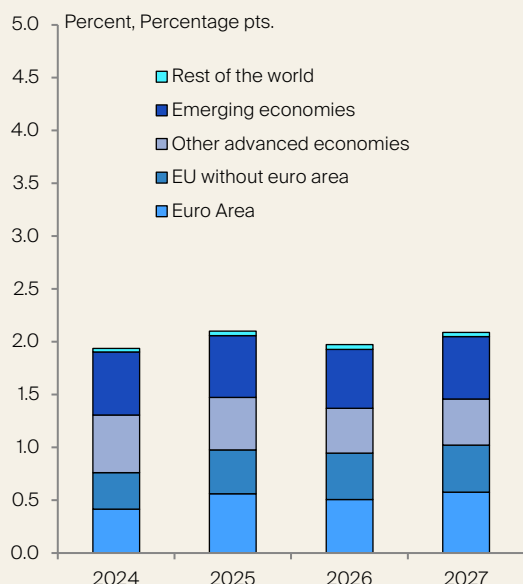
Figure 3.2:
Imports



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.

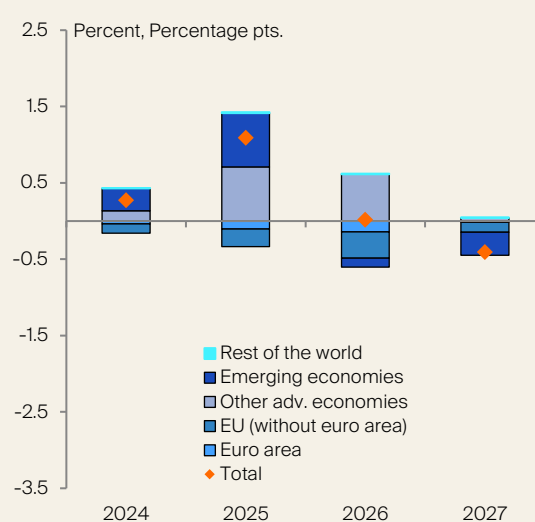
Figure 3.3:
German Export Markets



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 3.4:
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 forecasts.

Figure 3.5:
Export indicators

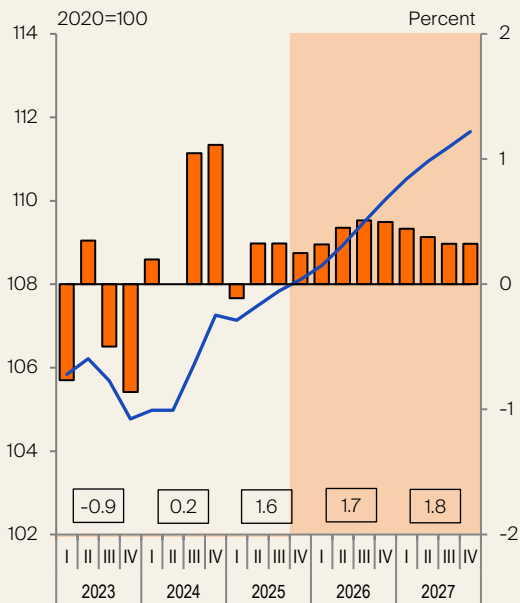


Quarterly data; exports, industrial production, volumes, change on previous year; order inflow: volumes, change on previous quarter; export expectations, foreign orders on hand: volumes; business expectations, industrial production: based on 42 countries weighted by shares of German exports.

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

4 Domestic expenditure

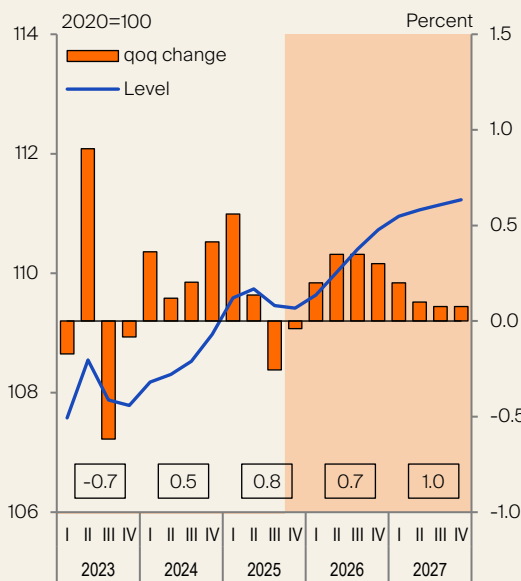
Figure 4.1:
Final domestic expenditure



Quarterly data: price, seasonally and calendar adjusted, qoqchange. Annual data: price adjusted, annual rate (boxes).

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

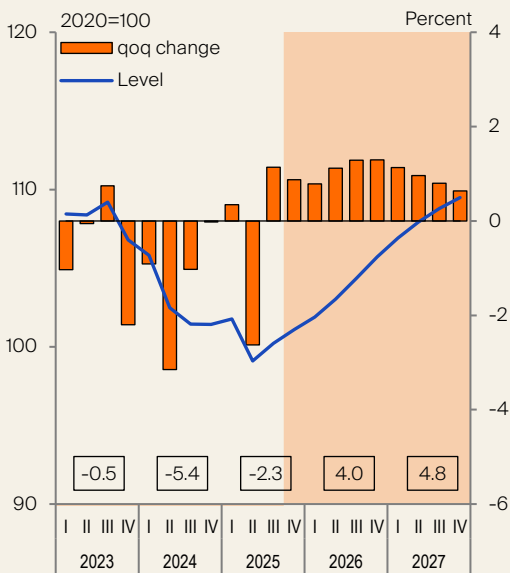
Figure 4.2:
Private consumption



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

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

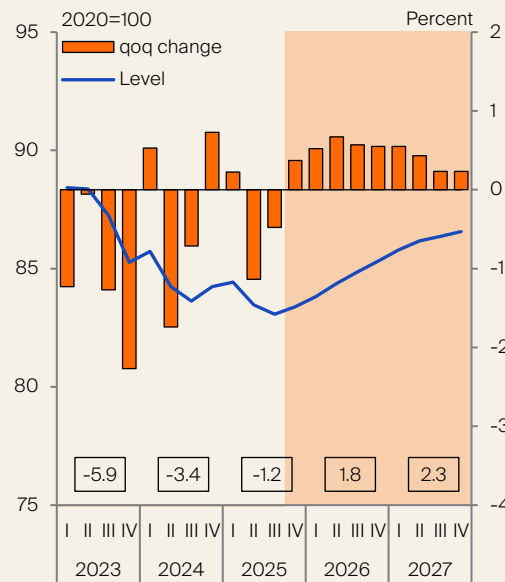
Figure 4.3:
Machinery and equipment



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.

