

Kieler Konjunkturberichte

German Economy in Summer 2026

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Jens Boysen-Hogrefe, Dominik Groll,
Timo Hoffmann, Nils Jannsen, Stefan
Kooths, Johanna Krohn und Finn Mentzer

Research Center
Business Cycles and Growth

German Economy in Summer 2026: Modest momentum amid elevated risks

Jens Boysen-Hogrefe, Dominik Groll, Timo Hoffmann, Nils Janssen, Stefan Kooths, Johanna Krohn und Finn Mentzer

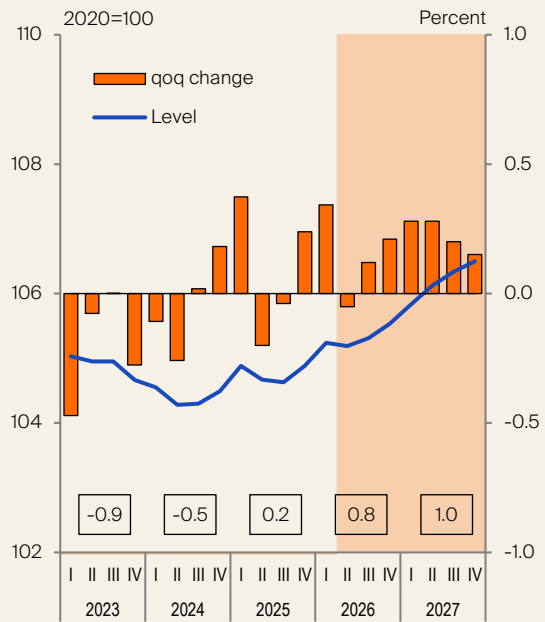
The German economy is currently facing opposing forces. While expansionary fiscal policy is supporting economic activity, the consequences of the Iran war are weighing on growth. Beyond these effects, the economy is showing tentative signs of recovery, but structural impediments continue to prevent a broad-based recovery from gaining traction. This is also reflected in the unusual pattern of the emerging recovery. Unlike in previous upturns, there are so far few signs of strong growth in exports and business investment. Instead, the expansion is expected to be driven primarily by public investment and consumption, supported by the expansionary fiscal stance. The sharp rise in commodity prices following the Iran war is eroding purchasing power and is projected to push inflation up to 2.8 percent this year. Inflation is expected to remain elevated at 2.3 percent next year. Market expectations now point to considerably more persistent commodity price increases than assumed in the spring, suggesting that economic activity will continue to be affected well into next year. As a result, the drag from higher commodity prices is likely to be stronger and longer-lasting than projected in our spring forecast. Against this backdrop, we project GDP growth of 0.8 percent in 2026 and 1.0 percent in 2027. Compared with our spring forecast, we now expect weaker growth next year (spring forecast: 1.4 percent), mainly because higher commodity prices are likely to weigh more heavily on the economy and fiscal policy is expected to provide somewhat smaller impulses. Labor market conditions are expected to improve only gradually. In addition to subdued economic growth, employment is increasingly being constrained by demographic change, which is reducing the number of people available to the labor market. The expansionary fiscal stance is projected to raise the budget deficit from 2.8 percent of GDP in 2025 to 4.1 percent in 2027.

Economic activity proved resilient to transitory headwinds in the first quarter. GDP increased by 0.3 percent, whereas our spring forecast had anticipated a slight decline. While business surveys had pointed to growth broadly in line with the actual outcome, we had expected several transitory factors that were not fully captured by the surveys to weigh on activity. Some of these factors did materialize, including a weather-related decline in construction activity, a pullback in public machinery and equipment investment following its sharp increase in the fourth quarter, and the first dampening effects of higher commodity prices on private consumption in March. However, contrary to our expectations, public consumption expanded at a similarly strong pace as in the final quarter of 2025, while exports increased markedly. Despite the considerably stronger-than-expected growth in the first quarter, only limited revisions to our annual GDP forecast are required. In the spring, in response to the weak first quarter that we had projected, we expected a marked rebound in the second quarter. Such a rebound now seems unlikely to materialize. This assessment is supported by the Purchasing Managers' Index, which remained below the expansion threshold in April and

May, as well as by the deterioration in business conditions reported by firms. Against this backdrop, we expect GDP to decline slightly in the second quarter (Figure 1).

The economic consequences of the military conflict in the Middle East are expected to weigh on economic activity throughout the forecast horizon. The impact of higher commodity prices on the German economy can be approximated using the net import value of natural gas, crude oil, and refined petroleum products (Gern et al. 2026). As a measure of the economy-wide loss of purchasing power, the net import value is projected to increase markedly this year—assuming import volumes remain unchanged from their 2025 levels—before declining somewhat next year (Figure 2). Relative to a scenario without the military conflict in the Middle East, based on the commodity price assumptions of our December 2025 forecast, the German economy would incur a purchasing power loss equivalent to 0.5 percent of nominal GDP in 2026 and 0.3 percent in 2027. The economic impact of higher commodity prices is therefore somewhat larger and more persistent than that assumed in our spring forecast. From a historical perspective, fluctuations in the net import value of this magnitude are not particularly unusual. In the past, however, commodity price increases were often driven by strong global demand and were therefore often associated with stronger economic momentum in Germany, supported by buoyant exports. In contrast, the recent increase in commodity prices following the military conflict in the Middle East, much like the surge during the energy crisis after the outbreak of the war in Ukraine, reflects a supply-driven shock that is expected to weigh on economic activity (Kilian 2009; Baumeister and Hamilton 2019; Känzig 2021). Overall, we estimate that the military conflict in the Middle East

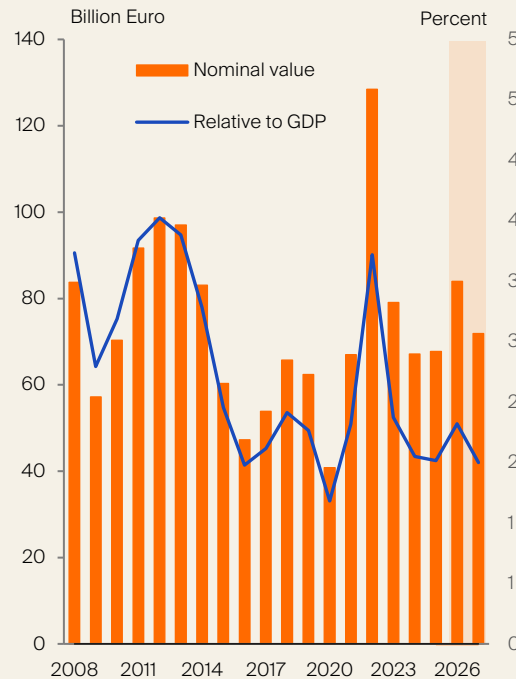
Figure 1:
Gross domestic product



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:
Net import value of natural gas, crude oil and mineral oil products



Annual data.

Source: Federal Statistical Office, Kiel Institute calculations.
Shaded: Kiel Institute forecast.

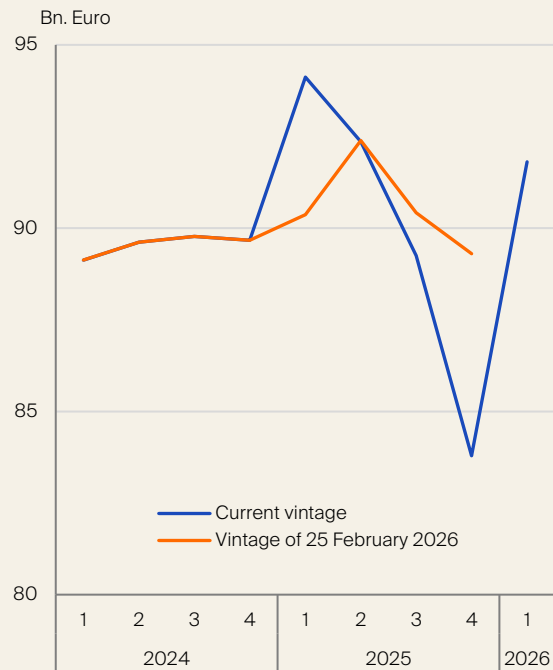
will reduce GDP growth by around 0.3 percentage points in 2026 and by around 0.1 percentage points in 2027. Compared with our spring forecast, we now expect somewhat stronger negative effects, particularly in 2027, as the more persistent commodity price increases assumed in the current forecast are likely to be more difficult for households and firms to absorb. Recent monthly indicators suggest that the dampening effects are already emerging and will weigh noticeably on economic activity in the second quarter. Empirical evidence indicates that the negative effects of commodity price shocks materialize only gradually (Carstensen et al. 2013; Kilian 2008), suggesting that economic momentum is likely to remain subdued beyond the second quarter.

Economic activity is expected to continue expanding despite geopolitical headwinds, with fiscal policy providing support. In addition to the consequences of the military conflict in the Middle East, U.S. tariff policy is also weighing on activity. Based on trade model simulations (Kiel Institute for the World Economy 2026) and their macroeconomic implications, we estimate that U.S. tariffs will lower GDP growth by a further 0.2 percentage points this year. These headwinds are partly offset by expansionary fiscal policy. Compared with our spring forecast, we now expect somewhat smaller fiscal impulses of 0.7 percent of GDP in 2026 (spring forecast: 0.8 percent) and 0.5 percent in 2027 (spring forecast: 0.6 percent). Our overall assessment of the real-economy effects of fiscal stimulus under current economic conditions in Germany remains broadly unchanged (Jannsen 2025). Consistent with the somewhat smaller fiscal impulses, we now expect contributions to GDP growth of 0.4 percentage points in 2026 (spring forecast: 0.5 percentage points) and 0.3 percentage points in 2027 (spring forecast: 0.4 percentage points). Moreover, the German economy had already stabilized in 2025 and expanded moderately despite headwinds from U.S. tariff policy and a negative working-day effect. Against this backdrop, we continue to expect that the economic consequences of the military conflict in the Middle East will slow, but not derail, the recovery. A stronger expansion continues to be constrained by structural weaknesses, most notably the loss of competitiveness, which is reflected in persistently weak potential output growth. In this context, the scope for cyclical recovery may be smaller than implied by estimates of the output gap and survey measures of capacity utilization, as part of the observed underutilization is likely to reflect deteriorating competitiveness rather than cyclical weakness (Hoffmann 2025; Jannsen and Kooths 2024). Overall, we project GDP growth of 0.8 percent in 2026 and 1.0 percent in 2027. Compared with our spring forecast, growth in 2027 is projected to be noticeably weaker (spring forecast: 1.4 percent), primarily because fiscal policy is likely to provide somewhat smaller impulses and the economic consequences of the military conflict in the Middle East are expected to exert a somewhat stronger drag on growth.

