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German Economy in Autumn 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

KIEL Institut

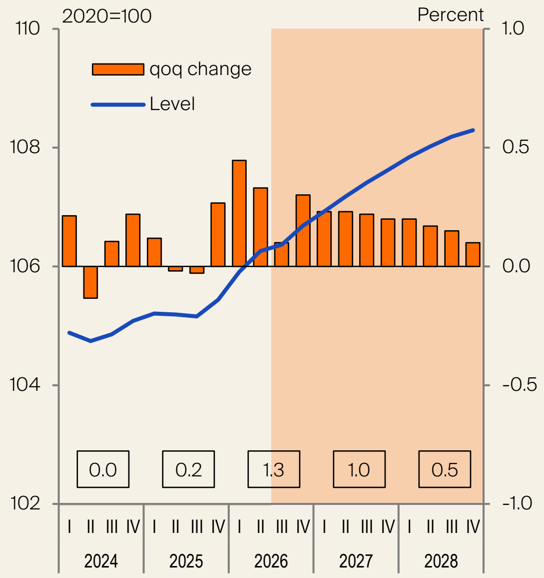
German Economy in Autumn 2026: Recovery underway – deficiencies remain

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

The German economy has regained some momentum. Economic activity has picked up noticeably recently, and despite geopolitical headwinds, firms are somewhat more optimistic about the outlook. The economy therefore appears to have moved beyond the cyclical trough. However, despite the recent improvement, the recovery remains fragile. The war in Iran continues to pose downside risks, while the additional fiscal stimulus will fade in the years ahead. Moreover, much of the economic weakness of recent years has reflected structural factors that will continue to weigh on economic activity. Overall, we now expect GDP to grow by 1.3 percent this year, a substantial upward revision from our summer forecast of 0.8 percent. For next year, we continue to expect growth of 1.0 percent. As the recent increases in commodity prices are passed through to consumers only gradually, inflation is projected to remain elevated at 2.7 percent both this year and next. The associated losses in household purchasing power will weigh on private consumption. Inflation is not expected to fall markedly until 2028, when it is projected to decline to 1.9 percent, allowing private consumption to regain some momentum. Exports have returned to growth following substantial declines in previous years, although deteriorating competitiveness will lead to further losses in global market share. Private investment is likely to remain subdued amid persistent weaknesses in Germany as a business location. At the same time, the recovery in the labor market will increasingly be overshadowed by demographic change. While the unemployment rate is projected to decline from 6.3 percent this year to 6.0 percent in 2028, employment is expected to only stagnate as labor supply shrinks. The general government budget deficit is projected to increase from 3.0 percent of GDP in 2025 to 4.3 percent in 2028.

The economy is recovering, but structural constraints remain. GDP increased by 0.3 percent in the second quarter and has now posted solid gains for three consecutive quarters. (Figure 1). Following the latest revisions to the national accounts, GDP appears to have been on an upward trend since mid-2024, whereas the data available at the time of our summer forecast suggested that the recovery had started later and was more fragile (Figure 2). Leading indicators point to a

Figure 1:
Gross domestic product

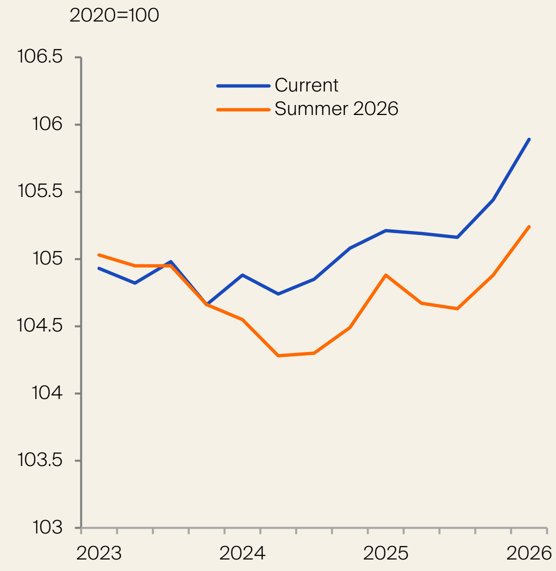


Quarterly data: Volumes, seasonally and calendar adjusted. Annual data (boxes): Volumes, change in percent.

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

continued expansion despite geopolitical headwinds. Business sentiment has improved for four consecutive months, with a particularly strong increase in August, while new orders have been trending upward despite considerable month-to-month volatility. We expect GDP to increase by 0.1 percent in the third quarter, with low water levels on the Rhine temporarily weighing on activity, before growth picks up again in the fourth quarter (Focus: Low water levels on the Rhine and economic activity). At the same time, the economy is being shaped by opposing forces. Fiscal policy is expected to provide significant stimulus this year, contributing around 0.4 percentage points to GDP growth. By contrast, the commodity price shock following the war in Iran represents an adverse supply shock that will weigh on economic activity (Carstensen et al. 2013; Kilian 2008), with its macroeconomic effects likely to materialize only gradually. At the same time, much of the economic weakness of recent years appears to have reflected structural factors. In the second quarter, GDP was only 1.8 percent above its average level in 2019, while German exporters have lost substantial global market share amid a marked deterioration in competitiveness. Accordingly, estimates of potential output have been revised down substantially, and potential growth is likely to remain weak for the foreseeable future (Boysen-Hogrefe et al. 2026). Nevertheless, estimates of the output gap and survey data point to considerable economic slack and hence scope for a cyclical recovery. We believe, however, that this scope is smaller than these indicators suggest, as exceptionally low capacity utilization in manufacturing is likely to partly reflect deteriorating competitiveness and may foreshadow further reductions in production capacity (Jannsen and Kooths 2024; Hoffmann 2026). Overall, recent GDP growth and the improvement in leading indicators suggest that the German economy is increasingly benefiting from the remaining scope for a cyclical recovery. We therefore raise our GDP growth forecast by 0.5 percentage points relative to our summer forecast, to 1.3 percent this year, of which 0.2 percentage points are attributable to the revision of the national accounts. For next year, we continue to expect growth of 1.0 percent. In 2028, as the scope for cyclical recovery diminishes and weak potential growth increasingly constrains the expansion, GDP growth is projected to slow to 0.5 percent, with calendar effects also contributing to the slowdown.

Figure 2:
Revisions to GDP



Quarterly data: Volumes, seasonally and calendar adjusted.

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

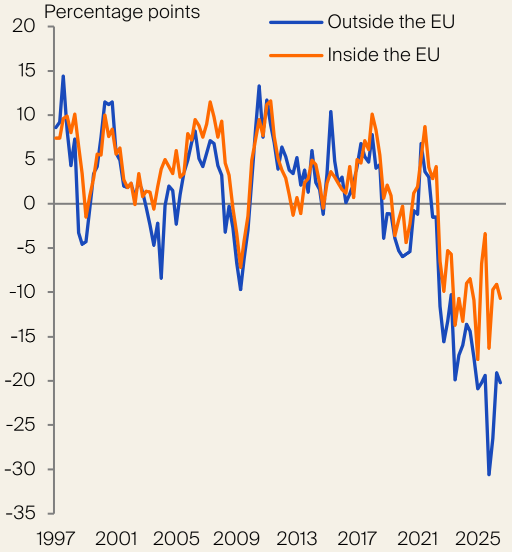
Exports are benefiting again from robust global growth, but weak competitiveness continues to weigh on them. Exports increased by around 2 percent in each of the first two quarters. Nominal goods exports increased across a broad range of regions, with

Focus: Low water levels on the Rhine and economic activity

Low water levels on the Rhine will weigh on economic activity only temporarily. Low water levels on the Rhine and other waterways are significantly disrupting inland waterway transport. Experience shows that such transport disruptions also tend to weigh on industrial production. According to empirical estimates, each additional day of low water on the Rhine reduces industrial production by around 0.04 percent (Ademmer et al. 2023). As water levels rise again, production recovers. At present, low water levels have prevailed since around mid-July, based on water levels at the Kaub gauge. According to the latest daily water-level forecasts (Wasserstraßen- und Schifffahrtsverwaltung des Bundes 2026), water levels are unlikely to rise again quickly. For our forecast, we assume that low water conditions will persist until around the end of September and that transport disruptions will subsequently subside. Based on the empirical estimates, low water levels would thus reduce industrial production by around 1.2 percent in the third quarter. All else equal, this would imply a negative impact on GDP of around 0.3 percent. However, the empirical estimates capture only the average effects observed in the past, while the actual impact depends on the specific circumstances prevailing at the time. One factor pointing to larger effects is that water levels around mid-August were at times unusually low even by the standards of previous low-water episodes, suggesting that the disruptions may have been more severe than during the average low-water episode. By contrast, the exceptionally low level of capacity utilization in manufacturing points to smaller effects, as transport bottlenecks are likely to constrain production less when capacity utilization is low. Moreover, following the severe low-water episode in 2018, firms appear to have made their logistics more resilient to such episodes (Meuchelböck 2025). As a result, the importance of inland waterway transport has also declined since then. Against this backdrop, we assume that the economic impact of the current low-water episode will be somewhat smaller than suggested by the historical estimates and put the drag on GDP in the third quarter at 0.2 percent. In the fourth quarter, as the disruptions are assumed to subside, economic activity will recover; however, we do not expect the production lost in the meantime to be made up to any significant extent.

particularly strong growth in European markets. Exports to the United States also picked up again, while exports to China continued their downward trend. By product group, exports of chemical products rose markedly in the second quarter, partly reflecting production problems among Asian competitors, although higher prices also contributed. Exports of computers, electronic and optical products, and electrical equipment have been trending upward for several quarters. Following three years of decline, exports are set to increase markedly this year. Foreign orders have been trending upward, while the drag from U.S. tariff policy has diminished. However, the strong growth seen in the first half of the year is unlikely to continue, as exports may also have temporarily benefited from disruptions related to the war in Iran. Despite the recent improvement, Germany has lost substantial global market share. While German goods exports in the second quarter were roughly at their 2019 level, global merchandise trade was around 18 percent above its 2019 level (Centraal Planbureau 2026). Between 2000 and 2019, German exports had broadly kept pace with global trade. With surveys pointing to a further deterioration in competitiveness, further losses in global market share remain likely (Figure 3). These losses reflect not only weaker price competitiveness, but also unfavorable conditions for investment, innovation, and business formation in Germany (Deutsche Bundesbank 2026), as well as increasing competition from Chinese suppliers in third markets (Chowdhry et al. 2026). Against this backdrop, exports are expected to remain on an upward trend. They are likely to decline somewhat in the third quarter, partly due to production disruptions caused by low water levels on the Rhine, before rebounding in the fourth quarter as these effects fade (Meuchelböck 2025). The war in Iran is likely to weigh somewhat on exports, although we expect the overall impact to be moderate. Economic activity in commodity-importing countries has remained broadly robust, while exports to OPEC countries have already recovered from their initial war-related decline. However, the temporary tailwind from production disruptions among Asian competitors is likely to fade. Economic activity in Germany's trading partners is projected to expand at a robust pace over the next two years (Gern et al. 2026). Overall, exports are expected to increase by 3.8 percent in 2026, 2.4 percent in 2027, and 1.0 percent in 2028. The marked slowdown in 2028 partly reflects calendar effects. The terms of trade will gradually recover from the commodity price shock. Import prices rose sharply by 3.4 percent in the second quarter as commodity prices surged. As a result, the terms of trade deteriorated markedly by 1.7 percent. With commodity prices now declining again, the terms of trade are set to recover gradually. However, as commodity prices are likely to fall only slowly and higher input costs are passed through to other prices only gradually, the recovery will take some time. Overall, we expect the terms of trade to decline by 0.7 percent this year. This figure, however, understates the impact of the commodity price shock, as the terms of trade were still around 0.5 percent above their 2025 level in the first quarter. For the following two years, we expect the terms of trade to increase by 0.6 percent in 2027 and 0.3 percent in 2028.