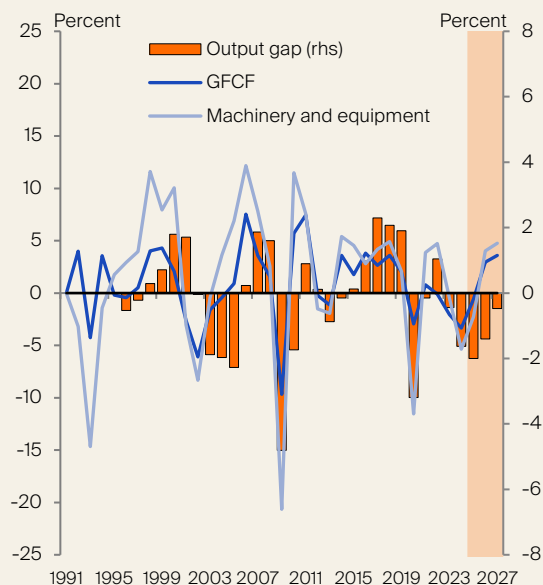
Figure 4.4:
Constructions



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.

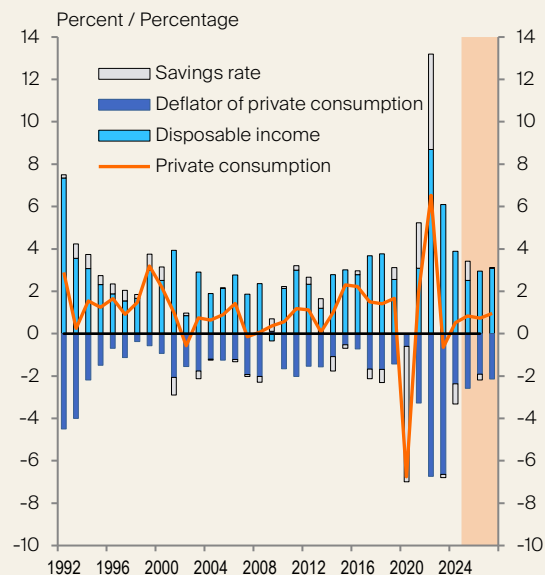
Figure 4.5:
Investment cycles



Annual data; GFCF, machinery and equipment: volumes, change on previous year; output gap: in percent of potential output, estimation taken from medium-run projection.

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

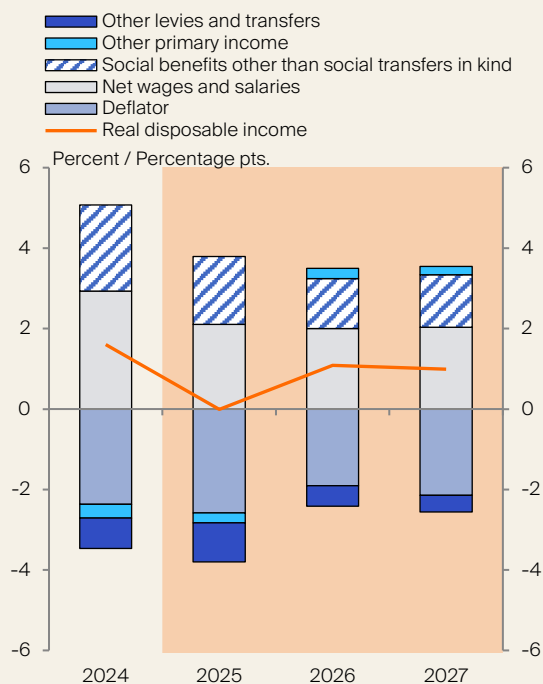
Figure 4.6:
Decomposition of growth in private consumption



Annual data; disposable income including adjustment for the change in pension entitlements.

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

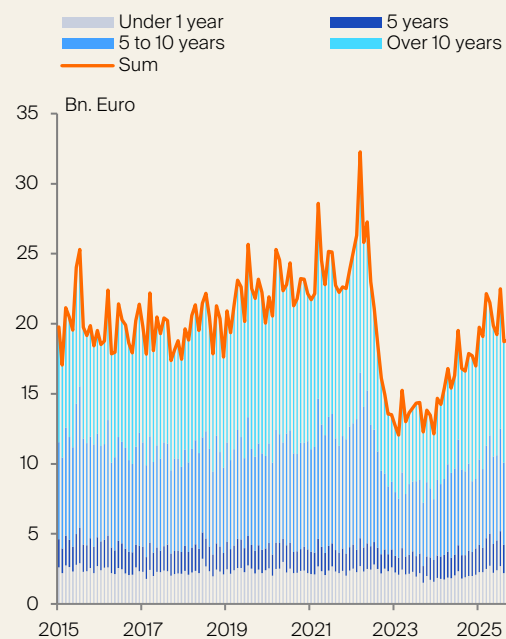
Figure 4.7:
Contributions to changes in real disposable income



Annual data. Other levies and transfers: Levies on social benefits, taxes on consumption and other transfers received (net); Deflator: Deflator of private consumption.

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

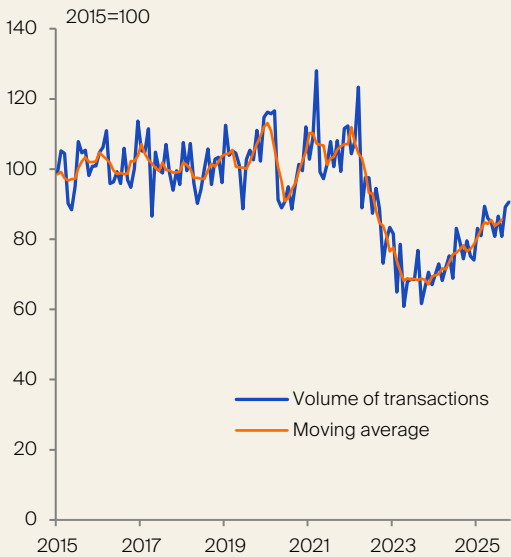
Figure 4.8:
New Housing Loans to Households



Monthly data, new business, different durations, in billion Euro.

Source: Deutsche Bundesbank, *Time series databases*.

