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German Economy in Spring 2026

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German Economy in Spring 2026: Higher energy prices weigh on sluggish economic momentum

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The German economy is gradually regaining its footing. The main impulses are expected to stem from expansionary fiscal policy. However, a broad-based and strong recovery remains out of reach, as structural weaknesses—most visibly reflected in the pronounced loss of competitiveness—continue to weigh on economic activity. So far, there are few indications that firms intend to significantly expand investment or employment. Additional headwinds may arise from the military conflict in Iran, which has led to a noticeable increase in commodity prices. This forecast assumes that commodity prices—consistent with market expectations since the onset of the conflict—will remain significantly elevated only for a short period and then start to ease again. Under this scenario, the associated loss of purchasing power amounts to around 0.6 percent relative to GDP this year. While this will weigh noticeably on economic activity, it is unlikely to trigger a downturn. Against this backdrop, GDP is expected to grow by 0.8 percent this year, slightly less than projected in our winter forecast (1.0 percent). For 2027, we anticipate GDP growth of 1.4 percent (winter forecast: 1.3 percent). Inflation is projected to rise more strongly this year than previously expected, reaching 2.5 percent due to higher energy prices (winter forecast: 1.8 percent). For next year, we continue to expect an inflation rate of 2.1 percent. German exporters are likely to expand their business moderately again, although they are expected to continue losing global market shares. Investment activity will be driven primarily by additional public spending, while private investment is likely to remain subdued. Employment is expected to respond with a lag to the economic expansion and will likely begin to increase again only in the second half of this year. The public deficit is projected to rise from 2.7 percent of GDP in 2025 to 4.2 percent in 2027.

Economic activity is expected to accelerate moderately. Taken together, cyclical indicators have firmed somewhat in recent months. However, they do not signal strong momentum or the onset of a robust, self-sustaining recovery. New orders have recently been driven primarily by large orders. While these reflect the anticipated increase in defense spending, they are likely to translate into production only gradually. After improving in the first half of last year, business expectations have broadly moved sideways since then. Moreover, there are still few indications that firms intend to significantly expand investment or employment. Turning to the first quarter, sentiment indicators suggest an increase in GDP. On balance, however, we expect economic activity to decline slightly, as several factors are likely to weigh on activity but are not fully captured by sentiment indicators (Figure 1). In particular, the volatile public investment in equipment is likely to reverse the exceptionally strong increase recorded in the fourth quarter. In addition, unfavorable weather conditions at the beginning of the year probably weighed on construction activity. Moreover, government consumption is expected
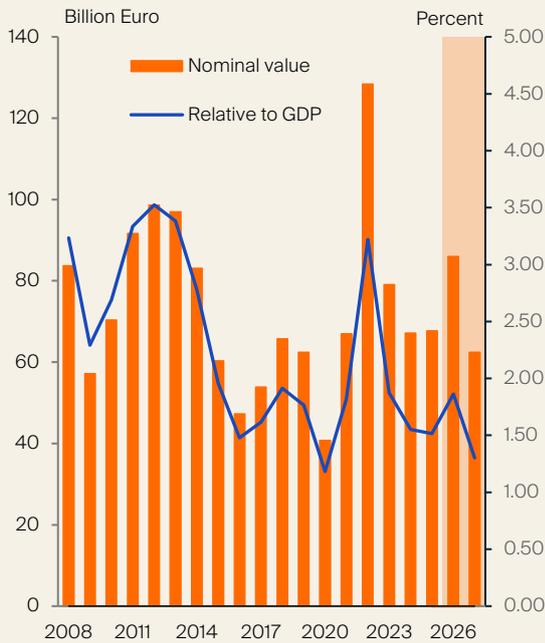
Figure 1:
Gross domestic product
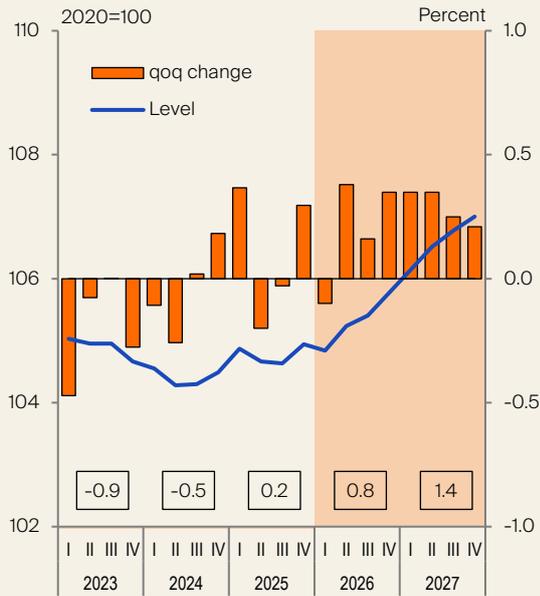
Quarterly data: Volumes, seasonally and calendar adjusted.
Annual data (boxes): Volumes, change in percent.

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.

to expand only moderately from the elevated level reached in the fourth quarter. Finally, the increase in commodity prices resulting from the conflict in Iran may already have begun to exert a dampening effect in March. Weather conditions may contribute to some volatility in GDP growth over the coming quarters, as catch-up effects in construction are likely to boost activity in the second quarter before it returns to a more normal level in the third quarter.

The military conflict in the Middle East is expected to weigh moderately on the German economy. With the outbreak of the war in Iran, prices for crude oil and natural gas have risen markedly. However, market expectations suggest that commodity prices will ease again in the near future. Accordingly, this forecast assumes that the economic effects of the conflict will remain limited. Based on the commodity price assumptions underlying this forecast, the loss of purchasing power resulting from higher prices for net imports of crude oil, natural gas, and refined petroleum products is estimated to amount to around 0.6 percent of GDP compared with the Winter Forecast 2025.[1] While this represents a noticeable burden, it remains within the range of typical fluctuations (Figure 2). Overall, we have revised our projection for GDP growth downward by 0.2 percentage points, to 0.8 percent, compared to our winter forecast (Table 1). For next year, when the dampening effects of higher commodity prices are expected to fade, we project GDP growth of 1.4 percent (winter forecast: 1.3 percent). Expansionary fiscal policy will contribute to the acceleration of economic activity. The reform of Germany's fiscal framework has

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[1] If the price of crude oil rises by USD 10 per barrel and the price of natural gas by EUR 10 per MWh for one year, the resulting loss of purchasing power—based on the net import volumes of 2025—would amount to about €13 billion, or 0.3 percent of GDP. Crude oil and natural gas each account for roughly half of this effect.
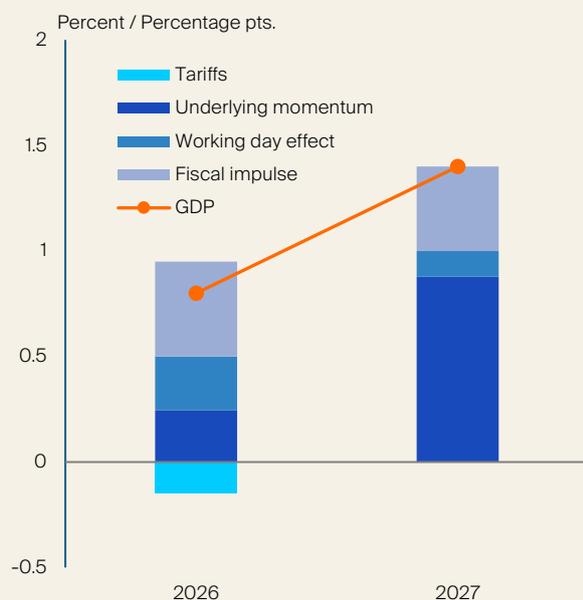
Table 1:
Key indicators 2024–2027

	2024	2025	2026	2027
Gross domestic product (GDP), price-adjusted	-0.5	0.2	0.8	1.4
Gross domestic product, deflator	3.1	3.0	2.2	2.9
Consumer prices	2.2	2.2	2.5	2.1
Labor productivity (per hour worked)	-0.3	0.4	0.5	0.8
Employment (1000 persons)	45,987	45,982	45,918	46,034
Unemployment rate (percent)	6.0	6.3	6.3	6.0
in relation to nominal GDP				
Public sector net lending	-2.7	-2.7	-3.7	-4.2
Gross public debt	62.2	63.3	65.1	66.6
Current account balance	5.8	4.4	3.5	3.3

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.

expanded the public sector's borrowing capacity by an estimated 3.5 percent of GDP per year. The resulting additional fiscal impulses–assumed in this forecast to amount to 0.8 percent of GDP in 2026 and 0.6 percent in 2027–are considerably smaller, as the previous fiscal framework would have required substantial fiscal consolidation. We expect the fiscal stimulus to boost GDP growth by 0.5 percentage points in 2026 and by 0.4 percentage points in 2027. The macroeconomic impact is likely to be dampened because part of the additional spending will be concentrated in sectors such as civil engineering and the defense industry, where capacity utilization is already relatively high. In addition, part of the spending will likely take the form of subsidies or investment grants, which we assess as having only limited real economic effects. Alongside expansionary fiscal policy, the higher number of working days will increase GDP growth by 0.3 percentage points in 2026 and 0.1 percentage points in 2027. Changes in U.S. tariffs are not expected to have major additional effects on domestic economic activity relative to the previous regime. Based on trade model estimates (Kiel Institute for the World Economy 2025), we continue to expect that the negative impact of U.S. trade policy on GDP growth will gradually diminish and will not exceed 0.2 percentage points this year. Abstracting from these special influences, underlying economic momentum is likely to remain subdued over the forecast horizon (Figure 3). A stronger recovery remains constrained by structural weaknesses, most notably the pronounced decline in competitiveness, which keeps economic activity at a persistently low level.

Figure 3:
Contributions to GDP growth

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

Source: Kiel Institute calculations and forecast.

Exports bottom out. German exports declined for the third consecutive year in 2025, with goods exports falling while services exports rose, resulting in an overall drop of 0.4 percent. The decline was concentrated in intermediate and capital goods and in shipments to the United States and China, whereas exports to the European Union increased. Recent geopolitical developments and changes in U.S. tariff policy are expected to have only limited effects on German foreign trade, with trade models suggesting a moderate negative impact on export growth in 2026 and none thereafter. At the same time, leading indicators such as export expectations, foreign order books, and business confidence in partner countries have improved somewhat, pointing to a moderate recovery despite ongoing competitiveness challenges; exports are therefore expected to grow slightly in the forecast period. Imports, by contrast, increased markedly in 2025, driven mainly by goods imports, and are projected to continue rising as economic activity strengthens. While the terms of trade improved slightly last year with export prices rising faster than import prices, higher energy prices due to the conflict involving Iran are expected to cause a temporary deterioration in 2026 before the terms of trade ease again in 2027 as commodity prices decline.

Private consumption has regained momentum but is expected to expand only moderately over the forecast horizon. Following the strong increase in the final quarter of last year, private consumption has now risen for eight consecutive quarters and stood almost 3 percent above its 2019 level in 2025, indicating that household spending has largely recovered from the pandemic and the energy crisis. After the purchasing power losses caused by high inflation, real disposable income increased markedly in 2024 as inflation eased and incomes gradually caught up with earlier price increases. While private consumption grew only modestly in 2024 (0.5 percent) and the saving rate increased, the stronger expansion in 2025 (1.6 percent) was mainly driven by a decline in the saving rate, which at around 10.3 percent is now close to its pre-pandemic level. Looking ahead, nominal disposable income is expected to grow at a pace similar to that of 2025. Although wage growth is likely to slow somewhat and monetary social benefits will increase less strongly than in previous years, the expiration of the inflation compensation premium and the unusually sharp rise in social security contributions had temporarily dampened income growth last year. At the same time, price pressures, as measured by the deflator of private consumption expenditures, are likely to remain elevated in the near future due to higher commodity prices. Against this backdrop, real disposable income is projected to rise by 0.6 percent in 2026 and 1.0 percent in 2027, following an increase of 0.5 percent in the previous year. With the saving rate expected to remain broadly stable at around 10.3 percent, private consumption may decline slightly in the first half of the year owing to higher energy prices but is likely to recover thereafter as purchasing power improves. Overall, private consumption is projected to increase by 0.6 percent this year and 0.8 percent next year.