Figure 3:
Change in competitive position



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

Source: European Commission.

Private consumption growth will remain subdued for the time being. Private consumption increased markedly over the past two years, as household incomes caught up with the surge in prices during the energy crisis while inflation was already receding. This boosted households' purchasing power, particularly in 2024. More recently, however, momentum has weakened noticeably, and in the second quarter consumption was barely above the level a year earlier, partly reflecting the loss of purchasing power caused by the sharp rise in commodity prices following the outbreak of the Iran war. The resulting loss of purchasing power will continue to weigh on households for some time. Although nominal disposable income is expected to increase by around 3 percent per year over the next two years, higher inflation will absorb much of the increase in nominal incomes, as the rise in commodity prices is passed through to consumers only gradually. Real disposable income is therefore projected to increase by just 0.3 percent in both years. Consumer sentiment has largely recovered from its decline following the outbreak of the war but remains at a low level, while the household saving rate has remained at its 2025 average of 10.1 percent. We expect the saving rate to remain largely stable over the forecast horizon. Overall, private consumption is projected to increase by only 0.3 percent in both the current year and next year. In 2028, as inflation eases and real disposable income growth strengthens, private consumption is projected to increase somewhat faster, by 0.5 percent.

Investment in machinery and equipment is being driven mainly by government defense spending, while private investment activity remains weak. Investment in machinery and equipment fell by 1.4 percent in the second quarter, as private spending declined by 1.8 percent and government spending rose by 1.6 percent. Leading indicators point to a rebound: capacity utilization, the business climate and output among capital goods producers improved in June and July. We therefore expect a marked increase in private investment and strongly rising government outlays, especially on defense, giving a gain of 2.1 percent in the third quarter. Thereafter the two-speed pattern should persist. The closing output gap and spending on AI and data centers argue for a cyclical pick-up in private investment, and domestic orders excluding large contracts have bottomed out. However, DIHK surveys point to weak investment intentions amid persistent structural problems. Replacement investment is the only investment motive cited more frequently than its long-run average, while capacity expansion plays only a minor role given low industrial utilization, and supply-driven commodity price increases weigh further. Government investment is expected to rise sharply, driven by military procurement, which has filled order books and increased backlogs. Overall, we expect growth of 1.7 percent this year, followed by 5.7 percent in 2027 and 4.1 percent in 2028.

Investment in other assets is already growing noticeably this year. This category, which mainly comprises software as well as research and development, rose by 0.8 percent in the first quarter. The upward trend that began in the mid-2000s is expected to continue, supported largely by higher corporate spending on software and AI applications. We expect growth of 2.3 percent this year, followed by strong increases of 4.2 percent in 2027 and 4.5 percent in 2028.

The recovery in construction rests on shaky foundations. After unusually cold weather held construction investment back in the first quarter (-1.8 percent), it increased by only 0.1 percent in the second quarter, with catch-up effects in civil engineering offset by a decline in building construction. Leading indicators point to a moderate third-quarter increase: business conditions, capacity utilization and reported output in the main construction sector improved in June and July, while activity in non-residential construction should normalize following the strong catch-up. We expect a gain of 0.2 percent. Moderate expansion should continue thereafter. Orders in civil engineering, which largely serves public clients, are exceptionally high, driven mainly by investment by Deutsche Bahn. Residential construction, weak for some time, should also turn up, supported by rising building permits. However, higher prices and interest rates are gradually eroding housing affordability, and tighter bank lending standards will dampen the upturn. The size and timing of these effects remain highly uncertain, and indicators such as mortgage contracts reported to Schufa have already leveled off. Public building construction should expand only moderately, as the infrastructure fund (SVIK) is likely to finance mainly existing projects given municipal consolidation pressures. Overall, we expect a decline of 1.0 percent this year, followed by increases of 2.3 percent in 2027 and around 0.8 percent in 2028.

Indirect energy price effects will keep inflation elevated into next year. Inflation picked up further over the summer, rising from 2.3 percent in June to 2.8 percent in July and 2.9 percent in August, mainly due to higher energy prices. Core inflation, by contrast, remained unchanged at 2.2 percent. So far, there is little evidence of a broad pass-through of higher energy costs to goods prices. However, producer price dynamics have strengthened noticeably, particularly for intermediate goods, while price pressures for industrial consumer goods and food have also increased. This suggests that part of the increase in production and transport costs has yet to pass through supply chains and into consumer prices. Energy prices are set to remain a major driver of inflation in the near term and are projected to increase by 7.7 percent on average in 2026. Gasoline, diesel, and heating oil prices are expected to rise sharply this year. Despite somewhat lower crude oil prices, our projections are broadly unchanged from the summer forecast, as the spread between crude oil prices and net fuel prices widened more sharply after the fuel tax rebate expired than previously assumed. Gas and electricity prices will initially remain below their previous-year levels, as lower procurement costs from earlier quarters are still being passed through. This effect will increasingly fade, however, and gas and electricity prices are projected to rise by 9.1 percent and 2.2 percent, respectively, in 2027. Overall, energy prices are expected to increase by another 0.8 percent next year before falling by 4.5 percent in 2028 as lower commodity prices become more pronounced. Higher energy costs are expected to raise core inflation particularly in 2027. Food and goods prices will be affected by higher fuel, transport, electricity and gas costs as well as more expensive intermediate inputs, while the pass-through to services is likely to be more gradual. We expect these indirect effects to have their largest impact during the course of next year and to fade thereafter. Compared with our winter forecast prepared before the conflict, core inflation is around 0.4 percentage points higher in 2027 and around 0.2 percentage points higher in 2028 as a result of these delayed effects. Compared with our summer forecast, inflationary pressures are now expected to persist more strongly into next year. We project headline inflation of 2.7 percent in both 2026 and 2027 (Table 1). While energy contributes around 0.7 percentage points to inflation this year, core inflation remains lower than previously expected at 2.2 percent because the indirect effects are materializing more slowly. Core inflation is expected to peak at 3 percent in the second half of 2027 before easing again. In 2028, headline inflation is projected to fall to 1.9 percent, mainly owing to markedly lower energy prices, while core inflation remains elevated at 2.5 percent.

Table 1:
Key indicators

	2025	2026	2027	2028
Gross domestic product (GDP), price-adjusted	0.2	1.3	1.0	0.5
Gross domestic product, deflator	3.0	2.7	2.9	2.2
Consumer prices	2.2	2.7	2.7	1.9
Labor productivity (per hour worked)	1.1	1.2	0.9	0.9
Employment (1000 persons)	45,878	45,677	45,589	45,574
Unemployment rate (percent)	6.3	6.3	6.2	6.0
in relation to nominal GDP				
Public sector net lending	-3.0	-4.0	-4.1	-4.3
Gross public debt	62.7	64.2	66.0	68.5
Current account balance	4.5	4.5	4.5	4.1

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 continue to rise robustly. Negotiated wages and salaries were 2.7 percent higher in the first half of this year than a year earlier. With the recent pilot agreements in retail and in wholesale and foreign trade—which we assume the remaining bargaining districts will adopt—collective agreements are largely settled for the current year; the metal and electrical industry contract expires in the autumn, but any new settlement will come too late to have much bearing on this year's outcome. Against this backdrop, negotiated wages and salaries should rise by 3.1 percent on average this year, after 2.3 percent last year. We expect slightly higher growth rates over the following two years as the economic recovery and stronger productivity growth create more scope for wage increases. Actual earnings continue to outpace negotiated wages. Gross wages and salaries per employee rose by an average of 4.3 percent in the first half, 1.6 percentage points more than negotiated wages—an unusually pronounced wage drift given the labor market's long-standing weakness. Part of the explanation probably lies in severance payments, particularly in manufacturing amid job cuts, alongside this year's above-trend increase in the statutory minimum wage. For 2026 as a whole we expect actual earnings to rise by 4.1 percent. The distributional scope for wage increases now appears wider than it did three months ago. The revision of the national accounts raised seasonally adjusted nominal labor productivity (gross value added per worker) for the first quarter of 2026 by 1.8 percent relative to the earlier data, with stronger momentum at the current margin as well. As a result, real unit labor costs will reach a markedly lower level this year than we had assumed in our summer forecast. The scope for employment-neutral wage increases is thus evidently wider than previously assumed. This may also explain why wage momentum has remained unbroken despite weak labor demand and rising unemployment. We therefore expect stronger wage momentum over the forecast horizon than in our summer forecast, with actual earnings per employee again rising by 4.1 percent next year before easing slightly to 3.8 percent the year after, as real unit labor costs move higher.

The recovery is only gradually feeding through to the labor market. Employment has continued to decline and is now lower than previously reported. With the end-July release, the Federal Statistical Office revised its employment figures down, leaving the latest count roughly 130,000 persons below the earlier reading. In addition, employment has been declining for about a year and a half, with 300,000 jobs lost over that period. Sector-specific trends persisted—manufacturing has shed nearly 600,000 jobs since the start of 2020, while employment in the public sector, education, and health rose by 1.1 million—and by type of employment the familiar pattern across types of employment continued: self-employment and exclusively marginal employment declined further, while employment subject to social security contributions also edged down. The number of registered unemployed stood at a seasonally adjusted 2.996 million in August (rate: 6.4 percent). Although the increase has been markedly smaller than in previous years for about a year now, this is not yet primarily a sign of strengthening labor demand, since the decline in unemployment has so far been confined to recipients of basic income support (SGB II), while unemployment insurance (SGB III) continued to record increases. An upswing accompanied by a greater willingness to hire typically shows up first in unemployment insurance, whose recipients are usually closer to the labor market, whereas the decline under basic income support is likely to be largely structural. In particular, the number of unemployed from the main countries of origin for asylum seekers, such as Syria and Afghanistan, has developed more favorably, reflecting the comparatively low refugee migration from these countries over the past two years. Labor market conditions will brighten only gradually. Although economic output has been rising noticeably for three quarters, employment and total hours worked have declined. Thus, labor productivity, both per worker and per hour worked, has recovered quite strongly. Leading indicators are not yet sending clear signals of a turnaround. We therefore expect no major shifts in the labor market in the coming months. As time progresses, the continuing recovery should gradually become visible in the labor market and lead to a slight decline in unemployment. With the labor force declining for a year already and the recovery fairly moderate overall, employment is likely to merely stagnate in the course of next year, before shifting toward a demographically driven contraction path near the end of the forecast horizon. All in all, the unemployment rate eases from 6.3 percent in 2026 to 6.2 percent in 2027 and 6.0 percent in 2028.