Figure 4.9:
Volume of real estate transactions



Monthly data, volumen of transaction. real estate, price-adjusted, based on the revenue from the real estate transfer tax of the German states.

Source: Federal ministry of finance, vdp real estate price index, Kiel Institute calculations.

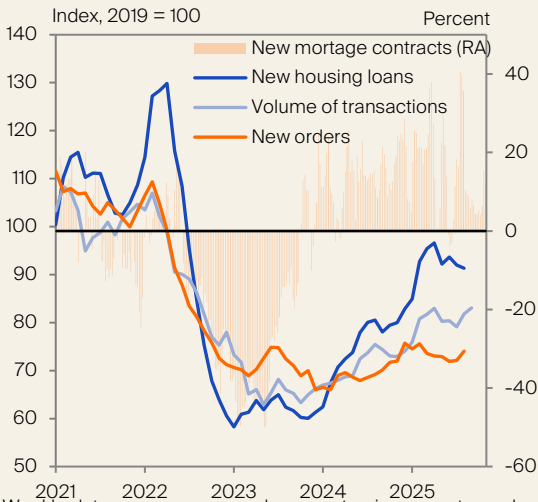
Table 4.1:
Gross fixed capital formation

	2024	2025	2026	2027
Total	-3.3	-0.6	3.0	3.6
Corporate investment	-4.2	-0.4	2.9	3.5
Machinery and equipment	-5.4	-2.3	4.0	4.8
Construction (nondwellings)	-5.0	0.9	0.6	1.7
Other	0.2	3.8	4.3	5.2
Dwellings	-5.4	-2.5	1.6	2.3
Public (nondwellings)	7.4	0.4	4.1	2.9
Memorandum item:				
Construction	-3.4	-1.2	1.8	2.3

Volumes; change over previous year in percent.

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

Figure 4.10:
Housing indicators



Weekly data, year-over-year change rates in percent, number of mortgage contracts for private households; monthly data, moving average, new housing loans to households, volumen of transaction. real estate, price-adjusted, based on the revenue from the real estate transfer tax of the German states, new orders residential construction.

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

5 Industries

Table 5.1:
Gross value added for industries

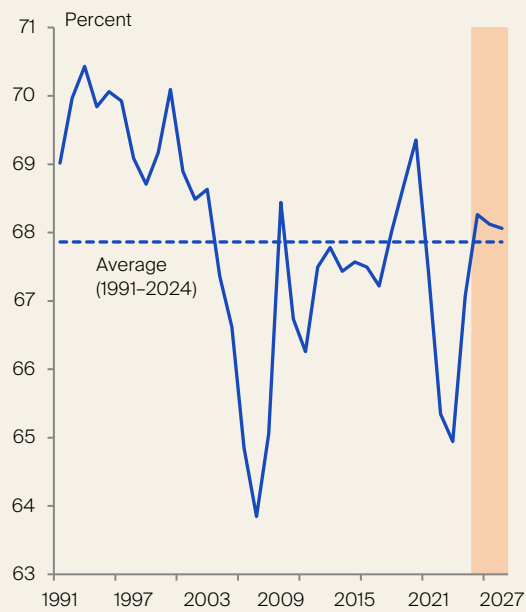
	2025				2026				2027			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Seasonally and calendar-adjusted, q-o-q change in percent												
Gross domestic product	0.3	-0.2	0.0	0.1	0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Gross value added	0.5	-0.1	0.1	0.1	0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Industry excl. construction	1.3	-0.2	-0.7	0.2	0.1	0.2	0.3	0.3	0.2	0.2	0.2	0.2
Manufacturing	1.7	-0.3	-0.9	0.0	0.1	0.2	0.3	0.3	0.2	0.2	0.2	0.2
Energy, Water etc.	-0.2	0.3	0.4	1.5	0.3	0.3	0.4	0.4	0.3	0.2	0.2	0.2
Construction	1.2	-2.3	-0.6	0.2	0.2	0.5	0.5	0.4	0.4	0.3	0.3	0.3
Trade, transport, accommodation, food services	0.5	-0.6	0.7	-0.1	0.2	0.4	0.4	0.4	0.3	0.2	0.1	0.1
Information and communication	0.8	0.3	0.8	0.8	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Financial and insurance services	-0.7	-1.5	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Real estate activities	0.6	0.2	0.2	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Business services	-0.3	0.4	-0.1	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Public services, education, health	0.3	0.7	0.4	0.2	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Other services	-0.7	0.1	0.0	0.0	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.1

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



Yearly 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:
Wages and productivity

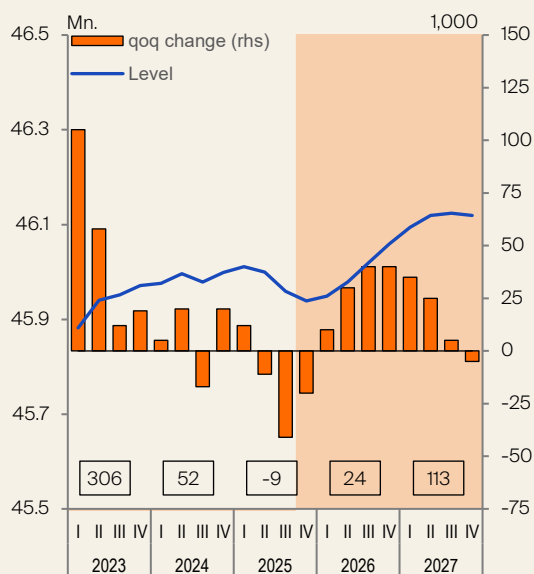
	2023	2024	2025	2026	2027
<i>Per hour</i>					
Negotiated wages	4.0	6.2	2.6	3.3	3.5
Gross wages and salaries	6.6	5.3	4.6	3.3	3.1
Wage drift	2.5	-0.9	2.0	0.0	-0.3
Compensation of employees	6.3	5.2	5.0	3.3	3.3
Labor productivity	-1.2	-0.3	0.4	0.5	0.7
Unit labor costs	7.6	5.6	4.7	2.8	2.6
Unit labor costs (real)	0.8	2.4	1.7	0.2	-0.1
<i>Per capita</i>					
Negotiated wages	4.0	6.1	2.6	3.3	3.5
Gross wages and salaries	6.5	5.2	4.5	3.9	3.7
Wage drift	2.4	-1.0	2.0	0.6	0.2
Compensation of employees	6.2	5.1	5.0	3.9	3.8
Labor productivity	-1.5	-0.6	0.2	0.9	1.0
Unit labor costs	7.8	5.8	4.8	2.9	2.7
Unit labor costs (real)	1.1	2.6	1.8	0.3	0.1

