KIEL INSTITUTE FOR THE WORLD ECONOMY

KIEL INSTITUTE ECONOMIC OUTLOOK

World Economy
Autumn 2025

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Research Group
Business Cycles and Growth

SLOWDOWN AHEAD

Klaus-Jürgen Gern, Stefan Kooths, Johanna Krohn, Wan-Hsin Liu and Jan Reents

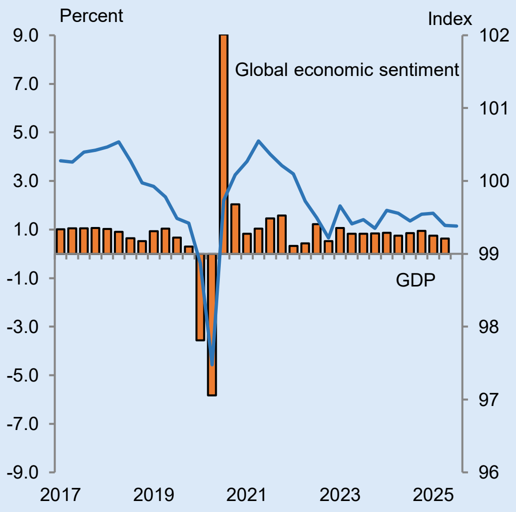
The global economy has so far proved robust in the face of considerable economic uncertainty. Recently, a number of economies, including the EU, have reached trade agreements with the United States. These agreements provide a framework for international trade, thereby increasing planning security. At the same time, however, they cement high tariffs for a wide range of goods. In the coming months, the increased tariffs are likely to increasingly slow down production and international trade, also reflecting a response to the large-scale advance deliveries of the recent months to avoid high tariffs. In the United States, the tariffs are expected to be largely passed on to consumer prices, causing inflation to accelerate again and consumer spending to slow down further. The slowdown in the global economy will be reflected primarily in lower production growth next year. For the current year, we expect only a slight reduction in global production growth – measured on the basis of purchasing power parities – from 3.3 percent to 3.0 percent, and for 2026 we expect a decline to just 2.8 percent. We have therefore raised our forecast for this year by 0.1 percentage points compared with the June forecast due to the unexpectedly robust development in the first half of the year, and reduced our forecast for next year by 0.1 percentage points. In 2027, the global economy is likely to gradually gain momentum. However, at 3.0 percent, the increase in production remains low by historical standards.

Overview

The global economy has so far proved robust in the face of economic uncertainty. In the second quarter of 2025, global output continued to grow significantly despite the enormous economic uncertainty triggered by the US government (Figure 1). In the advanced economies, growth even accelerated, but expansion also remained robust in the emerging markets. At the beginning of the third quarter, the purchasing managers' indices (PMI) for the whole economy, improved somewhat worldwide, after having slumped in spring. This was due to an upturn in the service sectors, while the indicator for the manufacturing sector slipped back into contraction. All in all, moderate production growth is expected for the third quarter of 2025.

Trade in goods and industrial production were shaped by a surge in imports into the United States in the run-up to expected tariff increases, the correction of which is not yet complete. Global trade in goods rose sharply in the first few months of this year driven by a surge of imports into the United States (US) in order to preempt announced or feared tariff increases and to be able to meet demand, at least temporarily, from stock. In the spring, US imports then declined again, but did not fall below the level recorded in the fall of last year before the tariff-induced increase in imports began. The US President's decision to postpone the activation of publicly announced tariffs of varying levels for almost all countries in the world ("Liberation Day") by three months to allow time for negotiations probably led

Figure 1:
World Economic Activity



Quarterly data, seasonally adjusted. Global economic sentiment is based on business expectations in 42 economies. GDP: price adjusted, change over previous quarter, 46 countries, weighted by purchasing power parities.

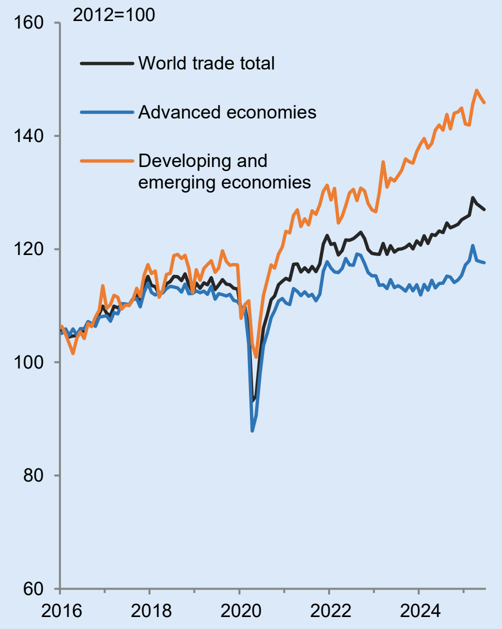
Source: OECD, Main Economic Indicators; national sources; Kiel Institute calculations.

to imports continuing to be brought forward. Although global trade declined noticeably in the second quarter, in June it was still well above the level at the beginning of the year (Figure 2). We expect global trade to decline further in the coming months as the tariffs take full effect and inventories continue to be reduced. This is also likely to be reflected in global industrial production, which benefited from additional demand from the United States in the first few months of this year but has recently lost considerable momentum. The latest global PMI figure for the manufacturing sector signaling contraction fits into this picture

In the advanced economies, growth accelerated slightly as GDP in the US picked up significantly again. In the second quarter, GDP in the major advanced economies rose at a somewhat higher pace than in the first quarter (Figure 3). This was driven by a fairly strong increase of US GDP in the second quarter following a slight decline in the first quarter. However, the underlying economic momentum remained subdued, as evidenced by weak employment growth in the summer. In the other advanced economies, the rise in production recorded at the beginning of the year continued at varying rates. While the economy in Europe lost momentum—in the euro area, the GDP growth fell from 0.6 to 0.1 percent, and in the United Kingdom from 0.7 to 0.3 percent—the rise in production accelerated in Asia, slightly in Japan and significantly in South Korea. This region is benefiting particularly from the current high demand for electronic devices, especially computer chips – Taiwan, the leading manufacturer of high-end computer chips, even recorded a growth rate of over 3 percent compared to the first quarter. However, it is unclear how sustainable this strong demand is. On the one hand, it could be related to rising investment in artificial intelligence systems and their increasing use in the consumer sector and thus of a lasting nature. On the other hand, it could also represent a short-term spike in demand caused by uncertainty about how computer chips will be treated by US tariffs in the future.

The emerging economies growth proved robust. Despite the considerable strain caused by the trade war with the United States, China's GDP grew by 1.1 percent in the second quarter over the previous quarter, which was only slightly weaker than in the first quarter. The year-on-year growth rate declined from 5.4 percent to 5.2 percent. Economic policy measures supported the domestic economy, and exports grew despite a slump in deliveries to the United States. In the emerging economies of Southeast Asia, output

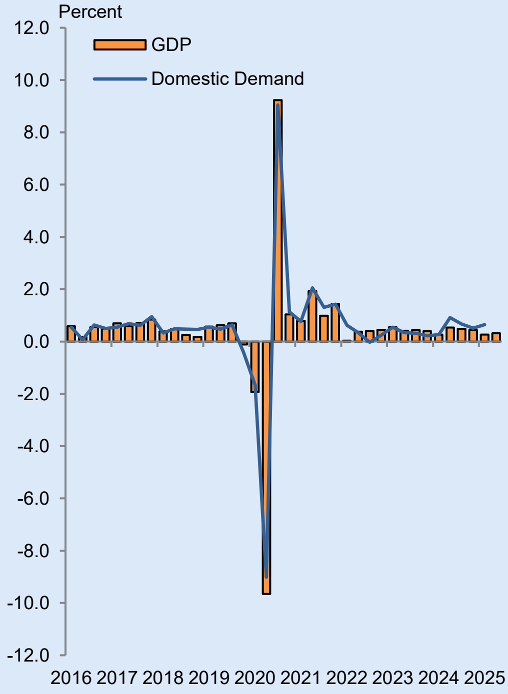
Figure 2:
World Trade



Monthly Data.

Source: CPB, *World Trade Monitor*; Kiel Institute calculations.

Figure 3:
GDP and Domestic Demand in the G-7



Price adjusted; seasonally adjusted; yoy change. G7 consists of USA, Japan, Canada, Germany, France, Italy and UK.

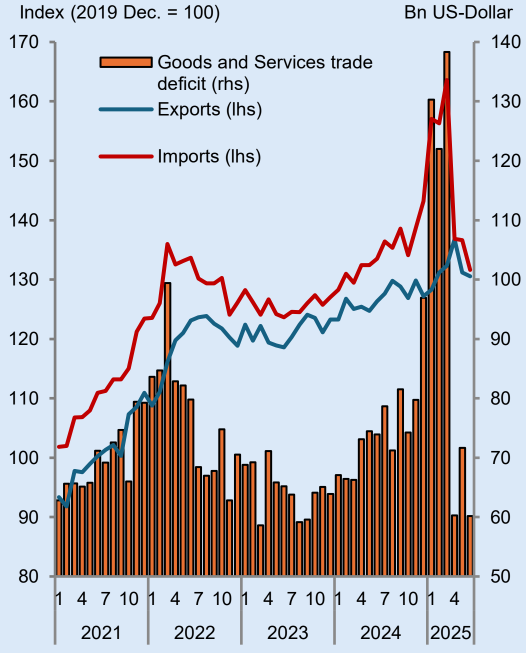
Source: OECD *Main Economic Indicators*, Kiel Institute calculations.

increased significantly in some cases. In India, the expansion remained strong and year-on-year growth picked up further. Here, agricultural production increased significantly due to favorable weather conditions, leading to a decline in food prices, which increased purchasing power and stimulated consumption. The economic trend in Latin America was mixed, but overall economic activity remained robust on the back of rising production in the two largest countries, Brazil and Mexico. Finally, the economic expansion in Russia continued to slow. The economy there now appears to have reached its capacity limit.