Public expenditure will continue to increase rapidly throughout the forecast horizon. Although the rates of expansion are somewhat lower than in the previous two years, they still exceed the growth rate of nominal GDP. The slowdown is particularly pronounced in public-sector compensation, reflecting more moderate negotiated wage increases. Increased recruitment by the German armed forces and the reform of civil servants' pay will partly offset this effect. The initially still very strong increase in expenditure on social benefits in kind is likely to ease markedly next year as a result of cuts in health insurance benefits, but also due to the general moderation of price and wage pressures, and to remain moderate in 2028. Other current transfers are expected to post a sizeable increase in the current year, followed by a slowdown in 2027 and near stagnation in 2028. Their dynamics are dominated by planned payments to the EU. Monetary social benefits will continue to increase noticeably in the current and the following year, albeit at a slower pace than in 2025. This slowdown is driven by improving labor market conditions and measures affecting, among other things, housing and parental benefits. The still considerable increase is primarily attributable to pension expenditure. In 2028, pension expenditure is expected to accelerate significantly again due to the payment of the so-called Mütterrente III (the third extension of pension entitlements for mothers), which will also be paid retroactively for entitlements accruing in 2027. Capital transfers are likely to increase noticeably over the entire forecast horizon, supported by funds from the Climate and Transformation Fund and increasingly financed directly by the Special Fund for Infrastructure and Climate Neutrality (SVIK). In view of subsidies for the purchase of electric vehicles and support for electricity grid charges, subsidies are expected to record a substantial increase in the current year. No major changes are foreseeable in subsequent years. Throughout the forecast horizon, interest expenditure will be on a pronounced upward trend as a result of rising debt levels and significantly higher yields on government bonds. By contrast, gross fixed capital formation by the government is likely to decline in the current year, following an exceptionally high level in the previous year that, according to the latest revised national accounts data, was boosted by an outlier in the fourth quarter of 2025. Over the course of the forecast period, however, gross investment is expected to increase significantly, driven by investment in defense equipment, while the funds provided by the SVIK are likely to stabilize the level of construction investment rather than provide additional stimulus. Rising defense expenditure will also increase intermediate consumption over the entire forecast horizon. Overall, government expenditure is expected to increase by just over 5 percent in the current year and by around 4.6 percent in 2027 and 4.7 percent in 2028.

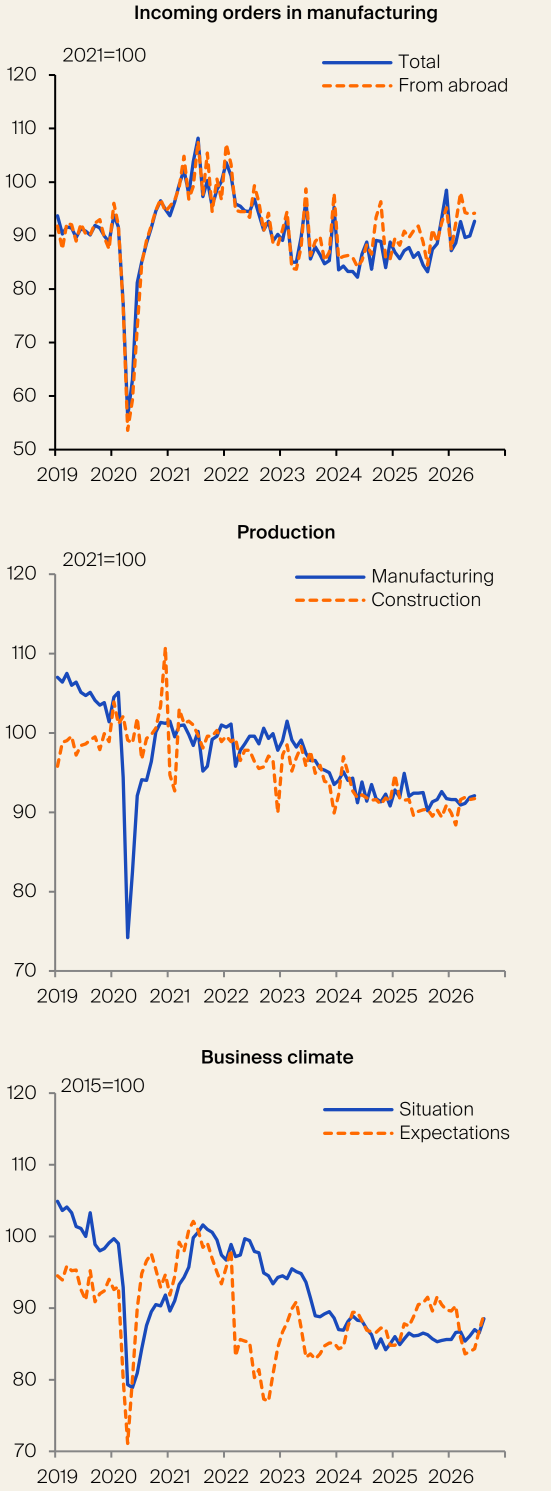
Social security contributions are the main driver of government revenue growth. Tax revenue is expected to increase only moderately in the current year. Improved depreciation rules for businesses, permanently reduced VAT rates in the hospitality sector and the temporary “fuel rebate” are resulting in lower revenue. In addition, revenue from taxes on profits continues to reflect the weak economic performance of previous years. Revenue from wage income tax is the only relatively robust component, although it is also unable to match the high rates of expansion recorded in the previous year. Tax revenue is expected to regain some momentum next year. The expiry of the “fuel rebate” and the only partial compensation for bracket creep will generate additional revenue. In 2028, growth is likely to moderate again. On the one hand, economic output will expand at a slower pace; on the other, reductions in corporate income tax rates will result in lower revenue. Overall, the effects of bracket creep are also likely to be offset to a greater extent by the second stage of the income tax reform. Social security contributions are expected to increase considerably more strongly than tax revenue over the entire forecast horizon. In addition to steady wage growth, rising contribution rates are a key factor. At the beginning of this year, for example, many statutory health insurance funds increased their supplementary contribution rates. Over the coming years, the earnings ceiling for social security contributions will rise unusually sharply, while contribution-free coverage of spouses will be abolished. In view of the current deficits in these branches of social insurance, we also expect contribution rates in long-term care insurance and unemployment insurance to rise. The largest increase is expected in pension insurance in 2028, when contribution revenue is therefore likely to accelerate.

Other government revenue will lose some momentum in the current year due to the expiry of a one-off effect from the previous year and is expected to expand at a stable pace thereafter. Overall, we expect government revenue to increase by 3 percent in the current year. In 2027 and 2028, growth is expected to accelerate to 4.3 and 4.6 percent, respectively. The budget deficit is projected to rise from around 3 percent of GDP in 2025 to 4.3 percent in 2028.

Contents

1 Leading indicators

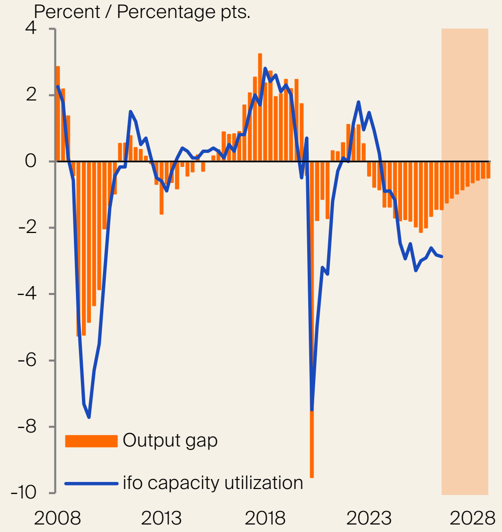
Figure 1.1:
Leading indicators



Monthly data, seasonally adjusted.

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

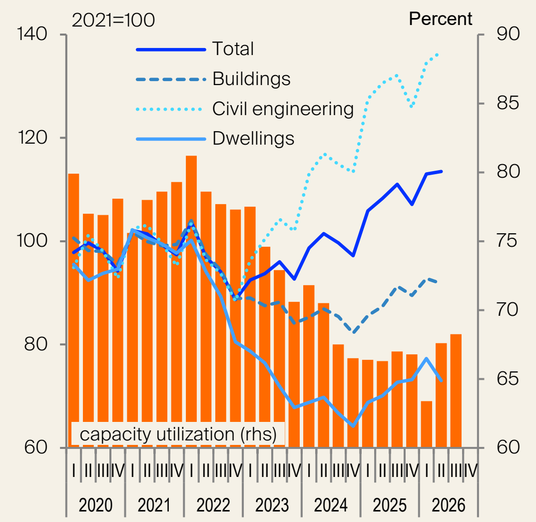
Figure 1.2:
Capacity utilization



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

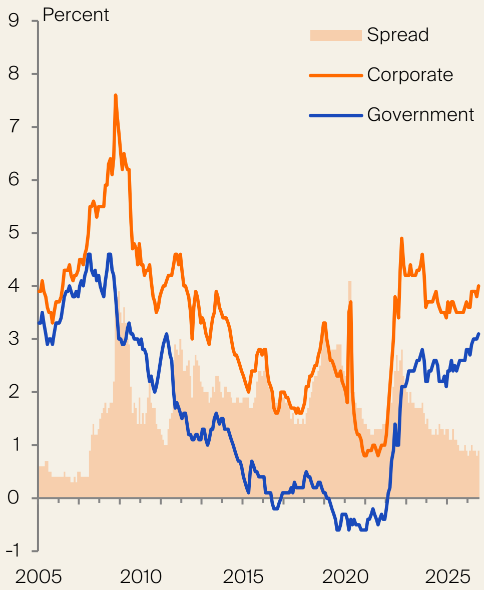


Quarterly data. Capacity utilization (deviation from normal level): seasonally adjusted; order stocks: price, seasonally and working-day adjusted.

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

2 Monetary conditions and prices

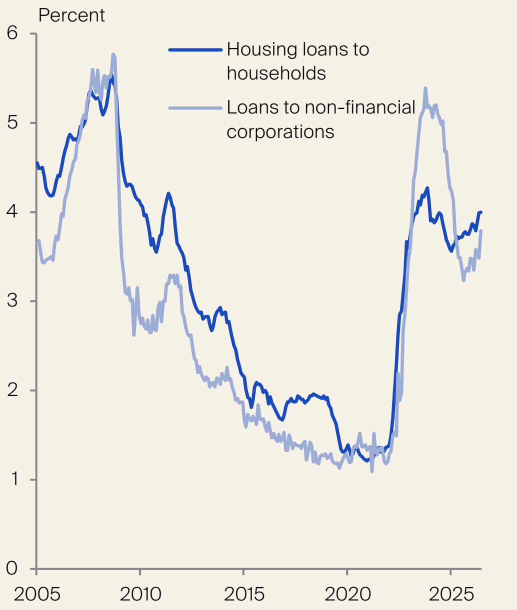
Figure 2.1:
Bond yields



Monthly data.