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

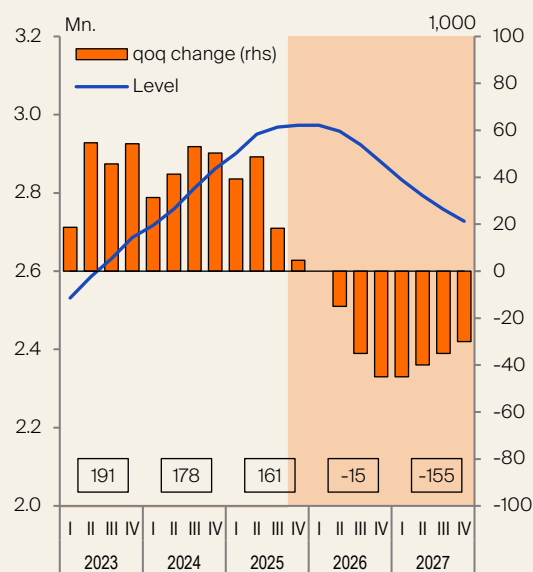
Figure 7.1:
Persons employed



Quarterly data: seasonally adjusted.
Annual data (boxes): yoy change in 1,000.

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

Figure 7.2:
Unemployed



Quarterly data: seasonally adjusted.
Annual data (boxes): yoy change in 1,000.

Source: Deutsche Bundesbank, *Macroeconomic time series*;
shaded: Kiel Institute forecast.

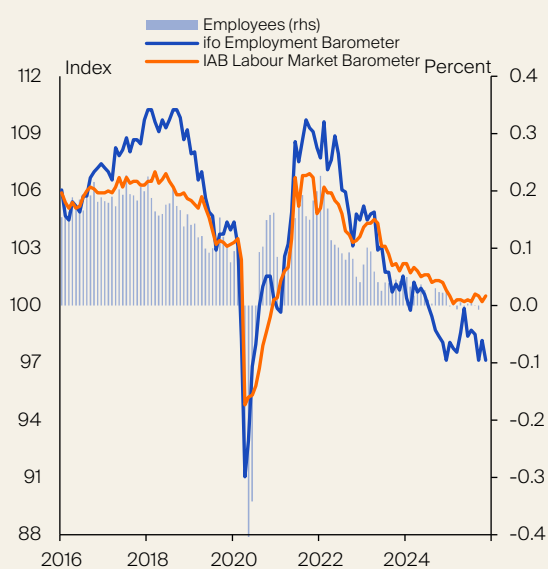
Table 7.1:
Employment (1,000 persons)

	2023	2024	2025	2026	2027
Hours worked (domestic concept, mn. hours)	61,496	61,364	61,226	61,537	61,894
Persons in employment (domestic concept)	45,935	45,987	45,977	46,002	46,114
Self-employed	3,787	3,704	3,665	3,646	3,626
Employees (domestic concept)	42,148	42,283	42,312	42,356	42,489
Employees subject to social security contributions	34,799	34,939	34,969	35,057	35,210
Minijobs	4,199	4,178	4,122	4,079	4,059
Net commuting	153	157	156	155	155
Persons in employment (national concept)	45,782	45,830	45,821	45,847	45,960
Employees (national concept)	41,995	42,126	42,156	42,202	42,334
Unemployed persons (registered)	2,609	2,787	2,948	2,933	2,778
Unemployment rate (registered; percent)	5.7	6.0	6.3	6.2	5.9
Unemployment rate (ILO; percent)	2.8	3.1	3.5	3.6	3.3

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

Source: Federal Statistical Office, *Fachserie 18, Series 1.2*; Deutsche Bundesbank, *Macroeconomic time series*; shaded: Kiel Institute forecast.

Figure 7.3:
Labor market indicators



Monthly data; employees subject to social security: m-o-m change (three-months average), seasonally adjusted. ifo Employment Barometer: rebased to 2015=105. IAB Labour Market Barometer, Component B (employment): 90=very bad outlook, 110=very good outlook.

Source: Federal Employment Agency, *Seasonally-Adjusted Time Series*; ifo Institute; Institute for Employment Research (IAB); Kiel Institute calculations.

8 Public finances

Table 8.1
Revenues and expenditures of the general government (bn. Euro)

	2023	2024	2025	2026	2027
Revenues	1,926.2	2,024.4	2,142.9	2,218.0	2,306.2
→relative to GDP	45.7	46.8	48.0	48.0	48.0
Taxes	962.0	996.6	1,037.6	1,068.0	1,105.0
→relative to GDP	22.8	23.0	23.3	23.1	23.0
Social contributions	710.8	756.6	821.4	860.6	903.2
→relative to GDP	16.8	17.5	18.4	18.6	18.8
Other revenues	253.3	271.3	283.8	289.4	298.1
→relative to GDP	6.0	6.3	6.4	6.3	6.2
Expenditures	2,031.4	2,139.7	2,248.5	2,380.3	2,499.8
→relative to GDP	48.1	49.4	50.4	51.5	52.0
Compensation of employees	340.5	357.3	386.0	403.0	422.6
Intermediate consumption	265.8	280.4	288.2	308.7	330.1
Social transfers in kind	358.0	386.6	413.6	432.2	448.6
Gross capital formation	120.1	131.3	138.9	153.0	170.5
Capital transfers	36.8	45.8	49.9	53.1	56.3
Social benefits	660.7	709.5	749.4	779.3	811.7
Subsidies	82.8	54.2	54.8	60.2	62.4
Other current transfers	92.3	90.2	93.1	104.1	107.1
Other capital transfers and investment grants	74.5	84.0	74.7	86.9	90.5
Other expenditures	-0.5	0.1	-0.5	-0.5	-0.5
Net lending/ net borrowing	-105.2	-115.3	-105.7	-162.2	-193.6
→relative to GDP	-2.5	-2.7	-2.4	-3.5	-4.0
Revenues of central, state, and local governments	1,253.1	1,305.5	1,359.4	1,398.1	1,455.4
Net of transfers from social security funds	1,247.8	1,300.6	1,357.4	1,394.9	1,450.7
Transfers from social security funds	5.3	4.9	2.0	3.2	4.7
Expenditures of central, state, and local governments	1,367.1	1,409.0	1,462.0	1,555.4	1,636.7
Net of transfers to social security funds	1,217.6	1,267.2	1,313.8	1,402.1	1,479.5
Transfers to social security funds	149.5	141.8	148.1	153.3	157.1
Net lending/ net borrowing central, state, and local governments	-114.0	-103.5	-102.6	-157.3	-181.3
Revenues of social security funds	827.9	865.6	933.6	976.4	1,021.2
Net of transfers from central, state, and local governments	678.4	723.8	785.5	823.1	864.1
Expenditures of social security funds	819.1	877.5	936.7	981.4	1,025.0
Net of transfers to central, state, and local governments	813.8	872.6	934.7	978.2	1,020.3
Net lending/ net borrowing social security funds	8.8	-11.8	-3.1	-5.0	-3.8

