

Press release

Wiesbaden, 21 March 2018

ECONOMIC FORECAST FOR 2018 AND 2019

Germany's economic upswing continues. The German Council of Economic Experts (GCEE) has slightly revised upwards its growth forecast for 2018. The GCEE now expects real gross domestic product (GDP) to grow by 2.3 % in 2018 and 1.8 % in 2019. The main reason for the upward revision is the renewed improvement of the international economic environment. The global economy is seeing its first synchronous upswing since the start of the global financial crisis in 2007.

GDP growth in Germany is expected to exceed the economy's potential growth rate so that the degree of capacity overutilisation will further increase. However, supply shortfalls on the labour market and above-average utilisation rates of machinery and equipment will curb GDP growth in the next year. Employment reached a new record in 2017 and is expected to keep rising.

After the strong growth of recent years, Germany is experiencing an economic boom. In this situation, the continuing expansionary monetary policy of the ECB contributes to the rise in the degree of overutilisation. Even more expansionary impulses will follow if CDU, CSU, and SPD implement the fiscal measures stated in their coalition agreement.

“Germany's new government is taking up its work in an economic boom. In this situation, it should give priority to strengthen the country's long-term growth potential. Any policy measures that increase the degree of overutilisation are counterproductive.”

Christoph M. Schmidt, Chairman

For the other member states of the euro area a more favourable economic development can also be expected. The GCEE has revised upwards its forecast for GDP growth in the euro area to 2.3 % in 2018. It expects a growth rate of 1.9 % next year.

Positive growth prospects should not obscure the fact that risks to the economic development have risen in recent times. Next to the election result in Italy and uncertainties about the outcome of the Brexit negotiations, the US announcement to increase customs tariffs on steel and aluminum weighs most heavily. A spiral of protectionist measures would have negative consequences both for the world economy and for the German economy.

Key economic indicators for Germany

	Unit	2016	2017	Forecast ¹		
				2018		2019
				Update	Difference to AR 2017/18 ²	
Gross domestic product ^{3,4}	%	1.9	2.2	2.3	(0.1)	1.8
Annual rate of change of GDP, calendar-adjusted ^{3,4}	%	1.9	2.5	2.3	(0.1)	1.8
Gross domestic product per capita ^{3,4,5}	%	1.0	1.7	1.9	(0.1)	1.4
Current account balance ⁶	%	8.2	7.9	8.2	(0.6)	8.2
Persons employed (domestic)	1,000	43,638	44,291	44,893	(84)	45,407
Persons employed, covered by social security	1,000	31,508	32,228	32,895	(163)	33,465
Registered unemployment	1,000	2,691	2,533	2,373	(- 100)	2,275
Unemployment rate ⁷	%	6.1	5.7	5.3	(- 0.2)	5.1
Consumer prices ⁴	%	0.5	1.8	1.7	(- 0.1)	1.9
General government balance ⁸	%	0.8	1.1	1.4	(0.3)	1.3

1 – Forecast by the GCEE. 2 – Difference in percentage points except for unit 1,000. 3 – Constant prices. 4 – Change on previous year. 5 – Population development according to medium-term projection of the GCEE. 6 – In relation to nominal GDP. 7 – Registered unemployed in relation to civil labour force. 8 – In relation to nominal GDP; regional authorities and social security according to national accounts.

Sources: Federal Employment Agency, Federal Statistical Office, own calculations

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