Private investment in machinery and equipment increases moderately, while public investment expands strongly. In the final quarter, investment in machinery and equipment largely stagnated. Private investment fell by 5.2 percent, whereas highly volatile public investment surged by 38.4 percent, This likely reflects defense spending

from the Bundeswehr special fund. Despite this, total investment in machinery and equipment declined by 1.9 percent in 2025 due to weaker private investment (−5.8%). Leading indicators for the first quarter of 2026 send mixed signals. Overall, private investment should fall slightly, while public investment will likely drop sharply after the previous quarter's surge, leading to a 3.3 percent decline in total investment in machinery and equipment. Over the forecast horizon, public investment is expected to expand strongly due to rising defense spending. Private investment grows only modestly amid weak investment sentiment and structural challenges. Overall, investment in machinery and equipment is projected to decline by 0.3 percent in 2026 and increase by 6.1 percent in 2027. Investment in other products rises sharply. Investment in other products— mainly software and R&D—rose by 1 percent in the fourth quarter and increased by 3.8 percent in 2025, contrasting with declining machinery and equipment investment. Over the forecast period, spending on software, artificial intelligence, and additional public investment will drive further growth, reaching 4.6 percent in 2026 and 5.0 percent in 2027.

Construction investment is expected to recover during the forecast period after several years of decline. In the fourth quarter, it increased by 1.6 percent, with both residential and non-residential construction rising equally. Despite this improvement, construction investment fell by 0.6 percent in 2025, following sharper declines in 2023 and 2024, although the downward trend has already eased. Going forward, investment in building construction should increase from a low level as the effects of high construction costs and rising interest rates gradually diminish. Residential construction—around 70% of building investment—is likely to expand as housing affordability improves, supported by rising housing transactions, mortgage lending, orders, and building permits. Non-residential construction is expected to grow moderately, partly driven by investments in data centers. Civil engineering should also expand, supported by public infrastructure spending, though capacity constraints and tight municipal budgets may limit stronger growth. Construction investment is likely to decline temporarily at the beginning of 2026 due to unfavorable weather conditions, before rebounding in the second quarter as some delayed activity is carried out (Box: The influence of weather conditions on construction investment weather). Overall, construction investment is projected to grow by about 2.4 percent in both 2026 and 2027.

Inflation has recently hovered around 2 percent. After falling to 1.8 percent at the end of 2025, it moved back to around 2 percent at the beginning of the year, standing at 2.1 percent in January and 1.9 percent in February. Core inflation (excluding energy) showed a similar pattern, declining to 2.2 percent in December before rising again to 2.4 percent in both January and February. Upward pressure recently came from higher fuel prices at the start of the year, which partly offset the still-dampening effect of energy prices overall (−1.9 percent in February). The war in Iran has pushed up energy commodity prices sharply. Compared with the winter forecast, crude oil and natural gas prices are substantially higher, although they remain highly volatile in the short term. The forecast assumes that quarterly average oil and gas prices will peak in the second quarter and then recede. Accordingly, the crude oil price is expected to average

85.4 US dollars per barrel in 2026 (winter forecast: 63.3) and 67.6 US dollars per barrel in 2027 (63.6). Natural gas prices are projected at 52.0 euros per MWh in 2026 (30.5) and 34.2 euros per MWh in 2027 (28.4). Electricity prices are expected to average 89.7 euros per MWh in 2026 (89.2) and 74.9 euros per MWh in 2027 (86.0). These higher import prices for energy are visibly passing through to consumer prices. Relative to our winter forecast, the assumed higher oil and gas prices raise consumer energy inflation by 5.5 percentage points in 2026 and lower it by 1.4 percentage points in 2027. With a weight of 7.4 percent, the contribution of energy to inflation thus rises from –0.2 to 0.2 percentage points in 2026, while in 2027 it declines from –0.1 to –0.2 percentage points as commodity prices fall again.[2] Before the war in Iran, consumer energy prices had still been expected to decline further. However, energy is now likely to become more expensive for consumers in 2026, primarily owing to higher procurement costs. In addition, fuel prices rose in January following the increase in the CO_2 price by around 10 euros per ton and the higher greenhouse gas reduction quota. Overall, energy prices are expected to rise by 2.7 percent in 2026 and to fall by 2.4 percent in 2027. Core inflation remains elevated. After averaging 2.6 percent in 2025, it is expected to ease only slightly to 2.4 percent in 2026 and 2.5 percent in 2027. This is still well above its pre-crisis long-term average of 1.2 percent for 1999 to 2019 but reflects easing price pressures in services. Even so, service prices are likely to continue rising at an above-average pace, while rent inflation may pick up somewhat further owing to the tight housing market. Higher energy commodity prices are also expected to affect core inflation indirectly, although the extent and timing of pass-through are uncertain. For this forecast we expect that the pass-through will be only partial as commodity prices are starting relatively soon to decline again. With stronger economic activity and expansionary fiscal policy adding to price pressures next year, core inflation is expected to decline only marginally from its 2025 level. Overall, inflation is expected to rise to 2.5 percent in 2026, after 2.2 percent in 2025. In 2027, inflation will ease to 2.1 percent.

Earnings rise more slowly after strong increases. Gross wages and salaries per employee rose by 4.5 percent in 2025, which is 2.1 percentage points above negotiated wages and salaries. Such a high wage drift is exceptional by historical standards. Similar magnitudes were only recorded when short-time work was phased out after a sharp increase (e.g., after the Great Recession and after the COVID-19 pandemic) and as earnings caught up after the post-pandemic inflation surge. The latter may still have played a certain role last year. Nevertheless, the finding of an exceptionally high wage drift in 2025 remains. One reason could be high severance payments. Manufacturing companies in particular are undergoing a profound restructuring process, with extensive job reduction plans. In 2025, around 160,000 jobs were lost in the manufacturing sector, twice as many as in 2024. Large companies with work councils typically agree to avoid collective dismissals. In addition to early retirement models and leaving vacant

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[2] Higher crude oil prices feed through immediately into higher diesel and gasoline prices. By contrast, the pass-through to consumer prices for natural gas and heating oil occurs only with a lag, as utilities hedge prices on futures markets and households hold heating-oil inventories. Against this backdrop, a permanent increase in the price of crude oil of USD 10 per barrel would raise energy prices by 1.5 percentage points in the same year and by 0.1 percentage points in the following year, contributing 0.2 percentage points to overall inflation in the first year and a negligible amount in the second year. A permanent increase in the price of natural gas of EUR 10 per MWh would raise energy prices by 0.4 percentage points in the same year and by 1.1 percentage points in the following year, contributing 0.1 percentage points to overall inflation in both years.

positions unfilled, severance payments are frequently used. Although there is a lack of representative data, media reports suggest that the severance payments offered are sometimes very high. According to calculations based on company balance sheets by the German newspaper Handelsblatt, DAX companies alone spent around 6 billion euros on restructuring (mainly severance payments and early retirement schemes) in the first three quarters of this year. This corresponds to 0.4 percent of total gross wages and salaries. Wage growth is likely to be lower in the forecast period following the rapid pace seen last year. Due to high real wage growth in recent years and weak productivity growth, real unit labor costs have now rebounded to a level slightly above the long-term average. Against this backdrop, we assume that real wage growth will be more in line with labor productivity. Although labor productivity is accelerating somewhat in the wake of the economic recovery, this means lower wage growth. We expect effective earnings per employee to rise by 3.9 percent (2026) and 3.5 percent (2027). According to our estimates, the hikes in the statutory minimum wage will contribute 0.4 percentage points (2026) and 0.2 percentage points (2027) to this.

The turnaround in the labor market is still a long way off. Seasonally adjusted, the number of people in employment fell by a total of 110,000 between May and January (latest figure). Industry-specific trends continued unabated. While half a million jobs have been lost in the manufacturing sector since the beginning of 2020, employment in the public sector, education, and health care has risen by one million since then. The number of registered unemployed has hardly risen further in the last six months and stood at 2.98 million in February (unemployment rate: 6.3 percent). However, this is unlikely to be a sign of increasing demand for labor from employers. This is because so far, only the number of Bürgergeld (SGB II) recipients has improved. Here, unemployment has even declined slightly. By contrast, the number of unemployment insurance (SGB III) recipients continued to rise, albeit at a slower pace than before. Economic upturns with an increasing willingness to hire typically first manifest in the number of unemployed persons receiving SGB III benefits. These persons have generally not been unemployed for long, are closer to the labor market, and are therefore likely to find new jobs first when demand for labor rises. Leading indicators do not yet point to a turnaround in the labor market in the coming months. The ifo Employment Barometer and the IAB Labor Market Barometer remained at a low level. While the number of job vacancies has risen slightly, this is due to large orders from few employers and not to a general increase in labor demand, according to the Federal Employment Agency. Against this backdrop, we do not expect any significant improvement in the labor market in the coming months. Due to the upturn in economic activity that we anticipate, unemployment is expected to begin to decline gradually, and employment expected to increase. However, employment is likely to be affected negatively by the strong increases in the statutory minimum wage in the current and coming year. The minimum wage increases are substantially above the average wage increases in the economy. Just over half of the scientific studies on the effects of the minimum wage on overall employment in Germany find evidence of negative employment effects. The growing aging-related shortage of labor will also have an increasingly dampening effect on

employment. All in all, we expect the unemployment rate to remain at 6.3 percent this year, as in the previous year, and to decline to 6.0 percent next year.

Fiscal policy is moving in a more expansionary direction. In spring 2025, Germany amended its constitution to allow for additional borrowing–primarily to finance defense and infrastructure–, thereby significantly expanding fiscal flexibility. Over the medium term, this is likely to keep the structural deficit above 4 percent of GDP, supporting higher public consumption and investment. A marked widening of the deficit is expected in 2026, when the newly created fiscal space will be used for tax reductions, increased subsidies, and faster growth in spending on defense and infrastructure. However, the rollout of these additional expenditures will probably proceed more gradually than envisaged in the federal budget plan. As the measures take time to be fully implemented, spending is projected to rise further in 2027–albeit at a slower pace–leading to another increase in the public deficit.

Box 1:
The influence of weather conditions on construction investment

While construction investment depends on structural factors such as financing conditions in the medium to long term, weather has a substantial short-term impact on construction activity. Construction is mainly affected during periods of harsh weather, but activity usually rebounds quickly once conditions improve. Whether annual investment is unaffected depends on the severity of the disruption and on capacity utilization. These effects are examined empirically below.

At the beginning of 2026, cold weather—especially in northern and eastern Germany—likely dampened construction investment significantly. The share of construction firms reporting weather as an obstacle in surveys rose (seasonally adjusted) from about 14% in the fourth quarter to around 25% in January and February (Figure B-1). However, past periods have seen even more unfavorable conditions.

Figure B-1:
Weather as a constraint on construction activity
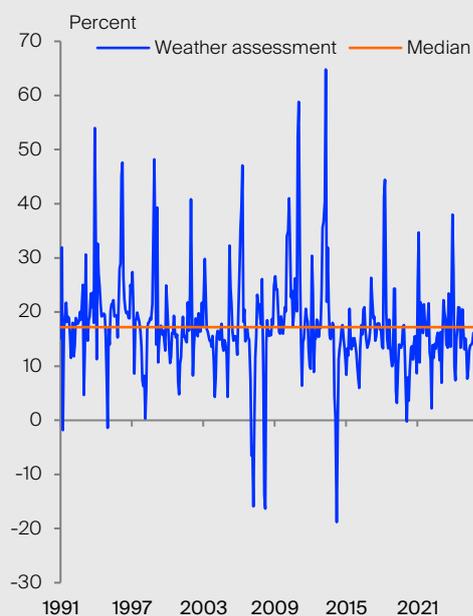
Monthly data: Share of construction firms reporting weather as a constraint on their activity, calendar- and seasonally adjusted.

Source: ifo Institute – Leibniz Institute for Economic Research; Kiel Institute calculations.

To model the relationship between weather and construction activity, quarterly changes in construction investment are regressed on the share of firms citing weather as a constraint, including contemporaneous, one-quarter, and two-quarter lags (Table B-1). The model also controls for construction business sentiment and yields on ten-year German government bonds, which affect construction financing costs. Additional variables are omitted to avoid excessive model complexity.