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

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

9 GDP and its components

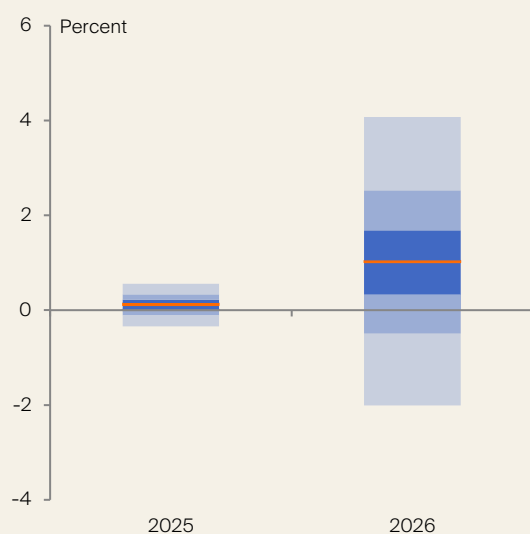
Tabelle 9.1:
Quarterly data

	2025				2026				2027			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Gross domestic product	0.3	-0.2	0.0	0.1	0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Private consumption	0.6	0.1	-0.3	0.0	0.2	0.3	0.3	0.3	0.2	0.1	0.1	0.1
Government consumption	0.2	0.2	0.8	0.8	0.5	0.5	0.5	0.5	0.5	0.6	0.8	0.8
Machinery and equipment	0.3	-2.6	1.1	0.9	0.8	1.1	1.3	1.3	1.1	1.0	0.8	0.6
Constructions	0.2	-1.1	-0.5	0.4	0.5	0.7	0.6	0.6	0.6	0.4	0.2	0.2
Other investment	0.6	1.2	0.9	1.0	1.0	1.1	1.1	1.3	1.3	1.3	1.3	1.3
Change in inventories	-0.5	0.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic expenditure	-0.1	0.3	0.3	0.2	0.3	0.5	0.5	0.5	0.4	0.4	0.3	0.3
Exports	2.4	0.3	-0.7	0.0	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Imports	1.5	1.7	0.0	0.4	0.4	0.7	0.7	0.7	0.7	0.7	0.6	0.6
Net exports	0.4	-0.5	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Employment (domestic)	46,011	46,000	45,959	45,939	45,949	45,979	46,019	46,059	46,094	46,119	46,124	46,119
Unemployment (registered)	2,901	2,950	2,968	2,973	2,973	2,958	2,923	2,878	2,833	2,793	2,758	2,728

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*; Deutsche Bundesbank, *Macroeconomic time series*; shaded: Kiel Institute forecast.

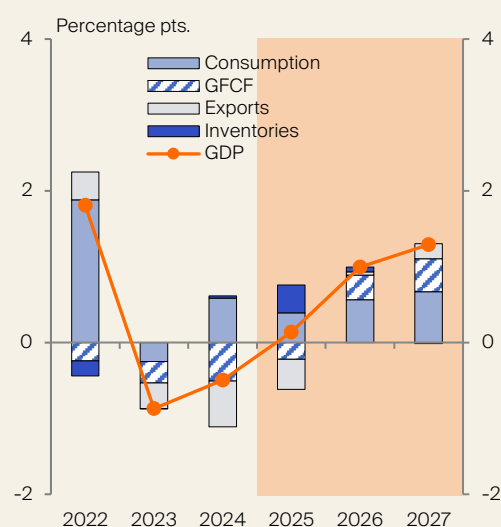
Figure 9.1:
Forecast intervals for GDP growth



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 fourth quarter 1994–2024.

Source: Kiel Institute 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

Table 10.1:
The German economy

	2025	2024	2025	2026	2027
	Bn. Euro	Change over previous year in percent			
Use of gross domestic product, price-adjusted					
GDP		-0.5	0.1	1.0	1.3
Private consumption expenditure		0.5	0.8	0.7	1.0
Public consumption expenditure		2.6	2.3	2.3	2.4
Total fixed investment		-3.3	-0.6	3.0	3.6
Machinery and equipment		-5.4	-2.3	4.0	4.8
Construction		-3.4	-1.2	1.8	2.3
Other equipment		0.2	3.8	4.3	5.2
Changes in stocks		0.1	0.7	0.1	0.0
Domestic Demand		0.2	1.6	1.7	1.8
Exports		-2.1	-0.2	0.9	1.6
Imports		-0.6	3.5	2.7	2.9
Net exports		-0.7	-1.4	-0.7	-0.5
Use of gross domestic product at current prices					
GDP	4,463.0	2.6	3.1	3.6	4.0
Private consumption expenditure	2,361.4	2.9	3.4	2.7	3.1
Public consumption expenditure	1,008.3	5.1	5.9	5.3	5.4
Total fixed investment	904.2	-0.9	2.1	6.4	7.7
Machinery and equipment	266.2	-3.7	-0.3	6.7	8.0
Construction	459.0	-0.5	1.9	5.9	7.4
Other equipment	178.9	2.6	6.5	7.1	8.1
Changes in stocks (€ bn.)		45.0	75.5	83.6	84.5
Domestic Demand	4,349.5	2.8	4.4	4.2	4.6
Exports	1,809.8	-1.1	0.9	1.2	2.6
Imports	1,696.2	-0.9	4.1	2.6	4.1
Net exports (€ bn.)		163.5	113.6	92.3	68.2
Gross national income	4,621.1	2.8	3.2	3.6	4.0
Deflators					
GDP		3.1	3.0	2.6	2.6
Private consumption expenditure		2.4	2.6	1.9	2.1
Public consumption expenditure		2.5	3.6	2.9	2.9
Investment in machinery and equipment		1.7	2.0	2.6	3.1
Investment in construction		3.0	3.1	4.1	5.0
Investment in other equipment		2.4	2.6	2.7	2.8
Exports		1.0	1.1	0.3	1.0
Imports		-0.4	0.5	-0.1	1.2
Addendum: Consumer prices		2.2	2.2	1.8	2.1
Income distribution					
Net national income (factor costs)	3,293.1	1.5	2.9	3.6	3.4
Compensation of employees	2,476.5	5.5	5.0	4.0	4.1
in percent of national income		73.7	75.2	75.5	76.0
Property and entrepreneurial income	816.6	-8.1	-3.1	2.3	1.4
Disposable income	2,575.9	4.0	2.6	3.0	3.1
Saving rate		11.2	10.5	10.7	10.7
Wages and salaries	2,037.1	5.5	4.6	4.0	4.0
Wage per hour		5.3	4.6	3.3	3.1
Unit labor costs		5.6	4.7	2.8	2.6
Productivity per hour		-0.3	0.4	0.5	0.7
Unemployment (1,000)		2,787.1	2,948.1	2,933.0	2,778.0
Rate of unemployment (percent)		6.0	6.3	6.2	5.9
Total employment (1,000)		45,986.5	45,977.3	46,001.5	46,114.0
Public sector budget balance					
Public sector budget balance (€ bn.)		-115.3	-105.7	-162.2	-193.6
Public sector budget balance (in percent of GDP)		-2.7	-2.4	-3.5	-4.0
Public debts (in percent)		62.1	62.6	63.9	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 2027