Following a temporary setback related to the military conflict in the Middle East, exports are expected to return to a moderate expansion path. The strong increase in exports in the first quarter does not yet signal a turning point. Total exports rose by 3.3 percent, driven primarily by services exports, which account for around one-quarter of total exports and increased by almost 10 percent. This exceptionally strong rise—the

second-highest quarterly growth rate recorded in reunified Germany—followed substantial declines in preceding quarters, which were revised down markedly in the latest national accounts revision (Abbildung 3). The increase in the first quarter largely brought services exports back into line with their average level in 2024, suggesting limited scope for further pronounced movements from this component. Goods exports increased by 1.4 percent. Overall, exports have recently stabilized, albeit amid significant quarter-to-quarter volatility. The loss of competitiveness became apparent in 2023 and 2024 through broadly based declines in nominal goods exports across regions. Last year, however, export losses were concentrated primarily in the United States, alongside the structural decline in exports to China. By contrast, nominal goods exports to the rest of the world have been increasing for five consecutive quarters (Figure 4). Weak exports to the United States likely reflect both U.S. tariff policy and the substantial appreciation of the euro against the U.S. dollar. The dampening effects of these factors on export growth are likely to fade gradually. The geopolitical environment remains unfavorable for exports. The supply-driven increase in commodity prices following the military conflict in the Middle East is reducing purchasing power in commodity-importing economies and thereby dampening demand for German products. Against this backdrop, exports are likely to decline in the current quarter. Over the remainder of the forecast horizon, exports are expected to expand moderately as economic conditions in key trading partners gradually improve. Foreign orders likewise point to a moderate upward trend, despite considerable month-to-month volatility. Overall, exports are projected to increase by 1.8 percent this year, largely reflecting the strong first quarter. For 2027, export growth

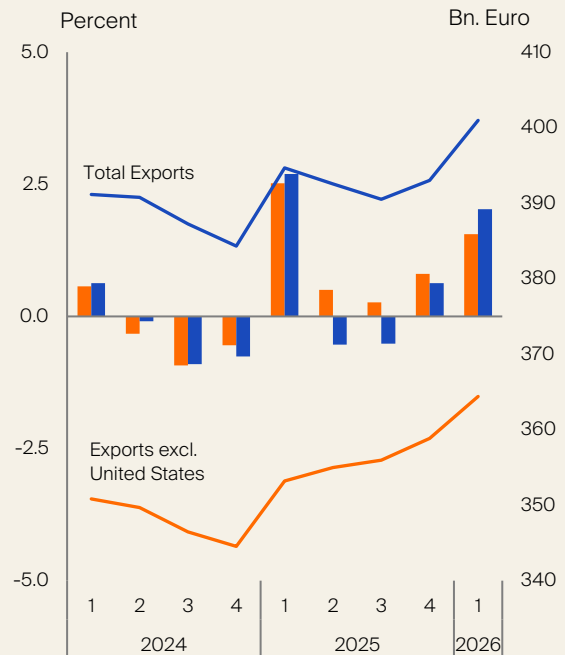
Figure 3:
Recent Revisions to Services Exports



Quarterly data: Volumes, seasonally and calendar adjusted.

Source: Federal Statistical Office, *Fachserie 18, Series 1.3*.

Abbildung 4:
Nominal exports of goods with and without the United States



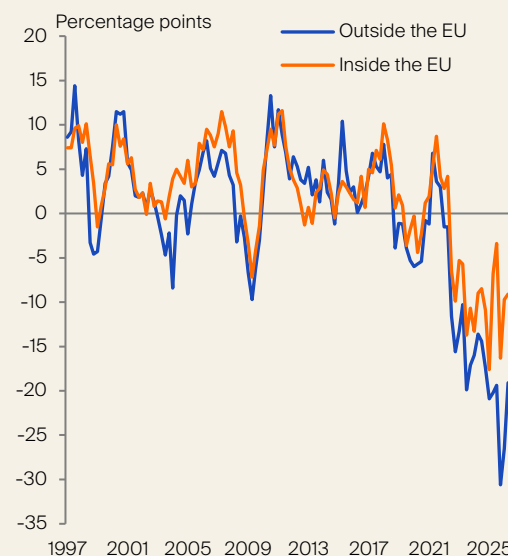
Quarterly data: seasonally and calendar adjusted. Lines: level in EUR billion (right-hand scale). Bars: quarter-on-quarter growth rate (left-hand scale).

Source: Federal Statistical Office, Foreign Trade Statistics; Kiel Institute calculations.

is projected at 1.6 percent. Although export growth appears to have passed its trough, it is unlikely to keep pace with world trade. As a result, Germany is expected to lose additional global market share, consistent with survey evidence pointing to a continued deterioration in competitiveness in foreign markets (Abbildung 5). Higher commodity prices are weighing on the terms of trade. Sharp increases in commodity prices typically lead to a deterioration in the terms of trade, as import prices tend to respond more strongly than export prices. Despite the sharp increase in commodity prices in March, the terms of trade improved in the first quarter. This apparent discrepancy likely reflects methodological differences, as changes in foreign trade prices are typically reflected in the national accounts with a slight lag. We therefore expect the increase in commodity prices since March to be fully reflected in the national accounts only in the second quarter, when the terms of trade are projected to decline markedly. By the end of this year, the terms of trade are expected to improve gradually as commodity prices ease somewhat and higher import prices are gradually passed through into export prices. Overall, the terms of trade are projected to decline by 0.7 percent in 2026 before increasing by 0.7 percent in 2027.

Higher commodity prices will weigh noticeably on private consumption over the forecast horizon. Private consumption increased markedly in 2025, largely recovering from the setback caused by the energy crisis following the outbreak of the war in Ukraine. Prior to the escalation of the conflict in the Middle East, indicators pointed to a continued expansion of consumer spending, supported by rising real disposable income, albeit at a somewhat slower pace than in 2025. This outlook has changed considerably. The increase in commodity prices is expected to weigh heavily on household purchasing power. Prior to the conflict, we had expected real disposable income to grow by around 1 percent in both 2026 and 2027. We now expect real disposable income to stagnate in 2026 and to grow by only 0.6 percent in 2027. Although nominal disposable income is also projected to grow somewhat more slowly than previously expected, the main factor behind the deterioration in real incomes is the stronger increase in consumer prices now in prospect. The impact on consumption is likely to be mitigated partly by a decline in household saving. However, heightened uncertainty related to the conflict is likely to limit any substantial reduction in the saving rate. After falling from 10.3 percent to 10.1 percent in the first quarter, the saving rate is projected to average 10.0 percent in 2026 and 10.1 percent in 2027, following 10.3 percent in 2025. Against

Figure 5:
Change in competitive position



Quarterly data. Manufacturing; balance of the shares of firms reporting an improvement and a deterioration in their competitive position compared with the previous quarter.

Source: European Commission.

this backdrop, private consumption is projected to grow by only 0.3 percent in 2026 and 0.4 percent in 2027.

Private investment in machinery and equipment remains subdued, while public investment is expanding strongly. Total spending on machinery, equipment, and vehicles fell by 1.2 percent at the beginning of the year, mainly due to a sharp decline in highly volatile public investment after a surge in late 2025. These fluctuations are largely linked to major defense procurement contracts financed through the Bundeswehr special fund. In contrast, private investment in machinery and equipment rebounded by 3.0 percent following a weak fourth quarter. Leading indicators suggest another decline in investment in machinery and equipment in the second quarter. We expect a 1.2 percent decline in the second quarter, followed by moderate growth thereafter. Public investment is projected to remain a key driver of growth, supported by ongoing military procurement programs. Private investment, by contrast, is expected to recover only gradually. While a narrowing output gap should provide cyclical support, structural weaknesses in manufacturing continue to weigh on investment activity. Investment intentions and domestic orders continue to point to subdued investment activity, and rising raw material prices are likely to weigh on production and investment by reducing demand, compressing profit margins, and increasing uncertainty. Overall, investment in machinery and equipment is likely to increase by 1.2 percent in 2026, then increase by 4.4 percent in 2027.

Higher raw material prices and rising interest rates are weighing on the recovery in construction. Construction investment fell by 2.5 percent in the first quarter, primarily due to exceptionally adverse weather conditions, with the weather-sensitive civil engineering sector experiencing the largest declines. As weather conditions improved, activity is likely to rebound sharply as some of the construction work that was not completed in January and February is expected to catch up in the subsequent months (Hoffmann 2026). Leading indicators point in the same direction: capacity utilization recovered strongly from March onward, and construction output in April exceeded pre-weather-disruption level. Consequently, construction investment is expected to increase by 2.6 percent in the second quarter. Over the remainder of the forecast horizon, construction investment is projected to expand only moderately. Leading indicators for residential construction, including new mortgage lending and order intake, have improved, while higher public spending is expected to support civil engineering activity. However, three factors are likely to limit growth. First, the Iran war has raised construction costs, particularly in road construction, due to higher bitumen prices. Second, rising mortgage rates are expected to dampen investment demand. Third, the infrastructure and climate fund is likely to provide only limited additional stimulus, as fiscal constraints at the municipal level and the implementation of projects that would have been undertaken anyway reduce its additional impact. Overall, construction investment is likely to increase by 0.3 percent in 2026 and 1.9 percent in 2027.

Inflation is expected to rise significantly in 2026, primarily because the Iran war has pushed up crude oil and other energy commodity prices. After increasing from 1.9 percent in February to 2.9 percent in April, headline inflation fell slightly to

2.6 percent in May as energy price pressures eased and the temporary fuel tax reduction lowered consumer prices. Nevertheless, underlying inflation remains elevated, with core inflation rising to 2.3 percent in May and expected to average 2.4 percent in 2026. Petrol, diesel and heating oil prices are projected to increase sharply this year, partly because the margins between crude oil procurement costs and refined product prices have widened considerably. These margins are likely to remain high for several months before declining as crude oil prices fall and refinery production and supply disruptions ease. Gas and electricity prices will respond more slowly because suppliers purchase energy through longer-term contracts; while both may still dampen inflation in 2026, they are expected to become more expensive in 2027. Higher energy costs will also gradually affect prices outside the energy sector by raising the cost of food production, transport, animal feed, plastics, chemicals and other intermediate goods. Service prices are also likely to rise, although the effect will appear with a greater delay because service prices typically adjust more slowly. Overall inflation is forecast to increase from 2.2 percent in 2025 to 2.8 percent in 2026, with higher energy prices contributing around 0.6 percentage points, before falling to 2.3 percent in 2027 (Table 1). However, core inflation is expected to rise further to 2.7 percent in 2027, as delayed indirect effects continue and service prices remain strong. Compared with the winter forecast prepared before the Iran war, cumulative inflation in 2026 and 2027 is now projected to be more than one percentage point higher.

Table 1:
Key indicators

	2024	2025	2026	2027
Gross domestic product (GDP), price-adjusted	-0.5	0.2	0.8	1.0
Gross domestic product, deflator	3.1	3.0	2.4	2.9
Consumer prices	2.2	2.2	2.8	2.3
Labor productivity (per hour worked)	-0.3	0.4	0.5	0.8
Employment (1000 persons)	45,987	45,977	45,804	45,749
Unemployment rate (percent)	6.0	6.3	6.3	6.2
<i>in relation to nominal GDP</i>				
Public sector net lending	-2.7	-2.8	-3.8	-4.1
Gross public debt	62.2	63.5	65.3	66.9
Current account balance	5.9	4.5	4.3	4.2

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 growth is likely to ease further this year. In the first quarter of this year, negotiated wages and salaries per employee rose by 2.8 percent year over year, while actual earnings (gross wages and salaries per employee) increased by 4.3 percent. At 1.5 percentage points, the wage drift remains high, but it is already smaller than the 2025 average (2.2 percentage points). Part of the explanation for this positive wage drift may lie in severance payments, which are increasingly being made, particularly in manufacturing, in the course of job cuts. For the current year, collective agreements in the major bargaining areas—apart from retail—are largely settled. Against this backdrop, we expect negotiated wages to grow by 3.2 percent in 2026 as a whole. Given its still unusually high recent level, the wage drift is likely to narrow further, so that the increase in actual

earnings is expected to continue slowing. We anticipate a rise in actual earnings of 3.8 percent, following 4.5 percent last year. For next year, we expect little change in wage momentum. As economic activity continues to recover, labor productivity per worker is set to keep rising, and domestic prices (as measured by the GDP deflator) are likely to advance more strongly again, so that the distributional scope for employment-neutral wage increases widens somewhat. However, wages and salaries typically respond to this only with a lag. In addition, the unemployment rate—still elevated next year—will weigh on wage developments. On balance, wage momentum should therefore change little. Meanwhile, the price pressure resulting from higher energy import prices does not widen the distributional scope for wage negotiations, since the rising cost of energy commodities makes a key intermediate input for firms more expensive and thus weighs on their profit situation. As a result, the interim surge in inflation leaves employees with a temporarily smaller gain in purchasing power. A decline in purchasing power like that seen in 2022, however, is not currently on the horizon.