The trade policy framework is gradually becoming clearer: US tariffs will remain high in the long term. After the Trump administration appeared to act erratically in the first half of the year, deciding on a large number of tariff increases but in many cases also suspending them again, introducing product-specific exemptions or – as in the case of China – reducing punitive tariffs that had been in effect for a short while, agreements were reached with a number of countries in the summer that are intended to be long-lasting.[1] This applies to the EU, Japan, and South Korea, where standard tariff rates of 15 percent now apply; the United Kingdom had already agreed on a tariff rate of 10 percent in spring. A rate of 19 percent was agreed with some Southeast Asian countries (Indonesia, Thailand, Malaysia). Higher tariffs of 50 percent apply to steel and aluminum, while other products are exempt from tariffs. This often applies to raw materials or foodstuffs that are not (or cannot be) produced in the United States, such as palm oil or cocoa, but also to other goods that are of particular interest to the United States, such as generic pharmaceuticals in the case of the EU. Overall, however, the tariff level under these agreements is probably somewhat higher than we had assumed in our June forecast (assumption: additional tariffs of 10 percent and 20 percent for China). Currently, the average effective tariff level in the United States is 12 percent (Tax Foundation 2025). The trade policy environment is becoming more predictable with more agreements being reached, which reduces economic uncertainty. Nevertheless, the economic impact of US trade policy remains negative. We expect the global economy to slow noticeably in the coming months as the front-loading effects fade, and global production and trade to be around 0.5 and 2 percent lower in the longer term, respectively, than would have been expected without the additional tariffs.

The United States' trade balance will not improve significantly as a result of the tariff policy. One of Donald Trump's main motives for introducing tariffs was to reduce the high deficit in goods trade, which, in the president's opinion, threatens America's prosperity. So far, it has had the opposite effect: initially, the trade deficit rose to record levels due to a surge in imports. With the reversal of imports following the introduction of tariffs in April, it did decline again, but remained at roughly the same level as before Trump's election (Figure 4). The foreign trade deficit reflects the difference between domestic economic output and domestic absorption. However, current economic policy is counteracting a reduction in this difference. The expansion of production capacity is being limited by tariff policy and restrictive migration policy, while absorption is being stimulated by expansionary fiscal policy. As a result, the foreign trade deficit is likely to remain large.

Figure 4:
International Trade of the United States



Monthly data, seasonally adjusted.
Source: US Census Bureau, U.S. Bureau of Economic Analysis; *U.S. International Trade in Goods and Services.*

Higher OPEC production and sluggish demand are putting downward pressure on oil prices. Oil prices have been on a downward trend since spring 2024. However, geopolitical events have repeatedly led to concerns about security of supply and temporary price

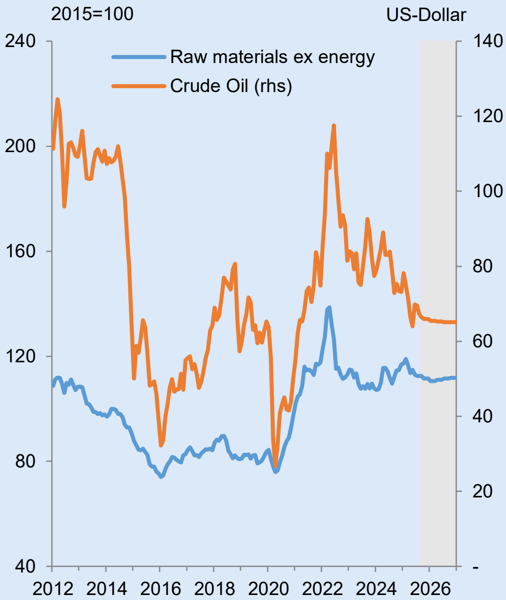
[1] For a brief overview of developments in US tariffs, see Deutsche Bundesbank (2025).

increases, most recently in June in response to developments in the Middle East. In addition, there has been discussion aimed at reducing India's high imports of Russian crude oil, which stabilize revenues from Russian oil production and thus the Russian government's finances. To achieve this, the US government threatened punitive tariffs of 25 percent in addition to the 25 percent tariffs already in place, which came into effect on August 27. However, India's shift away from Russian oil would increase demand for oil from other sources and cause benchmark prices to rise. This risk is currently being priced into the global market and supported the price of Brent crude oil, which at the beginning of September, at around US$68, is still significantly higher than at the beginning of June, when we made our summer forecast. Structurally, however, the oil market is currently oversupplied, as evidenced by consistently rising inventories (IEA 2025). This is unlikely to change in the near future, as oil supply will increase further due to another programmed rise in OPEC+ production amid sustained further robust output growth in non-OPEC countries, while the slowdown in the global economy is dampening oil demand. Against this backdrop, and in line with the financial markets, we expect oil prices to fall slightly over the forecast period, (Figure 5). The price of liquefied natural gas (TTF) has fallen significantly again after rising sharply at the beginning of the year and has been trading in a range between EUR 32 and EUR 35 per MWh since the beginning of July.

The decline in inflation has stalled. Price increases in advanced economies have not slowed further in recent months. In the G7 countries, the inflation rate stood at 2.6 percent in July, compared with 2.4 percent in May (Figure 6). The core rate (consumer prices excluding energy and food) has also risen slightly recently after having been stuck at just under 3 percent for more than a year. Lower energy prices are currently dampening the overall inflation rate, except in the United Kingdom due to a regulatory jump in gas prices.

The rise in consumer prices due to higher US tariffs is still largely pending. In the United States, price increases due to tariffs have also recently had an impact on inflation. Overall, however, the effect on consumer prices has been surprisingly small so far. This is because many foreign companies have apparently lowered their export prices in order to protect their sales. Japanese car manufacturers, for example, appear to have absorbed almost the entire burden of the tariffs in the first few months of their existence. Gradually, however, exporters will pass on a larger part of the burden of the tariffs. A study by investment bank Goldman

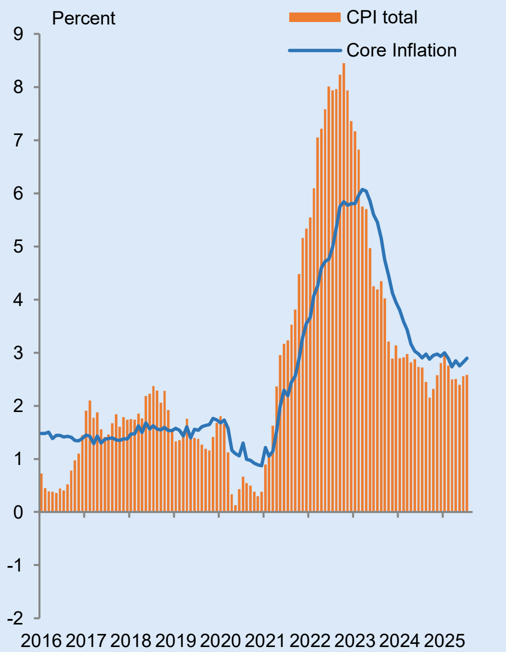
Figure 5:
Raw material prices



Monathly data, data edge: shaded: forecast.
Raw meterials ex energy: HWWI-Index, USD-based; Crude Oil: Spot market, Brent.

Source: International Petroleum Exchange; HWWI, Rohstoffpreisindex, Kiel Institute forecast.

Figure 6:
CPI inflation in the advanced economies



Monthly Data; yoy change.

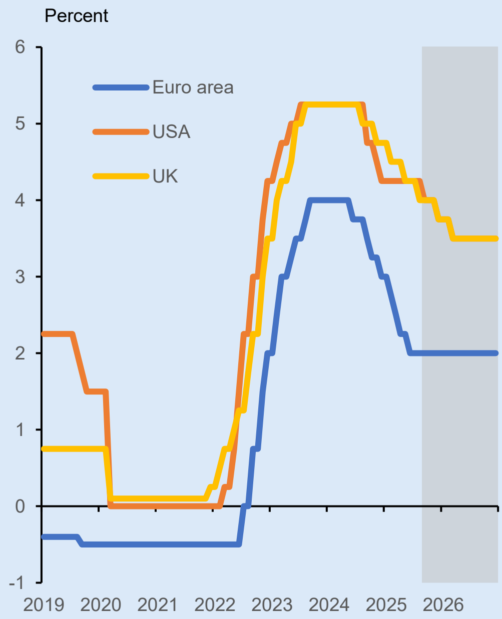
Source: OECD, *Main Economic Indicators*; Kiel Institute calculations.

Sachs, based on the goods affected by the early tariffs on Chinese products, concludes that exporters will bear around a quarter of the tariff burden in the longer term, importers and retailers in the United States around 10 percent, and around two-thirds of the tariffs will be passed on to consumer prices (Peng 2025). On this assumption, the greater part of the inflationary effect of the tariffs is yet to come.