The results show a statistically significant relationship: adverse weather reduces construction investment in the same quarter, followed by a rebound in the next quarter and a dampening effect in the subsequent quarter. Further lags are not statistically significant. The effect is also economically meaningful: a 7.5 percentage point increase (one standard deviation) in the share of firms reporting weather constraints reduces construction investment by about 0.9%.[a] Including weather variables significantly improves model fit, raising the adjusted R^2 from about 0.06 in model (1) to around 0.45 in model (2). This is illustrated graphically by the fact that some of the fluctuations in the volatile investment series can be explained by fluctuations in weather (Figure B-2a).

Survey indicators of capacity utilization or production may capture similar information, but they do not identify the cause of investment changes or provide information beyond the current quarter. The monthly construction production index is also an important indicator but is published with a delay of more than two months, whereas survey data on weather are available at the end of each month.

Although capacity utilization does not improve forecasts for future quarters as reflected in model (3), it influences the magnitude of the catch-up effect: higher utilization during periods of adverse weather reduces the rebound in the following quarter.

To assess predictive performance, the quality of forecasts on new data points unknown to the model is crucial. Therefore, the data are split into training and test samples. The model is first estimated using data from 1991 to 2015 and then used to generate rolling nowcasts for the period from 2015 to 2025 (Figure B-2b). In this quasi-out-of-sample test, the model including weather variables performs better, with forecast errors approximately 20% lower than those in the model without weather (Table B-2).

Table B-1:
Models

| | Δconstruction investment | | |
	(1)	(2)	(3)
Adverse weather		-0.119***	-0.119***
		(0.025)	(0.024)
Adverse weather lag1		0.256***	0.935***
		(0.026)	(0.259)
Adverse weather lag2		-0.061**	-0.052**
		(0.025)	(0.024)
Capacity utilization			-0.020
			-0.076
Construction business sentiment	0.092***	0.086***	0.164***
	(0.029)	(0.023)	(0.033)
Bond yields	0.242**	0.208**	
	(0.114)	(0.093)	
Adverse weather lag1 × capacity utilization lag1			-0.010***
			(0.004)
Intercept	-9.358***	-10.001***	-14.950***
	(2.906)	(2.349)	(4.781)
Observations	139	138	138
R^2	0.071	0.467	0.517
Adjusted R^2	0.057	0.447	0.495
Residual Std. Error	2.627 (df = 136)	2.020 (df = 132)	1.929 (df = 131)
F Statistic	5.186*** (df = 2; 136)	23.139*** (df = 5; 132)	23.410*** (df = 6; 131)
			*p < 0,1; **p < 0,05; ***p < 0.01

Quarterly data: Construction investment, price-, calendar-, and seasonally adjusted; change compared with the previous quarter.
Monthly data: Share of construction firms reporting weather as a constraint on their activity, capacity utilization in the main construction sector, business climate in the main construction sector, calendar- and seasonally adjusted; yield on ten-year German government bonds.

Source: Deutsche Bundesbank; Federal Statistical Office, *Fachserie 18, Series 1.3;* ifo Institute – Leibniz Institute for Economic Research; Kiel Institute calculations.

The unfavorable weather in the first two months of 2026 is therefore likely to affect construction investment in the first three quarters of the year, starting with a decline in the first quarter. To estimate the pure weather effect, two weather scenarios are simulated. In the baseline scenario, the weather indicator falls from its February value to the historical median in March and remains there for the rest of the year. In the alternative scenario, weather conditions are assumed to have been at the median level already in the first quarter. Using the difference between the resulting investment paths isolates the weather effect (Figure B-3).

A breakdown by construction segments suggests that weather affects them differently. Separate models are estimated for residential, commercial, and public construction. Survey data from the relevant companies were used for residential and commercial construction respectively. Since public construction largely comprises both civil engineering and building construction projects, the survey data for the entire construction industry are included in the model. The results indicate that weather-related declines in residential construction in the first quarter are likely to be milder than in public construction, which includes a large share of civil engineering projects.
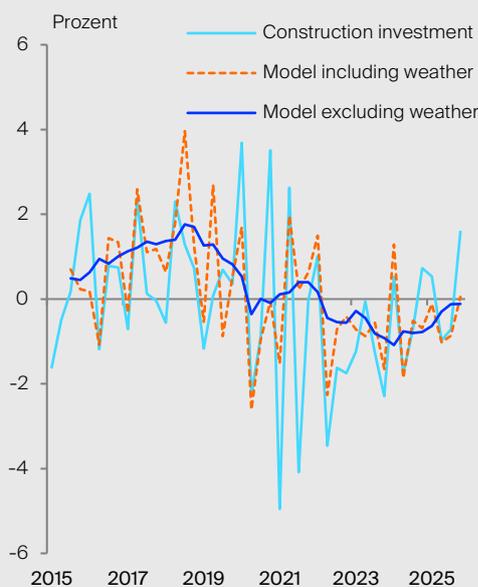
Figure B-2a:
Model fit (in-sample)
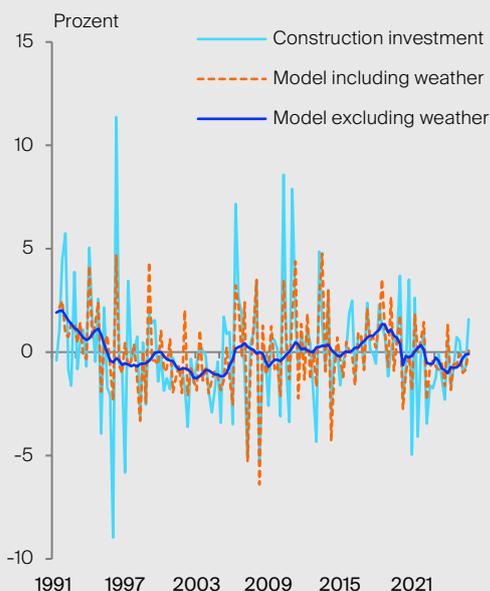
Quarterly data: Construction investment, price-, calendar-, and seasonally adjusted, quarter-on-quarter change rates, predictions of construction investment based on a linear model with and without survey-based weather conditions.

Source: Deutsche Bundesbank; Federal Statistical Office, *Fachserie 18, Series 1.3;* ifo Institute – Leibniz Institute for Economic Research; Kiel Institute calculations.

Figure B-2b:
Model fit (out-of-sample)

Quarterly data: Construction investment, price-, calendar-, and seasonally adjusted, quarter-on-quarter change rates, quasi-out-of-sample forecasts of construction investment based on a linear model with and without survey-based weather conditions.

Source: Deutsche Bundesbank; Federal Statistical Office, Fachserie 18, Reihe 1.3; ifo Institute – Leibniz Institute for Economic Research; calculations by the Kiel Institute for the World Economy.

Table B-2:
Out-of-sample approach for model evaluation

	(1)	(2)	(3)
RMSFE	1.81	1.47	1.63
Theil's U		0.81	0.90
p-value CW		0.0002	0.0022
Observations	42	42	42

Quasi out-of-sample approach for model evaluation using the root mean squared forecast error (RMSFE); Theil's U relates the RMSFE of models (1) and (3) to the RMSFE of the baseline model (2); forecast accuracy is compared using the Clark–West test for nested models.
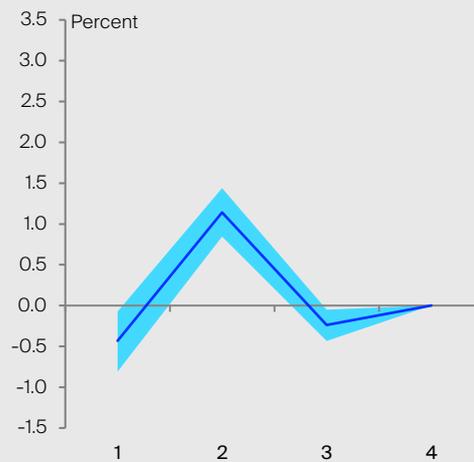
Source: Deutsche Bundesbank; Federal Statistical Office, *Fachserie 18, Series 1.3;* ifo Institute – Leibniz Institute for Economic Research; Kiel Institute calculations.

Figure B-3:
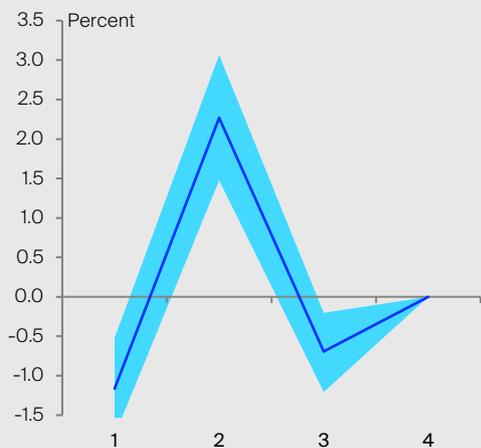### Weather effect of the year 2026 over time
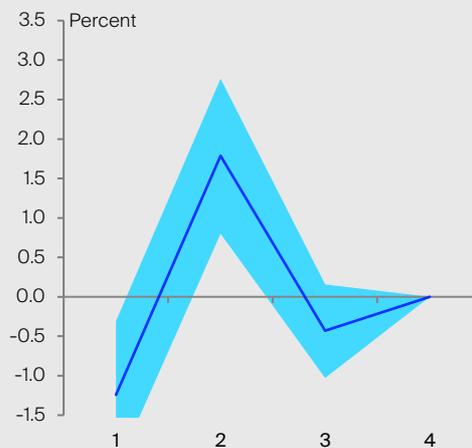
(a) GFCF in construction
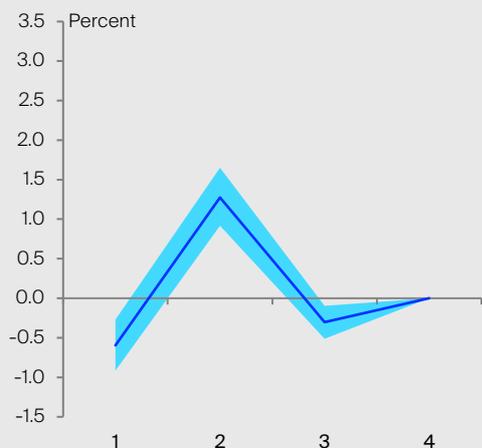
(b) Dwellings

(c) Public construction

(d) Commercial construction

Quarterly data: Estimated weather effect on construction investment; price-, calendar-, and seasonally adjusted; percentage changes. The effect is estimated as the difference between the baseline and the alternative scenario. 95% confidence interval estimated using Newey–West standard errors.

Source: Deutsche Bundesbank; Federal Statistical Office, *Fachserie 18, Series 1.3;* ifo Institute – Leibniz Institute for Economic Research; Kiel Institute calculations.
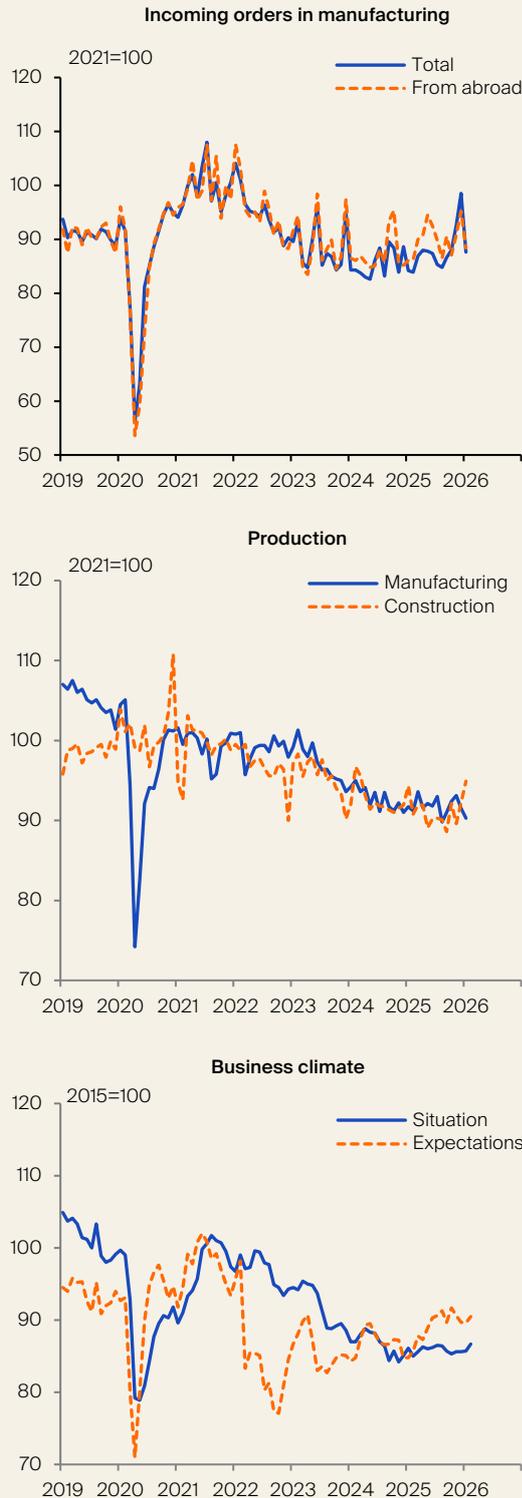
[a] The effect size depends on the construction business sentiment and interest rates, as both variables are included in the model as levels rather than rates of change. The historical median was used for both control variables.