Conditions in the labor market will brighten only gradually. The tentative pickup in economic activity has so far made no mark on the labor market. Employment has been trending downward for a year. In April (the latest reading), a total of 193,000 fewer people were in employment than a year earlier. Owing to data revisions by the Federal Statistical Office, the pace of job losses now appears faster than it did at the time of our spring forecast. The number of registered unemployed stood at a seasonally adjusted 2.99 million in May (rate: 6.3 percent). For about a year now, the rise in unemployment has been markedly smaller than in previous years. This, however, is not yet primarily a reflection of strengthening labor demand from firms. After all, the number of unemployed has so far improved only in the SGB II scheme (basic income support). Here, unemployment actually fell over the past 12 months (-50,000 people). The number of unemployed in the SGB III scheme (unemployment insurance), by contrast, continued to rise (+80,000 people). An economic upturn accompanied by a greater willingness among firms to hire typically shows up first in unemployment insurance, since these individuals have usually not been out of work for long and remain closer to the labor market. The decline in unemployment in basic income support is likely to be driven primarily by structural factors. In particular, the number of unemployed of Syrian, Afghan, and Ukrainian nationality has developed more favorably. Leading indicators do not yet signal a turnaround in the labor market. Against this backdrop, we expect no major changes in the labor market over the coming months. As it continues, the tentative pickup in economic activity should gradually leave some mark on the labor market and lead to a slight decline in unemployment. Unemployment will also edge down somewhat because the number of people available to the labor market will keep shrinking for demographic reasons. The labor force—measured by the change in employment and registered unemployment—has been declining for a year now. This, combined with an economic recovery that is now expected to be weaker than in the spring forecast, is likely to mean that employment will merely stagnate next year, especially as the increases in the statutory minimum wage in the current and coming year—well above general wage trends—are also likely to act as a drag. All in all, we expect the unemployment

rate to stand at 6.3 percent this year—as in the previous year—and to edge down to 6.2 percent next year.

The recent turbulence in energy prices is expected to lead to higher public sector deficits in 2026. On the one hand, the now weaker economic recovery is likely to reduce tax revenues and increase labor market-related expenditure. On the other hand, the government has introduced additional measures—most notably the reintroduction of the fuel tax rebate—that will further increase borrowing. The main driver of the sharp rise in the fiscal deficit, however, is not the impact of higher energy prices but rather additional spending on defiance and measures financed through the debt-funded special funds for infrastructure and climate protection.

Government revenue is expected to lose momentum in 2026. Profit-related taxes will be weighed down by the cyclical weakness of the economy, while legislative changes will reduce revenues from taxes such as VAT and energy taxes. Social security contributions are set to increase noticeably once again, albeit at a considerably slower pace than in 2025. This reflects both smaller increases in contribution rates and some moderation in wage growth. Other revenues will slow markedly owing to declining payments from the NextGenerationEU program and the disappearance of a one-off inheritance tax effect recorded in 2025, which is classified as a capital transfer in the national accounts. Overall, public revenues are expected to grow somewhat more slowly than nominal GDP.

Public expenditure is set to maintain the strong pace recorded in the previous year. Subsidies will rise substantially, reflecting transfers to reduce electricity grid charges and purchase incentives for electric vehicles. In addition, capital transfers financed through the federal government's special funds are expected to increase significantly. Current transfers are also likely to rise noticeably, driven by higher contributions to the European Union's own resources. Given the high base level of the previous year, compensation of employees is expected to grow somewhat more slowly. However, the implementation of a ruling by the Federal Constitutional Court on civil servants' remuneration will generate additional expenditure over the forecast horizon. Gross fixed capital formation is likewise expected to expand at a slower pace than in the previous year. The exceptionally strong increase in the fourth quarter of 2025 led to a temporary setback in the first quarter, although the underlying trend—particularly for equipment investment driven by military procurement—remains clearly upward. Overall, public expenditure will continue to increase strongly, widening the general government deficit markedly from 2.8 percent of GDP in 2025 to 3.9 percent of GDP.

In the coming year, the first consolidation measures are expected to moderate the pace of fiscal expansion somewhat. Although expenditure in several areas of government will continue to grow considerably faster than revenues, a more restrained trajectory is anticipated in the health insurance system as well as in parts of the core budgets of the federal, state and local governments. As a result, the expansion of public expenditure is expected to differ substantially across the various components of the general government sector.

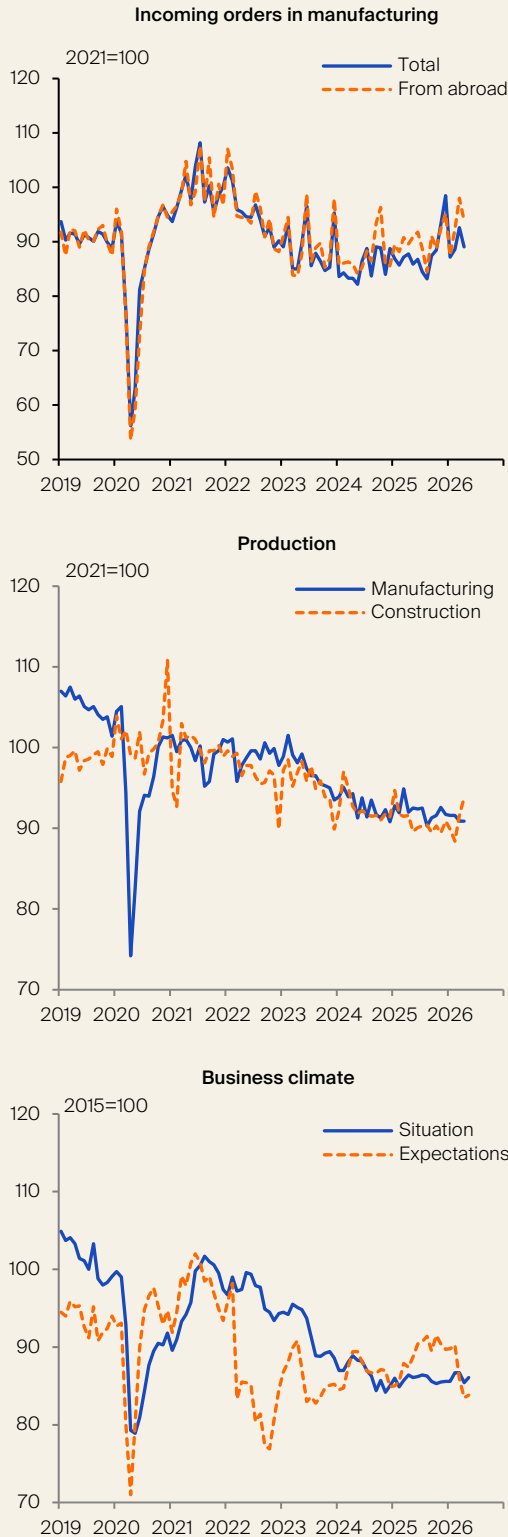
In 2027, the fiscal deficit is projected to increase moderately once again. Spending financed through the special funds and expenditure on defense are expected to continue growing dynamically. Gross fixed capital formation and intermediate consumption are both set to record significant increases. By contrast, social benefits in kind are likely to lose momentum as a result of the reform of the statutory health insurance system. At the same time, government revenues are expected to strengthen as the economic recovery gradually gains traction. Consequently, the general government deficit will continue to increase, but much less sharply than in the current year. Overall, the budget deficit is projected to rise to 4.1 percent of GDP.

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1 Leading indicators

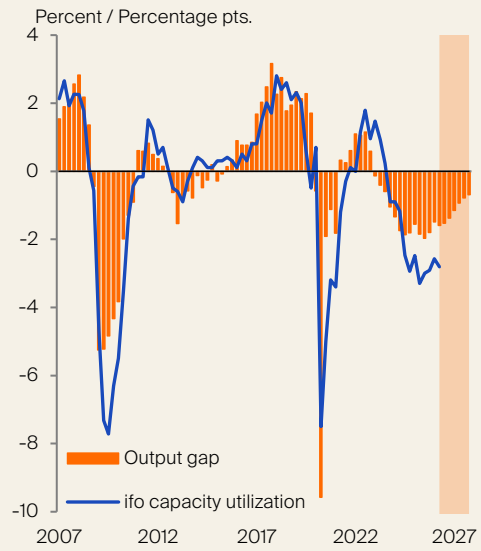
Figure 1.1:
Leading indicators



Monthly data, seasonally adjusted.

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

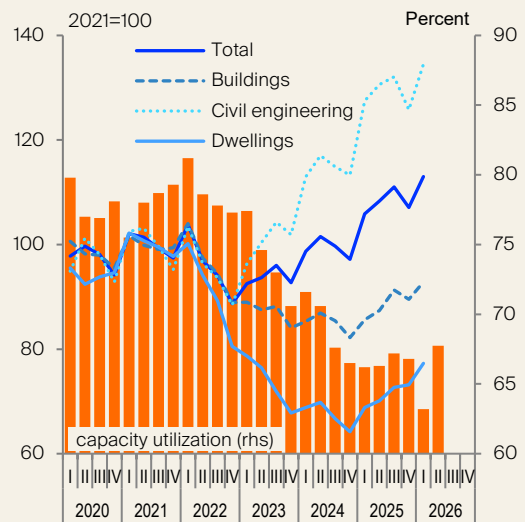
Figure 1.2:
Capacity utilization



Quarterly data: GDP deviation from potential output, 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

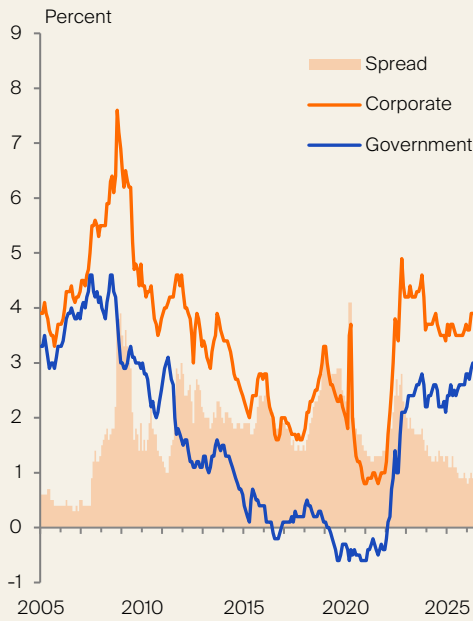


Quarterly data. Capacity utilization (deviation from normal level): seasonally adjusted; order stocks: price, seasonally and working-day adjusted.

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

2 Monetary conditions and prices

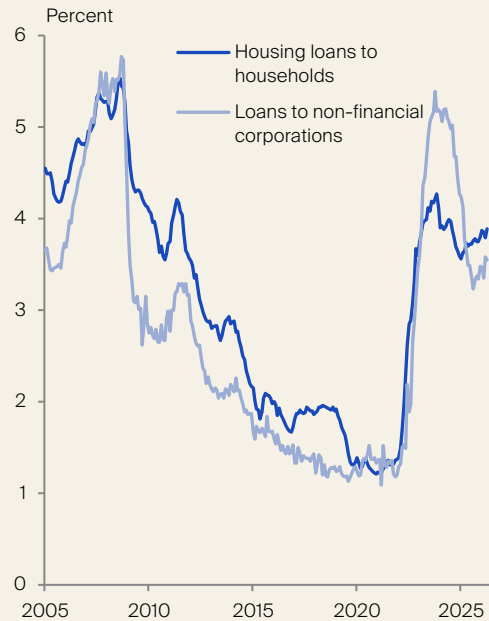
Figure 2.1:
Bond yields



Monthly data.