In advanced economies, central bank interest rates are converging. While the interest rate cuts initiated in the summer of 2024 were initially implemented largely in sync across the major advanced economies, central banks have been pursuing significantly different courses since the end of last year. While the European Central Bank (ECB) has continued to reduce its key interest rate (deposit facility) from 3.0 to 2.0 percent since December 2024, the US Federal Reserve has not changed the target range for the federal funds rate. Since its last interest rate move in June, the ECB has signaled that it will refrain from further interest rate cuts for the time being. In view of the slow decline in inflation toward its target and continued, albeit modest, economic expansion, we expect key interest rates to remain at their current level during the forecast period, which can be considered roughly neutral. The Fed, on the other hand, has raised expectations of imminent interest rate cuts despite rising inflation, indicating that from its perspective the downside risks to the economy clearly outweigh the inflationary risks. In line with the financial markets, we expect three interest rate cuts to 3.5 percent over the next six months. The Bank of England is likely to reduce its interest rates to a similar extent (Figure 7). Meanwhile, the Bank of Japan has not further tightened its policy in recent months. It is likely to raise its still very low short-term interest rates slightly again once the uncertainties surrounding the economic effects of US trade policy have subsided. In addition to further cautious interest rate hikes, the Bank of Japa is in the process of significantly reducing its purchases of government bonds.

In the emerging economies, interest rate cuts continue to predominate. Monetary policy easing – like the previous tightening – started earlier in emerging economies than in advanced economies. Nevertheless, interest rate cuts have been dominating until recently (Figure 8). Since June, key interest rates have been reduced in Russia (2×), the Philippines (2×), Mexico (2×), Malaysia, Indonesia (2×), Turkey, Chile, South Africa, and Thailand in the group of countries included. Only in Brazil were they raised – for the sixth time in a row.

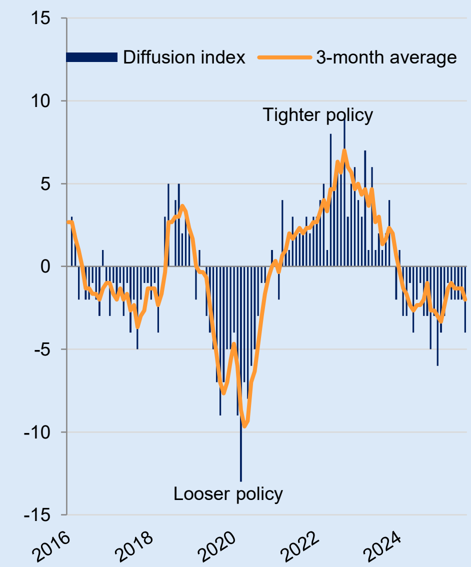
Figure 7:
Policy rates in major advanced economies



Monthly data. Euro area: Deposit Facility Rate, USA: Federal Funds Rate, UK: BoE base rate.

Source: LSEG Datastream. shaded area: forecast of IfW Kiel.

Figure 8:
Monetary Policy in Emerging Markets



Monthly data. The diffusion index is the number of central banks raising policy rates less the number of central banks decreasing policy rates in a given month. Emerging markets included are: Argentina, Brazil, Chile, China, Colombia, Indonesia, India, Mexico, Malaysia, Peru, Philippines, Russia, Thailand, Turkey, South Africa.

Source: Bank of International Settlements (BIS); Kiel Institute calculations.

Fiscal policy is slightly expansionary, overall. After policymakers accepted high government budget deficits in order to mitigate the adverse economic consequences of the pandemic and higher energy prices resulting in sharply higher government debt, many countries failed to achieve sustainable fiscal consolidation afterwards. Even after the crisis policy measures expired, budget deficits remained well above pre-crisis levels; in some cases, they even rose again last year, for example in the United States and France. There are few signs of any significant efforts to reduce the structural deficits, which remain high in many places. In many cases, increased defense spending is also contributing to higher deficits, which are being financed at best partly by spending cuts elsewhere in the budget or tax increases (as in Japan, where corporate income tax is being raised for this purpose). In the United States, the government's legislated measures consist of large tax cuts which even point to a noticeably expansionary fiscal policy, since only a small portion of the initially planned massive spending cuts are likely to be implemented. In Europe, the US government's changed attitude toward NATO calls for a sharp increase in defense spending. To enable this politically desired course of action, European debt rules have been relaxed and favorable EU loans made available. This is likely to lead to a slight increase in the aggregate deficit of euro area countries in percent of GDP, to a level of just under 3.5 percent. Doubts about the sustainability of fiscal policy and concerns that the debt burden can ultimately only be made sustainable through higher inflation have probably contributed to the significant rise in yields on government bonds particularly at the very long end of the yield curve that has been observed worldwide in recent months.

Outlook: Global economy temporarily loses momentum

Economic uncertainty remains high and the negative effects of tariff policy are becoming apparent. The trade agreements that have been reached between the United States and its partners to date and those that are expected to be agreed in the coming months will reduce economic uncertainty to some extent. However, given the unpredictability of the US President and his tendency to use tariffs as a tool to address a wide range of issues, partly completely unrelated to the economy, trade disputes remain a risk. Moreover, trade agreements also contain ambitious promises that are beyond the control of governments and ultimately unlikely to be kept, such as the goal of mobilizing USD 600 billion in additional investment by European companies in the United States. This means that it is likely that Donald Trump will permanently have a potential reason to question the agreements or to terminate them unilaterally, so that the brakes on economic activity caused by uncertainty will only be released gradually.

The global economy will initially lose momentum and then recover over the course of the coming year. In the coming months, the lack of demand brought forward to escape tariffs will become increasingly noticeable, and global trade is likely to decline significantly. As a result, we expect global growth to slow down into next year. Subsequently, the economy is likely to gradually pick up again on the back of less restrictive monetary policies, generally improved outlook for real wages and impulses from fiscal policy.

The economic slowdown will be reflected in a weak growth rate next year. For the current year, we expect a slowdown in global production growth – measured on the basis of purchasing power parities – from 3.3 percent to 3.0 percent, and for 2026 we expect a decline to just 2.8 percent (Table 1). We have raised our forecast for this year by 0.1 percentage points compared to the June forecast due to the unexpectedly robust development in the summer half-year and reduced it by 0.1 percentage points for the coming year (Gern et al. 2025). Based on market exchange rates, global production is expected to grow by 2.5 percent this year and 2.3 percent next year, following 2.8 percent in 2024. Global trade in goods, which grew by 2.5 percent in 2024, is likely to increase by even 2.8 percent on average in 2025 thanks to the strong expansion in the first few months of the year. The weak performance in the latter part of the year is reflected above all in the average growth for 2026, for which we have reduced our forecast to 0.2 percent. We expect the global economy to gradually strengthen in 2027. However, at 3.0 percent weighted by purchasing power parities, or 2.6 percent measured by market exchange rates, the increase in production remains low by historical standards. This is partly due to the fact that, in our view, potential output growth in the world's two largest economies is slowing noticeably. GDP growth in the group of advanced economies on aggregate is likely to weaken to 1.4 percent this year and further to 1.3 percent next year. We expect a recovery to 1.6 percent in 2027 (Annex Table 8.1).

Tabelle 1:
Real GDP and consumer prices in the global economy

	Weight	Gross domestic product				Consumer prices			
		2024	2025	2026	2027	2024	2025	2026	2027
World economy total	100	3.3	3.0	2.8	3.1	6.6	4.9	4.2	3.6
including									
Advanced economies	57.7	1.9	1.6	1.3	1.7	2.7	2.7	2.5	2.3
China	19.1	5.0	4.7	4.3	4.2	0.2	0.0	0.1	0.1
Latin America	5.8	2.0	2.0	1.6	2.5	28.0	11.7	9.4	4.9
India	7.8	6.7	7.3	6.3	6.6	2.7	2.7	3.3	4.0
East Asian emerging economies	4.7	3.7	3.2	3.5	3.8	2.3	1.9	2.0	2.1
Russia	2.8	4.1	1.0	0.5	0.5	8.4	9.2	8.5	8.0
Africa	2.2	3.0	3.5	3.6	3.7	17.9	17.7	12.7	10.8
Memorandum item:									
World trade volume (goods)		2.5	2.8	0.2	2.3				
World economy (GDP weights using current US-dollar exchange rates)		2.8	2.5	2.3	2.6	5.1	3.8	3.3	2.8

Percent. Weights according to GDP in 2024 based on purchasing power parities. GDP, consumer prices: change over previous year. East Asian emergin economies: Thailand, Malysia Indonesia and Philippines. Africa: Egypt, Nigeria, South Africa, Algeria, Ethiopia.

Source: IMF, International Financial Statistics; OECD, Main Economic Indicators; Kiel Institute calculations; shaded area: Kiel Institute forecast.

US economic growth has weakened and the economy remains fragile going forward. The development of the US economy was shaped by the tariff policy in the first half of the year. Although GDP rebounded in the second quarter after contracting slightly in the first quarter, the US economy lost considerable momentum overall (Annex Figure 2.1). Private consumption slowed noticeably in particular. The labor market has lost considerable momentum. According to the US Bureau of Labor Statistics, only 33,000 new jobs were created in May and June. While a slightly stronger increase was recorded in July, it was still well below the average job increases of recent years. Inflationary pressure is increasing again. Upward pressure on consumer prices is likely to intensify in the coming months with the full effects of tariffs unfolding. Monetary policy is expected to be loosened somewhat in the coming months, despite the risks to price stability and fiscal policy will be expansionary in the forecast period. Growth will nevertheless remain subdued during the forecast period. Major limiting factors are the protectionist trade policy, a significant reduction in immigration, and elevated economic policy uncertainty weighing on consumer confidence. An upside to growth comes from considerable investments into development and dissemination of artificial intelligence technologies. We expect GDP to grow by 1.8 percent in the current year, slowing to 1.5 percent in the coming year. We anticipate an inflation rate of 2.9 percent for 2025 and an increase to 3.0 percent for 2026 (Annex Table 2.1).