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

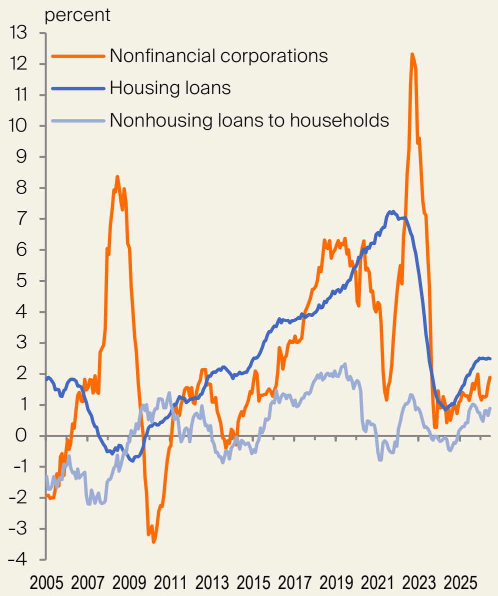
Figure 2.2:
Loan interest rates



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

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

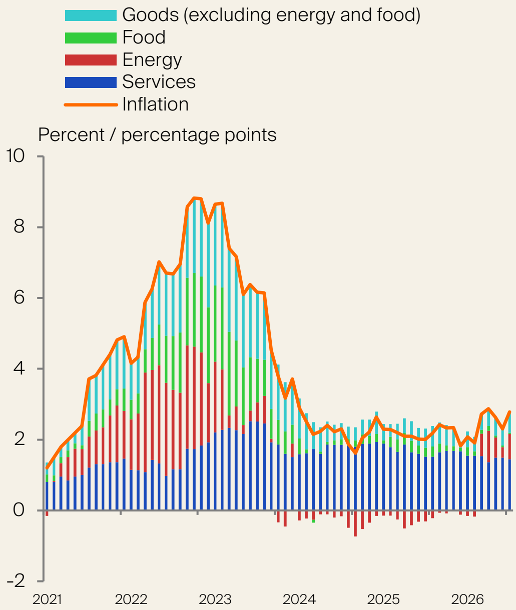
Figure 2.3:
Credit growth



Change compared to one year ago; Monthly data.

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

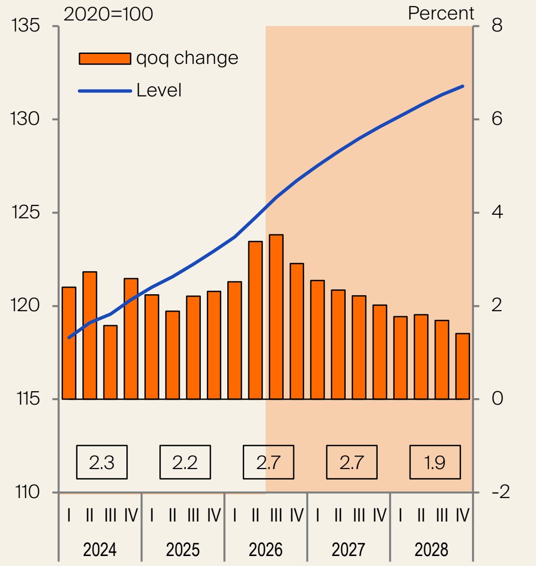
Figure 2.4:
Contributions to Inflation



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.

Tabelle 2.1:
Projections and assumptions on the international environment

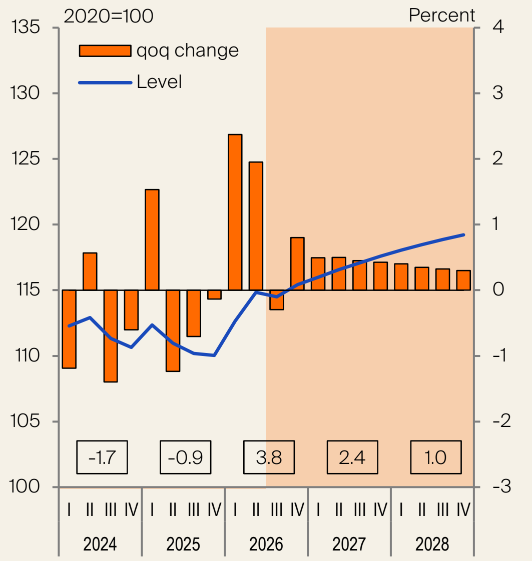
	2026				2027				2028			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
ECB key interest rate	2.00	2.25	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Long-term interest rate	2.8	3.0	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
US-dollar/euro exchange rate	1.18	1.16	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15
Price competitiveness	93.1	92.6	92.2	92.0	92.2	92.4	92.3	92.1	92.0	91.8	91.6	91.4
Export markets	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Oil price	77.4	96.5	86.0	82.3	78.7	76.7	75.4	74.4	73.6	72.9	72.4	71.9
Gas price	39.9	45.9	58.0	57.7	54.7	39.2	36.8	36.5	35.3	28.4	27.6	28.2
Electricity price	101.6	100.8	103.8	103.8	86.6	86.6	86.6	86.6	78.4	78.4	78.4	78.4

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

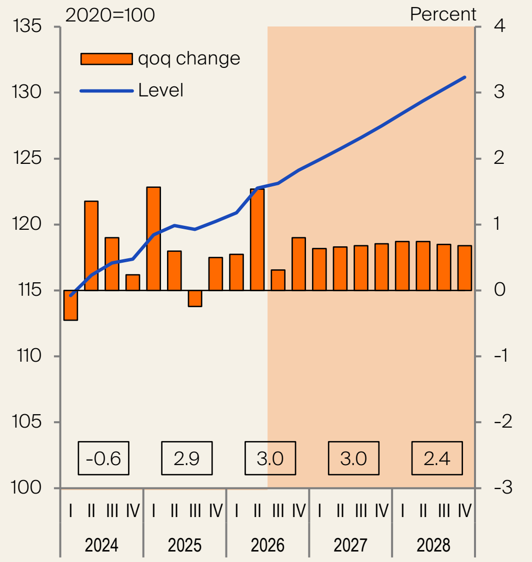
Figure 3.1:
Exports



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.

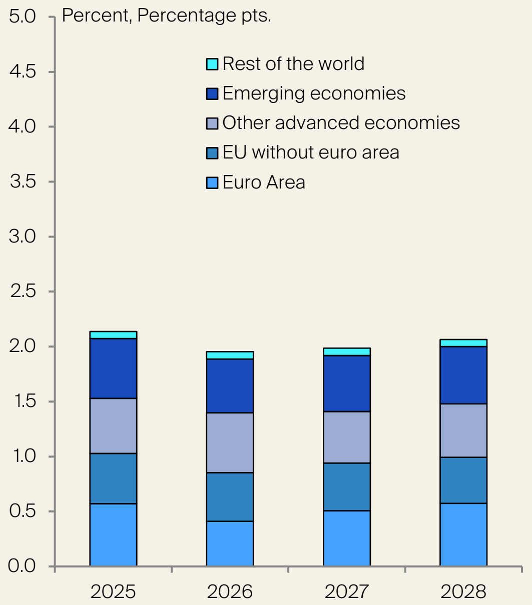
Figure 3.2:
Imports



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.

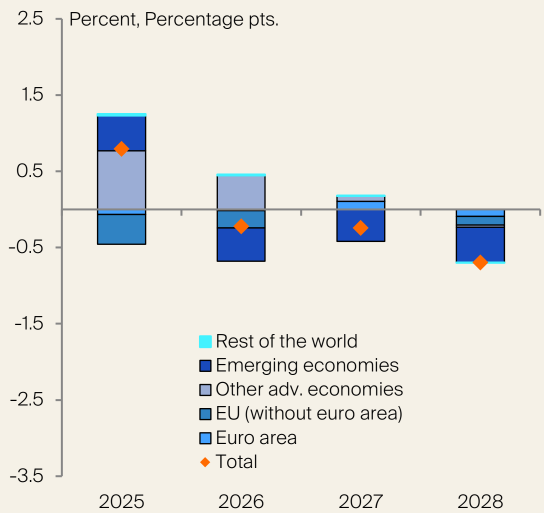
Figure 3.3:
German export markets



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.

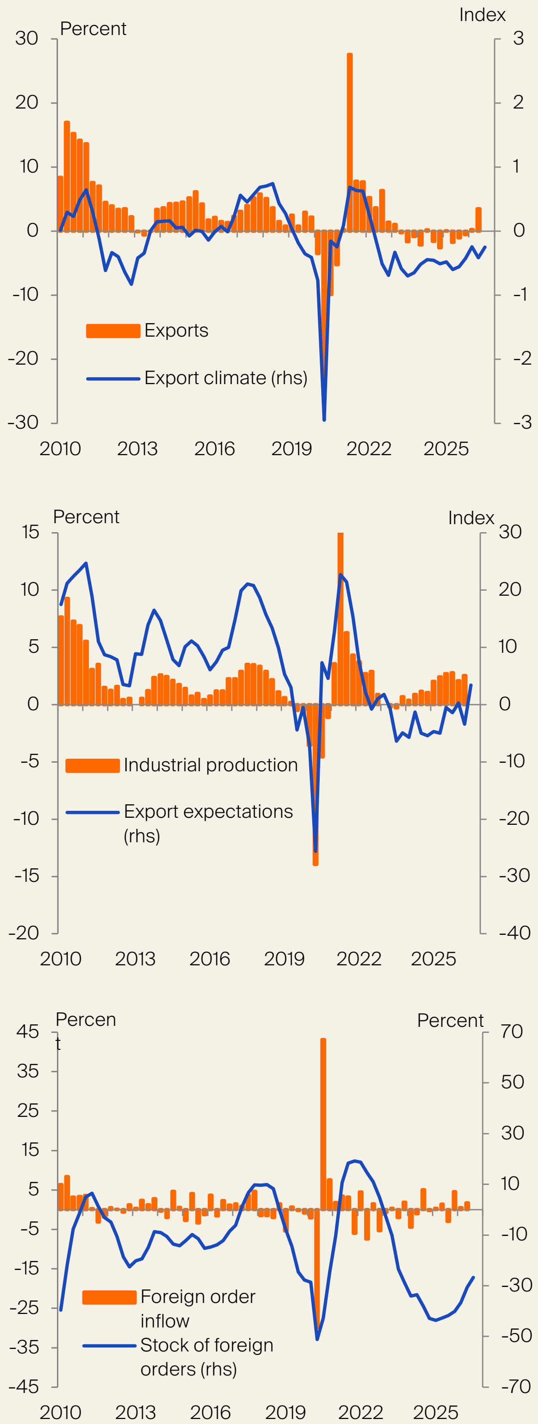
Figure 3.4:
Germany's price competitiveness



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

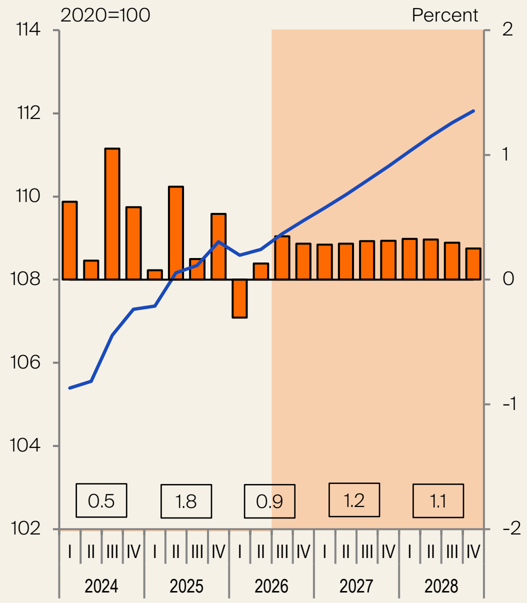


Quarterly data, seasonally adjusted; exports, industrial production: volumes, change on previous year; foreign order inflow: volumes, change on previous quarter; export climate based on 42 countries weighted by shares of German exports; export climate, export expectations, foreign order inflow:, stock 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

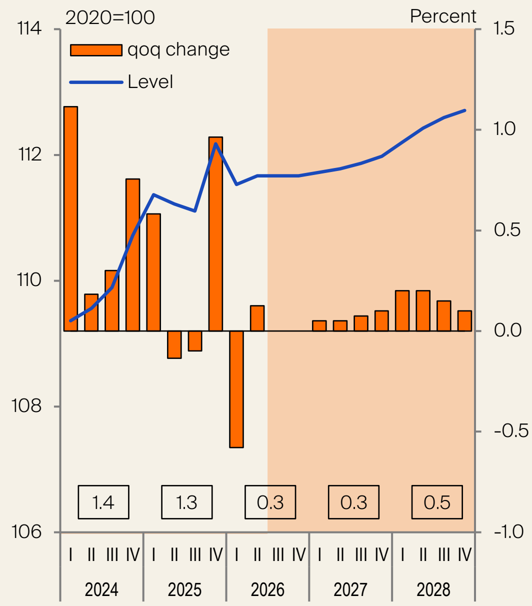
Figure 4.1:
Final domestic expenditure



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.