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

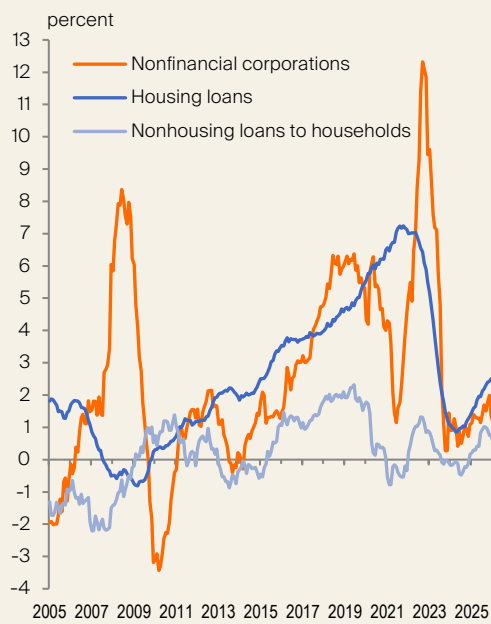
Figure 2.2:
Loan interest rates



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

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

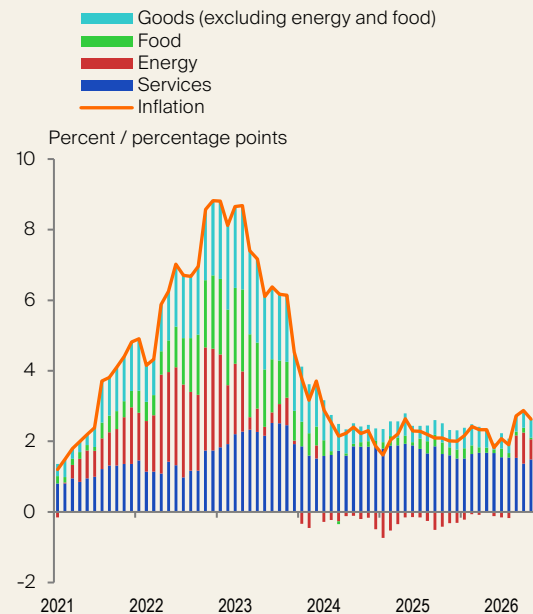
Figure 2.3:
Credit growth



Change compared to one year ago; Monthly data.

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

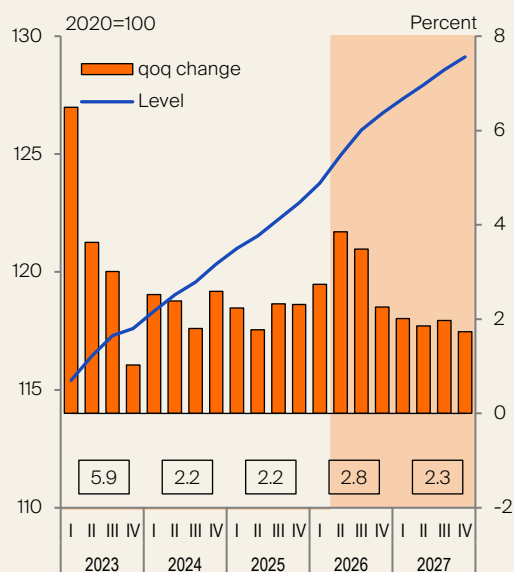
Figure 2.4:
Contributions to Inflation



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.

Table 2.1:
Projections and assumptions on the international environment

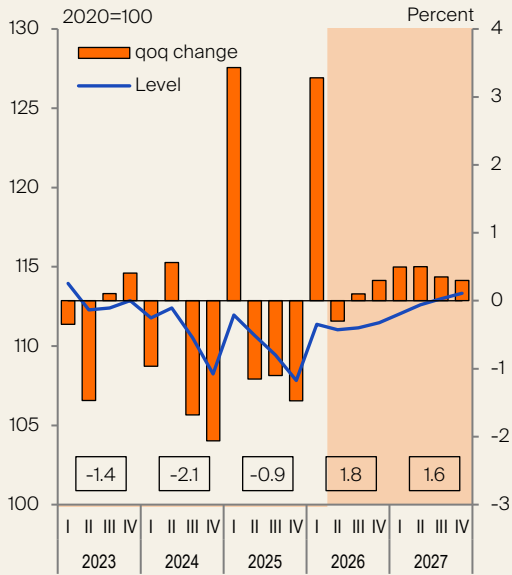
	2025				2026				2027			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
ECB key interest rate	2.50	2.00	2.00	2.00	2.00	2.25	2.25	2.50	2.50	2.50	2.50	2.50
Long-term interest rate	2.5	2.5	2.7	2.8	2.8	3.0	3.0	3.0	3.0	3.0	3.0	3.0
US-dollar/euro exchange rate	1.05	1.13	1.17	1.18	1.18	1.16	1.16	1.16	1.16	1.16	1.16	1.16
Price competitiveness	90.4	92.7	93.4	93.3	93.1	92.9	92.5	92.1	91.9	91.9	92.1	92.3
Export markets	0.4	0.5	0.6	0.3	0.4	0.3	0.4	0.5	0.6	0.6	0.6	0.6
Oil price	74.8	66.9	68.0	63.0	77.4	100.0	94.7	87.7	83.4	80.9	79.2	78.1
Gas price	46.8	35.6	32.6	30.0	39.9	46.9	48.3	47.2	45.0	35.4	34.2	34.2
Electricity price	116.1	73.4	86.7	96.4	101.6	91.8	94.6	94.6	80.9	80.9	80.9	80.9

ECB key interest rate: deposit facility rate (end of quarter); long-term interest rate on 9–10 year bonds (quarterly average); price competitiveness: vis-à-vis 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

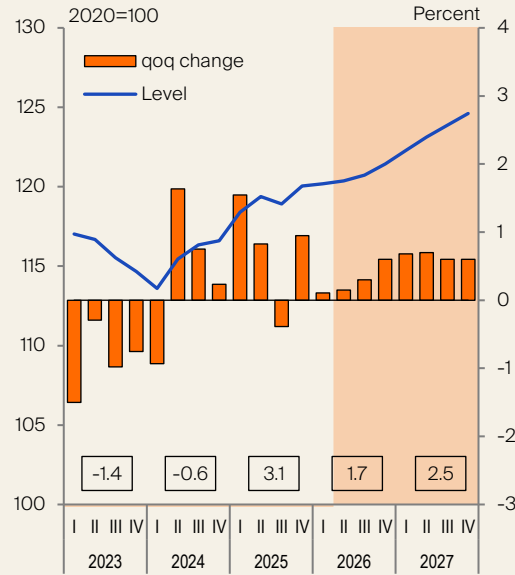
Figure 3.1:
Exports



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.

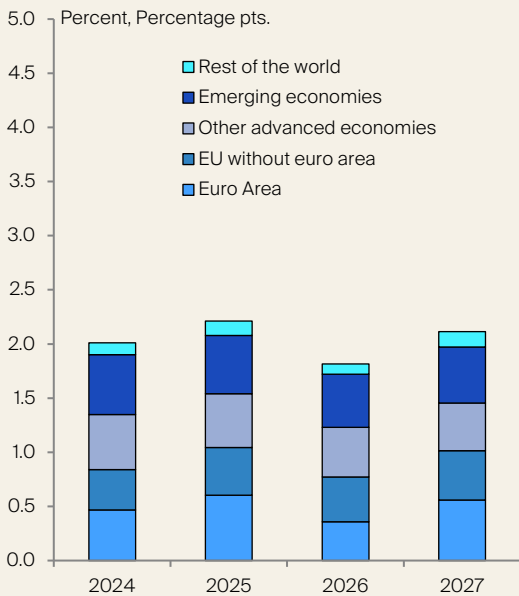
Figure 3.2:
Imports



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.

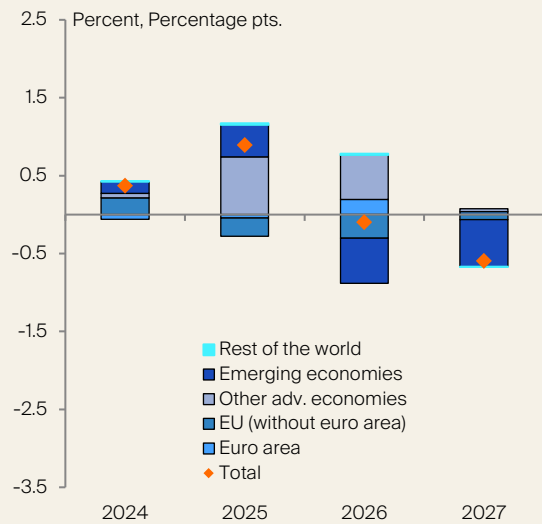
Figure 3.3:
German export markets



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.

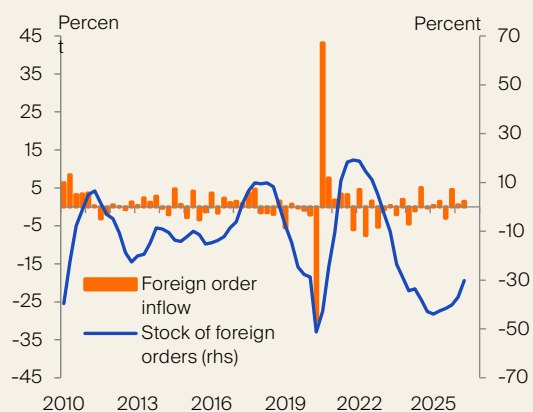
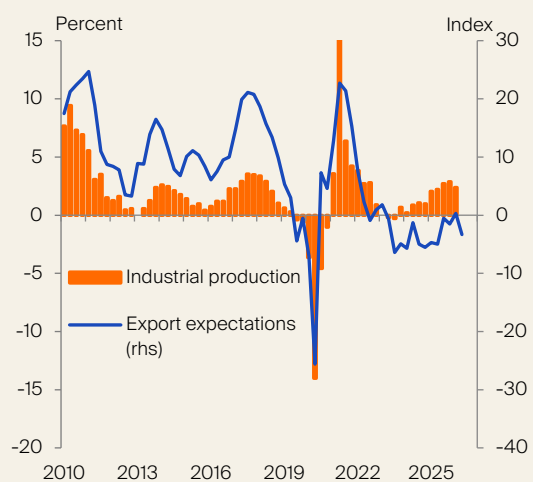
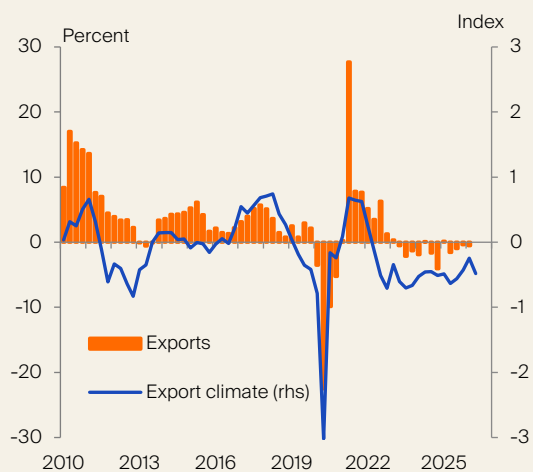
Figure 3.4:
Germany's price competitiveness



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

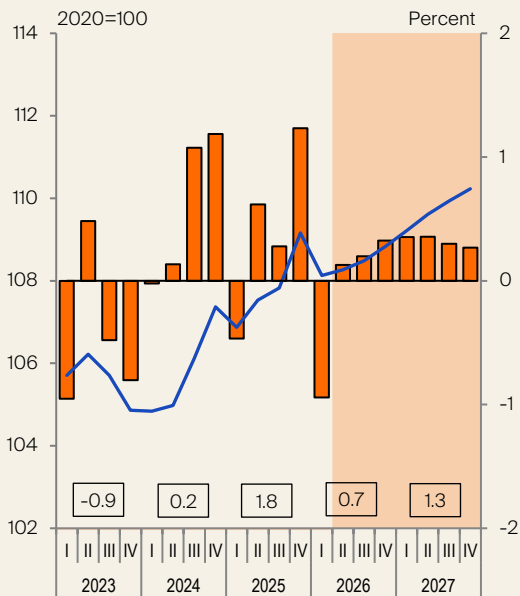


Quarterly data, seasonally adjusted; exports, industrial production: volumes, change on previous year; foreign order inflow: volumes, change on previous quarter; export climate based on 42 countries weighted by shares of German exports; export climate, export expectations, foreign order inflow; stock of foreign orders: For the current quarter, values are calculated as the average of the monthly observations available to date.