Contents

1   Leading indicators

Figure 1.1:
Leading indicators

Incoming orders in manufacturing

2021=100

Total
From abroad

Production

2021=100

Manufacturing
Construction

Business climate

2015=100

Situation
Expectations

Monthly data, seasonally adjusted.

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

Figure 1.2:
Capacity utilization

Percent / Percentage pts.

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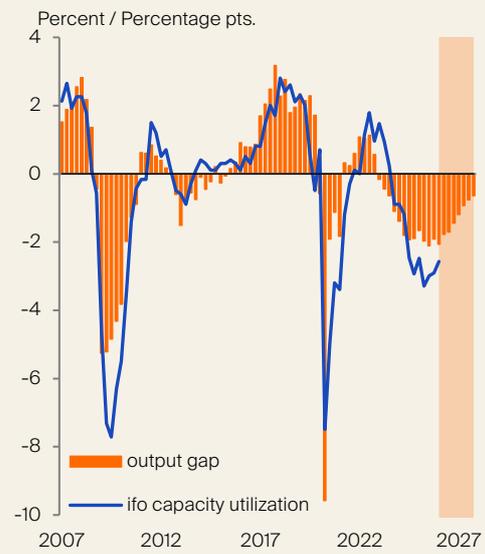
Quarterly data: GDP deviation from potential output, deviation of ifo capacity utilization indicator from the mean (2005 bis 2019).

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

2021=100

Percent

Total
Buildings
Civil engineering
Dwellings

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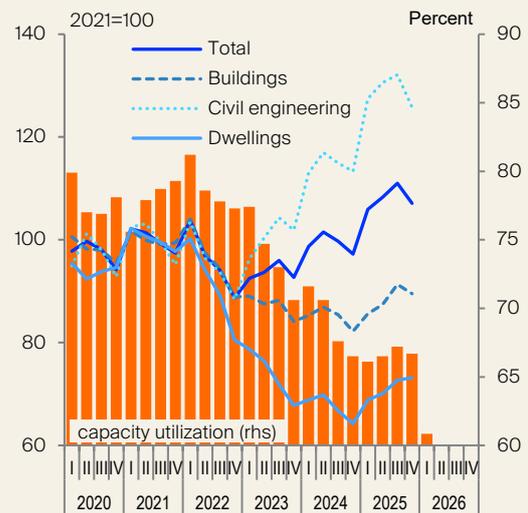
Quarterly data. Capacity utilization (deviation from normal level): seasonally adjusted; order stocks: price, seasonally and working-day adjusted.

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

2 Monetary conditions and prices

Figure 2.1:
Bond yields
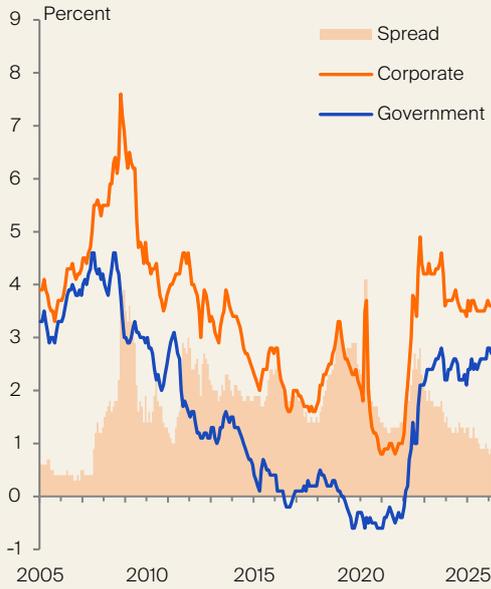
Monthly data.

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

Figure 2.2:
Loan interest rates
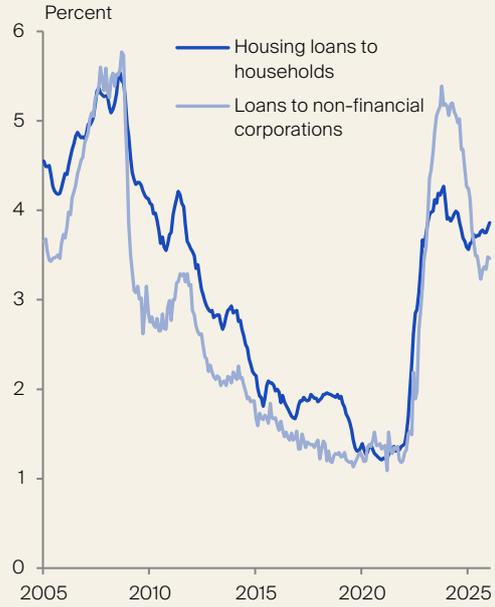
Monthly data; Effective interest rates, new business, total loans.

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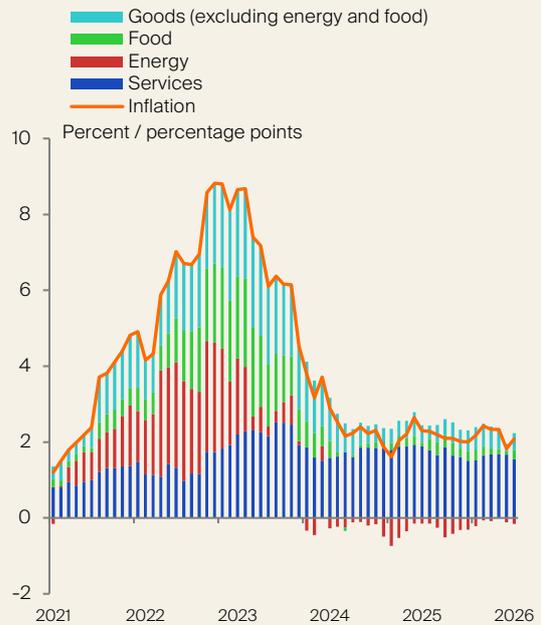
Monthly data. Contributions to the year-on-year rate of consumer prices.

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

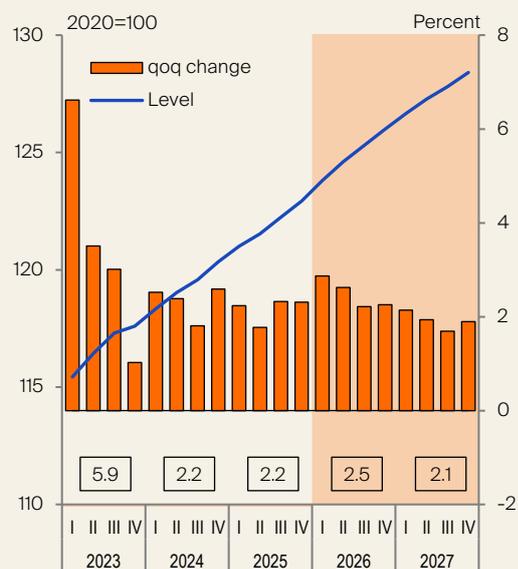|	2025				2026				2027			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
ECB key interest rate	2.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Long-term interest rate	2.5	2.5	2.7	2.8	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.6
US-dollar/euro exchange rate	1.05	1.13	1.17	1.18	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16
Price competitiveness	90.6	92.7	93.5	93.4	93.1	92.8	92.5	92.2	92.2	92.2	92.2	92.2
Export markets	0.4	0.6	0.6	0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Oil price	74.8	66.9	68.0	63.0	86.4	95.0	85.0	75.0	70.5	69.9	65.0	65.0
Gas price	46.8	35.6	32.6	30.0	39.6	63.5	55.7	49.3	44.0	34.0	29.6	29.0
Electricity price	116.1	73.4	86.7	96.4	107.7	83.5	83.5	83.5	74.9	74.9	74.9	74.9

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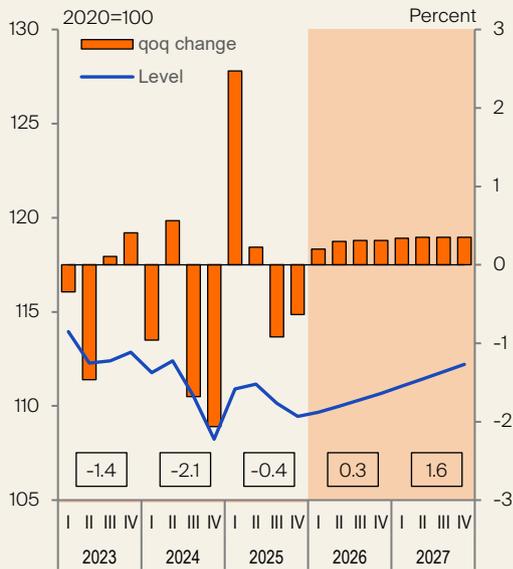
Quarterly data: Volumes, seasonally and calendar adjusted.
Annual data (boxes): Volumes, change in percent.

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
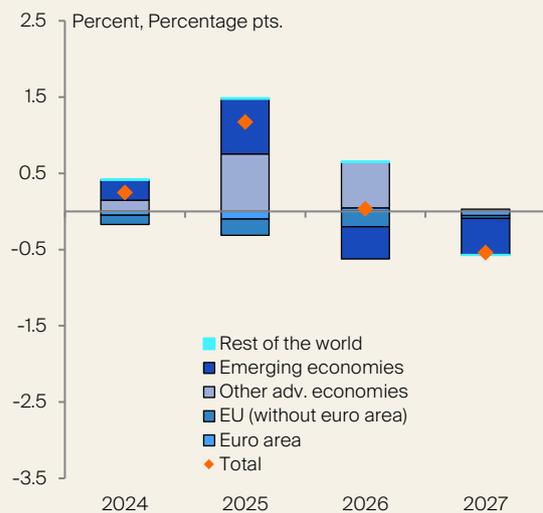
Annual data; vis-à-vis 57 countries based on consumer prices and exchange rates; weights according to Germany's price competitiveness indicator vis-à-vis 60 trading partners based on consumer price indices from the Deutsche Bundesbank. Increase reflects worsening of price competitiveness.

Source: Bundesbank, *Monthly Report* 11.2023; national sources; Kiel Institute calculations and forecasts.