The economy in the euro area remains on a moderate upward trend. The economy in the euro area slowed in the second quarter, with manufacturing weakening again. However, following the strong expansion of output by 0.6 percent in the first quarter, the slowdown was less severe than expected. Exports to the United States remained buoyant in the second quarter in anticipation of higher tariffs on EU products, and there was no correction of activity in Ireland. The inflation rate is now close to the target of 2 percent, but the core inflation is stuck at 2.3 percent. We do not expect the ECB to cut rates further for the time being. The trade deal with the US creates a framework for transatlantic trade that, while weighing on the European economy, at least temporarily reduces uncertainty for European exporters. However, it remains to be seen to which extent the uncertainty can be indeed reduced, given that pledges such as the targeted substantial investments by European companies in the United States and a drastic increase in EU imports of American energy commodities are unlikely to be fulfilled. Against this backdrop growth will remain moderate over the forecast horizon. Foreign trade is likely to slow down the economy noticeably in the coming months (see Annex Figure 4.1). On the other hand, private consumption and corporate investment are likely to continue to expand, albeit only moderately, in view of the loosened monetary policy and noticeable increases in purchasing power. Some stimulus is also likely to come from fiscal policy, partly due to increased defense spending, but overall the fiscal impulse will remain limited given that deficits and debt levels are already high in many countries. All in all, we expect annual growth rates of 1.2 percent this year, 1.1 percent next year, will and 1.4 percent in 2027 (Annex Table 4.1) The labor market in the euro area remains robust, but bottlenecks are easing.

The Chinese economy is relatively stable despite the trade conflict. Despite the trade conflict with the United States, the Chinese economy slowed down only slightly in the second quarter of 2025 (1.1 percent). Although exports to the United States temporarily declined sharply, total exports rose as deliveries to other countries were strongly expanded. At the same time, private consumption picked up somewhat. The ongoing real estate crisis remains a major drag on the Chinese economy. The stimulus programs announced since the last fall have so far had only a moderate effect on overall investment and have done little to stimulate private investment. Inflation remains low mainly due to high overcapacities. The PMI for the manufacturing sector published by the Chinese statistics office slipped back below the expansion threshold in April and remained in contraction since. The PMI for the service sector also tended to weaken in the second quarter and was only just above the expansion threshold in July (50.1 points). The outlook for the Chinese economy remains subdued. Uncertainty surrounding foreign trade policy remains high in view of the ongoing economic, technological, and geopolitical rivalry between the world's two largest powers. This is weighing heavily on the manufacturing sector’s prospects. Economic policy, especially fiscal policy, is therefore likely to remain expansionary. However, it will not be able to counteract the underlying slowdown in trend growth in the longer term. We therefore expect significantly lower growth rates in the next two years of 4.3 and 4.2 percent, respectively, while it is expected to still reach 4.7 percent and thus to be close to the current expansion target in 2025 (Annex Table 8.3).

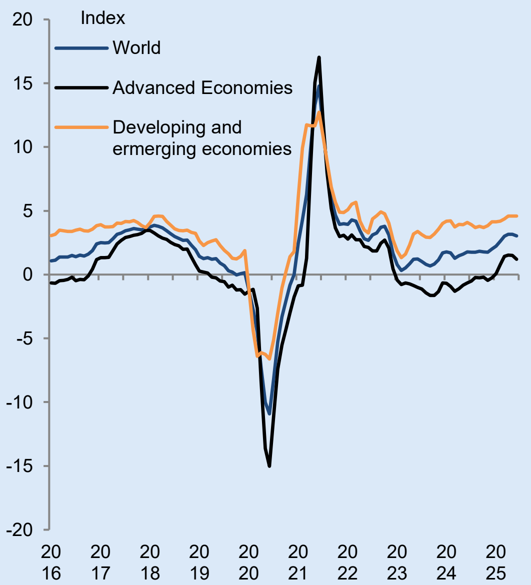
Risks to the forecast remain high, particularly due to the uncertainties surrounding US trade policy. Although uncertainty about the future trade policy environment appears to be reduced for the time being, serious trade conflicts between the major economic regions could arise again at any time. An agreement between the United States and China – which were engaged in a full-blown trade war in the spring – is still pending. The deal with the EU could also still fail, as its implementation requires the approval of the EU Parliament to reduce tariffs on US products, which is not secured. In addition, there are a number of contentious issues between the EU and the United States that could lead to renewed pressure from the US government through the threat or imposition of punitive tariffs, such as EU digital legislation. So far, most countries have tried to avoid escalation through bilateral agreements in the pursuit to minimize the costs to their economies. Such a "policy of appeasement" is rational in the short term, but it threatens the foundations of the international world trade order and could lead to significant global welfare losses in the long term. Eventually, economies committed to a rules-based trade regime could form a strategic alliance to pool their economic strength to respond to US policy with counter-tariffs. In the short term, this would probably place considerable strain on the global economy, but in the longer term it would reduce the damage to the global economy (Hinz et al. 2025).

Data annex

CONTENTS

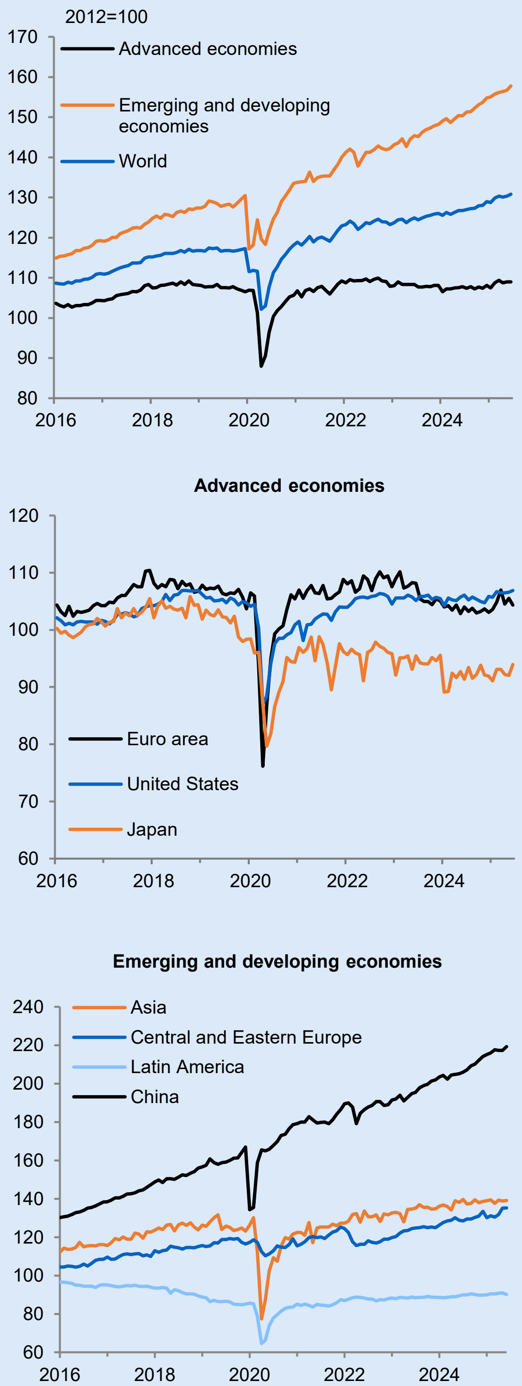
1. World Economy

Figure 1.1:
Business expectations by groups of countries



Monthy data, seasonally adjusted, previous year's rate, quarterly average.
Source: CPB, Kiel Institute calculations.

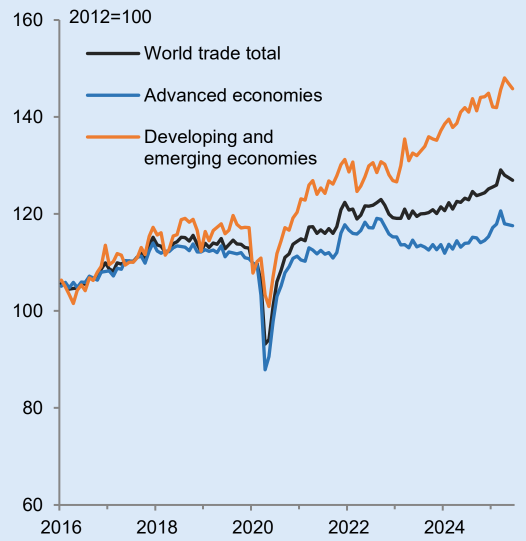
Figure 1.2:
Industrial production by groups of countries and regions



Monthly data. Last value: Julz 2024.

Source: CPB, *World Trade Monitor;* Kiel Institute calculations.

Figure 1.3:
World Trade

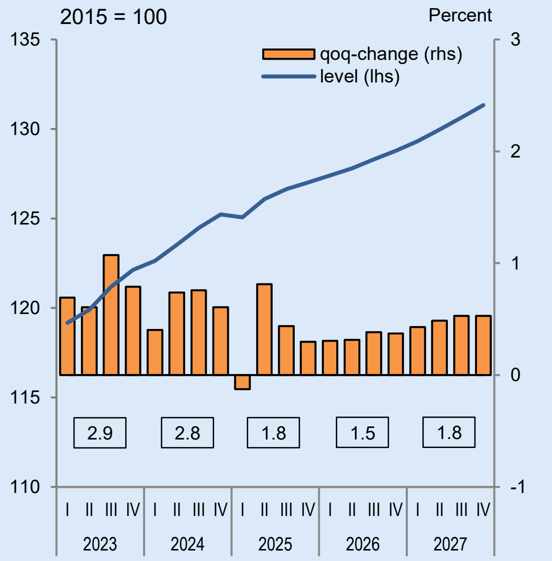


Monthly Data.