	2025	2026	2027	2025		2026		2027	
				H1	H2	H1	H2	H1	H2
1. Production									
Change over the same period of the preceding year in %									
Persons in employment	0.0	0.1	0.2	0.1	- 0.1	- 0.1	0.2	0.3	0.2
Hours worked	- 0.2	0.5	0.6	- 0.4	- 0.1	0.1	0.9	0.7	0.5
Hours worked by person in employment	- 0.2	0.5	0.3	- 0.4	0.0	0.1	0.7	0.4	0.3
Labor productivity ¹	0.4	0.5	0.7	0.4	0.4	0.4	0.6	0.9	0.6
Gross domestic product, price-adjusted	0.1	1.0	1.3	0.0	0.3	0.4	1.6	1.5	1.0
2. Use of gross domestic product at current prices									
a) EUR bn.									
Consumption expenditure	3 369.8	3 486.2	3 618.7	1 643.1	1 726.7	1 696.6	1 789.6	1 761.6	1 857.1
Private households ²	2 361.4	2 424.2	2 499.9	1 154.4	1 207.1	1 180.5	1 243.7	1 219.7	1 280.2
Government	1 008.3	1 062.0	1 118.8	488.7	519.6	516.1	545.9	542.0	576.9
Gross fixed capital formation	904.2	962.0	1 036.3	437.2	467.0	457.2	504.8	495.4	540.8
Machinery and equipment	266.2	284.1	306.7	126.3	139.9	132.0	152.1	143.7	163.0
Construction	459.0	486.3	522.4	225.3	233.8	233.9	252.4	253.0	269.3
Other products	178.9	191.7	207.3	85.6	93.3	91.4	100.3	98.7	108.6
Changes in inventories ³	75.5	83.6	84.5	43.4	32.1	51.8	31.8	53.5	31.1
Domestic expenditure	4 349.5	4 531.8	4 739.5	2 123.7	2 225.8	2 205.6	2 326.2	2 310.5	2 429.0
Net exports	113.6	92.3	68.2	68.8	44.7	58.0	34.3	47.1	21.1
Exports	1 809.8	1 832.1	1 879.6	904.9	904.8	903.3	928.8	928.1	951.4
Imports	1 696.2	1 739.8	1 811.4	836.1	860.1	845.3	894.5	881.0	930.3
Gross domestic product	4 463.0	4 624.1	4 807.7	2 192.5	2 270.5	2 263.7	2 360.5	2 357.6	2 450.0
b) Change over the same period of the preceding year in %									
Consumption expenditure	4.2	3.5	3.8	4.3	4.0	3.3	3.6	3.8	3.8
Private households ²	3.4	2.7	3.1	3.5	3.3	2.3	3.0	3.3	2.9
Government	5.9	5.3	5.4	6.3	5.6	5.6	5.1	5.0	5.7
Gross fixed capital formation	2.1	6.4	7.7	1.2	3.0	4.6	8.1	8.4	7.1
Machinery and equipment	- 0.3	6.7	8.0	- 2.4	1.6	4.5	8.7	8.9	7.1
Construction	1.9	5.9	7.4	1.3	2.4	3.8	8.0	8.2	6.7
Other products	6.5	7.1	8.1	6.6	6.4	6.8	7.5	8.0	8.3
Domestic expenditure	4.4	4.2	4.6	4.7	4.2	3.9	4.5	4.8	4.4
Exports	0.9	1.2	2.6	0.2	1.6	- 0.2	2.6	2.7	2.4
Imports	4.1	2.6	4.1	4.9	3.2	1.1	4.0	4.2	4.0
Gross domestic product	3.1	3.6	4.0	2.7	3.5	3.2	4.0	4.2	3.8
3. Use of gross domestic product, price-adjusted (chain-linked, 2020=100)									
a) EUR bn.									
Consumption expenditure	2 747.5	2 781.0	2 819.4	1 354.7	1 392.8	1 366.4	1 414.6	1 386.6	1 432.8
Private households ²	1 912.9	1 927.0	1 945.4	942.1	970.9	944.0	983.0	955.5	989.8
Government	835.1	854.7	874.9	413.0	422.2	422.8	431.9	431.5	443.4
Gross fixed capital formation	697.8	718.5	744.3	338.3	359.5	343.7	374.8	358.1	386.1
Machinery and equipment	223.3	232.3	243.4	105.9	117.3	108.3	124.0	114.4	128.9
Construction	320.7	326.5	334.0	158.2	162.5	158.7	167.8	163.5	170.5
Other products	158.2	165.0	173.5	75.7	82.5	78.8	86.2	82.7	90.8
Domestic expenditure	3 512.3	3 571.6	3 635.8	1 728.6	1 783.7	1 751.2	1 820.4	1 786.7	1 849.2
Exports	1 489.2	1 502.9	1 526.2	743.1	746.0	742.8	760.0	756.0	770.2
Imports	1 393.0	1 430.7	1 472.2	682.8	710.2	697.6	733.1	718.7	753.5
Gross domestic product	3 605.8	3 641.6	3 688.5	1 787.6	1 818.2	1 795.2	1 846.4	1 822.8	1 865.7
b) Change over the same period of the preceding year in %									
Consumption expenditure	1.3	1.2	1.4	1.5	1.0	0.9	1.6	1.5	1.3
Private households ²	0.8	0.7	1.0	1.0	0.6	0.2	1.2	1.2	0.7
Government	2.3	2.3	2.4	2.6	1.9	2.4	2.3	2.1	2.7
Gross fixed capital formation	- 0.6	3.0	3.6	- 1.5	0.3	1.6	4.2	4.2	3.0
Machinery and equipment	- 2.3	4.0	4.8	- 4.3	- 0.3	2.2	5.7	5.7	4.0
Construction	- 1.2	1.8	2.3	- 1.9	- 0.6	0.3	3.3	3.0	1.6
Other products	3.8	4.3	5.2	3.9	3.7	4.0	4.6	5.0	5.3
Domestic expenditure	1.6	1.7	1.8	2.0	1.3	1.3	2.1	2.0	1.6
Exports	- 0.2	0.9	1.6	- 1.6	1.2	0.0	1.9	1.8	1.3
Imports	3.5	2.7	2.9	3.3	3.8	2.2	3.2	3.0	2.8
Gross domestic product	0.1	1.0	1.3	0.0	0.3	0.4	1.6	1.5	1.0