Figure 3.5:
Export indicators
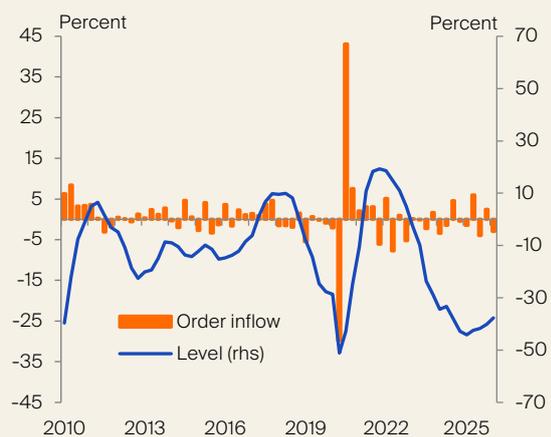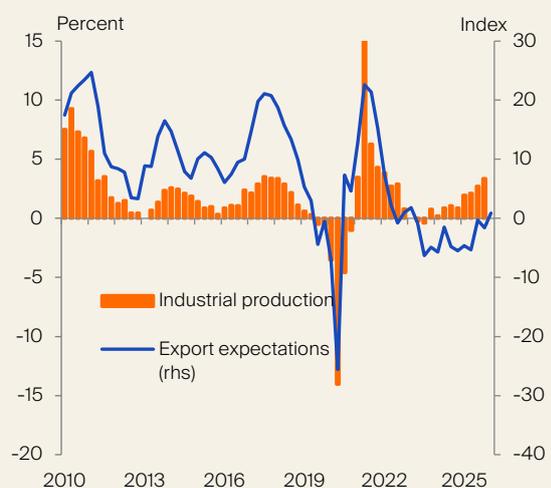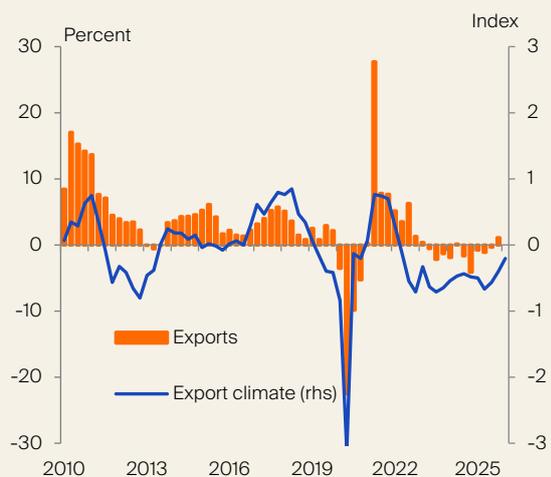
Quarterly data; exports, industrial production, volumes, change on previous year; order inflow: volumes, change on previous quarter; export expectations, foreign orders on hand: volumes; business expectations, industrial production: based on 42 countries weighted by shares of German exports.

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

4 Domestic expenditure

Figure 4.1:
Final domestic expenditure
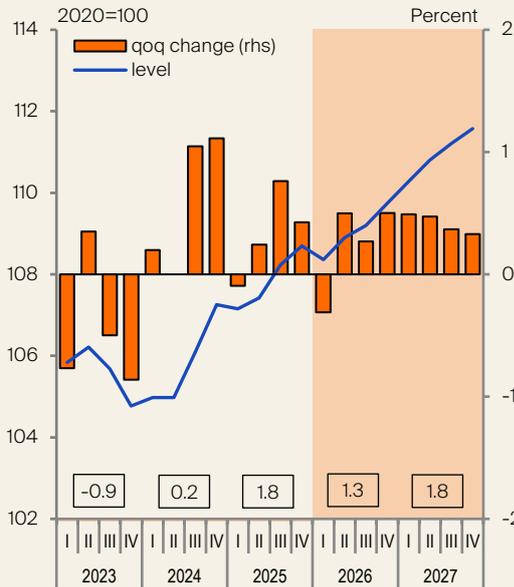
Quarterly data, price, seasonally and calendar adjusted, qoqchange. Annual data: price adjusted, annual rate (boxes).

Source: Federal Statistical Office, *Fachserie 18, Series 1.2 and 1.3*; shaded: Kiel Institute forecast.
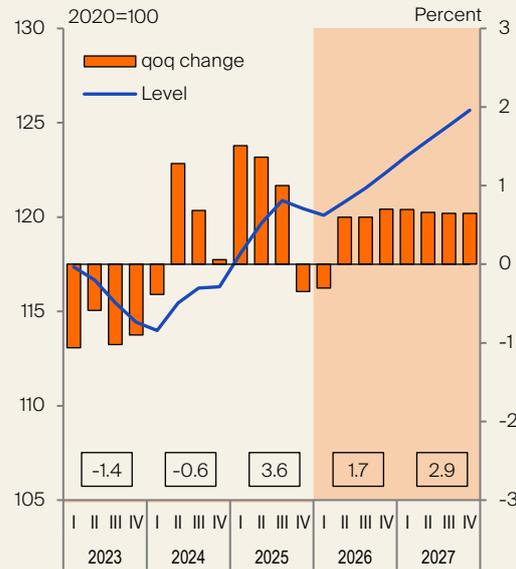
Figure 4.2:
Private consumption
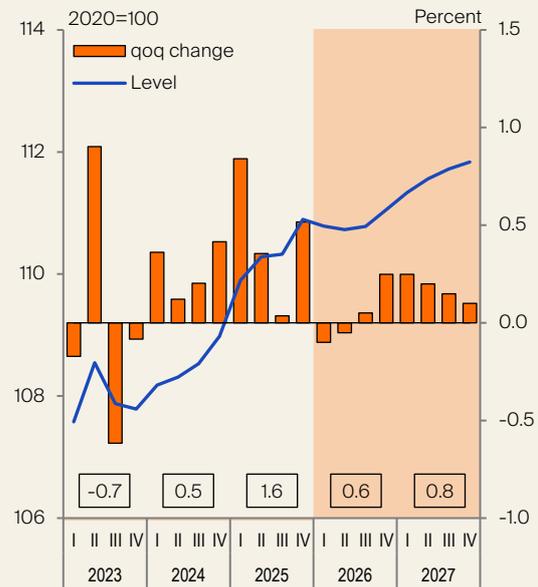
Quarterly data: Volumes, seasonally and calendar adjusted. Annual data (boxes): Volumes, change in percent.

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

Figure 4.3:
Machinery and equipment
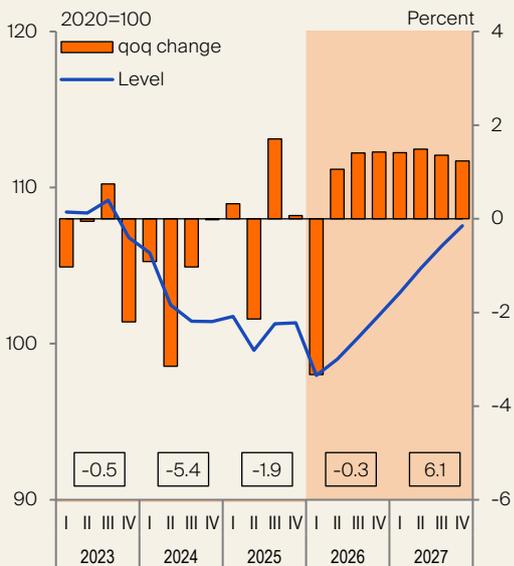
Quarterly data: Volumes, seasonally and calendar adjusted. Annual data (boxes): Volumes, change in percent.

Source: Federal Statistical Office, *Fachserie 18, Series 1.2 and 1.3*; shaded: Kiel Institute forecast.
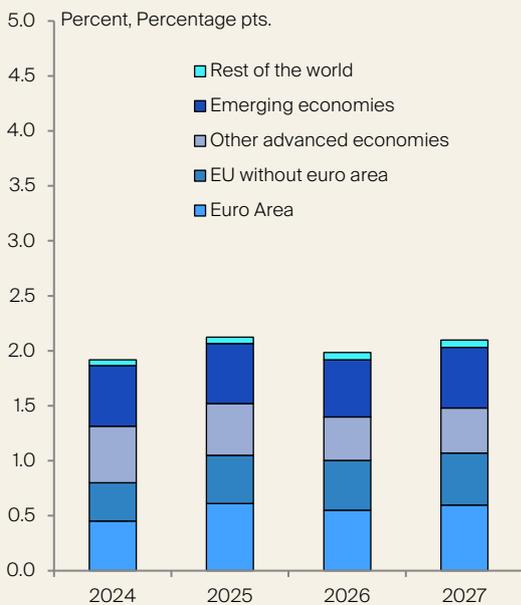
Figure 4.4:
Constructions
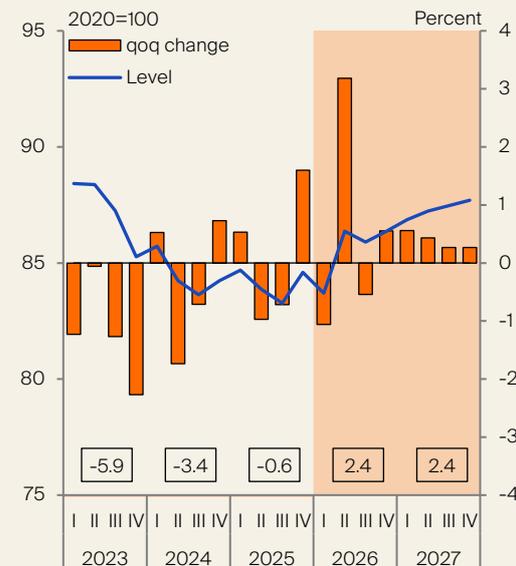
Quarterly data: Volumes, seasonally and calendar adjusted. Annual data (boxes): Volumes, change in percent.

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

Figure 4.5:
Investment cycles
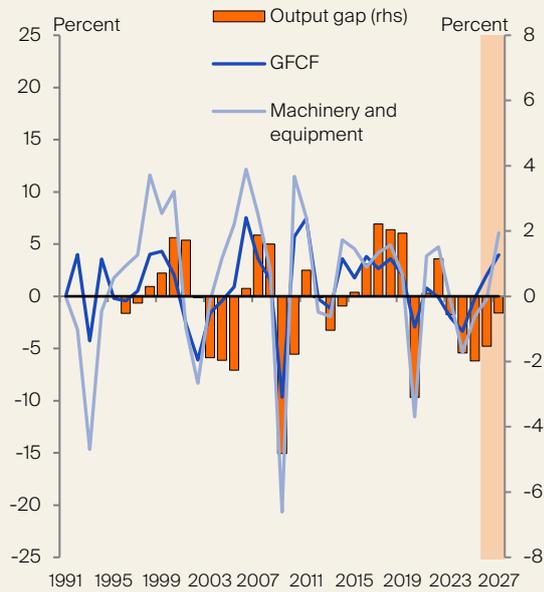
Annual data; GFCF, machinery and equipment: volumes, change over previous year; output gap: in percent of potential output, estimation taken from medium-run projection.

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

Figure 4.7:
Contributions to changes in real disposable income
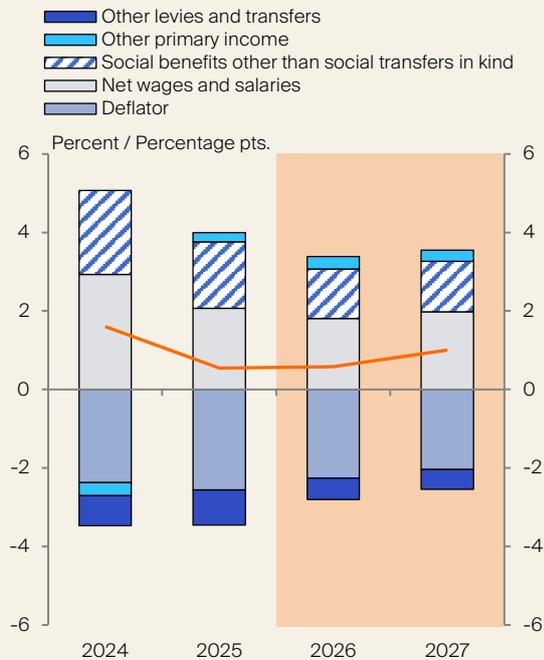
Annual data. Other levies and transfers: Levies on social benefits, taxes on consumption and other transfers received (net); Deflator: Deflator of private consumption.

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 4.8:
New housing loans to households
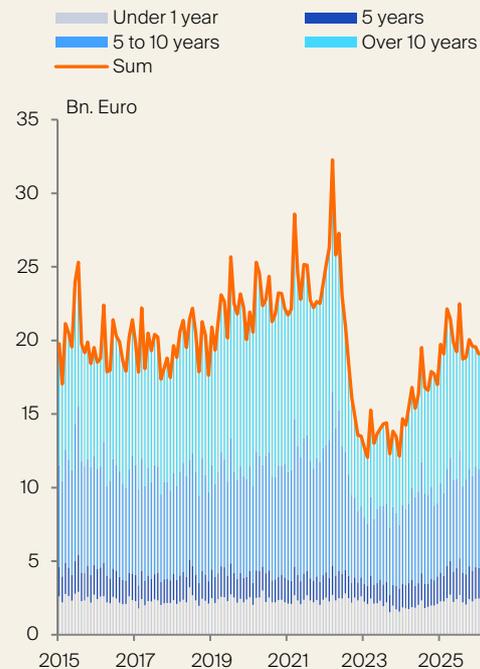
Monthly data, new business, different durations, in billion Euro.