Source: CPB, *World Trade Monitor*, Kiel Institute calculations.

2. United States

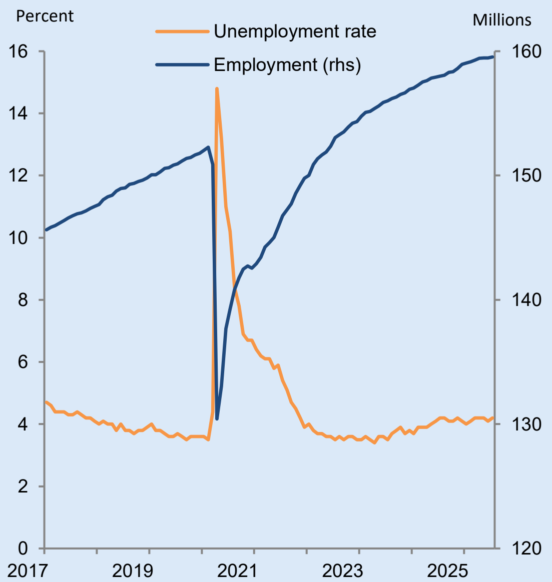
Figure 2.1:
GDP



Quarterly data, price, seasonally and calendar adjusted, qoq-change; annual rate of change (boxes).

Source: Bureau of Economic Analysis; shaded: Kiel Institute forecast.

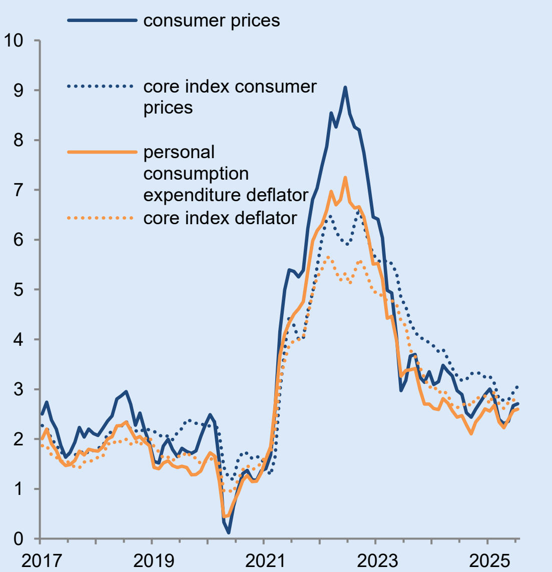
Figure 2.2:
Labor Market



Monthly data, seasonally adjusted.

Source: US Bureau of Labor Statistics, *Employment Situation.*

Figure 2.3:
Consumer prices



Monthly data; change over previous year. Core index: consumer prices excluding energy and food.

Source: .US Bureau of Economic Analysis, *Personal*

Table 2.1:
Key indicators for the United States

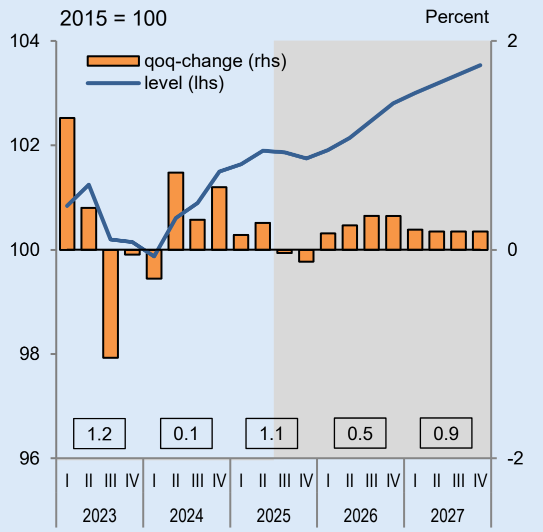
	2024	2025	2026	2027
Gross Domestic Product	2.8	1.8	1.5	1.8
Domestic expenditure	3.1	2.0	1.3	2.0
Private consumption	2.8	2.0	1.1	1.5
Government expenditure	3.4	1.1	0.6	1.5
Gross fixed capital formation	3.7	3.2	2.4	4.1
Machinery and equipment	3.3	7.6	4.4	5.1
Intellectual property rights	3.9	5.1	5.7	5.8
Structures	3.5	-3.4	-1.5	1.1
Residential Investment	4.2	-2.4	-5.0	0.6
Change in inventories	0.0	0.0	0.0	0.1
Net exports	-0.3	-0.2	0.2	-0.2
Exports	3.3	1.3	1.5	2.5
Imports	5.3	2.6	0.4	4.0
Consumer prices	2.9	2.9	3.0	2.4
Unemployment rate	4.0	4.2	4.3	4.3
Current account balance	-4.1	-4.1	-3.9	-4.0
Government budget balance	-6.4	-6.1	-5.8	-5.6

Percent. GDP: volumes. change over previous year. percent. — Net exports. inventories: contribution to growth. percentage points. — Unemployment rate: unemployed in relation to labor force. — Current account balance. government budget balance: percent of nominal GDP.— Budget balance: fiscal year.

Source: US Department of Commerce. *National Economic Accounts*; US Department of Labor. *Employment Situation and Consumer Price Index*; US Department of the Treasury. *Monthly Treasury Statement*; Kiel Institute calculations; shaded: Kiel Institute forecast.

3. Japan

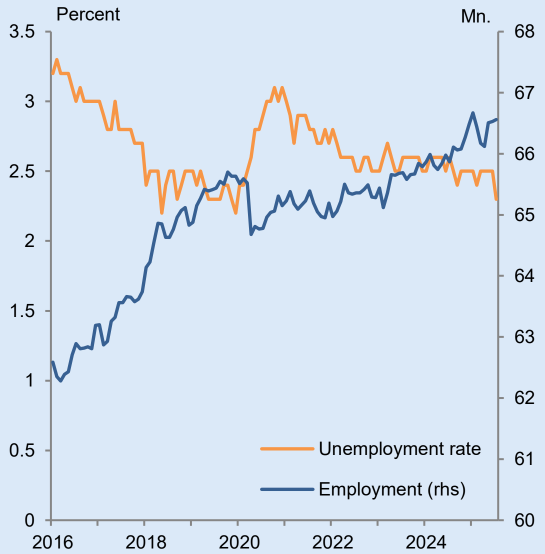
Figure 3.1:
GDP



Quarterly data, price, seasonally and calendar adjusted, qoq-change; annual rate of change (boxes).

Source: Cabinet office, *National Accounts*; shaded: Kiel Institute forecast.

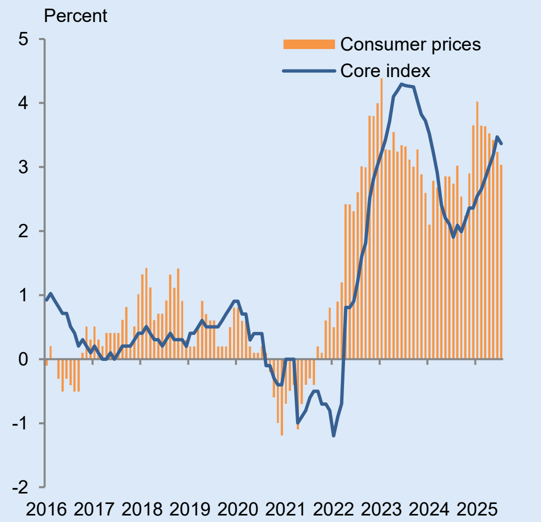
Figure 3.2:
Labor market



Monthly data; seasonally adjusted.

Source: Department of Labor.

Figure 3.3:
Consumer prices



Monthly data; change over previous year. Core index: consumer prices excluding energy and fresh food.

Source: Statistics Bureau of Japan.

Table 3.1
Key Indicators Japan

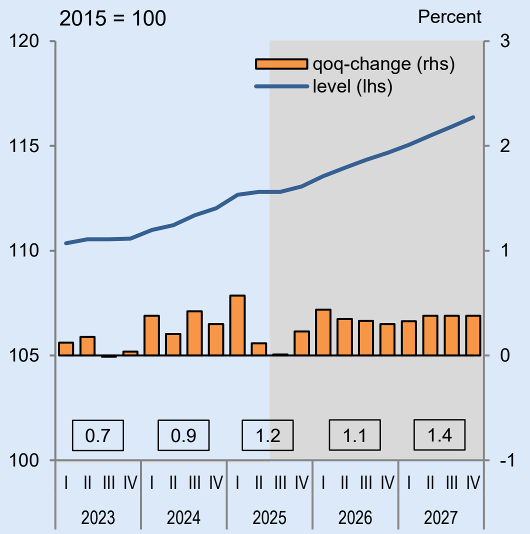
	2024	2025	2026	2027
Gross Domestic Product	0.1	1.1	0.5	0.9
Domestic demand	0.1	1.2	0.6	0.8
Private consumption	-0.1	1.1	0.7	0.6
Government consumption	0.9	0.1	1.1	1.0
Gross fixed investment	1.3	2.0	0.2	1.4
Enterprises	1.0	2.7	0.9	1.8
Residential Investment	-2.1	2.6	0.2	0.9
Public investment	-1.3	-0.7	-2.5	-0.1
Inventories	0.0	0.0	0.0	0.0
Net exports	0.0	-0.1	0.0	0.1
Exports	1.1	3.1	0.4	2.0
Imports	1.0	3.9	0.5	1.6
Consumer prices	2.7	3.2	2.1	1.8
Unemployment rate	2.5	2.4	2.4	2.4
Current account balance	4.8	4.3	3.8	4.0
Fiscal balance	-3.4	-3.1	-3.0	-2.8

Percent. GDP: volumes. change over previous year. per-cent. — net exports. inventories: contribution to growth. percentage points. — Unemployment rate: Unemployed in relation to labor force. — Current account balance. fis-cal balance: percent of nominal GDP.