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

4 Domestic expenditure

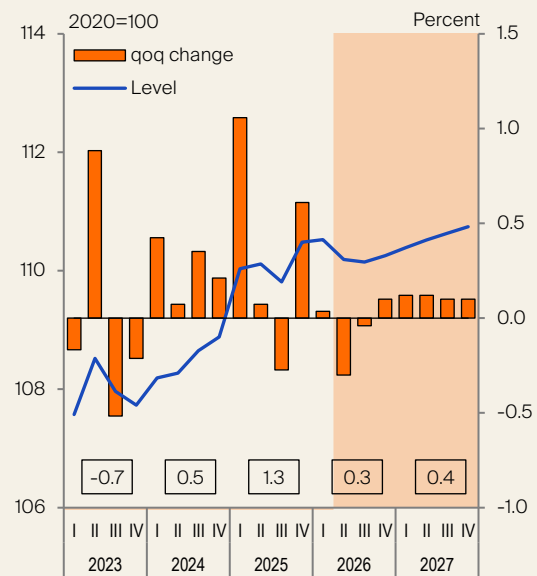
Figure 4.1:
Final domestic expenditure



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.

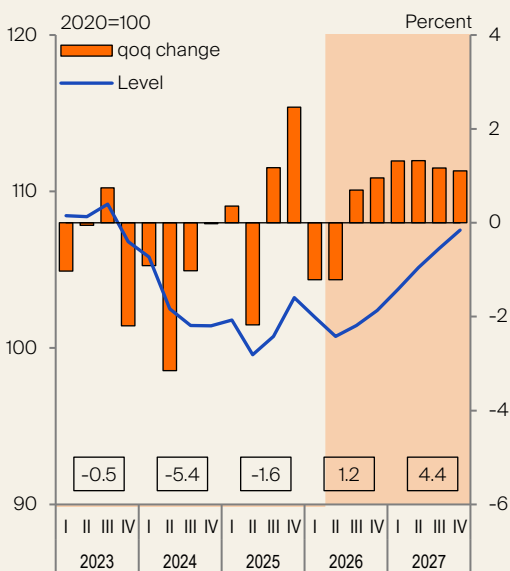
Figure 4.2:
Private consumption



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.

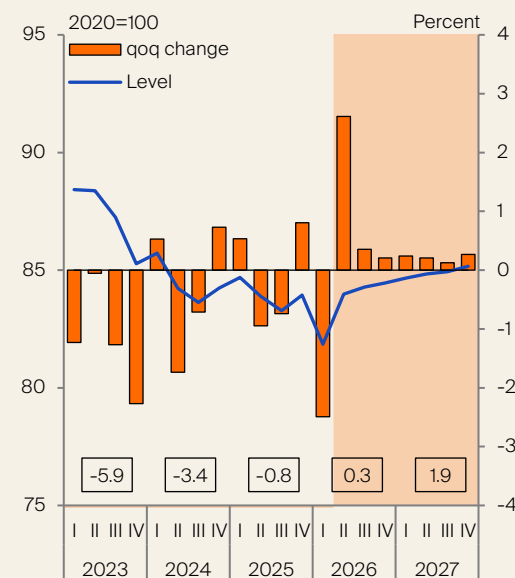
Figure 4.3:
Machinery and equipment



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.

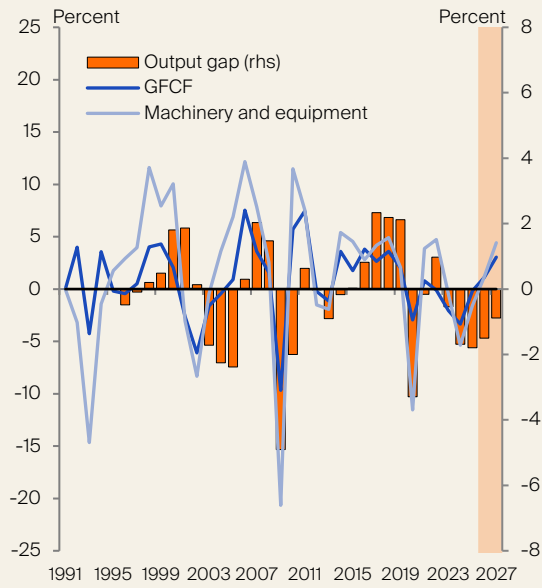
Figure 4.4:
Constructions



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.

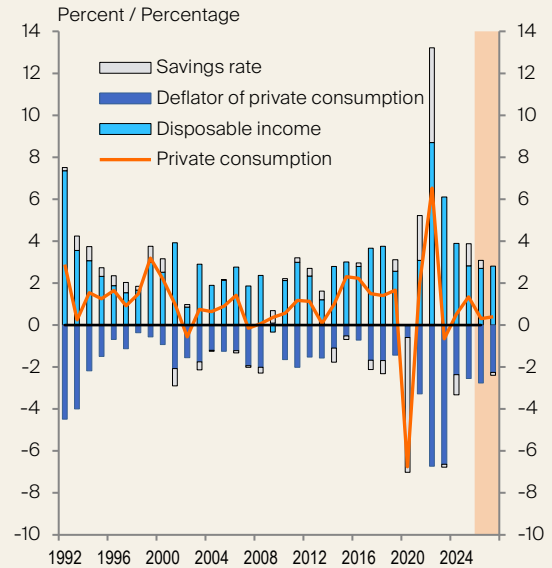
Figure 4.5:
Investment cycles



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.

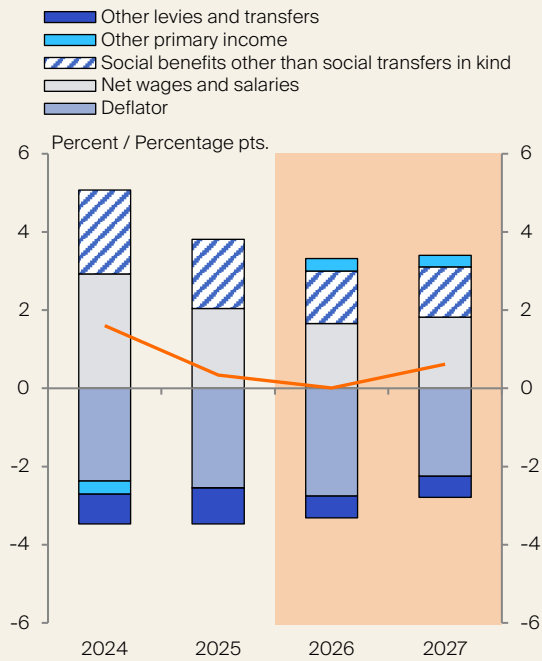
Figure 4.6:
Decomposition of growth in private consumption



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.

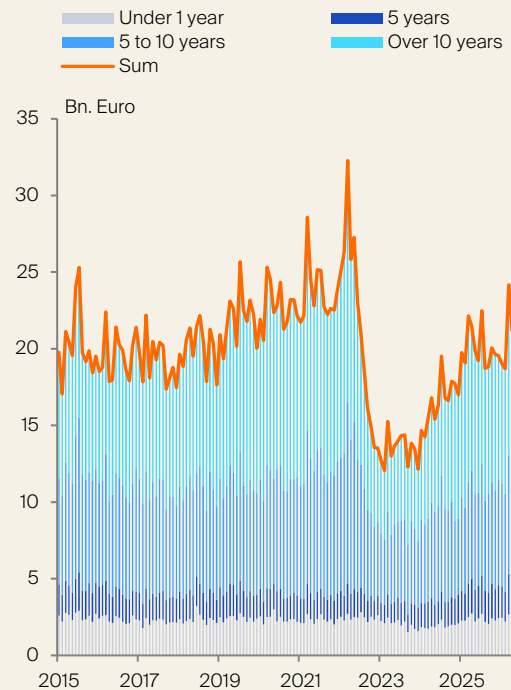
Figure 4.7:
Contributions to changes in real disposable income



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.

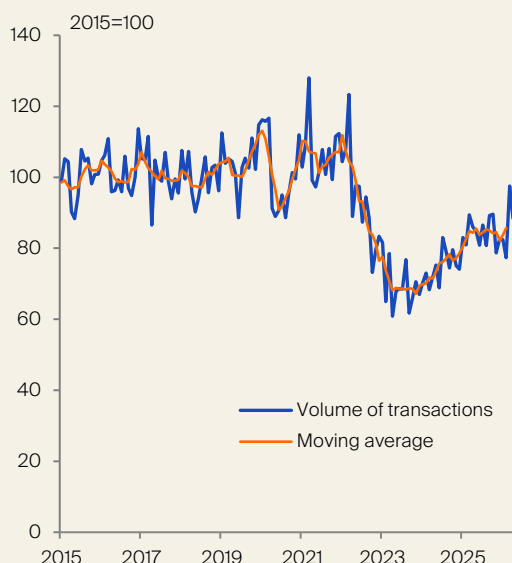
Figure 4.8:
New housing loans to households



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.

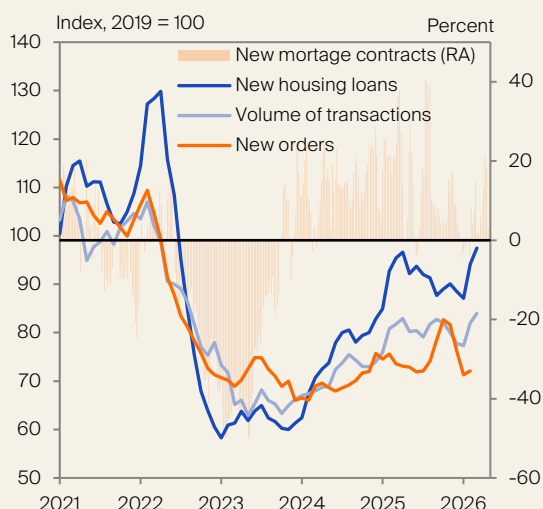
Table 4.1:
Gross fixed capital formation

	2024	2025	2026	2027
Total	-3.3	-0.2	1.1	3.1
Corporate investment	-4.2	-1.5	1.1	2.2
Machinery and equipment	-5.4	-1.6	1.2	4.4
Construction (non-dwellings)	-5.0	2.6	0.3	1.8
Other	0.2	3.8	3.3	4.1
Dwellings	-5.4	-2.2	0.4	1.6
Public (non-dwellings)	7.4	-0.7	-0.1	2.7
Memorandum item:				
Construction	-3.4	-0.8	0.3	1.9

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.