Source: Deutsche Bundesbank, *Time series database*.

Figure 4.9:
Volume of real estate transactions

Index, 2015 = 100
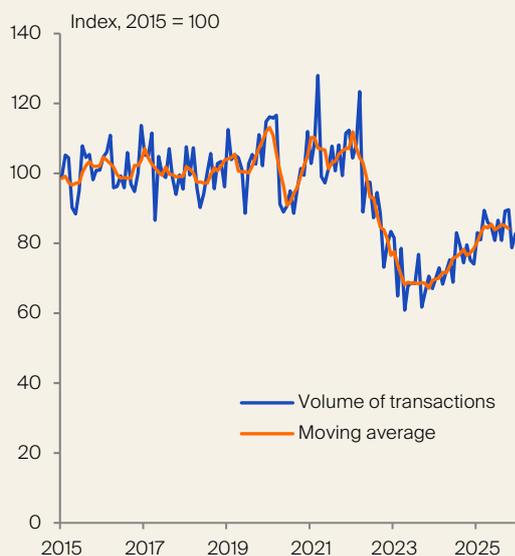
Monthly data, volumen of transaction. real estate, price-adjusted, based on the revenue from the real estate transfer tax of the German states.

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

Figure 4.10:
Housing indicators

Index, 2019 = 100   Percent
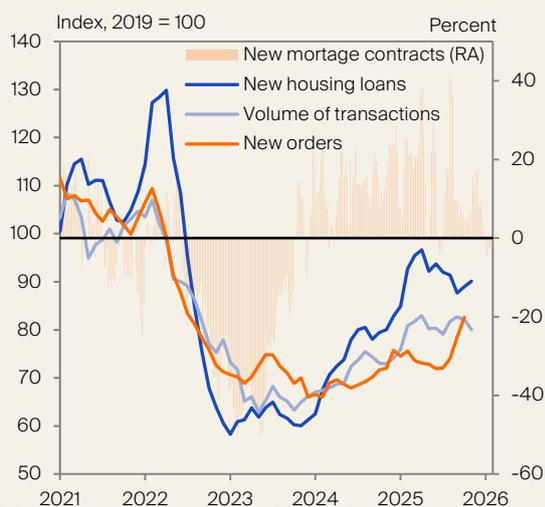
Weekly data, year-over-year change rates in percent, number of mortage contracts for private households; monthly data, moving average, new housing loans to households, volumen of transaction. real estate, price-adjusted, based on the revenue from the real estate transfer tax of the German states, new orders residential construction.

Source: SCHUFA Holding AG; Federal Statistical Office; Federal Ministry of Finance; vdp real estate price index; Kiel Institute calculations.

Table 4.1:
Gross fixed capital formation

	2024	2025	2026	2027
Total	-3.3	-0.2	2.0	4.0
Corporate investment	-4.2	-1.1	0.7	3.2
Machinery and equipment	-5.4	-1.9	-0.3	6.1
Construction (non-dwellings)	-5.0	2.5	1.5	1.8
Other	0.2	3.8	4.6	4.9
Dwellings	-5.4	-2.0	2.5	2.3
Public (non-dwellings)	7.4	0.0	3.2	3.4
Memorandum item:				
Construction	-3.4	-0.6	2.4	2.4

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**

	2025 I	II	III	IV	2026 I	II	III	IV	2027 I	II	III	IV
	Seasonally and calendar adjusted, q-o-q change in percent											
Gross domestic product	0.4	-0.2	0.0	0.3	-0.1	0.4	0.2	0.3	0.3	0.3	0.2	0.2
Gross value added	0.6	-0.1	0.0	0.4	-0.1	0.4	0.2	0.3	0.3	0.3	0.2	0.2
Industry excl. construction	1.3	-0.2	-0.7	0.3	0.2	0.1	0.2	0.3	0.2	0.2	0.2	0.2
Manufacturing	1.6	-0.3	-0.9	0.0	-0.1	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Energy, Water etc.	-0.3	0.3	0.7	1.5	2.0	-1.0	0.2	0.4	0.3	0.2	0.2	0.2
Construction	1.4	-2.2	-0.8	1.7	-1.1	3.2	-0.5	0.4	0.4	0.3	0.3	0.3
Trade, transport, accommodation, food services	1.4	-0.4	0.4	0.0	-0.5	-0.1	0.2	0.4	0.3	0.2	0.1	0.1
Information and communication	0.5	0.2	1.6	0.4	0.8	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Financial and insurance services	-0.6	-1.8	-0.6	0.4	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Real estate activities	0.5	0.2	0.1	0.7	0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Business services	-0.3	0.4	0.0	0.2	0.0	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Public services, education, health	0.1	0.5	0.3	0.8	0.0	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Other services	-0.7	0.0	0.0	0.8	-0.2	0.1	0.2	0.2	0.2	0.1	0.1	0.1

Quarterly data, volumes.

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

6 Wages

Figure 6.1:
Real unit labor costs
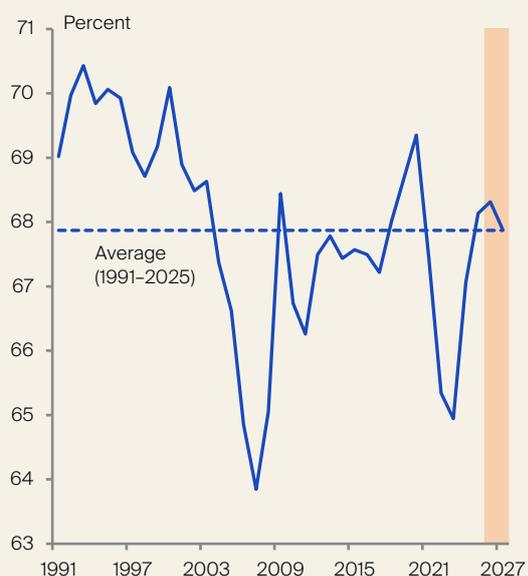
Yearly data; compensation of employees per hour (nominal) in relation to gross value added per hour (nominal).

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

Table 6.1:
Wages and productivity

	2023	2024	2025	2026	2027
Per hour					
Negotiated wages	4.1	6.3	2.5	3.2	3.3
Gross wages and salaries	6.6	5.3	4.5	3.2	3.0
Wage drift	2.5	-1.0	2.1	0.0	-0.3
Compensation of employees	6.3	5.2	5.0	3.2	3.0
Labor productivity	-1.2	-0.3	0.4	0.5	0.8
Unit labor costs	7.6	5.6	4.5	2.8	2.3
Unit labor costs (real)	0.8	2.4	1.5	0.6	-0.6
Per capita					
Negotiated wages	4.1	6.2	2.4	3.2	3.3
Gross wages and salaries	6.5	5.2	4.5	3.9	3.5
Wage drift	2.4	-1.1	2.1	0.7	0.2
Compensation of employees	6.2	5.1	5.0	3.9	3.5
Labor productivity	-1.5	-0.6	0.2	0.9	1.1
Unit labor costs	7.8	5.8	4.7	3.0	2.4
Unit labor costs (real)	1.1	2.6	1.7	0.8	-0.4

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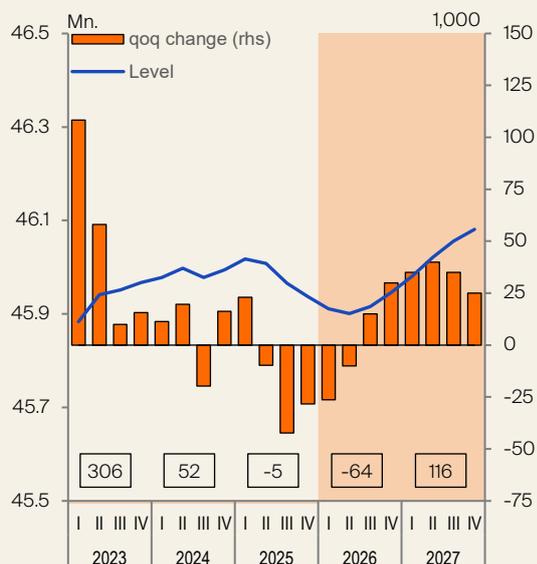
Quarterly data: seasonally adjusted.
Annual data (boxes): yoy change in 1,000.

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

Figure 7.2:
Unemployed persons (registered)
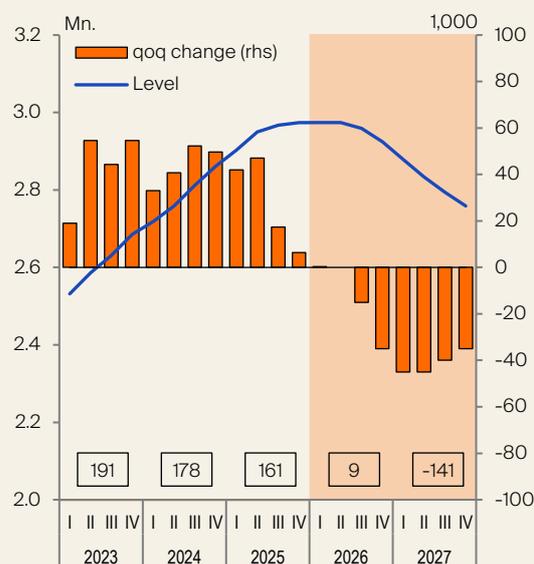
Quarterly data: seasonally adjusted.
Annual data (boxes): yoy change in 1,000.

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

Table 7.1:
Employment (1,000 persons)

	2023	2024	2025	2026	2027
Hours worked (domestic concept, mn. hours)	61,496	61,364	61,259	61,441	61,804
Persons in employment (domestic concept)	45,935	45,987	45,982	45,918	46,034
Self-employed	3,787	3,704	3,666	3,633	3,611
Employees (domestic concept)	42,148	42,283	42,316	42,285	42,424
Employees subject to social security contributions	34,799	34,939	34,961	34,967	35,138
Mini jobs	4,199	4,178	4,117	4,014	3,969
Net commuting	153	157	152	155	155
Persons in employment (national concept)	45,782	45,830	45,830	45,764	45,880
Employees (national concept)	41,995	42,126	42,164	42,131	42,269
Unemployed persons (registered)	2,609	2,787	2,948	2,957	2,816
Unemployment rate (registered; percent)	5.7	6.0	6.3	6.3	6.0
Unemployment rate (ILO; percent)	2.8	3.2	3.5	3.5	3.3

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

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

Figure 7.3:
Labor market indicators

Monthly data; employees subject to social security: m-o-m change (three-months average), seasonally adjusted. ifo Employment Barometer: rebased to 2015=105. IAB 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)