Source: Cabinet Office. *National Accounts*; OECD. *Main Economic Indicators*; Kiel Institute calculations; shaded area: Kiel Institute forecast.

4. Euro Area

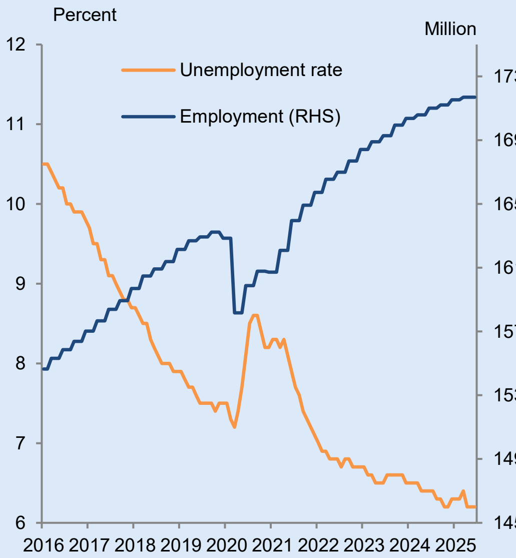
Figure 4.1:
GDP



Quarterly data, price, seasonally and calendar adjusted, qoq-change. Annual data: price adjusted, annual rate of change (boxes).

Source: Federal Statistical Office, Fachserie 18, Series 1.3; shaded: IfW forecast.

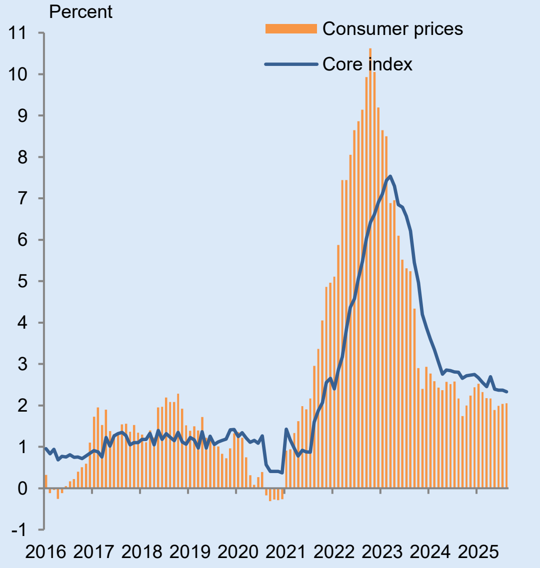
Figure 4.2:
Labor market



Monthly data; seasonally adjusted.

Source: Eurostat, *Labor Statistics*; ECB, *Monthly Bulletin*.

Figure 4.3:
Consumer prices



Monthly data; y-o-y change. Core index: HICP without energy and unprocessed food.

Source: Eurostat, *Price Statistics*.

Table 4.1:
Key indicators Euro Area

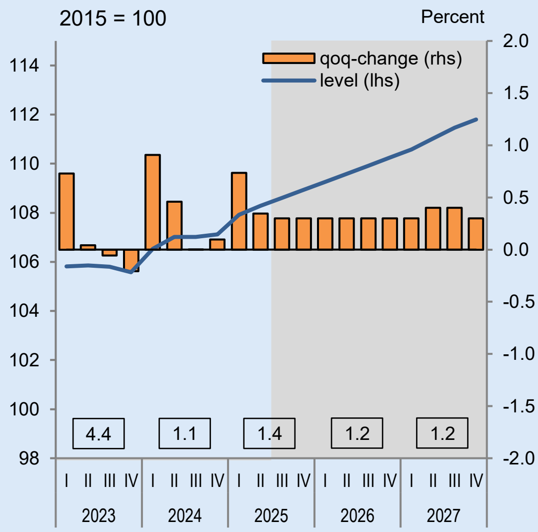
	2024	2025	2026	2027
Gross Domestic Product	0.8	1.2	1.1	1.4
Domestic expenditure	0.4	1.7	1.8	1.6
Private consumption	2.5	1.3	1.9	1.3
Government consumption	1.1	1.3	1.4	1.0
Gross fixed capital formation	-1.9	3.8	2.4	2.1
Inventories	-0.3	-0.1	0.0	0.3
Net exports	0.5	-0.4	-0.5	-0.1
Exports	0.8	1.3	0.4	1.4
Imports	-0.2	2.4	1.6	1.8
Consumer prices	2.4	2.1	2.0	2.1
Unemployment rate	6.0	6.0	5.8	5.6
Current account balance	2.6	2.2	2.0	2.1
Government budget balance	-3.1	-3.3	-3.5	-3.6

GDP: volumes. change over previous year. percent. Net ex-ports. inventories: contribution to growth. percentage points. Unemployment rate: unemployed in relation to labor force. percent. Current account balance. government budget balance: percent of nominal GDP..

Source: Eurostat. National Accounts; Kiel Institute calcula-tions; grey shaded area: Kiel Institute forecast.

5. United Kingdom

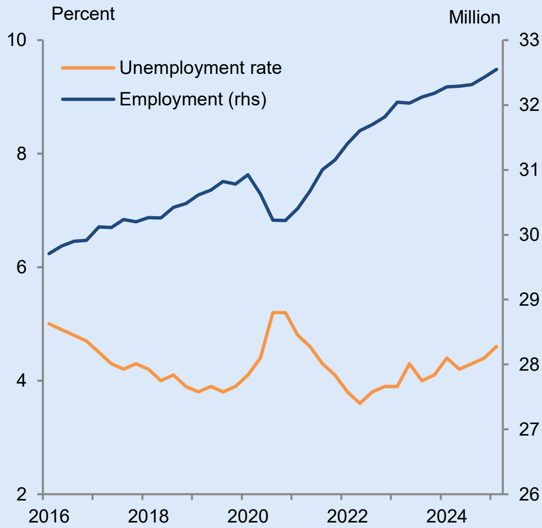
Figure 5.1:
GDP



Quarterly data, price, seasonally and calendar adjusted, qoq-change; annual rate of change (boxes).

Source: Cabinet office, *National Accounts*; shaded: IfW forecast.

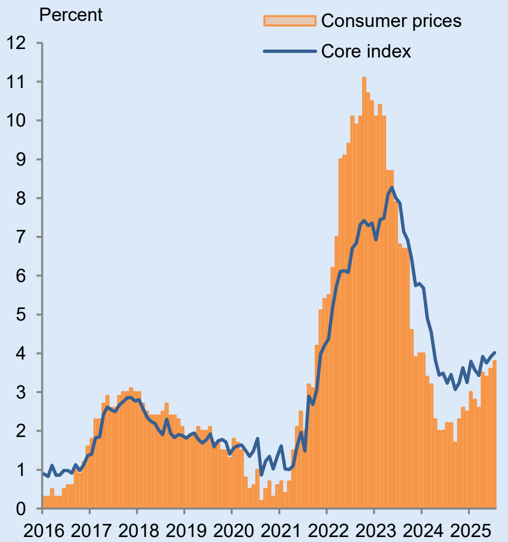
Figure 5.2:
Labor market



Quarterly data, seasonally adjusted.

Source: Office for National Statistics, *Economy*.

Figure 5.3:
Consumer prices



Monthly data, change over previous year. Core rate: consumer prices excluding energy and fresh food.

Source: Office for National Statistics, *Economy*.

Table 5.1:
Key indicators United Kingdom

	2024	2025	2026	2027
Gross Domestic Product	1.1	1.4	1.2	1.2
Domestic expenditure	2.4	1.3	1.3	1.4
Private consumption	0.6	1.1	1.4	1.3
Government consumption	3.0	2.0	0.8	1.0
Gross fixed investment	1.5	2.4	2.5	2.9
Inventories	-0.7	0.1	0.0	0.0
Net exports	-1.4	-0.2	-0.3	-0.1
Exports	-1.2	0.8	1.2	1.9
Imports	2.7	2.0	1.6	2.1
Consumer prices	3.4	2.8	2.6	2.6
Unemployment rate	4.3	4.6	4.5	4.3
Current account balance	-2.7	-4.2	-4.8	-4.9
Fiscal balance	-5.2	-5.0	-4.5	-4.2

Percent. GDP: volumes. change over previous year. per-cent. — net exports. inventories: contribution to growth. percentage points. — Unemployment rate: Unemployed in relation to labor force. — Current account balance. fiscal balance: percent of nominal GDP.

Source: Office for National Statistics. Economy. Shaded area: IfW forecast.