Source: 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

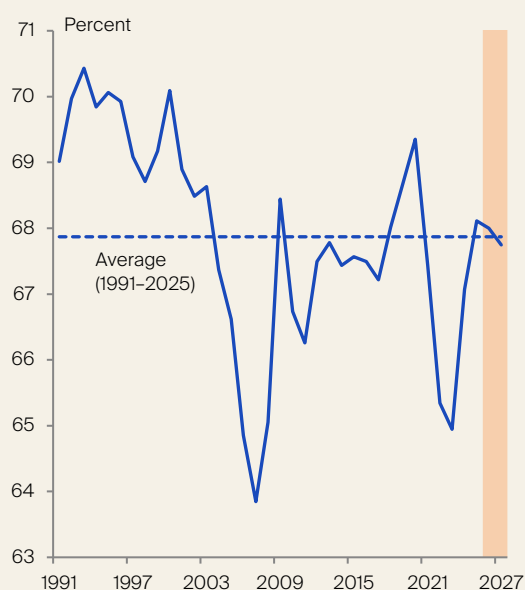
	2025				2026				2027			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
	Seasonally and calendar adjusted, q-o-q change in percent											
Gross domestic product	0.4	-0.2	0.0	0.2	0.3	-0.1	0.1	0.2	0.3	0.3	0.2	0.2
Gross value added	0.6	-0.1	0.0	0.3	0.1	-0.1	0.1	0.2	0.3	0.3	0.2	0.2
Industry excl. construction	1.4	-0.1	-0.7	0.5	0.7	-0.3	0.0	0.2	0.3	0.3	0.2	0.2
Manufacturing	1.7	-0.2	-1.0	0.3	0.7	-0.2	0.0	0.2	0.3	0.3	0.2	0.2
Energy, Water etc.	-0.5	0.4	0.8	1.3	1.7	-1.0	0.1	0.2	0.4	0.4	0.2	0.2
Construction	1.3	-2.1	-0.8	-0.6	-0.6	1.0	0.0	0.1	0.0	-0.1	-0.1	-0.1
Trade, transport, accommodation, food services	1.1	-0.3	0.2	0.0	0.1	-0.5	-0.1	0.2	0.3	0.3	0.2	0.2
Information and communication	0.5	0.1	1.6	0.2	0.1	0.3	0.5	1.0	1.0	1.0	1.0	1.0
Financial and insurance services	-0.7	-1.7	-0.6	-0.1	1.2	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Real estate activities	0.4	0.2	0.1	0.5	-0.2	0.3	0.2	0.3	0.3	0.3	0.3	0.3
Business services	-0.1	0.3	0.1	-0.1	-0.1	-0.2	0.2	0.3	0.3	0.3	0.2	0.2
Public services, education, health	0.2	0.4	0.4	1.0	0.0	0.1	0.1	0.2	0.2	0.2	0.1	0.1
Other services	-0.7	-0.1	0.3	0.8	-0.2	-0.5	-0.3	0.0	0.1	0.1	0.0	0.0

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 6.1:
Wages and productivity

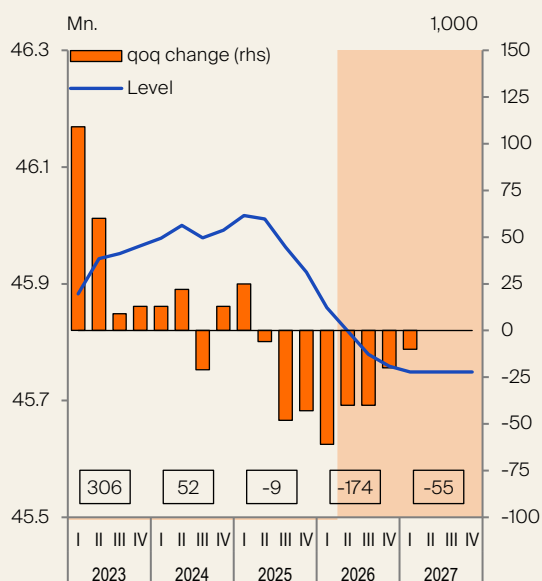
	2023	2024	2025	2026	2027
<i>Per hour</i>					
Negotiated wages	4.1	6.3	2.3	3.2	3.3
Gross wages and salaries	6.6	5.3	4.5	3.0	3.1
Wage drift	2.5	-1.0	2.2	-0.2	-0.1
Compensation of employees	6.3	5.2	5.0	2.9	3.4
Labor productivity	-1.2	-0.3	0.4	0.5	0.8
Unit labor costs	7.6	5.6	4.5	2.5	2.5
Unit labor costs (real)	0.8	2.4	1.4	0.1	-0.3
<i>Per capita</i>					
Negotiated wages	4.1	6.3	2.3	3.2	3.3
Gross wages and salaries	6.5	5.2	4.5	3.8	3.6
Wage drift	2.4	-1.1	2.2	0.6	0.3
Compensation of employees	6.2	5.1	4.9	3.8	3.8
Labor productivity	-1.5	-0.6	0.2	1.2	1.1
Unit labor costs	7.8	5.8	4.7	2.6	2.7
Unit labor costs (real)	1.1	2.6	1.6	0.2	-0.2

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

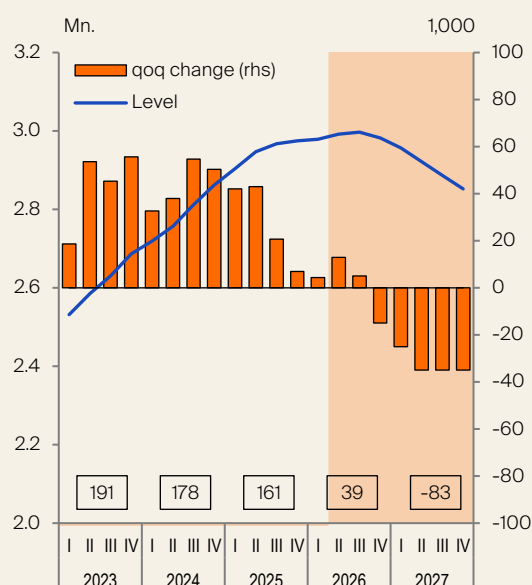
Figure 7.1:
Persons employed



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 persons (registered)



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

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

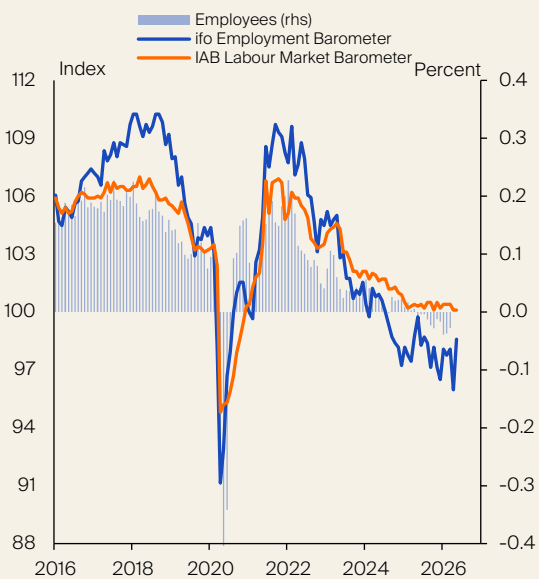
Table 7.1:
Employment (1,000 persons)

	2023	2024	2025	2026	2027
Hours worked (domestic concept, mn. hours)	61,496	61,364	61,241	61,399	61,470
Persons in employment (domestic concept)	45,935	45,987	45,977	45,804	45,749
Self-employed	3,787	3,704	3,666	3,624	3,589
Employees (domestic concept)	42,148	42,283	42,311	42,180	42,160
Employees subject to social security contributions	34,799	34,939	34,961	34,876	34,888
Mini jobs	4,199	4,178	4,118	4,033	3,988
Net commuting	153	157	151	149	150
Persons in employment (national concept)	45,782	45,830	45,827	45,655	45,599
Employees (national concept)	41,995	42,126	42,161	42,031	42,010
Unemployed persons (registered)	2,609	2,787	2,948	2,987	2,904
Unemployment rate (registered; percent)	5.7	6.0	6.3	6.3	6.2
Unemployment rate (ILO; percent)	2.8	3.1	3.5	3.7	3.6

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	2,139.0	2,210.6	2,300.1
→relative to GDP	45.7	46.8	47.9	47.9	48.0
Taxes	962.0	996.6	1,031.0	1,059.9	1,096.4
→relative to GDP	22.8	23.0	23.1	23.0	22.9
Social contributions	710.8	756.6	822.5	860.4	904.0
→relative to GDP	16.8	17.5	18.4	18.6	18.9
Other revenues	253.3	271.3	285.4	290.3	299.7
→relative to GDP	6.0	6.3	6.4	6.3	6.3
Expenditures	2,031.4	2,139.7	2,262.6	2,385.9	2,494.7
→relative to GDP	48.1	49.4	50.6	51.7	52.1
Compensation of employees	340.5	357.3	383.3	399.0	417.1
Intermediate consumption	265.8	280.4	288.9	303.9	315.5
Social transfers in kind	358.0	386.6	414.3	439.7	454.3
Gross capital formation	120.1	131.3	147.5	155.1	174.8
Capital transfers	36.8	45.8	49.3	53.0	58.1
Social benefits	660.7	709.5	751.2	783.5	815.3
Subsidies	82.8	54.2	54.1	61.9	63.7
Other current transfers	92.3	90.2	95.1	104.7	107.5
Other capital transfers and investment grants	74.5	84.0	79.1	85.4	88.6
Other expenditures	-0.5	0.1	-0.6	-0.6	-0.6
	2,137.0	2,250.3	2,378.0	2,506.4	2,620.7
	50.6	52.0	53.2	54.3	54.7
Net lending/ net borrowing	-105.2	-115.3	-123.6	-175.3	-194.6
→relative to GDP	-2.5	-2.7	-2.8	-3.8	-4.1
Revenues of central, state, and local governments	1,253.1	1,305.5	1,354.7	1,391.4	1,449.3
Net of transfers from social security funds	1,247.8	1,300.6	1,353.0	1,388.6	1,444.6
Transfers from social security funds	5.3	4.9	1.6	2.7	4.7
Expenditures of central, state, and local governments	1,367.1	1,409.0	1,477.1	1,556.1	1,633.4
Net of transfers to social security funds	1,217.6	1,267.2	1,327.3	1,397.8	1,467.1
Transfers to social security funds	149.5	141.8	149.9	158.3	166.2
Net lending/ net borrowing central, state, and local governments	-114.0	-103.5	-122.4	-164.7	-184.0
Revenues of social security funds	827.9	865.6	935.8	980.3	1,030.2
Net of transfers from central, state, and local governments	678.4	723.8	786.0	822.0	864.0
Expenditures of social security funds	819.1	877.5	937.0	990.9	1,032.3
Net of transfers to central, state, and local governments	813.8	872.6	935.4	988.1	1,027.6
Net lending/ net borrowing social security funds	8.8	-11.8	-1.2	-10.6	-2.1