National Accounts (cont.)
 Forecast period: 2025 to 2027

	2025	2026	2027	2025		2026		2027	
				H1	H2	H1	H2	H1	H2
4. Deflators (2020=100)									
Change on the same period of the preceding year in %									
Private consumption ²	2.6	1.9	2.1	2.5	2.7	2.1	1.8	2.1	2.2
Government consumption	3.6	2.9	2.9	3.5	3.7	3.1	2.7	2.9	2.9
Gross fixed capital formation	2.7	3.3	4.0	2.7	2.6	2.9	3.7	4.0	4.0
Machinery and equipment	2.0	2.6	3.1	2.0	1.9	2.2	2.9	3.1	3.0
Construction	3.1	4.1	5.0	3.2	3.1	3.5	4.6	5.0	5.0
Exports	1.1	0.3	1.0	1.7	0.4	- 0.1	0.8	1.0	1.1
Imports	0.5	- 0.1	1.2	1.6	- 0.5	- 1.0	0.8	1.2	1.2
Gross domestic product	3.0	2.6	2.6	2.7	3.2	2.8	2.4	2.6	2.7

5. National income

a) EUR bn.

Primary income of private households ²	3 135.5	3 240.4	3 351.5	1 532.3	1 603.1	1 581.8	1 658.5	1 639.0	1 712.5
Employers social contributions	439.5	456.5	477.4	212.8	226.6	221.4	235.1	231.7	245.7
Gross wages and salaries	2 037.1	2 118.4	2 203.1	972.8	1 064.3	1 013.8	1 104.7	1 055.2	1 147.9
Other primary income ⁴	658.9	665.5	671.0	346.7	312.2	346.7	318.8	352.0	319.0
Primary income of other sectors	566.9	587.1	612.3	271.6	295.3	277.6	309.5	291.4	320.9
Net national income	3 702.4	3 827.5	3 963.8	1 803.9	1 898.4	1 859.5	1 968.0	1 930.4	2 033.4
Consumption of fixed capital	918.7	959.8	1 013.1	456.9	461.8	474.9	484.9	500.8	512.3
Gross national income	4 621.1	4 787.3	4 976.9	2 260.8	2 360.2	2 334.4	2 452.9	2 431.2	2 545.7
memorandum item:									
Net national income (factor costs)	3 293.1	3 410.0	3 527.2	1 596.3	1 696.8	1 649.5	1 760.6	1 710.1	1 817.1
Property and entrepreneurial income	816.6	835.2	846.6	410.7	405.9	414.4	420.8	423.1	423.5
Compensation of employees	2 476.5	2 574.9	2 680.6	1 185.6	1 290.9	1 235.1	1 339.8	1 287.0	1 393.6

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

Primary income of private households ²	3.7	3.3	3.4	3.7	3.7	3.2	3.5	3.6	3.3
Employers social contributions	7.0	3.9	4.6	7.3	6.8	4.0	3.7	4.7	4.5
Gross wages and salaries	4.6	4.0	4.0	4.6	4.6	4.2	3.8	4.1	3.9
... per employee	4.5	3.9	3.7	4.4	4.7	4.3	3.5	3.7	3.7
Other primary income ⁴	-0.9	1.0	0.8	-0.8	-1.1	0.0	2.1	1.5	0.1
Primary income of other sectors	0.0	3.6	4.3	-2.7	2.7	2.2	4.8	5.0	3.7
Net national income	3.1	3.4	3.6	2.7	3.6	3.1	3.7	3.8	3.3
Consumption of fixed capital	3.4	4.5	5.6	3.4	3.4	4.0	5.0	5.5	5.7
Gross national income	3.2	3.6	4.0	2.8	3.5	3.3	3.9	4.1	3.8
memorandum item:									
Net national income (factor costs)	2.9	3.6	3.4	2.0	3.8	3.3	3.8	3.7	3.2
Property and entrepreneurial income	-3.1	2.3	1.4	-6.1	0.2	0.9	3.7	2.1	0.6
Compensation of employees	5.0	4.0	4.1	5.1	5.0	4.2	3.8	4.2	4.0

6. Disposable income of private households ²

a) EUR bn.