	2023	2024	2025	2026	2027
Revenues	**1,926.2**	**2,024.4**	**2,140.2**	**2,220.8**	**2,309.4**
→*relative to GDP*	*45.7*	*46.8*	*47.9*	*48.3*	*48.1*
Taxes	962.0	996.6	1,031.5	1,063.8	1,101.7
→*relative to GDP*	*22.8*	*23.0*	*23.1*	*23.1*	*23.0*
Social contributions	710.8	756.6	822.9	863.9	903.8
→*relative to GDP*	*16.8*	*17.5*	*18.4*	*18.8*	*18.8*
Other revenues	253.3	271.3	285.8	293.0	304.0
→*relative to GDP*	*6.0*	*6.3*	*6.4*	*6.4*	*6.3*
Expenditures	**2,031.4**	**2,139.7**	**2,259.3**	**2,393.1**	**2,511.1**
→*relative to GDP*	*48.1*	*49.4*	*50.5*	*52.0*	*52.3*
Compensation of employees	340.5	357.3	384.3	*403.4*	*419.4*
Intermediate consumption	265.8	280.4	289.1	*303.7*	*318.5*
Social transfers in kind	358.0	386.6	414.9	*438.8*	*460.5*
Gross capital formation	120.1	131.3	144.8	*158.3*	*179.4*
Capital transfers	36.8	45.8	49.5	*53.5*	*57.3*
Social benefits	660.7	709.5	749.5	*780.0*	*812.1*
Subsidies	82.8	54.2	53.9	*59.4*	*61.1*
Other current transfers	92.3	90.2	95.3	*106.7*	*109.7*
Other capital transfers and investment grants	74.5	84.0	78.4	*89.6*	*93.2*
Other expenditures	-0.5	0.1	-0.6	*-0.6*	*-0.6*
	2,137.0	2,245.3	2,364.9	2,514.2	2,639.3
	50.6	*51.9*	*52.9*	*54.6*	*55.0*
Net lending/ net borrowing	**-105.2**	**-115.3**	**-119.1**	**-172.4**	**-201.6**
→*relative to GDP*	*-2.5*	*-2.7*	*-2.7*	*-3.7*	*-4.2*
Revenues of central, state, and local governments	**1,253.1**	**1,305.5**	**1,355.8**	**1,398.5**	**1,458.9**
Net of transfers from social security funds	1,247.8	1,300.6	1,354.1	1,395.3	1,454.2
Transfers from social security funds	5.3	4.9	1.6	3.2	4.7
Expenditures of central, state, and local governments	**1,367.1**	**1,409.0**	**1,473.2**	**1,562.5**	**1,641.7**
Net of transfers to social security funds	1,217.6	1,267.2	1,323.3	1,407.4	1,478.8
Transfers to social security funds	149.5	141.8	149.9	155.1	162.9
Net lending/ net borrowing central, state, and local governments	**-114.0**	**-103.5**	**-117.4**	**-164.0**	**-182.8**
Revenues of social security funds	**827.9**	**865.6**	**936.0**	**980.6**	**1,026.6**
Net of transfers from central, state, and local governments	678.4	723.8	786.1	825.5	863.7
Expenditures of social security funds	**819.1**	**877.5**	**937.7**	**988.9**	**1,036.9**
Net of transfers to central, state, and local governments	813.8	872.6	936.1	985.7	1,032.2
Net lending/ net borrowing social security funds	**8.8**	**-11.8**	**-1.7**	**-8.3**	**-10.3**

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

Volumes, seasonally and working day adjusted. Change 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
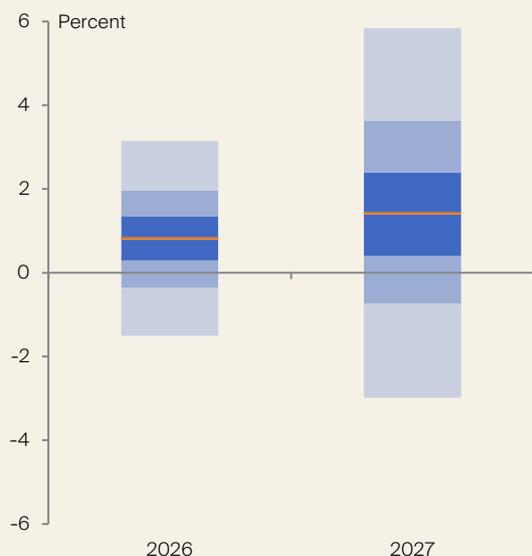
GDP: volumes, change over previous year. Point forecasts: orange lines. Forecast intervalls greay shaded areas with confidence levels of 33, 66, and 95 percent. Confidence levels calculated based on historical forecast errors of the Kiel Institute in the first quarter 1994–2025.

Source: Kiel Institute calculations.

Figure 9.2:
Import-adjusted expenditure-side contributions to GDP growth
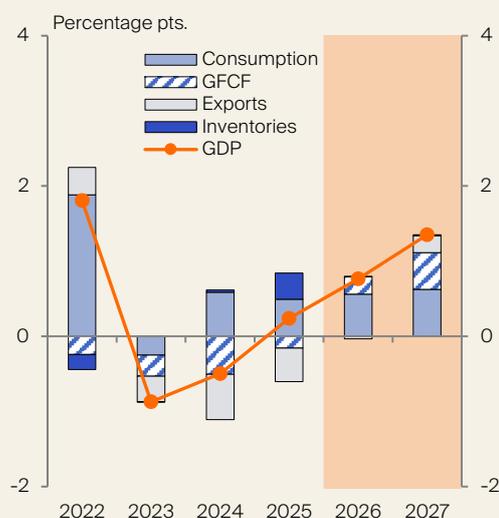
Annual data; price-adjusted, growth contribution of each expenditure component adjusted by import content; import content is estimated based on input/output tables; see Kooths and Stolzenburg (2018).

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	1.4
Private consumption expenditure		0.5	1.6	0.6	0.8
Public consumption expenditure		2.6	1.3	2.3	2.3
Total fixed investment		-3.3	-0.2	2.0	4.0
Machinery and equipment		-5.4	-1.9	-0.3	6.1
Construction		-3.4	-0.6	2.4	2.4
Other equipment		0.2	3.8	4.6	4.9
Changes in stocks		0.1	0.7	0.0	0.0
Domestic Demand		0.2	1.8	1.3	1.8
Exports		-2.1	-0.4	0.3	1.6
Imports		-0.6	3.6	1.7	2.9
Net exports		-0.7	-1.5	-0.5	-0.5
Use of gross domestic product at current prices					
GDP	4,469.9	2.6	3.3	3.0	4.2
Private consumption expenditure	2,377.9	2.9	4.2	2.9	2.9
Public consumption expenditure	1,006.4	5.1	5.7	5.4	4.8
Total fixed investment	908.0	-0.9	2.5	5.3	7.6
Machinery and equipment	267.2	-3.7	0.0	2.3	9.4
Construction	461.8	-0.5	2.5	6.1	6.5
Other equipment	179.0	2.6	6.6	7.5	7.9
Changes in stocks (€ bn.)		45.0	72.4	74.9	78.3
Domestic Demand	4,364.6	2.8	4.8	4.0	4.4
Exports	1,807.4	-1.1	0.8	2.5	2.1
Imports	1,702.1	-0.9	4.4	5.1	2.3
Net exports (€ bn.)		163.5	105.3	64.8	62.3
Gross national income	4,631.7	2.8	3.4	2.9	4.2
Deflators					
GDP		3.1	3.0	2.2	2.9
Private consumption expenditure		2.4	2.6	2.3	2.0
Public consumption expenditure		2.5	4.4	3.1	2.5
Investment in machinery and equipment		1.7	2.0	2.6	3.1
Investment in construction		3.0	3.1	3.7	4.0
Investment in other equipment		2.4	2.6	2.8	2.8
Exports		1.0	1.2	2.2	0.5
Imports		-0.4	0.8	3.4	-0.5
Addendum: Consumer prices		2.2	2.2	2.5	2.1
Income distribution					
Net national income (factor costs)	3,307.2	1.5	3.3	2.7	3.9
Compensation of employees	2,477.1	5.5	5.1	3.8	3.9
in percent of national income		73.7	74.9	75.7	75.7
Property and entrepreneurial income	830.1	-8.1	-1.4	-0.5	4.0
Disposable income	2,589.1	4.0	3.1	2.8	3.0
Saving rate		11.2	10.3	10.2	10.3
Wages and salaries	2,037.2	5.5	4.6	3.8	3.9
Wage per hour		5.3	4.5	3.2	3.0
Unit labor costs		5.6	4.5	2.8	2.3
Productivity per hour		-0.3	0.4	0.5	0.8
Unemployment (1,000)		2,787.1	2,948.1	2,957.3	2,816.1
Rate of unemployment (percent)		6.0	6.3	6.3	6.0
Total employment (1,000)		45,986.7	45,981.8	45,918.1	46,034.3
Public sector budget balance					
Public sector budget balance (€ bn.)		-115.3	-119.1	-172.4	-201.6
Public sector budget balance (in percent of GDP)		-2.7	-2.7	-3.7	-4.2
Public debts (in percent)		62.2	63.3	65.1	66.6

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	- 0.1	0.3	0.1	- 0.1	- 0.2	0.0	0.2	0.3
Hours worked	- 0.2	0.3	0.6	- 0.4	0.0	0.0	0.6	0.6	0.6
Hours worked by person in employment	- 0.2	0.4	0.3	- 0.4	0.1	0.2	0.7	0.4	0.3
Labor productivity [1]	0.4	0.5	0.8	0.4	0.4	0.4	0.6	0.9	0.6
Gross domestic product, price-adjusted	0.2	0.8	1.4	0.0	0.5	0.3	1.2	1.5	1.2
2. Use of gross domestic product at current prices									
a) EUR bn.									
Consumption expenditure	3 384.2	3 507.1	3 628.6	1 646.7	1 737.5	1 710.1	1 797.0	1 769.4	1 859.3
Private households [2]	2 377.9	2 446.1	2 516.8	1 159.0	1 218.8	1 194.1	1 252.1	1 228.8	1 288.0
Government	1 006.4	1 061.0	1 111.9	487.7	518.7	516.0	545.0	540.6	571.3
Gross fixed capital formation	908.0	955.8	1 028.7	438.2	469.8	454.7	501.1	491.7	537.0
Machinery and equipment	267.2	273.3	298.9	126.5	140.7	126.8	146.5	139.2	159.7
Construction	461.8	490.2	522.2	226.1	235.7	236.2	254.0	253.5	268.6
Other products	179.0	192.3	207.6	85.6	93.4	91.7	100.7	98.9	108.7
Changes in inventories [3]	72.4	74.9	78.3	41.3	31.1	47.0	27.9	49.7	28.6
Domestic expenditure	4 364.6	4 537.8	4 735.6	2 126.2	2 238.3	2 211.8	2 326.0	2 310.7	2 424.9
Net exports	105.3	64.8	62.3	70.6	34.7	43.4	21.4	41.1	21.1
Exports	1 807.4	1 853.4	1 892.1	905.3	902.1	911.3	942.1	937.3	954.8
Imports	1 702.1	1 788.6	1 829.8	834.7	867.4	868.0	920.6	896.1	933.7
Gross domestic product	4 469.9	4 602.6	4 797.9	2 196.9	2 273.1	2 255.2	2 347.5	2 351.9	2 446.0
b) Change over the same period of the preceding year in %									
Consumption expenditure	4.6	3.6	3.5	4.6	4.7	3.8	3.4	3.5	3.5
Private households [2]	4.2	2.9	2.9	4.0	4.3	3.0	2.7	2.9	2.9
Government	5.7	5.4	4.8	6.0	5.4	5.8	5.1	4.8	4.8
Gross fixed capital formation	2.5	5.3	7.6	1.4	3.6	3.8	6.7	8.1	7.2
Machinery and equipment	0.0	2.3	9.4	- 2.2	2.2	0.2	4.1	9.8	9.1
Construction	2.5	6.1	6.5	1.6	3.3	4.5	7.8	7.3	5.8
Other products	6.6	7.5	7.9	6.6	6.5	7.1	7.8	7.9	7.9
Domestic expenditure	4.8	4.0	4.4	4.8	4.8	4.0	3.9	4.5	4.2
Exports	0.8	2.5	2.1	0.2	1.3	0.7	4.4	2.8	1.3
Imports	4.4	5.1	2.3	4.8	4.1	4.0	6.1	3.2	1.4
Gross domestic product	3.3	3.0	4.2	2.9	3.6	2.7	3.3	4.3	4.2
3. Use of gross domestic product, price-adjusted (chain-linked, 2020=100)									
a) EUR bn.									
Consumption expenditure	2 753.9	2 784.1	2 819.4	1 354.5	1 399.3	1 370.3	1 413.7	1 386.7	1 432.7
Private households [2]	1 926.7	1 938.3	1 954.4	945.7	981.1	952.1	986.2	959.3	995.1
Government	827.5	846.3	865.5	409.1	418.3	418.5	427.7	427.7	437.8
Gross fixed capital formation	700.8	715.0	743.3	339.1	361.6	342.0	373.0	357.2	386.1
Machinery and equipment	224.1	223.5	237.1	106.1	118.0	104.1	119.4	110.8	126.3
Construction	322.6	330.3	338.2	158.8	163.9	160.5	169.8	165.6	172.6
Other products	158.3	165.5	173.7	75.7	82.5	79.0	86.5	82.9	90.8
Domestic expenditure	3 520.4	3 565.9	3 631.6	1 728.2	1 792.2	1 750.3	1 815.6	1 783.8	1 847.8
Exports	1 485.3	1 490.4	1 514.3	743.5	741.8	736.5	753.8	749.9	764.4
Imports	1 393.7	1 417.0	1 457.5	681.7	712.0	691.3	725.7	711.7	745.7
Gross domestic product	3 609.4	3 637.0	3 686.2	1 788.7	1 820.7	1 794.3	1 842.7	1 820.7	1 865.4
b) Change over the same period of the preceding year in %									
Consumption expenditure	1.5	1.1	1.3	1.5	1.5	1.2	1.0	1.2	1.3
Private households [2]	1.6	0.6	0.8	1.4	1.7	0.7	0.5	0.8	0.9
Government	1.3	2.3	2.3	1.7	1.0	2.3	2.2	2.2	2.4
Gross fixed capital formation	- 0.2	2.0	4.0	- 1.3	0.9	0.9	3.1	4.4	3.5
Machinery and equipment	- 1.9	- 0.3	6.1	- 4.2	0.2	- 1.9	1.2	6.4	5.8
Construction	- 0.6	2.4	2.4	- 1.5	0.2	1.1	3.7	3.2	1.6
Other products	3.8	4.6	4.9	3.9	3.8	4.3	4.9	4.9	5.0
Domestic expenditure	1.8	1.3	1.8	2.0	1.7	1.3	1.3	1.9	1.8
Exports	- 0.4	0.3	1.6	- 1.5	0.6	- 0.9	1.6	1.8	1.4
Imports	3.6	1.7	2.9	3.2	4.0	1.4	1.9	3.0	2.8
Gross domestic product	0.2	0.8	1.4	0.0	0.5	0.3	1.2	1.5	1.2