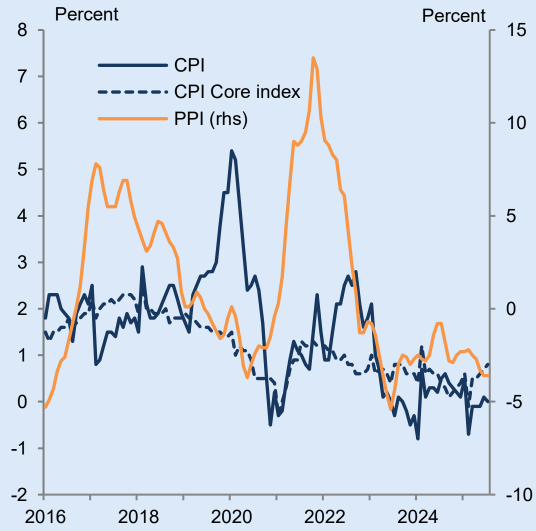
6. China

Figure 6.1:
GDP and alternative activity indicators

Quarterly data. GDP (official): year-on-year percentage change; Keqiang-index: arithmetic mean of the year-on-year growth rates of RMB lending from financial institutions, electricity consumption and railway freight cargo volume; GDP (BOFIT- Indicator): estimated year-on-year growth rate, simple average.

Source: Kiel Institute calculations based on data from National Bureau of Statistics, National Energy Agency, and People's Bank of China; GDP (BOFIT-Indicator) from Bank of Finland.

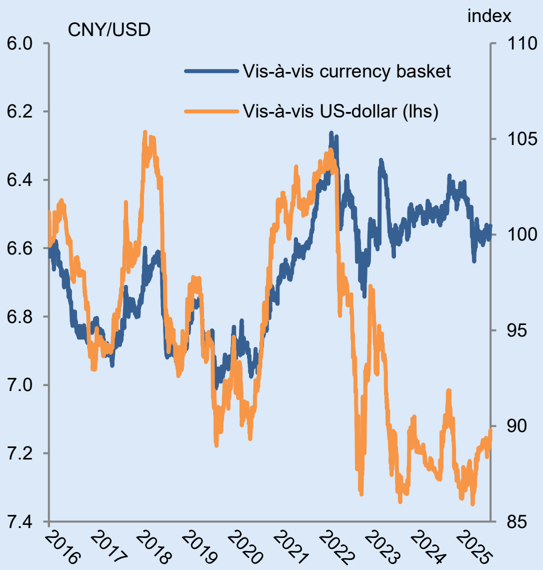
Figure 6.2:
Inflation



Monthly data; y-o-y growth rate. Core index: CPI excluding food and energy.

Source: National Bureau of Statistics.

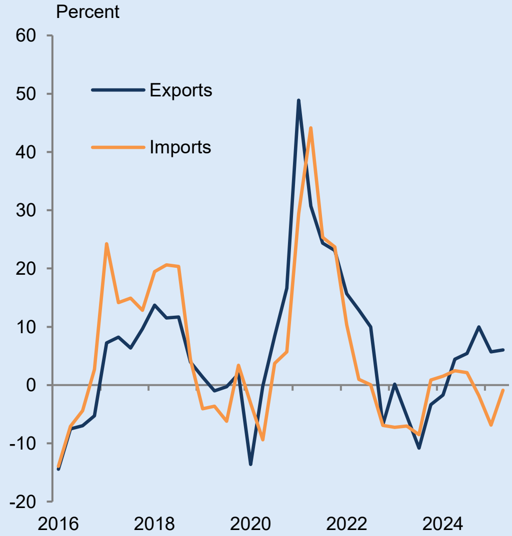
Figure 6.3:
Exchange rates



Daily data.

Source: Thomson Reuters; China Foreign Exchange Trade System; Kiel Institute calculations.

Figure 6.4:
Exports and imports

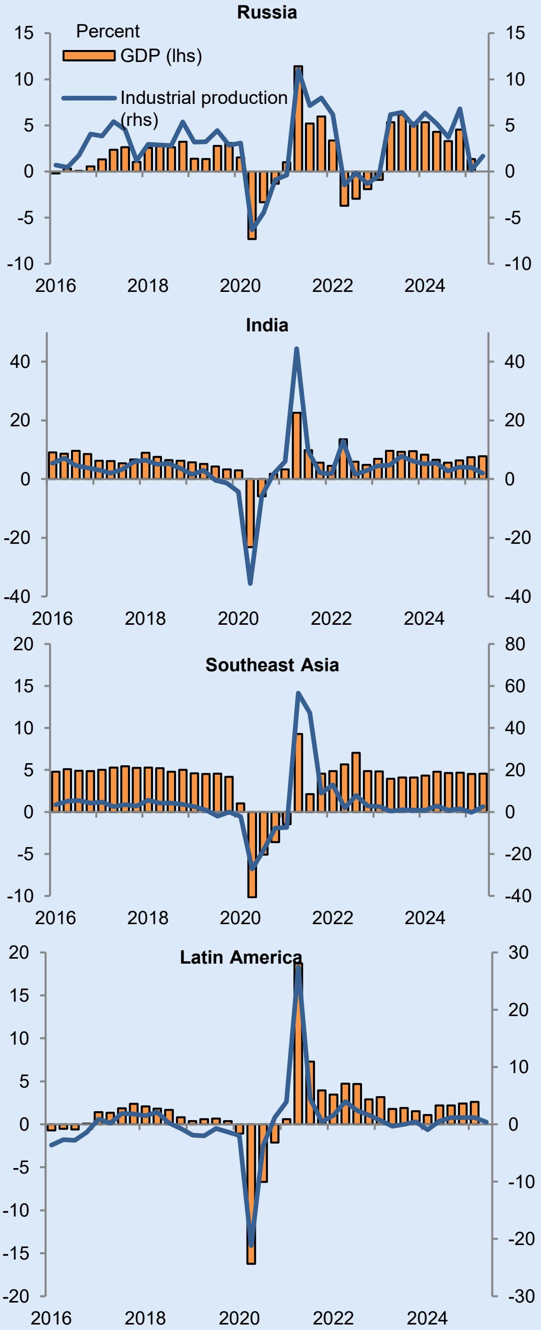


Change on a year ealier based on quarterly averages.

Source: General Administration of Customs China

7. Emerging Economies

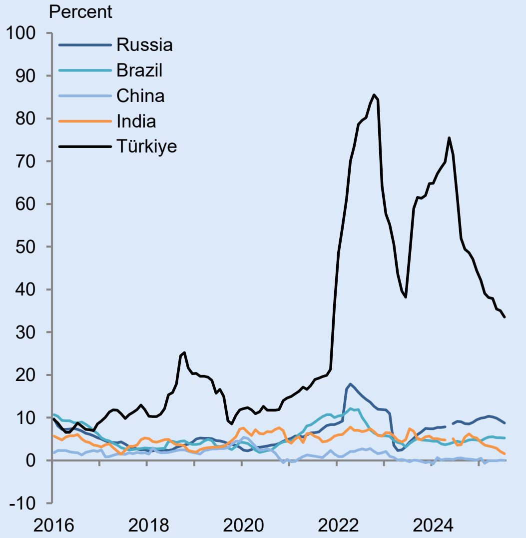
Figure 7.1:
GDP and industrial production in emerging economies



Quarterly data; volumes; seasonally adjusted; change over previous year; Southeast Asia: GDP-weighted average of Indonesia, Thailand, Malaysia and the Philippines; Latin America: GDP-weighted average of Argentinia, Brasil, Chile, Colombia, Mexico and Peru.

Source: IMF, *International Financial Statistics*; national statistical offices; Kiel Institute calculations.

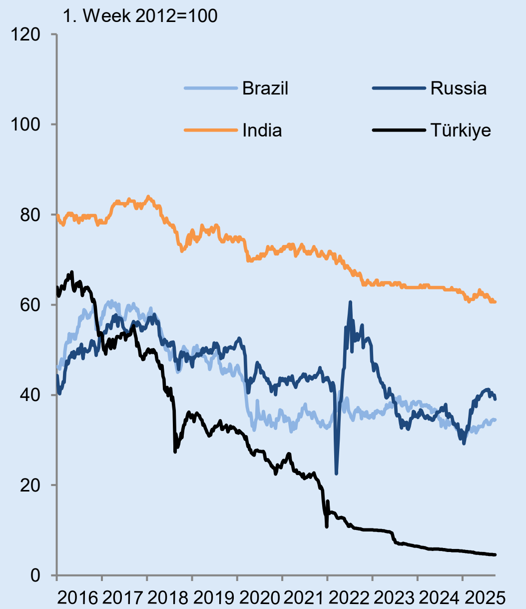
Figure 7.2:
Consumer prices



Monthly data; change over previous year.

Source: Federal State Statistics Service, *Russia*; IBGE, *Brazil*; National Bureau of Statistics, *China*; Labour Bureau, *India*.

Figure 7.3:
US-dollar exchange rates



Weekly data.