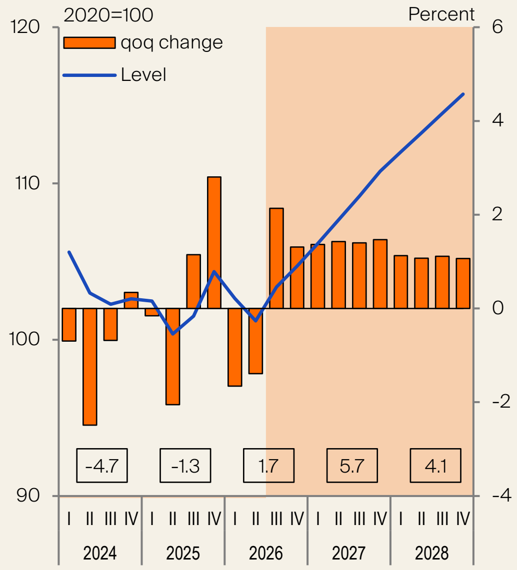
Figure 4.2:
Private consumption



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.

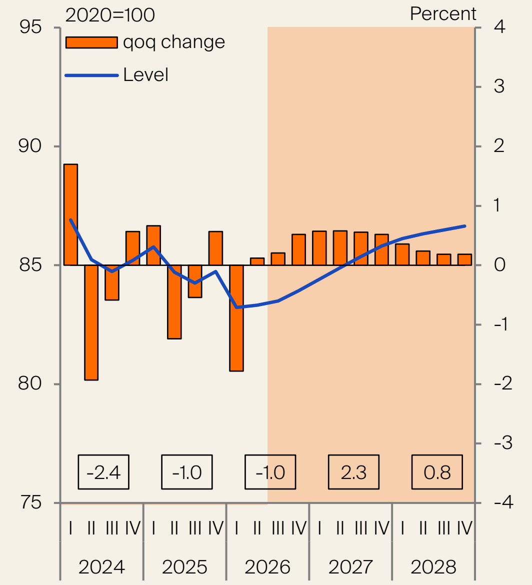
Figure 4.3:
Machinery and equipment



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.

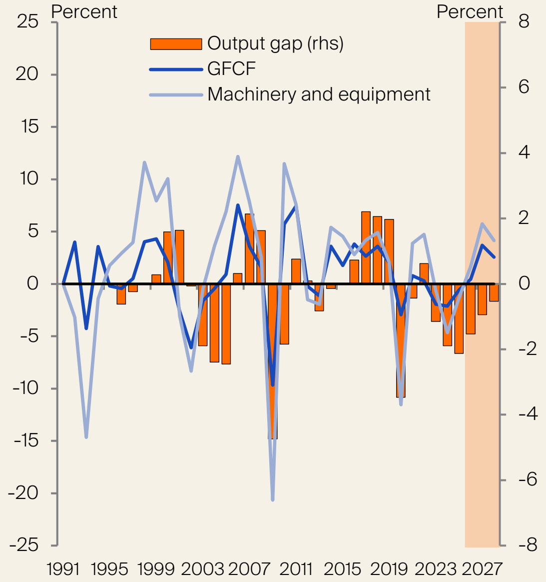
Figure 4.4:
Constructions



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.

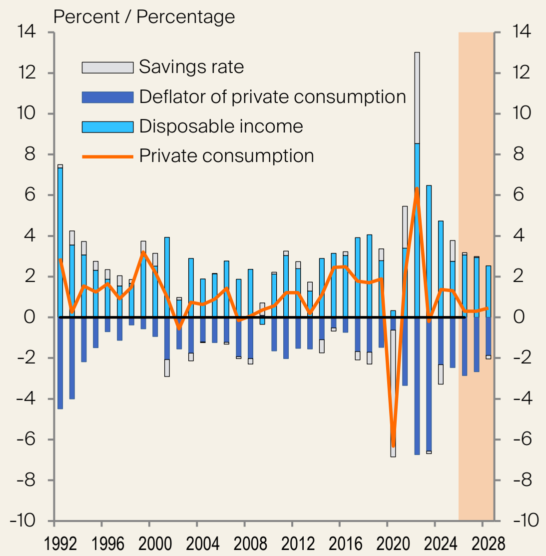
Figure 4.5:
Investment cycles



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.

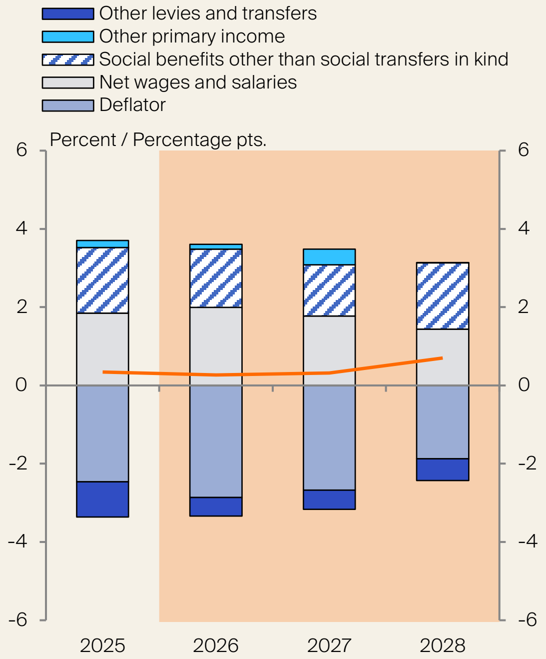
Figure 4.6:
Decomposition of growth in private consumption



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.

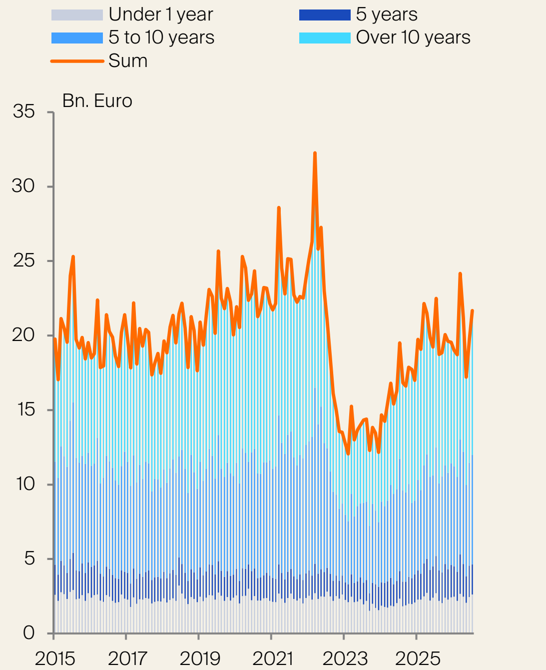
Figure 4.7:
Contributions to changes in real disposable income



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.

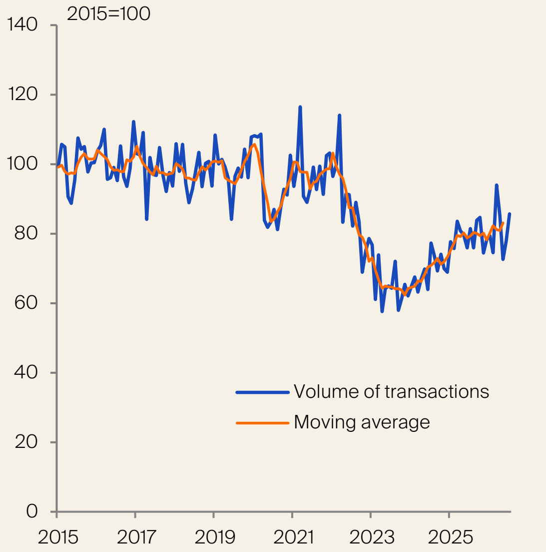
Figure 4.8:
New housing loans to households



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

Source: Deutsche Bundesbank, *Time series databases.*

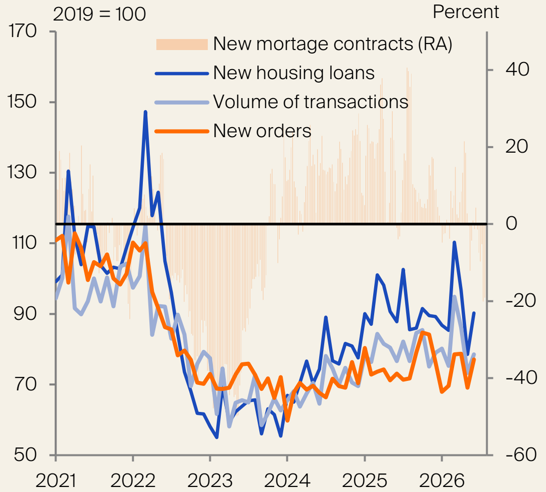
Figure 4.9:
Volume of real estate transactions



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.

Figure 4.10:
Housing indicators



Weekly data, year-over-year change rates in percent, number of mortage contracts for private households; monthly data, 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.

Table 4.1:
Gross fixed capital formation

	2025	2026	2027	2028
Total	-0.6	0.4	3.7	2.6
Corporate investment	-2.4	3.0	2.4	1.7
Machinery and equipment	-1.3	1.7	5.7	4.1
Construction (non-dwellings)	-0.9	0.2	1.1	0.3
Other	1.7	2.3	4.2	4.5
Dwellings	-2.4	-1.5	2.2	1.1
Public (non-dwellings)	3.9	-0.9	4.4	0.5
Memorandum item:				
Construction	-1.0	-1.0	2.3	0.8

Volumes; change over previous year in percent.