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

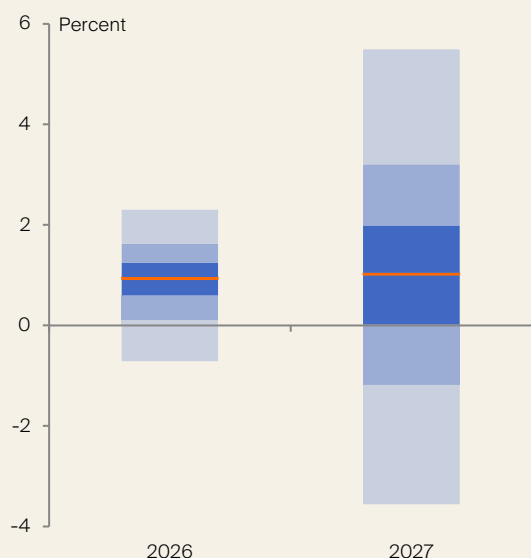
Table 9.1:
Quarterly data

	2025				2026				2027			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Gross domestic product	0.4	-0.2	0.0	0.2	0.3	-0.1	0.1	0.2	0.3	0.3	0.2	0.2
Private consumption	1.1	0.1	-0.3	0.6	0.0	-0.3	0.0	0.1	0.1	0.1	0.1	0.1
Government consumption	-0.7	0.2	0.7	1.5	1.1	0.5	0.5	0.5	0.4	0.4	0.4	0.3
Machinery and equipment	0.4	-2.2	1.2	2.5	-1.2	-1.2	0.7	1.0	1.3	1.3	1.2	1.1
Constructions	0.5	-0.9	-0.7	0.8	-2.5	2.6	0.4	0.2	0.2	0.2	0.1	0.3
Other investment	0.6	1.2	0.9	1.0	0.6	0.8	0.8	0.8	1.1	1.1	1.1	1.1
Change in inventories	-0.9	0.7	0.2	0.3	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic expenditure	-0.5	0.6	0.3	1.2	-0.9	0.1	0.2	0.3	0.4	0.4	0.3	0.3
Exports	3.4	-1.2	-1.1	-1.5	3.3	-0.3	0.1	0.3	0.5	0.5	0.3	0.3
Imports	1.5	0.8	-0.4	1.0	0.1	0.1	0.3	0.6	0.7	0.7	0.6	0.6
Net exports	0.8	-0.8	-0.3	-1.0	1.3	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Employment (domestic)	46,017	46,011	45,963	45,920	45,859	45,819	45,779	45,759	45,749	45,749	45,749	45,749
Unemployment (registered)	2,904	2,947	2,968	2,975	2,979	2,992	2,997	2,982	2,957	2,922	2,887	2,852

Volumes, seasonally and working day adjusted. Change over 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.

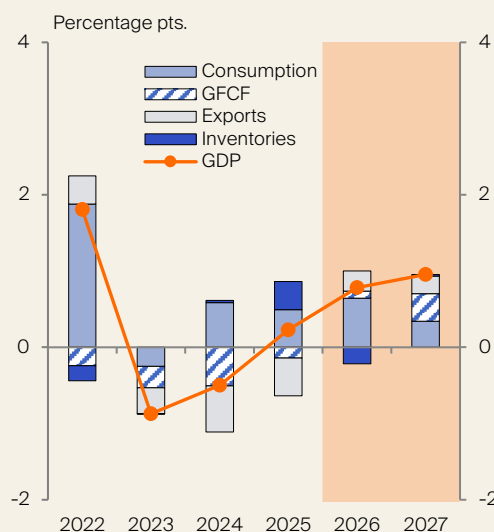
Figure 9.1:
Forecast intervals for GDP growth



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 second quarter 1994–2025.

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	0.2	0.8	1.0
Private consumption expenditure		0.5	1.3	0.3	0.4
Public consumption expenditure		2.6	1.5	3.4	1.7
Total fixed investment		-3.3	-0.2	1.1	3.1
Machinery and equipment		-5.4	-1.6	1.2	4.4
Construction		-3.4	-0.8	0.3	1.9
Other equipment		0.2	3.8	3.3	4.1
Changes in stocks		0.1	0.7	-0.4	0.0
Domestic Demand		0.2	1.8	0.7	1.3
Exports		-2.1	-0.9	1.8	1.6
Imports		-0.6	3.1	1.7	2.5
Net exports		-0.7	-1.5	0.1	-0.3
Use of gross domestic product at current prices					
GDP	4,469.8	2.6	3.3	3.2	3.8
Private consumption expenditure	2,372.5	2.9	3.9	3.1	2.7
Public consumption expenditure	1,006.1	5.1	5.7	5.4	4.0
Total fixed investment	907.9	-0.9	2.5	4.4	7.0
Machinery and equipment	268.0	-3.7	0.4	3.9	8.1
Construction	460.8	-0.5	2.3	4.1	6.3
Other equipment	179.0	2.6	6.6	6.2	7.0
Changes in stocks (€ bn.)		45.0	76.8	58.7	62.5
Domestic Demand	4,363.2	2.8	4.7	3.4	3.9
Exports	1,800.0	-1.1	0.4	5.6	2.9
Imports	1,693.4	-0.9	3.9	6.3	3.1
Net exports (€ bn.)		163.5	106.6	101.1	101.5
Gross national income	4,631.6	2.8	3.4	3.2	3.8
Deflators					
GDP		3.1	3.0	2.4	2.9
Private consumption expenditure		2.4	2.5	2.8	2.3
Public consumption expenditure		2.5	4.1	1.9	2.3
Investment in machinery and equipment		1.7	2.0	2.7	3.5
Investment in construction		3.0	3.1	3.8	4.3
Investment in other equipment		2.4	2.6	2.8	2.8
Exports		1.0	1.2	3.8	1.3
Imports		-0.4	0.8	4.5	0.6
<i>Addendum: Consumer prices</i>		2.2	2.2	2.8	2.3
Income distribution					
Net national income (factor costs)	3,308.3	1.5	3.4	3.1	3.4
Compensation of employees	2,475.8	5.5	5.0	3.5	3.7
in percent of national income		73.7	74.8	75.1	75.3
Property and entrepreneurial income	832.4	-8.1	-1.2	2.0	2.6
Disposable income	2,583.7	4.0	2.9	2.8	2.9
Saving rate		11.3	10.3	10.0	10.1
Wages and salaries	2,036.3	5.5	4.6	3.4	3.5
Wage per hour		5.3	4.5	3.0	3.1
Unit labor costs		5.6	4.5	2.5	2.5
Productivity per hour		-0.3	0.4	0.5	0.8
Unemployment (1,000)		2,787.1	2,948.1	2,987.4	2,904.4
Rate of unemployment (percent)		6.0	6.3	6.3	6.2
Total employment (1,000)		45,986.5	45,977.3	45,803.8	45,748.8
Public sector budget balance					
Public sector budget balance (€ bn.)		-115.3	-123.6	-175.3	-194.6
Public sector budget balance (in percent of GDP)		-2.7	-2.8	-3.8	-4.1
Public debts (in percent)		62.2	63.5	65.3	66.9

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: 2026 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	-0.4	-0.1	0.1	-0.1	-0.4	-0.4	-0.2	0.0
Hours worked	-0.2	0.3	0.1	-0.4	0.0	0.1	0.4	0.0	0.3
Hours worked by person in employment	-0.2	0.6	0.2	-0.5	0.1	0.5	0.8	0.2	0.3
Labor productivity ¹	0.4	0.5	0.8	0.4	0.4	0.4	0.7	1.0	0.7
Gross domestic product, price-adjusted	0.2	0.8	1.0	0.0	0.4	0.5	1.1	1.0	0.9
2. Use of gross domestic product at current prices									
a) EUR bn.									
Consumption expenditure	3 378.6	3 505.7	3 613.1	1 645.9	1 732.7	1 707.5	1 798.2	1 765.7	1 847.4
Private households ²	2 372.5	2 445.5	2 510.5	1 159.0	1 213.5	1 193.1	1 252.4	1 226.2	1 284.3
Government	1 006.1	1 060.3	1 102.6	486.9	519.3	514.4	545.8	539.4	563.1
Gross fixed capital formation	907.9	948.2	1 014.2	438.2	469.7	451.6	496.6	485.3	528.9
Machinery and equipment	268.0	278.4	300.9	126.4	141.6	130.4	148.0	140.5	160.5
Construction	460.8	479.7	509.8	226.1	234.7	230.2	249.4	247.7	262.1
Other products	179.0	190.1	203.5	85.6	93.4	91.0	99.1	97.1	106.4
Changes in inventories ³	76.8	58.7	62.5	42.3	34.4	41.8	17.0	43.5	19.0
Domestic expenditure	4 363.2	4 512.6	4 689.7	2 126.4	2 236.8	2 200.9	2 311.7	2 294.4	2 395.4
Net exports	106.6	101.1	101.5	71.1	35.5	61.4	39.6	57.0	44.5
Exports	1 800.0	1 901.6	1 957.3	907.6	892.4	932.5	969.1	968.6	988.7
Imports	1 693.4	1 800.5	1 855.7	836.5	856.9	871.0	929.5	911.6	944.2
Gross domestic product	4 469.8	4 613.7	4 791.3	2 197.5	2 272.4	2 262.3	2 351.4	2 351.4	2 439.9
b) Change over the same period of the preceding year in %									
Consumption expenditure	4.4	3.8	3.1	4.5	4.4	3.7	3.8	3.4	2.7
Private households ²	3.9	3.1	2.7	4.0	3.9	2.9	3.2	2.8	2.5
Government	5.7	5.4	4.0	5.9	5.6	5.7	5.1	4.9	3.2
Gross fixed capital formation	2.5	4.4	7.0	1.4	3.6	3.1	5.7	7.5	6.5
Machinery and equipment	0.4	3.9	8.1	-2.3	2.8	3.1	4.5	7.7	8.4
Construction	2.3	4.1	6.3	1.6	2.9	1.8	6.3	7.6	5.1
Other products	6.6	6.2	7.0	6.6	6.5	6.3	6.1	6.7	7.4
Domestic expenditure	4.7	3.4	3.9	4.8	4.7	3.5	3.3	4.2	3.6
Exports	0.4	5.6	2.9	0.5	0.2	2.7	8.6	3.9	2.0
Imports	3.9	6.3	3.1	5.0	2.8	4.1	8.5	4.7	1.6
Gross domestic product	3.3	3.2	3.8	2.9	3.6	3.0	3.5	3.9	3.8
3. Use of gross domestic product, price-adjusted (chain-linked, 2020=100)									
a) EUR bn.									
Consumption expenditure	2 751.2	2 785.1	2 807.0	1 354.8	1 396.4	1 372.8	1 412.3	1 382.2	1 424.8
Private households ²	1 922.6	1 928.6	1 936.2	945.7	976.9	948.9	979.7	951.1	985.1
Government	829.0	857.3	871.7	409.3	419.7	424.3	433.0	431.6	440.1
Gross fixed capital formation	700.8	708.7	730.4	339.1	361.7	339.8	368.9	351.3	379.1
Machinery and equipment	224.9	227.5	237.6	106.1	118.8	107.1	120.4	111.2	126.3
Construction	322.0	322.8	328.8	158.8	163.2	156.4	166.4	161.1	167.7
Other products	158.3	163.5	170.2	75.7	82.5	78.3	85.1	81.3	88.9
Domestic expenditure	3 519.2	3 545.4	3 591.4	1 728.0	1 791.2	1 744.8	1 800.6	1 767.1	1 824.3
Exports	1 479.2	1 505.3	1 529.2	745.3	733.9	746.0	759.3	757.2	772.0
Imports	1 387.0	1 410.9	1 445.9	683.2	703.8	692.0	718.9	708.2	737.7
Gross domestic product	3 608.9	3 637.2	3 672.0	1 788.9	1 820.1	1 797.4	1 839.8	1 814.8	1 857.2
b) Change over the same period of the preceding year in %									
Consumption expenditure	1.4	1.2	0.8	1.5	1.3	1.3	1.1	0.7	0.9
Private households ²	1.3	0.3	0.4	1.4	1.3	0.3	0.3	0.2	0.6
Government	1.5	3.4	1.7	1.7	1.3	3.7	3.2	1.7	1.6
Gross fixed capital formation	-0.2	1.1	3.1	-1.3	0.9	0.2	2.0	3.4	2.8
Machinery and equipment	-1.6	1.2	4.4	-4.2	0.9	1.0	1.3	3.8	4.9
Construction	-0.8	0.3	1.9	-1.5	-0.2	-1.5	2.0	3.0	0.8
Other products	3.8	3.3	4.1	3.9	3.8	3.4	3.1	3.7	4.5
Domestic expenditure	1.8	0.7	1.3	1.9	1.7	1.0	0.5	1.3	1.3
Exports	-0.9	1.8	1.6	-1.3	-0.4	0.1	3.5	1.5	1.7
Imports	3.1	1.7	2.5	3.4	2.8	1.3	2.1	2.3	2.6
Gross domestic product	0.2	0.8	1.0	0.0	0.4	0.5	1.1	1.0	0.9

National Accounts (cont.)