Mass income	2 057.6	2 132.1	2 210.9	989.1	1 068.5	1 026.8	1 105.3	1 065.2	1 145.8
Net wages and salaries	1 408.3	1 459.9	1 513.8	666.3	742.0	692.4	767.5	718.7	795.1
Social benefits other than social transfers in kind	834.7	866.7	901.3	414.7	420.0	430.8	435.9	447.6	453.8
less: Levies on social benefits, taxes on consumption	185.4	194.4	204.2	91.9	93.6	96.4	98.1	101.1	103.1
Other primary income ⁴	658.9	665.5	671.0	346.7	312.2	346.7	318.8	352.0	319.0
Other transfers received (net) ⁵	-140.6	-144.7	-145.7	-64.9	-75.7	-66.8	-77.9	-67.3	-78.4
Disposable income	2 575.9	2 653.0	2 736.2	1 270.9	1 305.0	1 306.8	1 346.2	1 349.9	1 386.3
Change in pension entitlements	61.2	61.8	62.4	29.6	31.5	29.9	31.9	30.2	32.2
Consumption expenditure	2 361.4	2 424.2	2 499.9	1 154.4	1 207.1	1 180.5	1 243.7	1 219.7	1 280.2
Saving	275.6	290.5	298.7	146.2	129.5	156.2	134.3	160.5	138.3
Saving ratio (%) ⁶	10.5	10.7	10.7	11.2	9.7	11.7	9.7	11.6	9.7

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

Mass income	4.1	3.6	3.7	4.2	4.0	3.8	3.4	3.7	3.7
Net wages and salaries	3.9	3.7	3.7	3.8	4.0	3.9	3.4	3.8	3.6
Social benefits other than social transfers in kind	5.4	3.8	4.0	6.0	4.8	3.9	3.8	3.9	4.1
less: Levies on social benefits, taxes on consumption	8.5	4.9	5.0	9.5	7.5	4.9	4.8	4.9	5.1
Other primary income ⁴	-0.9	1.0	0.8	-0.8	-1.1	0.0	2.1	1.5	0.1
Disposable income	2.6	3.0	3.1	2.6	2.6	2.8	3.2	3.3	3.0
Consumption expenditure	3.4	2.7	3.1	3.5	3.3	2.3	3.0	3.3	2.9
Saving	-4.7	5.4	2.8	-5.1	-4.4	6.9	3.7	2.7	3.0

National Accounts (cont.)
 Forecast period: 2025 to 2027

	2025	2026	2027	2025		2026		2027	
				H1	H2	H1	H2	H1	H2

7. Revenue and expenditure by general government ⁷

a) EUR bn.

Revenue									
Taxes	1 037.6	1 068.0	1 105.0	511.5	526.1	526.5	541.6	545.2	559.8
Social contributions	821.4	860.6	903.2	398.4	423.1	418.0	442.6	439.0	464.2
Property income	30.8	31.3	31.7	15.6	15.2	15.8	15.4	16.1	15.6
Other current transfers	31.8	32.0	31.3	14.2	17.6	14.5	17.5	14.1	17.2
Capital transfers	23.3	20.3	21.8	12.1	11.2	9.0	11.4	9.7	12.2
Sales	197.7	205.6	213.0	91.4	106.3	95.1	110.5	98.5	114.5
Other subsidies	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total	2 142.9	2 218.0	2 306.2	1 043.3	1 099.6	1 078.9	1 139.1	1 122.6	1 183.6
Expenditure									
Intermediate consumption ⁸	702.2	741.2	779.1	335.7	366.5	355.8	385.4	373.0	406.1
Compensation of employees	386.0	403.0	422.6	185.6	200.4	194.0	209.0	202.8	219.8
Property income (interest)	49.9	53.1	56.3	25.1	24.8	26.7	26.4	28.3	28.0
Subsidies	54.8	60.2	62.4	21.5	33.2	26.0	34.2	26.8	35.6
Social benefits	749.4	779.3	811.7	372.1	377.4	387.1	392.2	402.8	409.0
Other current transfers	93.1	104.1	107.1	45.9	47.2	51.4	52.7	52.9	54.2
Capital transfers	74.7	86.9	90.5	29.2	45.5	35.4	51.5	37.2	53.3
Gross capital formation	138.9	153.0	170.5	59.9	79.0	65.3	87.7	72.5	98.1
Net acquisitions of non-produced non-financial assets	-0.5	-0.5	-0.5	-0.3	-0.2	-0.3	-0.2	-0.3	-0.2
Total	2 248.5	2 380.3	2 499.8	1 074.8	1 173.7	1 141.4	1 238.9	1 195.9	1 303.9
Net lending	- 105.7	- 162.2	- 193.6	- 31.5	- 74.2	- 62.4	- 99.8	- 73.3	- 120.3

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

Revenue									
Taxes	4.1	2.9	3.5	5.2	3.1	2.9	2.9	3.6	3.4
Social contributions	8.6	4.8	4.9	8.9	8.3	4.9	4.6	5.0	4.9
Property income	-9.6	1.4	1.5	-11.0	-8.2	1.6	1.3	1.7	1.3
Other current transfers	1.3	0.7	-2.1	2.3	0.5	1.6	-0.1	-2.6	-1.8
Capital transfers	14.9	-12.7	7.3	31.6	0.9	-26.2	1.9	7.9	6.9
Sales	6.7	4.0	3.6	6.9	6.5	4.1	4.0	3.5	3.7
Other subsidies	-20.6	0.0	0.0	-6.1	-31.1	0.0	0.0	0.0	0.0
Total	5.9	3.5	4.0	6.6	5.1	3.4	3.6	4.1	3.9
Expenditure									
Intermediate consumption ⁸	5.2	5.6	5.1	5.6	4.9	6.0	5.2	4.8	5.4
Compensation of employees	8.0	4.4	4.9	8.2	7.8	4.5	4.3	4.6	5.2
Property income (interest)	8.9	6.4	6.0	9.4	8.3	6.4	6.5	6.0	6.1
Subsidies	1.0	9.9	3.7	-16.9	17.5	20.7	3.0	3.2	4.1
Social benefits	5.6	4.0	4.2	6.3	5.0	4.0	3.9	4.0	4.3
Other current transfers	3.2	11.9	2.9	4.7	1.8	12.1	11.7	2.8	2.9
Capital transfers	-11.0	16.3	4.2	-21.3	-2.9	21.0	13.2	5.1	3.5
Gross capital formation	5.8	10.2	11.4	4.2	7.0	8.9	11.1	11.0	11.8
Net acquisitions of non-produced non-financial assets	-933.9	0.0	0.0	134.8	-233.9	0.0	0.0	0.0	0.0
Total	5.1	5.9	5.0	4.7	5.5	6.2	5.6	4.8	5.2

¹ Price-adjusted gross domestic product per hour worked.² Incl. nonprofit institutions serving households.³ Incl. acquisitions less disposals of valuables.⁴ Operating surplus/mixed income, net property income⁵ Received less paid other current transfers.⁶ Savings in percent of disposable income (incl. change in pension entitlements).⁷ Central, regional, local and social security funds.⁸ Incl. social transfers in kind and other production taxes.Source: Federal Statistical Office, *Fachserie 18: National Accounts*; Kiel Institute calculations and forecasts.

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