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

5 Industries

Table 5.1:
Gross value added for industries

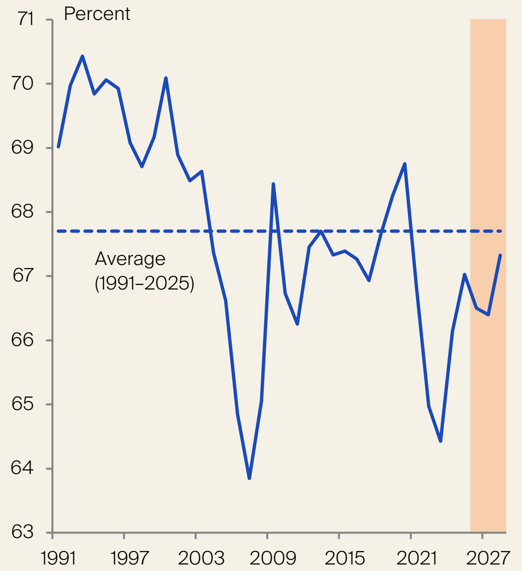
	2026				2027				2028			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
	Seasonally and calendar-adjusted, q-o-q change in percent											
Gross domestic product	0.4	0.3	0.1	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Gross value added	0.3	0.4	0.1	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Industry excl. construction	0.3	0.7	-0.2	0.9	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1
Manufacturing	0.5	0.9	-0.3	1.0	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1
Energy, Water etc.	-0.6	-0.5	0.1	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Construction	-0.6	-0.1	0.0	0.1	0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Trade, transport, accommodation, food services	0.5	0.3	-0.2	-0.1	0.0	0.0	0.1	0.1	0.2	0.2	0.1	0.1
Information and communication	1.1	0.6	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.8	0.8
Financial and insurance services	0.4	-0.7	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2
Real estate activities	0.4	0.6	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Business services	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1
Public services, education, health	0.3	0.6	0.4	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Other services	-0.2	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.2	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 6.1:
Wages and productivity

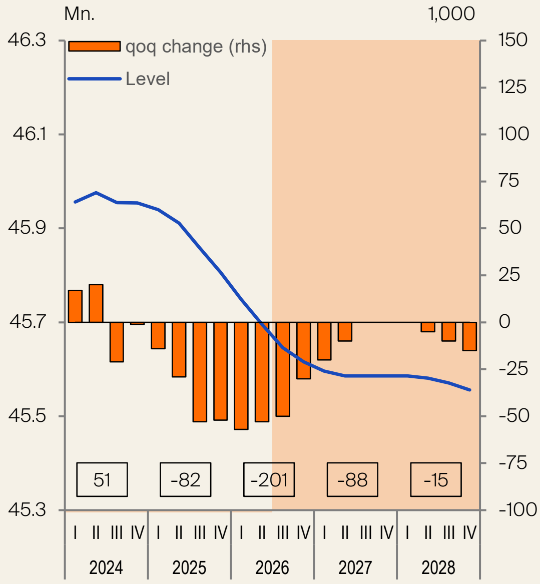
	2024	2025	2026	2027	2028
Per hour					
Negotiated wages	6.3	2.3	3.1	3.3	3.3
Gross wages and salaries	4.7	5.0	3.4	3.6	4.2
Wage drift	-1.7	2.6	0.3	0.3	0.9
Compensation of employees	4.7	5.4	3.4	3.7	4.5
Labor productivity	-0.3	1.1	1.2	0.9	0.9
Unit labor costs	5.1	4.3	2.3	2.8	3.6
Unit labor costs (real)	1.9	1.2	-0.5	-0.1	1.4
Per capita					
Negotiated wages	6.3	2.3	3.1	3.3	3.3
Gross wages and salaries	5.2	4.4	4.1	4.1	3.8
Wage drift	-1.1	2.1	1.0	0.8	0.5
Compensation of employees	5.2	4.8	4.2	4.2	4.2
Labor productivity	-0.1	0.4	1.7	1.2	0.6
Unit labor costs	5.3	4.4	2.5	2.9	3.6
Unit labor costs (real)	2.1	1.4	-0.3	0.0	1.4

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

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

7 Employment

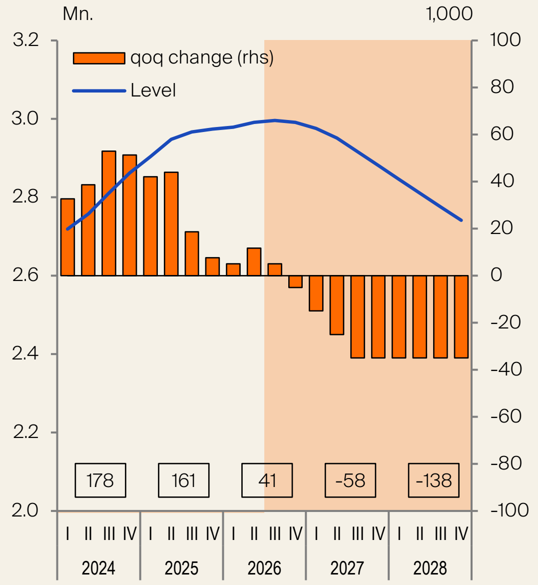
Figure 7.1:
Persons employed



Quarterly data: seasonally adjusted.
Annual data (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.

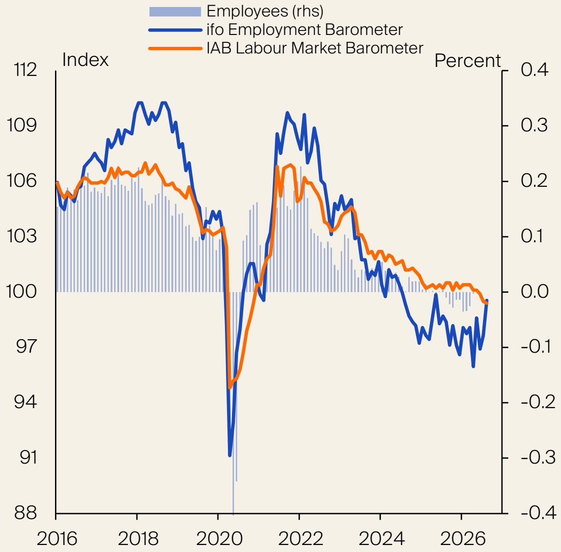
Table 7.1:
Employment (1,000 persons)

	2024	2025	2026	2027	2028
Hours worked (domestic concept, mn. hours)	61,817	61,309	61,328	61,387	61,160
Persons in employment (domestic concept)	45,960	45,878	45,677	45,589	45,574
Self-employed	3,740	3,665	3,609	3,573	3,543
Employees (domestic concept)	42,220	42,214	42,068	42,016	42,031
Employees subject to social security contributions	34,939	34,961	34,887	34,873	34,913
Mini jobs	4,178	4,118	4,028	3,983	3,958
Net commuting	158	153	150	150	150
Persons in employment (national concept)	45,802	45,725	45,528	45,439	45,424
Employees (national concept)	42,062	42,061	41,919	41,866	41,881
Unemployed persons (registered)	2,787	2,948	2,989	2,931	2,793
Unemployment rate (registered; percent)	6.0	6.3	6.3	6.2	6.0
Unemployment rate (ILO; percent)	3.1	3.5	3.6	3.4	3.1

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 Labor 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)

	2024	2025	2026	2027	2028
Revenues	**2,028.3**	**2,137.9**	**2,204.9**	**2,299.0**	**2,404.0**
→relative to GDP	*46.2*	*47.2*	46.8	46.9	47.8
Taxes	997.2	1,031.5	1,054.6	1,095.2	1,121.6
→relative to GDP	*22.7*	*22.8*	22.4	22.4	22.3
Social contributions	756.7	823.1	861.6	906.1	974.1
→relative to GDP	*17.3*	*18.2*	18.3	18.5	19.4
Other revenues	274.4	283.3	288.6	297.7	308.4
→relative to GDP	*6.3*	*6.3*	*6.1*	*6.1*	*6.1*
Expenditures	**2,149.4**	**2,274.4**	**2,391.4**	**2,500.8**	**2,618.5**
→relative to GDP	*49.0*	*50.2*	*50.7*	*51.0*	*52.0*
Compensation of employees	357.9	383.8	*396.7*	*411.4*	*426.6*
Intermediate consumption	282.2	288.5	*302.2*	*316.0*	*329.6*
Social transfers in kind	388.4	418.6	*450.0*	*464.2*	*475.2*
Gross capital formation	138.8	156.1	*153.1*	*173.1*	*192.0*
Capital transfers	45.9	49.0	*53.9*	*59.0*	*65.8*
Social benefits	706.3	746.9	*783.7*	*817.2*	*862.7*
Subsidies	56.6	55.7	*63.1*	*63.8*	*64.5*
Other current transfers	90.8	95.7	*105.1*	*108.7*	*109.6*
Other capital transfers and investment grants	82.3	80.4	*83.9*	*87.7*	*92.9*
Other expenditures	0.0	-0.6	-0.7	-0.7	-0.7
	2,260.1	**2,390.8**	**2,458.4**	**2,611.5**	**2,729.2**
	51.5	*52.8*	*52.2*	*53.3*	*54.2*
Net lending/ net borrowing	**-121.1**	**-136.5**	**-186.6**	**-201.8**	**-214.5**
→relative to GDP	*-2.8*	*-3.0*	*-4.0*	*-4.1*	*-4.3*
Revenues of central, state, and local governments	**1,309.2**	**1,353.3**	**1,383.4**	**1,434.8**	**1,444.4**
Net of transfers from social security funds	1,304.3	1,351.6	1,381.9	1,433.2	1,441.6
Transfers from social security funds	4.9	1.6	1.5	1.6	2.8
Expenditures of central, state, and local governments	**1,418.8**	**1,488.5**	**1,556.9**	**1,633.0**	**1,651.3**
Net of transfers to social security funds	1,277.0	1,338.6	1,395.5	1,463.5	1,478.4
Transfers to social security funds	141.8	149.9	161.4	169.5	172.9
Net lending/ net borrowing central, state, and local governments	**-109.6**	**-135.2**	**-173.5**	**-198.2**	**-206.8**
Revenues of social security funds	**865.9**	**936.2**	**984.4**	**1,035.3**	**1,105.0**
Net of transfers from central, state, and local governments	724.0	786.3	822.9	865.8	932.1
Expenditures of social security funds	**877.3**	**937.5**	**997.4**	**1,039.0**	**1,091.4**
Net of transfers to central, state, and local governments	872.4	935.8	996.0	1,037.4	1,088.6
Net lending/ net borrowing social security funds	**-11.5**	**-1.3**	**-13.1**	**-3.6**	**13.6**

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

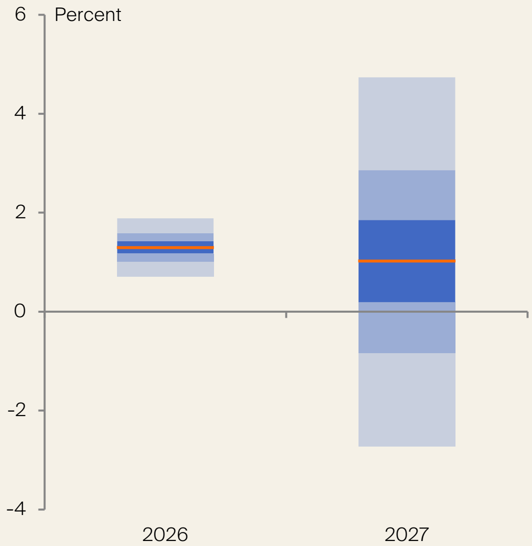
Table 9.1:
Quarterly data

	2026				2027				2028			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Gross domestic product	0.4	0.3	0.1	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Private consumption	-0.6	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.1
Government consumption	0.9	0.1	0.5	0.5	0.3	0.3	0.3	0.4	0.4	0.5	0.4	0.4
Machinery and equipment	-1.7	-1.4	2.1	1.3	1.4	1.4	1.4	1.5	1.1	1.1	1.1	1.1
Constructions	-1.8	0.1	0.2	0.5	0.6	0.6	0.6	0.5	0.4	0.2	0.2	0.2
Other investment	0.3	0.8	0.8	0.8	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Change in inventories	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic expenditure	-0.3	0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Exports	2.4	2.0	-0.3	0.8	0.5	0.5	0.5	0.4	0.4	0.4	0.3	0.3
Imports	0.5	1.5	0.3	0.8	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Net exports	0.7	0.2	-0.2	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Employment (domestic)	45,749	45,696	45,646	45,616	45,596	45,586	45,586	45,586	45,586	45,581	45,571	45,556
Unemployment (registered)	2,979	2,991	2,996	2,991	2,976	2,951	2,916	2,881	2,846	2,811	2,776	2,741

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.