National Accounts (cont.)
Forecast period: 2026 to 2027

	2025	2026	2027	2025 H1	2025 H2	2026 H1	2026 H2	2027 H1	2027 H2
4. Deflators (2020=100)									
Change over the same period of the preceding year in %									
Private consumption [2]	2.6	2.3	2.0	2.5	2.6	2.3	2.2	2.1	1.9
Government consumption	4.4	3.1	2.5	4.3	4.5	3.4	2.8	2.5	2.4
Gross fixed capital formation	2.7	3.2	3.5	2.7	2.7	2.9	3.4	3.5	3.5
Machinery and equipment	2.0	2.6	3.1	2.0	1.9	2.2	2.9	3.1	3.1
Construction	3.1	3.7	4.0	3.2	3.1	3.3	4.0	4.0	4.1
Exports	1.2	2.2	0.5	1.7	0.7	1.6	2.8	1.0	- 0.1
Imports	0.8	3.4	- 0.5	1.6	0.1	2.5	4.1	0.3	- 1.3
Gross domestic product	3.0	2.2	2.9	2.9	3.2	2.3	2.0	2.8	2.9
5. National income									
a) EUR bn.									
Primary income of private households [2]	3 148.2	3 251.2	3 358.4	1 536.7	1 611.5	1 591.7	1 659.5	1 643.7	1 714.7
Employers social contributions	439.9	457.6	475.8	212.8	227.1	221.9	235.6	230.7	245.1
Gross wages and salaries	2 037.2	2 114.2	2 196.0	972.8	1 064.4	1 013.6	1 100.8	1 051.4	1 144.6
Other primary income [4]	671.1	679.2	686.6	351.1	320.0	356.2	323.0	361.6	325.0
Primary income of other sectors	565.3	560.1	604.7	271.6	293.8	261.5	298.6	284.9	319.7
Net national income	3 713.5	3 811.3	3 963.1	1 808.3	1 905.2	1 853.2	1 958.1	1 928.7	2 034.4
Consumption of fixed capital	918.2	956.8	1 005.1	456.8	461.4	474.0	482.8	497.4	507.7
Gross national income	4 631.7	4 768.1	4 968.2	2 265.1	2 366.6	2 327.2	2 440.9	2 426.1	2 542.1
memorandum item:									
Net national income (factor costs)	3 307.2	3 398.0	3 530.9	1 600.6	1 706.6	1 644.2	1 753.8	1 709.5	1 821.5
Property and entrepreneurial income	830.1	826.0	859.2	415.0	415.1	408.7	417.3	427.4	431.8
Compensation of employees	2 477.1	2 572.0	2 671.8	1 185.6	1 291.5	1 235.5	1 336.5	1 282.1	1 389.7
b) Change over the same period of the preceding year in %									
Primary income of private households [2]	4.1	3.3	3.3	4.0	4.3	3.6	3.0	3.3	3.3
Employers social contributions	7.1	4.0	4.0	7.2	7.0	4.3	3.8	3.9	4.0
Gross wages and salaries	4.6	3.8	3.9	4.6	4.6	4.2	3.4	3.7	4.0
... per employee	4.5	3.9	3.5	4.4	4.6	4.4	3.4	3.4	3.6
Other primary income [4]	0.9	1.2	1.1	0.5	1.3	1.4	0.9	1.5	0.6
Primary income of other sectors	- 0.3	- 0.9	8.0	- 2.7	2.1	- 3.7	1.6	9.0	7.1
Net national income	3.4	2.6	4.0	2.9	3.9	2.5	2.8	4.1	3.9
Consumption of fixed capital	3.4	4.2	5.1	3.4	3.3	3.8	4.7	5.0	5.2
Gross national income	3.4	2.9	4.2	3.0	3.8	2.7	3.1	4.2	4.1
memorandum item:									
Net national income (factor costs)	3.3	2.7	3.9	2.2	4.4	2.7	2.8	4.0	3.9
Property and entrepreneurial income	- 1.4	- 0.5	4.0	- 5.1	2.5	- 1.5	0.5	4.6	3.5
Compensation of employees	5.1	3.8	3.9	5.1	5.0	4.2	3.5	3.8	4.0
6. Disposable income of private households [2]									
a) EUR bn.									
Mass income	2 054.9	2 125.2	2 202.4	988.8	1 066.1	1 025.8	1 099.4	1 062.1	1 140.2
Net wages and salaries	1 407.4	1 454.2	1 506.9	666.3	741.1	691.7	762.5	715.6	791.4
Social benefits other than social transfers in kind	834.9	867.6	901.9	414.3	420.6	430.4	437.2	447.7	454.2
less: Levies on social benefits, taxes on consumption	187.4	196.7	206.5	91.8	95.6	96.3	100.3	101.2	105.3
Other primary income [4]	671.1	679.2	686.6	351.1	320.0	356.2	323.0	361.6	325.0
Other transfers received (net) [5]	- 136.9	- 141.8	- 145.5	- 65.1	- 71.8	- 67.4	- 74.4	- 69.3	- 76.3
Disposable income	2 589.1	2 662.6	2 743.5	1 274.8	1 314.3	1 314.6	1 348.0	1 354.5	1 389.0
Change in pension entitlements	61.2	61.5	61.8	29.6	31.5	29.8	31.7	29.9	31.8
Consumption expenditure	2 377.9	2 446.1	2 516.8	1 159.0	1 218.8	1 194.1	1 252.1	1 228.8	1 288.0
Saving	272.4	277.9	288.5	145.4	127.0	150.3	127.6	155.7	132.9
Savings ratio (%) [6]	10.3	10.2	10.3	11.1	9.4	11.2	9.3	11.2	9.4
b) Change over the same period of the preceding year in %									
Mass income	3.9	3.4	3.6	4.2	3.8	3.7	3.1	3.5	3.7
Net wages and salaries	3.8	3.3	3.6	3.8	3.9	3.8	2.9	3.4	3.8
Social benefits other than social transfers in kind	5.4	3.9	4.0	5.9	4.9	3.9	4.0	4.0	3.9
less: Levies on social benefits, taxes on consumption	9.6	5.0	5.0	9.5	9.8	4.9	5.0	5.1	4.9
Other primary income [4]	0.9	1.2	1.1	0.5	1.3	1.4	0.9	1.5	0.6
Disposable income	3.1	2.8	3.0	2.9	3.3	3.1	2.6	3.0	3.0
Consumption expenditure	4.2	2.9	2.9	4.0	4.3	3.0	2.7	2.9	2.9
Saving	- 5.9	2.0	3.8	- 5.6	- 6.2	3.4	0.5	3.6	4.1

National Accounts (cont.)
Forecast period: 2026 to 2027

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

7. Revenue and expenditure by general government [7]
a) EUR bn.

	2025	2026	2027	2025 H1	2025 H2	2026 H1	2026 H2	2027 H1	2027 H2
Revenue									
Taxes	1 031.5	1 063.8	1 101.7	511.8	519.7	527.0	536.8	546.1	555.6
Social contributions	822.9	863.9	903.8	398.3	424.6	419.2	444.7	438.5	465.3
Property income	30.8	31.3	31.8	15.5	15.3	15.7	15.6	16.0	15.8
Other current transfers	30.1	30.3	29.6	13.7	16.4	13.9	16.4	13.6	16.0
Capital transfers	24.9	22.0	23.5	12.5	12.5	9.3	12.7	10.0	13.5
Sales	199.7	209.2	218.8	92.6	107.1	97.0	112.2	101.4	117.4
Other subsidies	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total	2 140.2	2 220.8	2 309.4	1 044.4	1 095.7	1 082.2	1 138.5	1 125.7	1 183.7
Expenditure									
Intermediate consumption [8]	704.3	742.8	779.4	336.0	368.3	355.8	387.0	373.5	405.9
Compensation of employees	384.3	403.4	419.4	185.4	198.9	195.1	208.3	202.7	216.7
Property income (interest)	49.5	53.5	57.3	24.6	24.9	26.7	26.8	28.5	28.8
Subsidies	53.9	59.4	61.1	21.8	32.1	26.3	33.1	26.9	34.2
Social benefits	749.5	780.0	812.1	371.7	377.8	386.7	393.4	402.9	409.2
Other current transfers	95.3	106.7	109.7	45.7	49.6	51.3	55.4	52.7	56.9
Capital transfers	78.4	89.6	93.2	29.2	49.2	35.3	54.3	37.1	56.1
Gross capital formation	144.8	158.3	179.4	60.7	84.1	66.8	91.5	74.9	104.6
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	2 259.3	2 393.1	2 511.1	1 074.9	1 184.4	1 143.7	1 249.4	1 199.0	1 312.0
Net lending	- 119.1	- 172.4	- 201.6	- 30.5	- 88.7	- 61.5	- 110.8	- 73.3	- 128.3

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

	2025	2026	2027	2025 H1	2025 H2	2026 H1	2026 H2	2027 H1	2027 H2
Revenue									
Taxes	3.5	3.1	3.6	5.2	1.9	3.0	3.3	3.6	3.5
Social contributions	8.8	5.0	4.6	8.9	8.7	5.2	4.7	4.6	4.6
Property income	- 9.6	1.6	1.7	- 11.5	- 7.7	1.6	1.5	1.8	1.6
Other current transfers	- 4.0	0.6	- 2.4	- 1.4	- 6.1	1.6	- 0.2	- 2.7	- 2.0
Capital transfers	22.9	- 11.7	6.9	35.3	12.6	- 25.4	2.0	7.6	6.5
Sales	7.8	4.8	4.6	8.3	7.4	4.8	4.8	4.6	4.6
Other subsidies	- 2.1	0.0	0.0	- 6.1	0.7	0.0	0.0	0.0	0.0
Total	5.7	3.8	4.0	6.7	4.8	3.6	3.9	4.0	4.0
Expenditure									
Intermediate consumption [8]	5.6	5.5	4.9	5.7	5.4	5.9	5.1	5.0	4.9
Compensation of employees	7.5	5.0	4.0	8.1	7.0	5.2	4.7	3.9	4.0
Property income (interest)	8.1	8.1	7.1	7.4	8.9	8.5	7.6	6.7	7.5
Subsidies	- 0.6	10.3	2.9	- 15.9	13.4	20.5	3.3	2.4	3.3
Social benefits	5.6	4.1	4.1	6.2	5.1	4.0	4.1	4.2	4.0
Other current transfers	5.7	12.0	2.8	4.3	6.9	12.3	11.7	2.8	2.9
Capital transfers	- 6.7	14.3	4.0	- 21.5	5.0	21.1	10.3	5.1	3.3
Gross capital formation	10.3	9.3	13.3	5.6	13.9	10.0	8.8	12.1	14.3
Net acquisitions of non-produced non-financial assets	-1 167.8	0.0	0.0	135.7	- 314.0	0.0	0.0	0.0	0.0
Total	5.6	5.9	4.9	4.7	6.4	6.4	5.5	4.8	5.0

[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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