Source: LSEG

8. Forecast summary

Table 8.1:
Real gross domestic product, consumer prices and unemployment rate in advanced economies

	Weights	Real GDP				Consumer prices				Unemployment rate			
		2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027
European Union	41.1	1.0	1.3	1.3	1.5	2.6	2.5	2.3	2.4	6.0	5.9	5.7	5.5
Euro area	34.9	0.8	1.2	1.1	1.4	2.4	2.1	2.0	2.1	6.4	6.3	6.1	5.9
Sweden	0.9	0.8	1.1	1.8	1.4	2.0	2.9	2.1	2.1	8.4	8.7	8.0	7.5
Poland	2.3	2.9	3.3	2.9	3.0	3.7	3.5	2.9	2.9	2.9	2.9	2.7	2.6
United Kingdom	5.1	1.1	1.4	1.2	1.2	2.5	3.4	2.8	2.6	4.3	4.6	4.5	4.3
Switzerland	1.0	1.4	1.0	0.5	1.1	1.4	0.3	0.5	0.7	4.0	4.2	4.3	4.2
Norway	0.7	2.1	0.0	1.3	1.0	3.4	3.2	2.9	2.7	4.0	4.4	4.3	4.2
United States	35.0	2.8	1.8	1.5	1.8	2.9	2.9	3.0	2.4	4.0	4.2	4.3	4.3
Canada	3.1	1.6	0.9	0.7	2.1	2.4	1.9	1.8	2.0	6.4	7.0	7.2	6.8
Japan	7.8	0.1	1.1	0.5	0.9	2.7	3.2	2.1	1.8	2.5	2.4	2.4	2.4
South Korea	3.9	2.0	0.6	1.5	2.1	2.3	2.1	1.8	1.8	2.8	2.7	2.7	2.5
Australia	2.3	1.0	1.2	1.3	2.2	3.2	2.3	2.2	2.4	4.1	4.2	4.1	4.0
Total	100.0	1.6	1.4	1.3	1.6	2.7	2.7	2.5	2.3	4.7	4.8	4.8	4.6

Based on GDP at prices and exchange rates of 2024 in percent. Change over previous year in percent. European Union and Norway: Harmonized Index of Consumer Prices (HICP). Standardized unemployment rate in percent (ILO); country groups weighted according to the size of the labor force in 2024.

Source: Eurostat, VGR; OECD, Main Economic Indicators; IMF World Economic Outlook Database; Statistics Canada, Canadian Economic Account; shaded: Kiel Institute forecast.

Tabelle 8.2:
Real gross domestic product, consumer prices and unemployment rates in the European Union

	Weights	Real GDP				Consumer prices				Unemployment rate			
		2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027
Germany	24.1	-0.5	0.2	1.0	1.1	2.5	2.1	1.8	2.2	3.4	3.7	3.6	3.4
France	16.2	1.1	0.7	0.8	1.1	2.3	1.3	1.8	1.8	7.4	7.5	7.4	7.4
Italy	12.2	0.5	0.5	0.8	1.3	1.1	1.7	2.0	2.0	6.5	6.1	6.1	6.0
Spain	8.9	3.2	2.7	2.3	1.9	2.9	2.5	2.4	2.4	11.4	10.6	9.9	9.5
Netherlands	6.2	1.1	1.3	0.9	1.2	3.2	3.2	2.3	2.3	3.7	3.8	3.8	3.7
Belgium	3.4	1.0	1.0	0.8	0.9	4.3	2.4	2.1	2.1	5.7	6.0	6.0	5.9
Austria	2.7	-1.1	0.1	0.7	1.4	2.9	3.3	2.3	2.3	5.2	5.7	5.6	5.4
Ireland	3.1	2.6	10.6	2.2	2.8	1.3	1.8	2.0	2.0	4.3	4.6	4.1	4.0
Finland	1.5	0.4	0.4	1.3	1.2	1.0	2.1	2.2	2.2	8.4	9.3	9.1	8.5
Portugal	1.6	1.9	1.5	1.4	1.9	2.7	2.0	1.9	1.9	6.5	6.2	5.9	5.8
Greece	1.3	2.3	1.7	1.9	2.0	3.0	2.9	2.4	2.4	10.1	8.7	8.0	7.5
Slovak Republic	0.7	2.1	0.7	1.5	2.2	3.2	4.2	3.2	3.2	5.3	5.3	5.2	5.0
Luxembourg	0.5	1.0	-0.1	1.5	1.5	2.3	2.0	2.0	2.0	6.3	6.6	6.0	5.3
Kroatien	0.5	3.9	3.1	2.4	2.7	4.0	4.3	2.9	2.9	5.1	4.6	4.2	4.0
Slovenia	0.4	1.5	0.5	1.9	2.4	2.0	2.5	2.1	2.1	3.7	3.6	3.4	3.3
Lithuania	0.4	2.7	2.5	1.9	2.4	0.9	3.4	3.0	3.0	7.1	6.8	6.3	6.0
Latvia	0.2	-0.4	0.6	1.4	2.3	1.3	3.8	3.5	3.5	6.9	6.9	6.8	6.4
Estonia	0.2	-0.3	0.5	1.7	2.2	3.7	4.8	4.1	4.1	7.6	7.8	7.3	6.5
Cyprus	0.2	3.4	3.0	2.1	2.5	2.3	1.2	1.3	1.3	4.9	4.6	4.4	4.0
Malta	0.1	6.8	3.2	3.3	2.5	2.4	2.4	2.3	2.3	3.1	2.7	2.4	2.3
Sweden	3.1	0.8	1.1	1.8	1.4	2.0	2.9	2.1	2.1	8.4	8.7	8.0	7.5
Poland	4.7	2.9	3.3	2.9	3.0	3.7	3.5	2.9	2.9	2.9	2.9	2.7	2.6
Denmark	2.2	3.5	1.7	2.1	2.0	1.3	2.8	3.4	3.4	6.2	6.3	5.7	5.3
Czech Republic	1.8	1.1	2.3	2.2	2.5	2.4	2.8	2.5	2.5	2.8	2.7	2.5	2.2
Romania	2.0	0.8	1.6	1.6	2.5	5.3	6.9	6.6	6.6	5.4	5.8	5.5	5.3
Hungary	1.1	0.5	0.4	2.1	2.8	3.7	4.7	3.4	3.4	4.4	4.3	4.2	4.0
Bulgaria	0.6	2.6	3.0	2.6	2.7	4.4	4.7	3.4	3.4	4.2	3.6	3.3	3.2
European Union	100.0	1.0	1.3	1.3	1.5	2.6	2.5	2.3	2.4	6.0	5.9	5.7	5.5
Addendum:													
European Union 11	87.0	0.8	1.2	1.2	1.4	2.3	2.1	2.0	2.1	6.5	6.4	6.2	6.0
Accession countries	13.0	2.0	2.3	2.3	2.7	3.7	4.3	3.7	3.7	4.1	4.1	3.8	3.6
Euro Area	84.5	0.8	1.2	1.1	1.4	2.4	2.1	2.0	2.1	6.4	6.3	6.1	5.9
Euro Area without Germany	60.5	1.3	1.6	1.2	1.5	2.3	2.1	2.1	2.1	7.4	7.2	7.0	6.8

Based on GDP at prices and exchange rates of 2024 in percent. Change over previous year in percent. Harmonized Index of Consumer Prices (HICP). Standardized unemployment rate in percent (ILO); country groups weighted according to the size of the labor force in 2023. Accession countries since 2004.

Source: Eurostat, National Accounts; shaded: IfW forecast.

Tabelle 8.3:
Real gross domestic product and consumer prices in selected emerging market economies

	Weights	Real GDP				Consumer prices			
		2024	2025	2026	2027	2024	2025	2026	2027
Indonesia	5.1	5.0	4.8	4.8	5.0	2.5	1.8	2.3	2.5
Thailand	1.9	2.5	2.6	2.3	2.7	0.4	0.5	1.0	1.0
Malaysia	1.5	5.1	4.4	4.2	4.5	1.8	1.4	1.7	1.8
Philippines	1.5	5.5	5.3	5.2	5.5	3.2	1.7	2.1	2.5
Total	10.0	4.6	4.4	4.3	4.6	2.1	1.5	1.9	2.1
China	41.6	5.0	4.7	4.3	4.2	0.2	0.0	0.1	0.1
India	17.6	6.7	7.3	6.3	6.6	2.7	2.7	3.3	4.0
Asia total	69.3	5.4	5.3	4.8	4.9	1.1	0.9	1.2	1.4
Brazil	5.2	3.4	2.1	1.5	2.5	4.4	5.2	4.6	4.5
Mexico	3.6	1.4	0.6	0.9	2.0	4.7	3.8	3.3	3.5
Argentina	1.5	-1.7	5.0	3.8	3.2	220.0	45.0	20.0	15.0
Colombia	1.2	1.6	2.6	2.2	2.5	6.6	5.1	4.3	4.1
Chile	0.7	2.4	2.2	2.0	2.5	4.6	4.5	3.8	3.3
Peru	0.7	3.3	2.7	2.5	2.8	2.4	1.8	2.2	2.3
Latin America total	12.9	2.0	2.1	1.7	2.5	29.7	9.2	5.8	5.2
Egypt	2.4	2.4	3.8	4.3	4.8	33.3	20.0	15.0	12.0
Nigeria	1.6	3.4	3.0	2.8	3.0	33.3	27.0	35.0	20.0
South Africa	1.1	0.6	1.0	1.2	1.5	4.4	3.8	4.5	4.5
Algeria	0.9	3.5	3.5	3.0	3.2	4.0	3.7	3.6	3.5
Ethiopia	0.5	8.1	7.0	7.0	7.5	21.7	21.0	15.0	12.0
Africa total	6.5	2.9	3.3	3.4	3.8	23.6	16.9	16.7	11.6
Russia	7.5	4.1	1.0	0.5	0.5	8.4	9.2	8.5	8.0
Tyrkiye	3.8	3.2	3.5	3.7	4.5	58.5	35.0	25.0	20.0
Total	100.0	4.6	4.4	4.0	4.1	9.0	4.9	4.2	3.7

In percent. Weights: According to 2024 GDP at purchasing power parities. — GDP: price adjusted; changes compared to the previous year. — Consumer prices: changes compared to the previous year. — Asia total, Latin America total: based on listed countries.

Source: IMF, International Financial Statistics; OECD, Main Economic Indicators; national statistics; Kiel Institute calculations; shaded: Kiel Institute forecast.

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