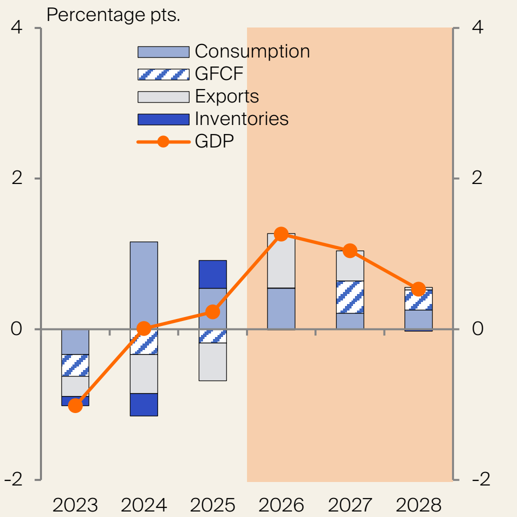
Figure 9.1:
Forecast intervals for GDP growth



GDP: volumes, change over previous year. Point forecasts: orange lines. Forecast intervalls greay 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

Tabelle 9:
The german economy –

	2025	2025	2026	2027	2028
	Bn. Euro	Change over previous year in percent			
Use of gross domestic product, price-adjusted					
GDP		0.2	1.3	1.0	0.5
Private consumption expenditure		1.3	0.3	0.3	0.5
Public consumption expenditure		1.7	2.9	1.4	1.5
Total fixed investment		-0.6	0.4	3.7	2.6
Machinery and equipment		-1.3	1.7	5.7	4.1
Construction		-1.0	-1.0	2.3	0.8
Other equipment		1.7	2.3	4.2	4.5
Changes in stocks		0.7	0.0	0.0	0.0
Domestic Demand		1.8	0.9	1.2	1.1
Exports		-0.9	3.8	2.4	1.0
Imports		2.9	3.0	3.0	2.4
Net exports		-1.5	0.4	-0.2	-0.5
Use of gross domestic product at current prices					
GDP	4,529.7	3.3	4.0	4.0	2.7
Private consumption expenditure	2,449.1	3.8	3.2	3.0	2.3
Public consumption expenditure	1,012.8	6.1	5.7	3.9	3.4
Total fixed investment	915.1	1.9	4.0	6.8	5.4
Machinery and equipment	270.7	0.6	3.9	8.7	7.1
Construction	466.0	2.1	3.6	5.9	3.9
Other equipment	178.4	3.2	4.9	6.0	6.4
Changes in stocks (€ bn.)		52.4	54.9	56.6	55.3
Domestic Demand	4,429.4	4.7	3.9	4.0	3.2
Exports	1,816.0	0.2	7.5	3.6	1.7
Imports	1,715.7	3.6	7.4	3.6	2.8
Net exports (€ bn.)		100.3	109.5	113.7	94.8
Gross national income	4,690.9	3.2	4.1	3.9	2.7

	2025	2025	2026	2027	2028
	Bn. Euro	Change over previous year in percent			
Deflators					
GDP		3.0	2.7	2.9	2.2
Private consumption expenditure		2.5	2.9	2.7	1.9
Public consumption expenditure		4.3	2.7	2.5	1.9
Investment in machinery and equipment		2.0	2.2	2.8	2.9
Investment in construction		3.1	4.7	3.5	3.1
Investment in other equipment		1.4	2.5	1.7	1.8
Exports		1.2	3.6	1.2	0.7
Imports		0.8	4.3	0.6	0.4
Addendum: Consumer prices		2.2	2.7	2.7	1.9
Income distribution					
Net national income (factor costs)	3,368.3	3.0	4.4	3.8	2.3
Compensation of employees	2,472.1	4.8	3.9	4.0	4.2
in percent of national income		73.4	73.0	73.2	74.6
Property and entrepreneurial income	896.3	-1.8	5.7	3.1	-2.9
Disposable income	2,662.9	2.8	3.1	3.0	2.6
Saving rate		10.1	10.0	10.0	10.1
Wages and salaries	2,032.1	4.4	3.9	4.0	3.8
Wage per hour		5.0	3.4	3.6	4.2
Unit labor costs		4.3	2.3	2.8	3.6
Productivity per hour		1.1	1.2	0.9	0.9
Unemployment (1,000)		2,948.1	2,989.3	2,931.0	2,793.5
Rate of unemployment (percent)		6.3	6.3	6.2	6.0
Total employment (1,000)		45,878.3	45,677.3	45,589.0	45,574.0
Public sector budget balance					
Public sector budget balance (€ bn.)		-136.5	-186.6	-201.8	-214.5
Public sector budget balance (in percent of GDP)		-3.0	-4.0	-4.1	-4.3
Public debts (in percent)		62.7	64.2	66.0	68.5

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 2028

	2026	2027	2028	2026		2027		2028	
				H1	H2	H1	H2	H1	H2
1. Production									
Change over the same period of the preceding year in %									
Persons in employment	- 0.4	- 0.2	0.0	- 0.4	- 0.4	- 0.3	- 0.1	0.0	0.0
Hours worked	0.0	0.1	- 0.4	- 0.3	0.4	0.0	0.2	0.4	- 1.1
Hours worked by person in employment	0.5	0.3	- 0.3	0.1	0.8	0.3	0.3	0.5	- 1.1
Labor productivity [1]	1.2	0.9	0.9	1.2	1.2	1.2	0.7	0.6	1.2
Gross domestic product, price-adjusted	1.3	1.0	0.5	0.9	1.6	1.2	0.9	1.1	0.0
2. Use of gross domestic product at current prices									
a) EUR bn.									
Consumption expenditure	3 597.2	3 713.8	3 812.7	1 748.6	1 848.6	1 813.6	1 900.2	1 866.8	1 945.9
Private households [2]	2 526.9	2 602.3	2 663.2	1 228.7	1 298.2	1 268.2	1 334.0	1 304.3	1 358.9
Government	1 070.3	1 111.6	1 149.5	519.9	550.4	545.4	566.2	562.6	587.0
Gross fixed capital formation	951.4	1 015.9	1 070.5	453.1	498.3	484.7	531.2	516.5	554.1
Machinery and equipment	281.4	306.0	327.9	130.9	150.5	142.2	163.7	154.9	173.0
Construction	483.0	511.6	531.8	233.1	249.9	248.3	263.3	261.5	270.3
Other products	187.0	198.2	210.9	89.2	97.8	94.1	104.1	100.1	110.7
Changes in inventories [3]	54.9	56.6	55.3	38.0	16.9	38.7	17.9	38.1	17.2
Domestic expenditure	4 603.5	4 786.3	4 938.5	2 239.7	2 363.8	2 337.0	2 449.3	2 421.4	2 517.1
Net exports	109.5	113.7	94.8	66.6	42.9	66.9	46.8	65.6	29.2
Exports	1 951.7	2 022.9	2 057.8	955.2	996.5	1 001.9	1 021.0	1 028.4	1 029.4
Imports	1 842.2	1 909.2	1 963.0	888.6	953.6	935.0	974.2	962.8	1 000.1
Gross domestic product	4 713.0	4 900.0	5 033.3	2 306.3	2 406.7	2 403.9	2 496.1	2 487.0	2 546.4
b) Change over the same period of the preceding year in %									
Consumption expenditure	3.9	3.2	2.7	3.8	4.0	3.7	2.8	2.9	2.4
Private households [2]	3.2	3.0	2.3	2.9	3.4	3.2	2.8	2.8	1.9
Government	5.7	3.9	3.4	6.0	5.4	4.9	2.9	3.2	3.7
Gross fixed capital formation	4.0	6.8	5.4	2.7	5.2	7.0	6.6	6.6	4.3
Machinery and equipment	3.9	8.7	7.1	2.8	4.9	8.7	8.8	8.9	5.6
Construction	3.6	5.9	3.9	1.9	5.3	6.5	5.4	5.3	2.7
Other products	4.9	6.0	6.4	4.5	5.2	5.5	6.4	6.4	6.4
Domestic expenditure	3.9	4.0	3.2	3.7	4.2	4.3	3.6	3.6	2.8
Exports	7.5	3.6	1.7	4.8	10.2	4.9	2.5	2.6	0.8
Imports	7.4	3.6	2.8	4.8	9.9	5.2	2.2	3.0	2.7
Gross domestic product	4.0	4.0	2.7	3.7	4.4	4.2	3.7	3.5	2.0
3. Use of gross domestic product, price-adjusted (chain-linked, 2020=100)									
a) EUR bn.									
Consumption expenditure	2 848.3	2 865.8	2 887.8	1 401.9	1 446.3	1 410.4	1 455.5	1 424.1	1 463.7
Private households [2]	1 993.2	1 999.3	2 008.4	978.2	1 015.0	980.5	1 018.8	988.4	1 020.1
Government	855.5	867.1	880.0	424.0	431.6	430.2	436.9	436.1	443.9
Gross fixed capital formation	713.6	740.0	758.9	341.8	371.8	354.4	385.6	367.5	391.4
Machinery and equipment	230.6	243.8	253.9	107.5	123.1	113.6	130.2	120.2	133.7
Construction	322.4	329.9	332.6	157.1	165.3	161.0	168.9	164.4	168.2
Other products	166.4	173.3	181.2	79.5	86.9	82.4	90.9	86.2	95.0
Domestic expenditure	3 601.9	3 646.5	3 686.2	1 770.8	1 831.1	1 793.3	1 853.3	1 819.8	1 866.4
Exports	1 549.8	1 586.9	1 603.2	765.3	784.5	786.3	800.7	803.3	799.9
Imports	1 448.2	1 491.3	1 527.7	707.2	741.0	729.5	761.7	753.4	774.3
Gross domestic product	3 700.3	3 738.7	3 758.6	1 827.2	1 873.1	1 848.2	1 890.5	1 867.8	1 890.8
b) Change over the same period of the preceding year in %									
Consumption expenditure	1.1	0.6	0.8	1.2	0.9	0.6	0.6	1.0	0.6
Private households [2]	0.3	0.3	0.5	0.3	0.3	0.2	0.4	0.8	0.1
Government	2.9	1.4	1.5	3.4	2.4	1.5	1.2	1.4	1.6
Gross fixed capital formation	0.4	3.7	2.6	- 0.5	1.3	3.7	3.7	3.7	1.5
Machinery and equipment	1.7	5.7	4.1	0.8	2.4	5.7	5.8	5.8	2.7
Construction	- 1.0	2.3	0.8	- 2.2	0.1	2.5	2.2	2.2	- 0.4
Other products	2.3	4.2	4.5	2.0	2.6	3.8	4.6	4.5	4.5
Domestic expenditure	0.9	1.2	1.1	0.9	0.9	1.3	1.2	1.5	0.7
Exports	3.8	2.4	1.0	2.1	5.4	2.7	2.1	2.2	- 0.1
Imports	3.0	3.0	2.4	2.1	3.9	3.2	2.8	3.3	1.7
Gross domestic product	1.3	1.0	0.5	0.9	1.6	1.2	0.9	1.1	0.0