Forecast period: 2026 to 2027

	2025	2026	2027	2025		2026		2027	
				H1	H2	H1	H2	H1	H2
4. Deflators (2020=100)									
Change over the same period of the preceding year in %									
Private consumption ²	2.5	2.8	2.3	2.5	2.6	2.6	2.9	2.5	2.0
Government consumption	4.1	1.9	2.3	4.1	4.2	1.9	1.9	3.1	1.5
Gross fixed capital formation	2.7	3.3	3.8	2.7	2.6	2.9	3.7	3.9	3.7
Machinery and equipment	2.0	2.7	3.5	2.0	1.9	2.1	3.2	3.7	3.3
Construction	3.1	3.8	4.3	3.2	3.1	3.3	4.2	4.5	4.2
Exports	1.2	3.8	1.3	1.8	0.7	2.6	5.0	2.3	0.3
Imports	0.8	4.5	0.6	1.6	0.0	2.8	6.2	2.3	-1.0
Gross domestic product	3.0	2.4	2.9	2.9	3.2	2.5	2.4	2.9	2.8

5. National income

a) EUR bn.

Primary income of private households ²	3 140.8	3 235.3	3 338.4	1 536.6	1 604.2	1 582.5	1 652.8	1 632.2	1 706.2
Employers social contributions	439.5	455.8	476.9	212.7	226.8	220.8	235.0	231.2	245.7
Gross wages and salaries	2 036.3	2 106.3	2 180.2	972.2	1 064.1	1 009.9	1 096.3	1 044.9	1 135.3
Other primary income ⁴	665.0	673.3	681.2	351.7	313.3	351.8	321.5	356.0	325.2
Primary income of other sectors	572.7	587.6	620.8	272.3	300.4	276.9	310.7	295.1	325.6
Net national income	3 713.5	3 823.0	3 959.1	1 808.9	1 904.6	1 859.4	1 963.5	1 927.3	2 031.8
Consumption of fixed capital	918.1	955.5	1 001.1	456.8	461.3	473.2	482.3	495.9	505.2
Gross national income	4 631.6	4 778.4	4 960.2	2 265.7	2 365.9	2 332.6	2 445.8	2 423.2	2 537.0
memorandum item:									
Net national income (factor costs)	3 308.3	3 411.4	3 528.9	1 601.5	1 706.7	1 650.2	1 761.2	1 707.4	1 821.4
Property and entrepreneurial income	832.4	849.4	871.7	416.7	415.8	419.5	429.9	431.3	440.4
Compensation of employees	2 475.8	2 562.1	2 657.2	1 184.9	1 291.0	1 230.8	1 331.3	1 276.1	1 381.0

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

Primary income of private households ²	3.9	3.0	3.2	4.0	3.8	3.0	3.0	3.1	3.2
Employers social contributions	7.0	3.7	4.6	7.2	6.9	3.8	3.6	4.7	4.6
Gross wages and salaries	4.6	3.4	3.5	4.6	4.6	3.9	3.0	3.5	3.6
... per employee	4.5	3.8	3.6	4.4	4.6	4.2	3.3	3.6	3.5
Other primary income ⁴	0.0	1.2	1.2	0.7	-0.8	0.0	2.6	1.2	1.1
Primary income of other sectors	1.0	2.6	5.6	-2.4	4.4	1.7	3.4	6.6	4.8
Net national income	3.4	2.9	3.6	3.0	3.9	2.8	3.1	3.7	3.5
Consumption of fixed capital	3.3	4.1	4.8	3.4	3.3	3.6	4.6	4.8	4.7
Gross national income	3.4	3.2	3.8	3.1	3.8	3.0	3.4	3.9	3.7
memorandum item:									
Net national income (factor costs)	3.4	3.1	3.4	2.3	4.4	3.0	3.2	3.5	3.4
Property and entrepreneurial income	-1.2	2.0	2.6	-4.7	2.7	0.7	3.4	2.8	2.4
Compensation of employees	5.0	3.5	3.7	5.0	5.0	3.9	3.1	3.7	3.7

6. Disposable income of private households ²

a) EUR bn.

Mass income	2 055.2	2 122.9	2 195.6	987.9	1 067.2	1 025.3	1 097.7	1 060.1	1 135.5
Net wages and salaries	1 406.7	1 449.5	1 497.8	665.5	741.3	689.7	759.8	712.3	785.6
Social benefits other than social transfers in kind	836.7	871.5	905.5	414.6	422.1	432.7	438.8	449.8	455.8
less: Levies on social benefits, taxes on consumption	188.2	198.0	207.8	92.2	96.1	97.1	100.9	102.0	105.8
Other primary income ⁴	665.0	673.3	681.2	351.7	313.3	351.8	321.5	356.0	325.2
Other transfers received (net) ⁵	-136.4	-141.0	-145.3	-64.8	-71.6	-66.5	-74.5	-68.6	-76.7
Disposable income	2 583.7	2 655.3	2 731.4	1 274.8	1 308.9	1 310.5	1 344.7	1 347.4	1 384.0
Change in pension entitlements	61.2	61.3	61.5	29.6	31.5	29.7	31.6	29.8	31.7
Consumption expenditure	2 372.5	2 445.5	2 510.5	1 159.0	1 213.5	1 193.1	1 252.4	1 226.2	1 284.3
Saving	272.4	271.1	282.5	145.5	127.0	147.1	124.0	151.0	131.5
Savings ratio (%) ⁶	10.3	10.0	10.1	11.2	9.5	11.0	9.0	11.0	9.3

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

Mass income	4.0	3.3	3.4	4.1	3.9	3.8	2.9	3.4	3.4
Net wages and salaries	3.8	3.0	3.3	3.7	3.9	3.6	2.5	3.3	3.4
Social benefits other than social transfers in kind	5.6	4.2	3.9	5.9	5.3	4.4	4.0	3.9	3.9
less: Levies on social benefits, taxes on consumption	10.1	5.2	4.9	9.9	10.4	5.4	5.0	5.0	4.9
Other primary income ⁴	0.0	1.2	1.2	0.7	-0.8	0.0	2.6	1.2	1.1
Disposable income	2.9	2.8	2.9	2.9	2.9	2.8	2.7	2.8	2.9
Consumption expenditure	3.9	3.1	2.7	4.0	3.9	2.9	3.2	2.8	2.5
Saving	-5.9	-0.5	4.2	-5.5	-6.2	1.1	-2.4	2.6	6.1

National Accounts (cont.)
 Forecast period: 2026 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	1 031.0	1 059.9	1 096.4	511.8	519.2	523.4	536.5	542.4	554.0
Social contributions	822.5	860.4	904.0	398.2	424.3	417.0	443.4	438.5	465.5
Property income	30.7	30.8	31.3	15.6	15.1	15.5	15.3	15.8	15.5
Other current transfers	30.8	31.0	30.3	13.7	17.0	14.0	17.0	13.6	16.7
Capital transfers	25.5	22.5	24.0	12.5	13.0	9.2	13.2	9.9	14.1
Sales	198.3	205.8	213.9	92.6	105.7	95.8	110.0	99.6	114.3
Other subsidies	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total	2 139.0	2 210.6	2 300.1	1 044.5	1 094.5	1 075.1	1 135.6	1 119.9	1 180.2
Expenditure									
Intermediate consumption ⁸	703.6	743.9	770.2	335.9	367.6	356.9	387.0	371.7	398.5
Compensation of employees	383.3	399.0	417.1	184.6	198.7	191.9	207.1	203.0	214.1
Property income (interest)	49.3	53.0	58.1	24.5	24.7	26.3	26.7	28.8	29.3
Subsidies	54.1	61.9	63.7	22.0	32.2	25.7	36.2	26.4	37.4
Social benefits	751.2	783.5	815.3	372.0	379.2	388.7	394.8	404.6	410.8
Other current transfers	95.1	104.7	107.5	45.7	49.4	49.8	54.9	51.2	56.3
Capital transfers	79.1	85.4	88.6	29.1	50.0	34.1	51.4	35.4	53.2
Gross capital formation	147.5	155.1	174.8	61.5	86.0	65.2	89.9	72.9	101.9
Net acquisitions of non-produced non-financial assets	-0.6	-0.6	-0.6	-0.3	-0.4	-0.3	-0.4	-0.3	-0.4
Total	2 262.6	2 385.9	2 494.7	1 075.1	1 187.5	1 138.2	1 247.7	1 193.6	1 301.1
Net lending	- 123.6	- 175.3	- 194.6	- 30.6	- 93.0	- 63.1	- 112.1	- 73.6	- 120.9

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

Revenue									
Taxes	3.4	2.8	3.4	5.2	1.8	2.3	3.3	3.6	3.3
Social contributions	8.7	4.6	5.1	8.9	8.6	4.7	4.5	5.2	5.0
Property income	-10.1	0.4	1.7	-10.8	-9.2	-0.7	1.5	1.8	1.5
Other current transfers	-2.0	0.8	-2.3	-1.3	-2.5	2.0	-0.1	-2.7	-1.9
Capital transfers	25.6	-11.7	6.8	35.3	17.6	-25.9	1.9	7.6	6.2
Sales	7.0	3.8	3.9	8.3	6.0	3.5	4.0	3.9	3.9
Other subsidies	-13.3	-1.0	0.0	-6.1	-18.5	-2.2	0.0	0.0	0.0
Total	5.7	3.3	4.0	6.8	4.6	2.9	3.8	4.2	3.9
Expenditure									
Intermediate consumption ⁸	5.4	5.7	3.5	5.7	5.2	6.3	5.3	4.1	3.0
Compensation of employees	7.3	4.1	4.5	7.7	6.9	3.9	4.2	5.8	3.4
Property income (interest)	7.5	7.6	9.6	6.8	8.1	7.1	8.1	9.5	9.7
Subsidies	-0.2	14.3	3.0	-15.3	13.7	16.9	12.6	2.7	3.2
Social benefits	5.9	4.3	4.1	6.2	5.5	4.5	4.1	4.1	4.0
Other current transfers	5.5	10.1	2.7	4.3	6.6	9.0	11.1	2.8	2.6
Capital transfers	-5.8	8.0	3.7	-21.7	6.8	17.2	2.7	3.8	3.5
Gross capital formation	12.3	5.1	12.7	6.9	16.5	5.9	4.6	11.8	13.3
Net acquisitions of non-produced non-financial assets	-1 145.8	3.6	0.0	135.7	-306.4	8.3	0.0	0.0	0.0
Total	5.7	5.4	4.6	4.7	6.7	5.9	5.1	4.9	4.3

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 payed 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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Kiel Institute for the World Economy

Kiel location

Kiellinie 66, 24105 Kiel, Germany

Phone: +49 431 8814-1

info@kielinstitut.de

Berlin location

Chausseestraße 111, 10115 Berlin,
Germany

Phone: +49 30 30830637-5

berlin@kielinstitut.de

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