National Accounts (cont.)
Forecast period: 2026 to 2028

	2026	2027	2028	2026 H1	2026 H2	2027 H1	2027 H2	2028 H1	2028 H2
4. Deflators (2020=100)									
Change over the same period of the preceding year in %									
Private consumption [2]	2.9	2.7	1.9	2.6	3.1	3.0	2.4	2.0	1.7
Government consumption	2.7	2.5	1.9	2.5	2.9	3.4	1.6	1.8	2.0
Gross fixed capital formation	3.5	3.0	2.8	3.2	3.8	3.2	2.8	2.8	2.8
Machinery and equipment	2.2	2.8	2.9	2.0	2.5	2.8	2.9	2.9	2.9
Construction	4.7	3.5	3.1	4.2	5.2	4.0	3.1	3.1	3.1
Exports	3.6	1.2	0.7	2.6	4.5	2.1	0.4	0.5	0.9
Imports	4.3	0.6	0.4	2.7	5.7	2.0	- 0.6	- 0.3	1.0
Gross domestic product	2.7	2.9	2.2	2.7	2.8	3.0	2.8	2.4	2.0
5. National income									
a) EUR bn.									
Primary income of private households [2]	3 322.8	3 437.3	3 550.8	1 619.1	1 703.7	1 673.7	1 763.6	1 736.4	1 814.4
Employers social contributions	456.3	475.6	505.6	220.6	235.7	229.3	246.3	244.0	261.6
Gross wages and salaries	2 111.3	2 195.4	2 278.8	1 009.2	1 102.1	1 049.6	1 145.8	1 089.6	1 189.2
Other primary income [4]	755.3	766.3	766.4	389.3	365.9	394.9	371.4	402.7	363.7
Primary income of other sectors	600.3	636.5	622.4	282.2	318.1	305.9	330.6	309.2	313.2
Net national income	3 923.1	4 073.8	4 173.2	1 901.4	2 021.7	1 979.7	2 094.2	2 045.5	2 127.7
Consumption of fixed capital	959.0	1 000.2	1 039.2	475.1	483.9	496.4	503.8	515.8	523.4
Gross national income	4 882.1	5 074.0	5 212.4	2 376.4	2 505.7	2 476.1	2 597.9	2 561.3	2 651.1
memorandum item:									
Net national income (factor costs)	3 515.1	3 648.2	3 733.4	1 692.7	1 822.4	1 761.1	1 887.1	1 819.7	1 913.7
Property and entrepreneurial income	947.5	977.2	948.9	462.9	484.6	482.2	495.0	486.0	462.9
Compensation of employees	2 567.5	2 671.0	2 784.4	1 229.8	1 337.7	1 278.8	1 392.2	1 333.7	1 450.8
b) Change over the same period of the preceding year in %									
Primary income of private households [2]	3.1	3.4	3.3	2.9	3.3	3.4	3.5	3.7	2.9
Employers social contributions	3.7	4.2	6.3	3.6	3.8	3.9	4.5	6.4	6.2
Gross wages and salaries	3.9	4.0	3.8	3.9	3.9	4.0	4.0	3.8	3.8
... per employee	4.1	4.1	3.8	4.3	4.0	4.1	4.0	3.8	3.8
Other primary income [4]	0.4	1.5	0.0	- 0.2	1.2	1.4	1.5	2.0	- 2.1
Primary income of other sectors	9.4	6.0	- 2.2	8.9	9.9	8.4	3.9	1.1	- 5.2
Net national income	4.0	3.8	2.4	3.7	4.2	4.1	3.6	3.3	1.6
Consumption of fixed capital	4.4	4.3	3.9	4.0	4.9	4.5	4.1	3.9	3.9
Gross national income	4.1	3.9	2.7	3.8	4.4	4.2	3.7	3.4	2.0
memorandum item:									
Net national income (factor costs)	4.4	3.8	2.3	4.0	4.7	4.0	3.6	3.3	1.4
Property and entrepreneurial income	5.7	3.1	- 2.9	4.5	6.9	4.2	2.1	0.8	- 6.5
Compensation of employees	3.9	4.0	4.2	3.9	3.8	4.0	4.1	4.3	4.2
6. Disposable income of private households [2]									
a) EUR bn.									
Mass income	2 130.5	2 204.8	2 280.1	1 027.2	1 103.2	1 065.0	1 139.8	1 102.2	1 177.9
Net wages and salaries	1 456.0	1 504.8	1 545.5	690.8	765.1	715.6	789.2	733.8	811.7
Social benefits other than social transfers in kind	874.7	910.5	958.3	434.7	439.9	452.9	457.7	478.9	479.4
less: Levies on social benefits, taxes on consumption	200.2	210.5	223.7	98.3	101.8	103.5	107.0	110.5	113.2
Other primary income [4]	755.3	766.3	766.4	389.3	365.9	394.9	371.4	402.7	363.7
Other transfers received (net) [5]	- 139.5	- 142.8	- 145.2	- 66.4	- 73.1	- 67.9	- 74.9	- 69.1	- 76.1
Disposable income	2 746.2	2 828.4	2 901.2	1 350.2	1 396.1	1 392.0	1 436.4	1 435.7	1 465.5
Change in pension entitlements	61.9	62.2	62.6	29.9	32.0	30.1	32.2	30.2	32.3
Consumption expenditure	2 526.9	2 602.3	2 663.2	1 228.7	1 298.2	1 268.2	1 334.0	1 304.3	1 358.9
Saving	281.3	288.4	300.6	151.4	129.9	153.8	134.5	161.7	138.9
Saving ratio (%) [6]	10.0	10.0	10.1	11.0	9.1	10.8	9.2	11.0	9.3
b) Change over the same period of the preceding year in %									
Mass income	4.0	3.5	3.4	4.2	3.8	3.7	3.3	3.5	3.3
Net wages and salaries	3.8	3.4	2.7	4.0	3.6	3.6	3.1	2.5	2.9
Social benefits other than social transfers in kind	4.7	4.1	5.2	5.0	4.5	4.2	4.0	5.7	4.8
less: Levies on social benefits, taxes on consumption	5.9	5.1	6.3	6.3	5.5	5.2	5.1	6.8	5.8
Other primary income [4]	0.4	1.5	0.0	- 0.2	1.2	1.4	1.5	2.0	- 2.1
Disposable income	3.1	3.0	2.6	3.0	3.2	3.1	2.9	3.1	2.0
Consumption expenditure	3.2	3.0	2.3	2.9	3.4	3.2	2.8	2.8	1.9
Saving	2.1	2.5	4.2	3.4	0.7	1.6	3.6	5.1	3.3

National Accounts (cont.)
Forecast period: 2026 to 2028

7. Revenue and expenditure by general government [7]

a) EUR bn.

	2026	2027	2028	2026 H1	2026 H2	2027 H1	2027 H2	2028 H1	2028 H2
Revenue									
Taxes	1 054.6	1 095.2	1 121.6	522.0	532.6	542.9	552.3	555.9	565.6
Social contributions	861.6	906.1	974.1	416.9	444.7	436.3	469.8	471.3	502.7
Property income	29.4	29.9	30.4	14.6	14.8	14.8	15.0	15.1	15.3
Other current transfers	31.6	30.9	31.4	14.5	17.1	14.1	16.8	14.3	17.1
Capital transfers	23.0	24.5	26.2	9.9	13.1	10.6	13.9	11.4	14.8
Sales	204.5	212.2	220.2	95.3	109.2	98.6	113.6	102.4	117.9
Other subsidies	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total	2 204.9	2 299.0	2 404.0	1 073.2	1 131.7	1 117.4	1 181.6	1 170.5	1 233.5
Expenditure									
Intermediate consumption [8]	752.6	780.6	805.2	361.4	391.2	377.5	403.1	388.4	416.7
Compensation of employees	396.7	411.4	426.6	191.2	205.5	200.6	210.9	207.5	219.1
Property income (interest)	53.9	59.0	65.8	27.3	26.6	29.8	29.2	33.2	32.6
Subsidies	63.1	63.8	64.5	25.8	37.4	25.9	37.9	26.1	38.3
Social benefits	783.7	817.2	862.7	389.0	394.7	406.0	411.3	430.8	431.9
Other current transfers	105.1	108.7	109.6	50.5	54.6	52.4	56.4	52.7	56.9
Capital transfers	83.9	87.7	92.9	33.0	50.9	34.5	53.3	36.9	56.0
Gross capital formation	153.1	173.1	192.0	66.7	86.4	74.9	98.2	83.5	108.5
Net acquisitions of non-produced non-financial assets	- 0.7	- 0.7	- 0.7	- 0.4	- 0.4	- 0.4	- 0.4	- 0.4	- 0.4
Total	2 391.4	2 500.8	2 618.5	1 144.5	1 246.9	1 201.0	1 299.8	1 258.9	1 359.6
Net lending	- 186.6	- 201.8	- 214.5	- 71.3	-115.3	- 83.7	- 118.2	- 88.3	- 126.1

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

	2026	2027	2028	2026 H1	2026 H2	2027 H1	2027 H2	2028 H1	2028 H2
Revenue									
Taxes	2.2	3.8	2.4	1.9	2.6	4.0	3.7	2.4	2.4
Social contributions	4.7	5.2	7.5	4.6	4.8	4.7	5.6	8.0	7.0
Property income	- 1.9	1.7	1.7	- 5.1	1.5	1.8	1.5	1.9	1.6
Other current transfers	2.1	- 2.2	1.7	5.0	- 0.1	- 2.6	- 1.9	1.7	1.7
Capital transfers	- 8.8	6.7	6.7	- 20.1	1.9	7.3	6.3	7.5	6.1
Sales	3.8	3.8	3.8	3.9	3.7	3.5	4.0	3.8	3.8
Other subsidies	- 17.3	0.0	0.0	- 35.7	0.0	0.0	0.0	0.0	0.0
Total	3.1	4.3	4.6	2.8	3.5	4.1	4.4	4.8	4.4
Expenditure									
Intermediate consumption [8]	6.4	3.7	3.2	7.1	5.8	4.4	3.0	2.9	3.4
Compensation of employees	3.4	3.7	3.7	3.1	3.6	4.9	2.6	3.4	3.9
Property income (interest)	9.9	9.5	11.5	11.6	8.1	9.2	9.8	11.4	11.6
Subsidies	13.3	1.1	1.0	10.1	15.6	0.5	1.5	1.0	1.0
Social benefits	4.9	4.3	5.6	5.2	4.7	4.4	4.2	6.1	5.0
Other current transfers	9.9	3.4	0.8	9.8	10.0	3.7	3.1	0.7	0.9
Capital transfers	4.4	4.6	5.9	19.2	- 3.4	4.6	4.6	7.1	5.1
Gross capital formation	- 1.9	13.0	10.9	2.9	- 5.3	12.3	13.6	11.5	10.5
Net acquisitions of non-produced non-financial assets	19.6	0.0	0.0	45.5	0.0	0.0	0.0	0.0	0.0
Total	5.1	4.6	4.7	6.1	4.3	4.9	4.2	4.8	4.6

[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 income
[5] 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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Ministry of General Education and Vocational Training, Science, Research and Culture of the Land Schleswig-Holstein
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